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May 2009

Poverty and Social Impact Analysis (PSIA)

Reviewing the Link with In-Country Policy and Planning Processes

Synthesis Report

SOCIAL DEVELOPMENT DEPARTMENT | SUSTAINABLE DEVELOPMENT NETWORK | THE WORLD BANK



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Acknowledgements

This report presents the results of a World Bank internal review on the effectiveness of the Poverty and Social Impact Analysis (PSIA) approach on policy and planning processes in partner countries. The main purpose of this work is to learn and share lessons about when ex-ante policy analysis most effectively informs national policy formulation processes. What are the factors that support or impede information about winners and losers of reform? How can these factors most effectively be incorporated in the design of public policies?

This is a joint World Bank and Overseas Development Institute (ODI) study. It was commissioned by the World Bank's Social Development Department in close collaboration with the PREM Poverty Group. Renate Kirsch (Senior Social Scientist) led the team under the supervision of Andrew Norton (Lead Social Development Specialist). Clemens Gros provided valuable inputs as a member of the team. This synthesis report and the supporting case study reports have been prepared by the Overseas Development Institute (UK) under the leadership of Alison Evans. Funding for this work was provided by the German Poverty and Social Analysis Fund. We are grateful to the German Ministry of Economic Cooperation and Development (BMZ) and the German Agency for Technical Cooperation (GTZ) for their continuous and generous support to the PSIA agenda.

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Most Task Team Leaders of the PSIA case studies contributed actively to the analysis and commented on draft versions of the case study reports. We thank Sarah Keener, Hassan Zaman, Ana Revenga, Johannes Hoogeveen, Richard Hinz and Sabine Beddies for their openness to share their perspectives with us and for their contributions to this review. Views and comments provided by numerous World Bank colleagues are gratefully acknowledged. Specific inputs were provided by peer reviewers including Manuela Ferro, Francisco Galero Carneiro (OPCS), Louise Cord and Ambar Narayan (PREM PR) .

Abbreviations and Acronyms

CPIA	Country Policy and Institutional Assessment
DFID	Department for International Development (UK)
DP	Development Partner
DPL	Development Policy Loan
DRC	Democratic Republic of Congo
EF	Equity Fund
ESW	Economic and Sector Work
FANOME	Financement por l' Approvisionnement non-stop des Medicaments
GoT	Government of Tanzania
GPN	Good Practice Note
GPSAF	German Poverty and Social Analysis Fund
GTZ	Gesellschaft für Technische Zusammenarbeit (Germany)
IEG	Independent Evaluation Group
IL	Investment Loan
LADIT	Landlessness and Development Information Tool
MoH	Ministry of Health
MoF	Ministry of Finance
NWSSIP	National Water Sector Strategy Investment Programme (Yemen)
OP	Operational Policy
PREMPR	Poverty Reduction Economic Management Network (Poverty Reduction Anchor)
PRSC	Poverty Reduction Strategy Credit
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
QAG	Quality Assurance Group
RBA	Retirements Benefits Agency
SDV	Social Development Department
SSA	Sub Saharan Africa
SWAp	Sector Wide Approach
TIPS	Tools for Institutional, Political and Social Analysis
ToR	Terms of Reference
TTL	Task Team Leader

Executive Summary

PSIA is the analysis of intended and unintended consequences of policy reforms on the well-being or welfare of different social groups, with a particular focus on the poor and vulnerable. PSIA offers a set of analytical tools that determine distributional impacts to improve the analytical underpinnings of policy making and engage appropriate stakeholders in the policy making process. By engaging stakeholders, PSIA can help to create space for public dialogue around reforms and thereby contribute to increased transparency and accountability in policy formulation.

Theory and practice surrounding PSIA have evolved over time. Within the World Bank, early thinking on this topic stressed a comprehensive approach that brought together different methodologies and strategies for policy analysis and supporting policy change. The latest Good Practice Note on PSIA (2008) argues that the approach to PSIA will vary based on country and reform contexts and the plurality of needs and interests at the country level. Some PSIAs will adopt a less comprehensive approach for short turnaround policy advice while others will take on a longer, more reflective approach for deeper exploration and generation of lessons learned. A core message of the GPN (2008) is that the Bank and other development partners can play a key role in promoting evidence based decision making and supporting in-country capacity for relevant policy analysis through PSIA. It is the extent to which Bank-executed PSIAs have contributed to this aim that has motivated. This review of PSIA experiences at the country level examines the extent to which Bank-executed PSIA's have contributed to these objectives.

PURPOSE AND LIMITATIONS OF THE REVIEW

The Review was commissioned by the PSIA Team at the World Bank with financial support from the German Ministry of Economic Cooperation and Development (BMZ). The full terms of reference (ToR) are annexed to this report. In summary:

The overall purpose of the review is to improve the practice and enhance the use of PSIA in the World Bank and partner countries, by reviewing the effects of PSIA on policy making and drawing on in country experiences that include, but are not limited to, GPSAF funded cases.

This review complements a second piece of analysis conducted by the World Bank's PREM Poverty Group, which takes stock of how Poverty and Social Impact Analysis informs Bank operations, particularly in the form of Development Policy Operations. The two parts jointly form the first comprehensive self-evaluation of the PSIA experience.

The ToR state that the review should do this by: (a) obtaining a picture of the kinds of outcomes and impacts PSIA work has achieved, particularly at country level, and (b) providing insights into what works, where and when. The findings of the review should also inform recommendations to tackle identified constraints and provide guidance to the PSIA Team about how to adjust the present PSIA approach so it (a) more effectively informs in-country and Bank policy design, and (b) is applied more routinely within the Bank and in partner governments.

The review has attempted to fulfil the ToR but limitations in the review need to be acknowledged at the outset. The sample size - 8 countries/PSIAs in total - is small and inevitably makes it difficult to draw generalisations. Tracing PSIA outcomes and impacts in complex country and reform situations is also a challenge, particularly when PSIAs themselves are not always clear about the outcomes/impacts they expect to see. In many instances a PSIA is but one of a number of possible influences on the reform process which makes attributing direct success to PSIA hazardous. Finally the range of PSIA products - from policy notes to fully comprehensive PSIAs - provides an insight into evolving practice, but it also means that the sample sizes for comparison purposes are very small. To improve the basis for generalisation, reference is made to the wider literature wherever possible.

KEY FINDINGS

The review identifies two broad categories of products amongst Bank-executed PSIAs: desk-based/technical PSIAs and process-PSIAs. Four cases fall into the first category. Relevant features of desk-based/technical PSIAs are that they rely mainly on secondary data, they analyse a fairly narrow range of poverty (income and consumption) impacts and they tend to have fairly modest budgets and be produced in under 6 months (either as part of a broader piece of economic and sector work or as a short advisory note). Process-PSIAs, on the other hand, draw on both primary and secondary data analysis, they utilise a wide range of largely qualitative methods and give explicit attention to building a constituency of support for PSIA findings through engagement with government officials and relevant constituencies. They tend to have large budgets and involve time frames ranging from 9 to 18 months. Whereas desk-based PSIAs tend to address a fairly narrow policy problem with a pre-defined solution, process-PSIAs are more exploratory, considering a wider range of possible impacts and options.

Much of the review considers the ways in which these different PSIA products influence country level policy makers and policy processes. It should be noted at the outset that the review does not presume that there is only one pathway to influencing policy, nor does it presume that a PSIA can only be judged effective if it has a visible impact on a specific policy design or formulation. Rather the review considers a range of possible outputs and outcomes, including the possibility that an effective outcome is an improved process of policy dialogue or a decision not to go ahead with a policy change. The aim is to identify what works, where and why.

The review divides the main findings up into three areas: linking analysis to policy processes, building conditions for more pro-poor decision-making, and building public support for reform implementation.

Linking analysis to policy processes

Here the review finds several fairly clear examples of PSIA contributing to specific policy choices or a shift in programme design. While the magnitude of these effects are fairly modest, they nevertheless reflect a tangible impact on country level processes. The most durable influence or contribution appears to be from more process-PSIAs, including Yemen and Madagascar. However, effects can be seen across the board. Factors associated with more influential PSIAs include: alignment with the national policy calendar, operational relevance and useability, high level champions on the government side and local advocates in Bank or development partner offices at the country level.

Building conditions for more pro-poor policy making

The PSIA framework stresses that building the conditions for pro-poor policy making requires attention to in-country institutional capacity for policy analysis and the use of findings for policy purposes. This implies close collaboration between local counterparts in generating and reviewing the results of PSIA and close attention to monitoring and evaluation systems to ensure that policy analysis influences policy.

Of the 8 cases, only two involved some form of explicit capacity support – mainly to local researchers – while others touched on it as part of the process of undertaking the PSIA, as in Yemen. Part of the challenge in supporting the development of institutional capacity is that it can rarely be done in a one-shot process, rather it needs successive iterations. This raises questions about some of the expectations surrounding PSIA and its ability to engender institutional change through a single process. The Yemen case suggests that one possible approach is to develop/nurture strong local advocates for the PSIA who are able to raise and embed ideas in decision-making as the reform process unfolds. Having technical specialists working in the sector on the PSIA team can also contribute to improved conditions for PSIA up-take, while multi-donor engagement can help build a coalition for change that is supportive of capacity development over a period of time (and not just around the PSIA itself).

Building public support for implementation

Stakeholder engagement is a central feature of many of the process-PSIAs in the sample including Yemen, Cambodia and DRC. In Madagascar the PSIA drew heavily on stakeholder analysis but not on stakeholder workshops. The legacy of stakeholder engagement was perhaps most visible in Yemen with a number of stakeholders showing continued interest in the PSIA and possible future PSIAs relating to the water sector. In the majority of the other cases stakeholder engagement did not continue after the analytical work was completed and engagement in dissemination was limited to a single event or the distribution of a report. The wider literature would suggest 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. In similarity to capacity development, dissemination is not a one-off event and should be given greater prominence within a more phased PSIA approach.

ASSESSMENT OF PSIA

Findings indicate that the PSIAs reviewed have been influential (to varying degrees) in:

- Generating analytical evidence on key policy issues in a timely manner for in-country decision-making processes;
- Providing a framework for country stakeholders to engage on pro-poor issues, and supporting the enhancement of pro-poor thinking in specific policy areas;
- Filling critical analytical gaps by bringing in the skills and funding needed to address them, sometimes at short notice.

Since PSIA designs vary across settings and have evolved over time, it is often difficult to make generalisations about performance. However there are a number of things that appear significant in shaping how, and how well, PSIA has influenced Bank engagement and been integrated into country processes:

- Timeliness is critical and points to the need to consider ‘what will work’ in ‘what context’ and ‘to what end’ rather than assuming that every PSIA needs to follow the same approach. Since PSIA is a family of approaches, the key objective should be to ensure relevance and timeliness in a

particular policy setting. Short turn around products, even based on preliminary analysis, can assist reformers make better informed decisions.

- Timeliness and relevance point to the importance of alignment with national and sector strategies and/or the national policy calendar.
- Economic analysis is an important dimension of distributional analysis but moving beyond ‘the economic’ also brings with it not only a greater understanding of likely, and sometimes unexpected impacts, but also of possible behavioural responses to policy change. This is important in understanding what makes reforms stick and how best to support them.
- The useability of results is essential. PSIAs with greatest operational relevance for country-level processes pay heed to accessibility, in some cases using tools such as implementation matrices or logical frameworks for translating findings into concrete policy or programme actions for country decision-makers to consider.
- Navigating the difficult politics surrounding reform is an important part of an effective PSIA. Having champions and advocates for PSIA at the country level – within and outside of government – is probably the most influential factor in terms of creating the conditions for policy change. But the level and status of these champions matters too. High level political engagement makes a difference but where political sensitivities are significant a strong advocate within either the Bank country office or similar DP office can provide a much needed anchor, as well as the opportunity to keep the process going once the analytical work itself is complete. PSIAs led from Washington may need this more than others.
- Stakeholder engagement outside of government helps to build a constituency of knowledge and activism on reform issues but is often a one-shot process and on its own is not sufficient to secure a policy ‘response’.
- Building conditions for pro-poor policy making is a multi-faceted process to which a single PSIA, whether stand alone or embedded in other analytical work, is unlikely to be able to make significant inroads.
- The record on capacity strengthening is weak. It has been better in contexts where the PSIA has a strong local advocate and a link into the local policy research community. There is no real evidence of PSIA directly influencing capacity to identify, analyse and utilise evidence for policy making inside government.
- Dissemination is not a one-shot process and few PSIAs include active tools for dissemination beyond the disclosure of final reports and workshops. Funding for dissemination may be a constraint.

RECOMMENDATIONS ABOUT THE FUTURE OF PSIA

Stepping back from the specificity of each of the case studies the findings, together with some of the more recent literature on PSIA, suggest a number of recommendations for enhancing the impact of PSIA on in-country processes.

Valuing different PSIA products

The terrain around PSIA in the Bank has been changing for some time. Some of the latest shifts in approach reflect changes in the funding environment for PSIA – the end of incremental funding and the reliance on Bank budget and Trust funds for analytical work – but also the increasing climate for real-time policy advice.¹ The findings suggest that it is not helpful to insist on a rigid definition of what does

¹ New demands include analysis of the poverty and social implications of policy responses to the food crisis, the global financial crisis and climate change actions.

or does not constitute a PSIA. If the key objective is to provide reliable, relevant guidance to in-country decision-makers and Bank staff preparing operational support, then it is time to recognise that a range of PSIA products is appropriate. The main aim should be to ensure that they are 'fit for purpose' for decision-makers on the ground, taking into account the need for timely, accessible analysis and advice and the nature of the relationship between the PSIA team and government counterparts.²

But Poverty and Social Impact Analysis remains important

Recognising that a range of PSIA products is needed to fit different country and reform contexts should not mean letting go of some of the key tenets of PSIA which distinguish it from narrower distributional analysis. These include: combining poverty and social analysis of possible reform impacts; assessing distributional and political economy risks that might undermine reform effectiveness; and, integrating analysis and dissemination within country-led policy processes. Shorter, leaner PSIAs have shown themselves to be influential in the very short run but the most durable and embedded PSIAs in this study are those that provide a broad understanding of welfare effects, including an assessment of institutional and political economy effects that might help or hinder reform processes down the line. Improving the synergy between quantitative economic analysis and social and political economy tools may be a way to get the 'best of both worlds' going forward.

Wider use of rapid analytical methods

In some cases, the need to produce quick turnaround results (Indonesia and Nepal) makes it difficult to incorporate more than one analytical approach. This points to the need for a wider range of rapid analytical methods that can produce results more appropriate for real-time decision-making. Further guidelines on how to conduct institutional and political economy analysis in a more limited timeframe could be hugely valuable, both in terms of the added dimension they give to policy analysis and to the cost-effectiveness of Bank and Trust Fund resources.

Consider an incremental approach

A key value-added of the PSIA approach should be its adaptability to different contexts. An incremental approach may be one way to achieve this, combining more than one PSIA product in a more phased approach that is adapted to the needs of the sector or reform area. Where appropriate, a more incremental approach could start with a lighter-touch analysis – which could be quantitative or qualitative, social or economic – designed to generate quick results for decision-makers. This could be part of an existing ESW or a stand alone analysis. Depending on the results of this stage, there could be a commitment to undertake more comprehensive analysis and/or capacity support to build the conditions for further pro-poor analysis and action. Unlike the current approach, which tends to require simultaneous action on all fronts, the incremental approach could treat analytical and capacity strengthening objectives in parallel or sequentially. It would involve a potentially different approach to stakeholder engagement, with more emphasis on getting the right people involved at the right time than a comprehensive approach. This would allow for sustained analysis and filling gaps over a period of time. It could also provide a clearer basis for development partner cooperation based on comparative advantage in the PSIA results framework (e.g. working with bilaterals and/or non-governmental organisations already engaged in the sector) to boost support for policy analysis and pro-poor reforms. The approach would need a different

² The Indonesia case study finds that "lean advice can be effective in influencing government officials if a relationship of trust exists between the government counterpart and the PSIA team."

funding model, possibly with tranching support over a period of months or years linked to a series of, rather than a single, deliverables.

More emphasis on operational relevance

The PREMPR stocktake notes that several DPL TTLs were aware of a PSIA's general influence but were unable to locate concrete measures that flowed from it, whether for use in identifying prior actions or in broader dialogue with country partners. At country level there were also many stakeholders who were able to refer to the PSIA in general, but not in terms of specific actions or measures that it had recommended. To improve operational relevance it is recommended that: (a) a clear link with in-country processes is established before undertaking a PSIA. In Yemen, for example, the fact that the PSIA was so closely linked to the national water strategy update process provided it with a high level of operational relevance from the start. In contrast, in Tanzania it was noted that pressure to do PSIA's without flexibility in format and approach was a problem for operational relevance; (b) all PSIA's, whether light-touch or comprehensive, would benefit from some form of log frame or implementation matrix that translates findings into clear policy or programme actions. Such a tool could underpin communication (see the section below) and also facilitate monitoring and evaluation at the implementation level, something which is often missing in sector or national M&E frameworks.

More triangulation of methods

The case studies highlight the importance of triangulating data sources and/or methods in order to develop a convincing case for policy change. Triangulation does not need to be overly burdensome; rather it can be based on existing studies or data sources that provide complementary evidence to that found in the PSIA. Evidence can be drawn from other contexts where appropriate. Without such triangulation, particularly the shorter, leaner PSIA's, run the risk of relying solely on the merits of the model rather than its broad applicability to the policy or reform context. It is recommended that more attention to triangulation be paid in PSIA's going forward.

Communication is key

A key message from the broader literature on evidence based policymaking is that communication is central (ODI 2005). However, communication is one of the weakest areas of PSIA practice. Even while recognising that there will be times when political sensitivities require an approach to be carefully tailored to the context, the report recommends a much more active approach.³ Analytical reports and time-constrained workshops may satisfy minimal dissemination criteria but they do not amount to communication that really supports change. A possible priority for PSIA, and the PSIA team supporting it, is to bring communication to the heart of the approach, seeing the opportunities for it much earlier on in the process and funding it properly to ensure that policymakers see both the purpose and value of bringing evidence on distributional impacts into the policy process. This involves identifying key audiences early on, tailoring the communication of findings, as appropriate, to different policy constituencies (i.e. technical government staff vs political leaders vs. academic researchers vs. civil society organisations vs. internal Bank staff) and using a range of communication tools from short research or policy briefs to interactive seminars linked to a particular policy process to engage audiences in PSIA findings. Not all tools will be appropriate in all instances and in some cases, as already indicated, it may

³ There are times when disclosure of the results of a PSIA need to be handled carefully, but this does not obviate the need (and can even potentially increase it) for a clear communication strategy as part of PSIA – whether a quick turnaround exercise or a longer reflective one.

not be possible for Bank staff to be too open about the support they are providing. Nevertheless, the presumption should be that all PSIA work eventually needs to be communicated and it is vital to know at the outset what the 'strategy' for communication is and how it can be built over time.

More focus on the policy process

One of the risks of PSIA is that it is perceived by clients as an imposition that is ill-timed or ill-fitting with the domestic decision-making process. This suggests the need for further understanding of how the domestic policy process works in a particular sector/reform area, and what are likely to be the key points for dialogue and negotiation relating to a PSIA. This is slightly different from the institutional analysis of interest groups and focuses more directly on the way in which policy gets made and how evidence figures into the decision making process. Recognising that a PSIA is unlikely to be the sole source of policy advice is also an important part of understanding how decision-makers will respond and whether there might be potential synergies between different analytical products that can advance the reform process.

Build-in tools for assessing in-country 'impact'

This recommendation relates to the need for an assessment of in-country 'impact' to be mainstreamed as part of the PSIA exercise itself. Just as the focus on dissemination often wanes once a PSIA report is complete, follow-up on what happened, where and why either tends not to happen or is limited to generic lesson learning exercises. This makes reviews such as this one difficult and more importantly, detracts from the country-specific lesson learned that could be used to inform similar or related work in the future. The process of assessing 'what happened and why' can be kept simple in the form of an 'After-Action Review' which is handled by the PSIA team at a point shortly after completion. This recommendation falls in line with successive QAG and IEG reviews that note weaknesses in the monitoring of analytical work and its impact on country partners.

The ToR also asked for ideas about how the next stage of support for PSIA in the Bank might evolve. Four priorities, based on the recommendations above:

- Support for a more flexible format and approach to PSIA including piloting incremental approaches that combine short and medium term PSIA 'products' with tranching or flexible funding;
- Support the development of a wider range of rapid analytical tools, particularly for institutional and political economy analysis that are suited to real-time decision-making processes;
- Give in-country decision-makers more discretion over the use of PSIA funds for in-country work, possibly by placing 'PSIA pooled funds' as part of Bank operations or creating a demand-driven fund for PSIA work at the country level. This would also assist in stronger harmonisation and alignment around PSIA work at the country level.
- Emphasize the importance of communicating policy lessons by requiring that applications for PSIA support include communication plans, even if these involve having to be transparent about potentially difficult issues.
- Mainstream implementation matrices and after-action reviews in support of more operationally relevant (and evaluable) PSIA.

1. Terms of Reference and Approach

BACKGROUND AND OVERVIEW OF THE REVIEW

1.1 Structural, sectoral and macroeconomic reforms are core elements of Poverty Reduction Strategies. In the past, systematic ex-ante assessment of the poverty and social impacts of these reforms was often neglected.⁴ In 2001, the World Bank⁵ developed a conceptual framework for Poverty and Social Impact Analysis (PSIA) to guide and promote a more systematic assessment of poverty and social impacts.

1.2 PSIA is the analysis of intended and unintended consequences of policy reforms on the well-being or welfare of different social groups, with a particular focus on the poor and vulnerable. PSIA offers a set of analytical and process tools that (a) determine distributional impacts to improve the analytical underpinnings of policy making; and (b) engage appropriate stakeholders in the policy making process. By engaging stakeholders PSIA aims to create space for public dialogue around reforms and, as a consequence, contribute to increased transparency and accountability in policy formulation.

1.3 Within the World Bank, PSIA is anchored in the operational policy for development policy lending (OP8.60). The OP does not make it mandatory to conduct a PSIA in the preparation of an operation, but it does stress the need to analyse and address potential poverty and social impacts in programme documents when “The Bank determines whether specific country policies supported by the operation are likely have significant poverty and social consequences, especially on poor people and vulnerable groups”.

1.4 Theory and practice surrounding PSIA have been guided in the Bank by the Toolkit for Evaluating Distributional and Poverty Impacts (2003) (Toolkit), the ‘User Guide to PSIA’ (2003) (User Guide), the PSIA Sourcebook (2005) (TIPS) and the ‘Good Practice Note for PSIA’ (2004 and 2008) (GPN). These documents have fleshed out the thinking behind the approach as well as providing a number of practical tools and strategies for conducting PSIA in conjunction with Bank operations and beyond.⁶ The latest GPN reflects the extent to which the PSIA approach has evolved in response to practice on the ground. The GPN makes it clear that the case for PSIA remains strong given that the approach improves the development effectiveness of reforms through more systematic attention to distributional consequences. Moreover, it states that while PSIA is a crucial part of development policy operations in the Bank, the approach can also be easily linked to reforms supported by investment projects or ongoing economic and sector work. It also makes clear that the approach to PSIA will vary based on country and reform specific conditions and the plurality of needs and interests at the country level.

1.5 A core message in the GPN of 2008 is that the Bank and other development partners can play a key role in promoting evidence-based decision making through PSIA; building in-country capacity for

⁴ Attempts were made to promote such assessments, including Demery, Ferroni et al ‘Analysing the social effects of policy reform’ (1993), World Bank.

⁵ Other development partners active at the time on PSIA included DFID, GTZ and the IMF.

⁶ PSIAs are carried out in a number of ways supported by different local and international development partners. PSIA is not the preserve of the World Bank, although the Bank has been a leading exponent of PSIA and has been the focus and repository of much of the learning about PSIA since 2001.

analytical work including PSIA; and filling critical analytical gaps. This review of PSIA experience at the country level examines the extent to which Bank support for PSIA has contributed to the attainment of these objectives.

PURPOSE AND LIMITATIONS OF THE REVIEW

1.6 The Review was commissioned by the PSIA Team at the World Bank with financial support from the German Ministry of Economic Cooperation and Development (BMZ) and the German Agency for Technical Cooperation (GTZ). The full terms of reference (ToR) are annexed to this report. This review complements a second piece of analysis conducted by the World Bank's PREM Poverty Group, which takes stock of how Poverty and Social Impact Analysis informs Bank operations, in particular programmatic lending in the form of Development Policy Operations⁷. The two parts jointly form the first comprehensive self-evaluation of the PSIA experience.

The overall purpose of the review is to improve the practice and enhance the use of PSIA in the World Bank and partner countries, by reviewing the effects of PSIA on policy making and drawing on in country experiences that include, but are not limited to, GPSAF funded cases.

1.7 The ToR state that the review should do this by: (a) obtaining a picture of the kinds of outcomes and impacts PSIA work has achieved, particularly at country level, and (b) providing insights into what works, where and when. The ToR further state, "ideally the work will identify key determinants that impede or enhance the effectiveness of PSIA within in-country policy formulation. Discerning what works for what kind of reform is of particular interest to the team".

1.8 The findings of the review should also inform recommendations about how to tackle potential constraints and provide guidance to the PSIA Team about how to adjust the present PSIA approach so it (a) more effectively informs in-country and Bank policy design, and (b) is applied more routinely within the Bank and in partner governments.

1.9 The review has stayed as faithful as possible to the ToR but limitations in what has been analytically possible in fulfilling the ToR need to be acknowledged at the outset. The sample size - 8 countries/PSIAs in total - is small and makes it difficult to draw generalisations. Tracing PSIA outcomes and impacts in complex country and reform situations is a challenge, particularly when PSIAs themselves are not always clear about the outcomes/impacts they expect to see. In many instances a PSIA is but one of a number of possible influences on the reform process which makes attributing direct success to PSIA hazardous. Finally the range of PSIA products - from policy notes to fully comprehensive PSIAs - provides an insight into evolving practice, but it also means that the sample sizes for comparison purposes are impossibly small. To improve the basis for generalisation, reference is made to the wider literature wherever possible.

⁷ This document is referred to as the PREMPR stocktake in the remainder of this document as listed as the World Bank (2009) publication in the bibliography.

STRUCTURE OF THE SYNTHESIS REPORT

1.10 The Synthesis Report seeks to go beyond a summary of the country studies to provide lessons and recommendations on how to further improve PSIA effectiveness. To do so, it draws on findings from country case studies, the literature and recent internal Bank reviews (World Bank 2006, 2008) on PSIA.

1.11 The synthesis is structured in three parts. Section 2 reviews the role of PSIA in country work drawing on internal guidance from the Bank and the wider literature. It introduces the PSIA framework and the main elements of an effective PSIA. Section 2 ends with a presentation of the review framework and the approach to sampling and methodology for the country studies. Section 3 presents the bulk of the review findings and lessons learned with a focus on lessons for embedding PSIA into country processes. Section 4 addresses the future of PSIA with recommendations aimed at (i) improving the influence that PSIA has on policy and planning processes in-country, and (ii) ensuring that it is applied more routinely by partner governments and Bank programmes.

2. The Role of PSIA in Country Work

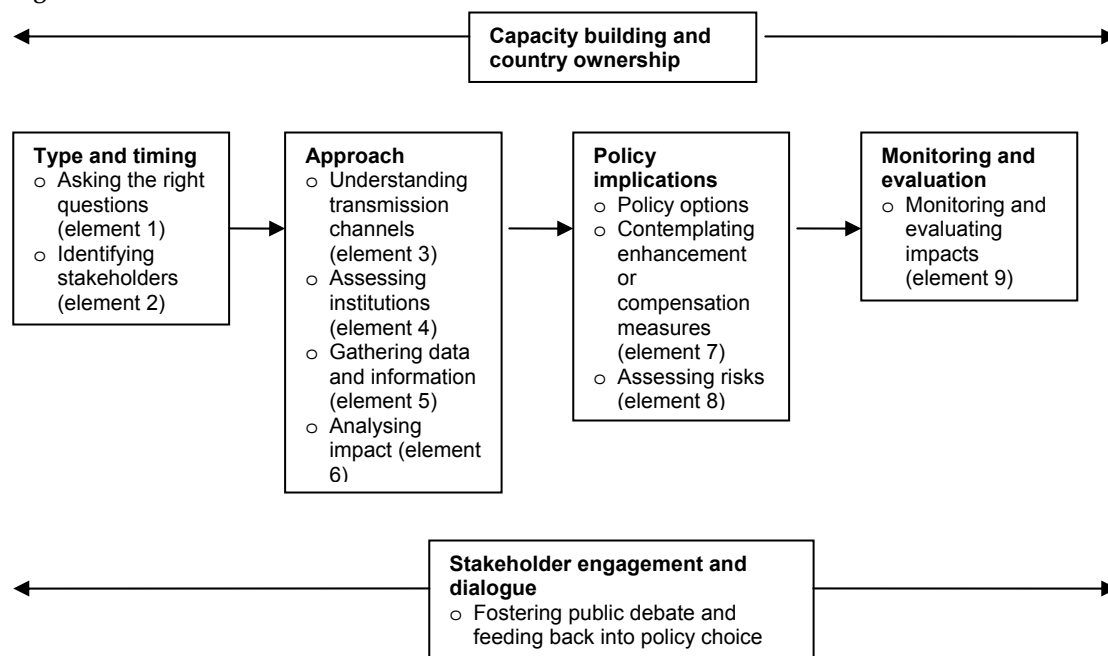
THE DEFINITION OF PSIA

2.1 The latest GPN defines PSIA as “a systematic approach to the analysis of potential distributional impacts of key policy reforms” (2008, 3). Its purpose is to improve the effectiveness of policy reforms to reduce poverty by informing Bank operations, government policy processes and national policy debate about the potential impact of a specific policy reform on different social groups. More concretely, PSIA enhances effectiveness through:

- Underpinning policy reforms with empirical evidence on expected distributional impacts;
- Identifying alternative policy reforms and trade-offs;
- Identifying political economy and implementation risks;
- Supporting country ownership of reforms by promoting a public debate on trade-offs between policy choices.

2.2 Early guidance on PSIA in the Bank places PSIA within the realms of applied policy or impact analysis (TIPS 2005). As such, PSIA is viewed as offering a direct opportunity to generate evidence that can be integrated into policy cycles whether ex-ante or ex-post. Policy analysis prior to policy reform can inform the choice, design and sequencing of alternative policy options. During implementation, policy analysis can assist in monitoring the progress of reform by identifying areas for refinement, restructuring or stronger mitigating measures. At the point that a reform process is complete, policy analysis can assess actual distributional consequences with a view to learning lessons that can inform future reforms. (TIPS 2005).

Figure 1: The PSIA Framework⁸



⁸ Higgins (2008). Based on the 10 steps proposed in the PSIA User Guide.

2.2 The practice of PSIA in the Bank has gone through a number of phases (Higgins 2008). An initial phase of pilot studies between 2002 and 2004 stimulated interest in PSIA. At this point, PSIA had no formal anchor in Bank operational work but was seen as part of the wider the PRSP agenda, with PSIA providing some of the critical analytical underpinnings of country-led poverty reduction strategies. In practice, despite some concerted efforts in countries such as Ghana, PSIAs were only weakly linked to national PRS processes. Hence, most of the topics and research teams for PSIA emanated from within the World Bank.

2.3 In 2004, the Bank introduced a formal requirement that country policies supported by the Bank's DPLs with likely significant poverty and social consequences should be accompanied by relevant analysis of (a) the likely impacts and, (b) of possible measures to reduce adverse effects and enhance positive effects. The inclusion of PSIA in OP8.60 helped to anchor the PSIA approach in the preparation process for Bank operations. In the same year a dedicated incremental fund was established to support PSIA work in the Bank, drastically increasing the number of PSIAs undertaken.⁹ Coudouel et al (2006) note that by this time PSIAs had established a firm foothold within the analytical work conducted by the Bank and that programme documents were broadly compliant with the requirements of OP8.60. It is also worth noting that the Bank joined the Donor Network for PSIA (in October 2003) in order to promote a country-led approach to PSIA work (this was, in turn, influential in the collaboration between the Bank, DFID and GTZ on the TIPS Sourcebook).

2.4 Since 2005-6, the practice around PSIA has evolved in response to changes in the Bank's internal and external environments. In FY07, the incremental fund for PSIA ended. As a result PSIAs became linked with a wider set of economic and sector work (ESW) and lending/strategy processes, making it more difficult to distinguish PSIAs from other forms of analytical work (World Bank 2008). PSIAs have also responded to the growing demand from country partners for real time policy advice not necessarily linked to specific Bank operations. As a consequence, there is an increasing range of 'PSIA type-products' covering stand-alone PSIAs based on primary field-work, desk-based reviews and shorter policy notes that deal with some, but not all, elements of the framework set out in Figure 1. There is also an expanding universe of ESWs in which distributional and social analysis occurs but is not formally identified as PSIA.

2.5 What qualifies as PSIA has recently become a debated topic. The most recent internal review of PSIA (World Bank 2008) suggests that recent trends are partly due to the lack of a clear cut definition of what analyses and outputs actually qualify as PSIA. The result is a proliferation of products to which labels such as policy notes or distributional notes have been added. There is also a sense of confusion and sometimes reluctance on the part of TTLs to have these different products classified as PSIAs for fear that they do not fully adhere to the PSIA framework set out in Figure 1. The review goes on to argue for a 'recalibration' of the PSIA agenda to reflect experience and real-world operational challenges. This conclusion provides a useful segue into this review as it became apparent early on that excluding one or other 'type' of poverty and social impact analysis because it didn't fulfil certain criteria was not helpful. Rather, the evidence suggests that an approach that encourages the use of a range of PSIA products to fit different country or reform circumstances over a period of time, together with more attention to

⁹ The total allocation through this fund was \$5.6m. Other funding has been provided through national Trust Funds supported at different times by DFID, Norway, Belgium/UNDP and Germany.

communicating policy lessons, may be a more effective way forward, both in terms of relevance to policy processes in-country and to the way the Bank can staff and resource PSIA work going forward.

ELEMENTS OF AN EFFECTIVE PSIA

2.6 Views on PSIA effectiveness tend to be heavily bound up with views about the most appropriate approach to conducting a PSIA. There is relatively little independent evaluative evidence of what determines PSIA effectiveness in different country settings. Alwang and Gacitua-Mario (2008) state that the value or effectiveness of PSIA lies in: (i) improvements in the design or conduct of policy reform, and (ii) increasing the likelihood that a reform is ultimately adopted. PSIA achieves this by providing information to decision-makers and stakeholders, contributing to a more flexible and open policy process, building ownership among decision making groups and providing policy options for more sustainable, pro-poor reforms.

2.8 The Bank's latest GPN defines PSIA 'success' in terms of improving the development effectiveness of reforms through systematic attention to distributional consequences. PSIA and the Bank influence development effectiveness by integrating PSIA into country processes and using PSIA to inform public debate, promote evidence-based decision making and capacity and fill critical analytical gaps. Each of these is an element that contributes to PSIA effectiveness. Figure 2 provides a heuristic representation of a 'PSIA results chain' that draws on these and related elements.

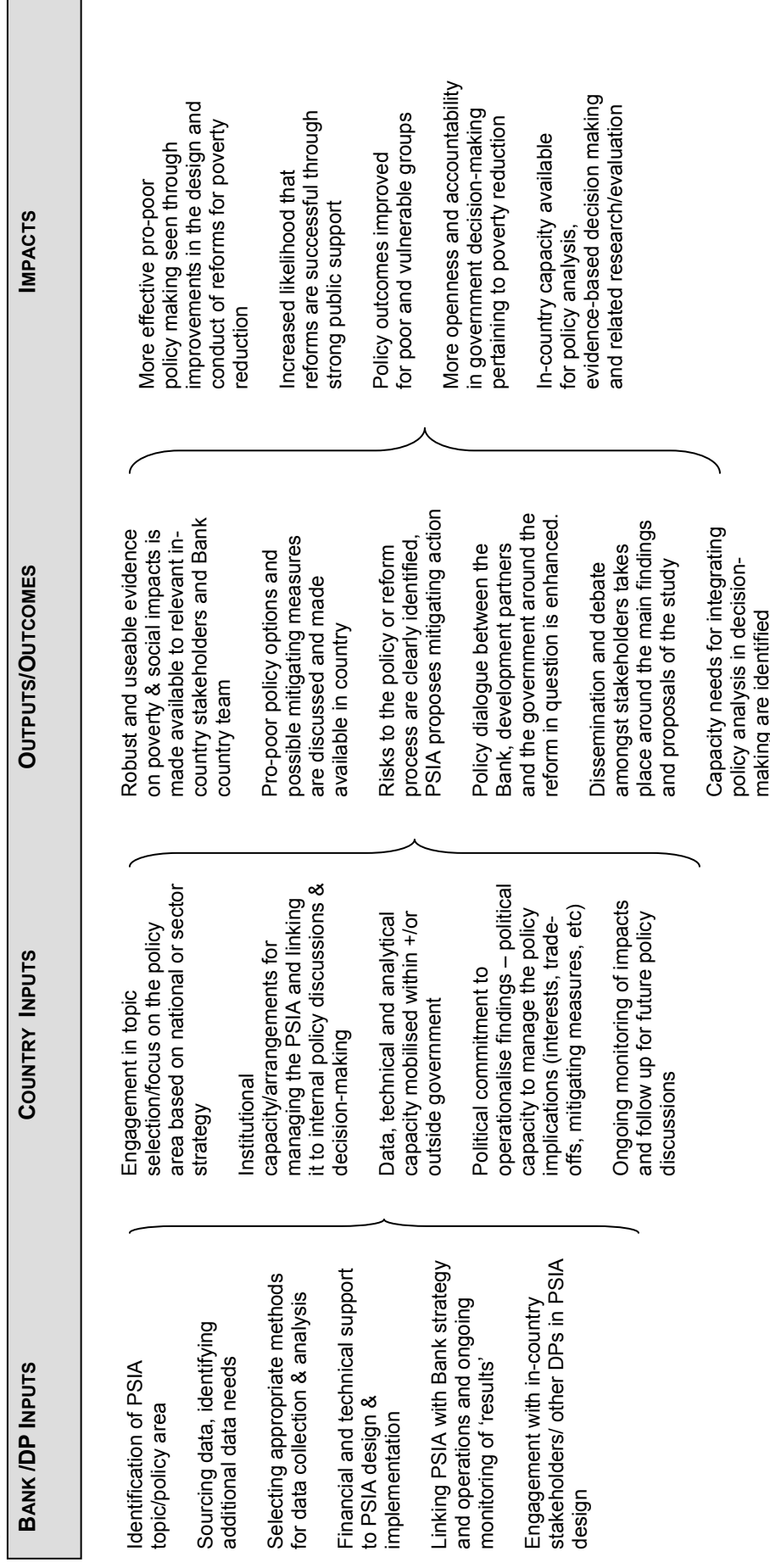
2.9 Like any results chain, Figure 2 is based on a set of assumptions about the links between inputs, outputs, outcomes and impacts. In this case the assumptions relate to the importance of evidence about poverty and social impacts for improved policy design and implementation and to the importance of good policy design and implementation for better policy outcomes for poor and vulnerable people. In much of the literature on evidence-based policy making these are uncontested assumptions (ODI 2005) but the reality is, of course, more complex. First, the relationship between research evidence on the one hand, and policy and practice on the other, is not a simple or straightforward one. It is, in similarity to other areas of social science, a non-linear process. The varied sources of evidence that a government or policymaker might draw on, or indeed reject, is shaped by a complex array of institutional and political interests. Establishing the role that a particular piece of evidence plays in influencing policy is therefore complex. Second, in an environment in which the Bank or another development agency is seeking to support country-led policy change, there can be no simple presumption that establishing an evidence base about a particular set of poverty and social impacts will automatically influence how policy makers view a specific policy issue. Non-adoption of the conclusions of a PSIA may not denote a lack of effectiveness as such, but rather an acknowledgement that there are many different pathways to policy change of which a PSIA may be only one. Thus, there may be several points along the results chain, particularly at the output level, where PSIA effectiveness can be demonstrated (for instance, through improved policy dialogue) even if the final outcome is not a specific change in policy or programme design as such. Acknowledging this fact, an internal World Bank review in 2005 states that PSIA tries to achieve a range of objectives at different levels: "objectives can aim at enhancing the analytical evidence in a subject matter, building capacity of partner institutions in macro level analysis, advancing government dialogue on a reform issue, and/or influencing the design of a reform program." What this review adds is that there should be no presumption that all these objectives will apply to the same extent in all contexts.

2.10 The 2008 Good Practice Note does begin to clarify this point, stating that the approach to PSIAs will vary based on specific reform and country conditions with some requiring short, timely policy inputs focused around one core objective and others benefitting from longer reflective inputs potentially tackling more than one objective at a time. During the 9 month period of this review, it is noticeable that views on PSIA in the Bank have started to cohere around the acknowledgment that ‘working with the grain’ of country circumstances is paramount and that providing reliable guidance to support policy decisions will require different approaches in different contexts. Pluralism in methods and process has always been a key part of the PSIA approach,¹⁰ but practical experience and changes in the internal and external environment for PSIA have served to reinforce this.

2.11 These latest shifts suggest that in reviewing PSIAs’ effectiveness there may be a number of different routes to and ways of defining PSIAs’ ‘success that are largely context dependent . This might imply more than one results chain or sub-chains within the generic results chain set out in Figure 2. The review has had to adapt itself to this changing reality with some shifts in focus and methods along the way. Section 3 deals with this more fully.

¹⁰ At no time has the PSIA approach suggested that there is a single template for conducting a PSIA, or that all the possible features of a comprehensive PSIA should be in place at all times. However, there has been a tendency within the wider PSIA community to read-off from the PSIA framework (derived from the UserGuide) a certain ‘gold standard’ for undertaking a PSIA that may have crowded-out other approaches along the way.

Figure 2: A PSIA 'Results Chain'



THE REVIEW FRAMEWORK

Approach and Sampling

2.12 The aim of the review is to examine the relationship between the design and implementation of PSIAs and the contribution they have made to in-country policy thinking and policy making and related Bank lending and policy dialogue. The focus is on the country-level rather than the corporate level and the bulk of the findings are based on a series of eight country/PSIA case studies.

2.13 In carrying out the review it has been important to keep various caveats in mind. First, it often takes a long time for policy processes to yield concrete results in the form of tangible policy outcomes. Beyond the distributional analysis it can take several months and sometimes years to finalise the process of feedback, review, dialogue and dissemination with a view towards influencing policy decisions. It is therefore important that the review be clear about what was a realistic outcome within each PSIA time frame and what, if any, was achieved in terms of intermediate steps towards delivering final outcomes.

2.14. Second, as noted above, policymaking processes are complex and PSIAs are likely to be only one of several factors feeding into decision-making. Again it is important for the review to be clear about what is/was realistic in terms of influencing in-country processes given the country and sector context and to recognise that there are different pathways to policy change that go beyond PSIA. It is also the case that ‘disentangling effects’ during fairly short country visits and desk reviews is a significant challenge.

2.15 The sample of PSIA cases was selected purposively from SDDs database, using criteria that proxy for different country/reform contexts and PSIA approaches (Table 1).¹¹ The sample was deliberately limited to Bank executed PSIAs because of the aim to increase learning about Bank engagement and devising ways of doing things differently in the future. The criteria are based on simple measures or 4 typologies that together provide a varied range of PSIA experience. Annex 2 describes these criteria in slightly more detail.

Table 1: Case studies covered by the Review

Country/ Region	PSIA *	CPIA 1= High(er) 2 = Low(er)	Sector/ Reform Area	Type of Impacts	Intensity of stakeholder participation	DPL, IL, ESW
<i>Yemen MENA</i>	<i>Water Sector</i>	<i>2</i>	<i>Utility</i>	<i>Complex</i>	<i>3</i>	<i>ESW</i>
<i>Indonesia SE Asia</i>	<i>Severance Pay Reform</i>	<i>1</i>	<i>Economic Policy</i>	<i>Complex</i>	<i>1</i>	<i>ESW</i>
<i>Kenya SSA</i>	<i>Pension Reform</i>	<i>1</i>	<i>Social Protection</i>	<i>Positive</i>	<i>3</i>	<i>ESW</i>
<i>Madagascar SSA</i>	<i>Service Delivery</i>	<i>1</i>	<i>Health, Nutrition, Population</i>	<i>Positive</i>	<i>3</i>	<i>?</i>
<i>Nepal S Asia</i>	<i>Fuel Prices</i>	<i>2</i>	<i>Economic Policy</i>	<i>Adverse</i>	<i>2</i>	<i>DPL</i>
<i>Tanzania SSA</i>	<i>Electricity tariff/subsidy</i>	<i>1</i>	<i>Energy & Mining</i>	<i>Adverse</i>	<i>2</i>	<i>DPL</i>
<i>Cambodia SE Asia</i>	<i>Social Land Concessions</i>	<i>2</i>	<i>Social Development</i>	<i>Positive</i>	<i>2</i>	<i>DPL</i>
<i>DRC SSA</i>	<i>Mining</i>	<i>2</i>	<i>Energy & Mining</i>	<i>Adverse</i>	<i>3</i>	<i>ESW</i>

* Cases in italic involved field-based review, the remainder were desk-reviewed. Cases shaded in grey received financial support from the German Poverty and Social Analysis Trust Fund (GPSAF).

¹¹ It was also important to avoid drawing on the same case studies as selected for the forthcoming IEG PSIA Evaluation.

2.16 The sample provides an opportunity to assess some of the different ways in which PSIAs are being approached by the Bank and country partners. It also points to specific lessons learned about the relevance and fit of these approaches for achieving effective results in-country. As noted at the outset, there are clear limitations to drawing generalisable lessons from such a small sample.

2.17 The selection of case studies for country visits was done based on a prior assessment with the PSIA team about their potential to generate lessons learning and their association with the GPSAF.¹² In one event, the case – Indonesia Severance Pay Reform – turned out not to be a PSIA, at least not in the understanding of the TTL or the country team.¹³ The TTL was keen that the Indonesia case be defined as a piece of ‘demand-driven advice’ and should not be assessed on the same terms as a full PSIA.¹⁴ Notwithstanding these concerns, the decision was taken to keep the Indonesian exercise in the sample, first, because it reflected some of the changes afoot in distributional analysis in the Bank. Second, because of what it revealed about the demand-side of policy analysis and advice provided by the Bank and hence the kinds of product that the Bank is providing and might be about to provide in the future. The next section of the report elaborates this point further, picking up on the recommendation made in the UserGuide that it is more useful to consider a spectrum of PSIA products, in which some products are stand-alone, others are nested in Bank-related work, some are one-offs and others are part of an incremental or phased programme of analysis and policy advice that is rolled out over a period of time.

2.18 Each case study was approached using a common template of questions and a guide to data sources/informants. The method was entirely qualitative drawing on a detailed review of PSIA documents and related strategy and operational reports, followed by key informant interviews either in person or by phone. For obvious reasons, the four case-studies involving country visits were more comprehensive than the four desk-based case-studies. Each case study considered three main inter-related issues:

- The content of the PSIA and the links to in-country policy/ planning processes at the country/sector level (by policy processes we mean: strategy and policy formulation, execution and monitoring);
- The process of the PSIA and the link to in-country policy processes, building capacity and support for policy analysis and evidence-based policy making;
- The link between PSIA and Bank/DP lending and policy dialogue in-country

2.19 In addition, and as per the objectives of the review, where a PSIA drew support from the German Trust Fund for PSIA (GPSAF), the country studies looked at its focus and its impact on the process and content of the PSIA. Case study reports are available as annexes to this report.

¹² Note German co-financing for the review.

¹³ The Indonesia case was drawn from SDV’s PSIA database but, as noted by the recent PREM PR Stocktake, the cut off between PSIA and other more limited pieces of distributional analysis is not always clear. The Stocktake, which is concerned with assessing the extent to which development policy lending is taking account of distributional impacts, somewhat sidesteps the issue by opening up its analysis to a wide range of PSIAs, informal distributional analyses and policy notes. This is fine as far as it goes but it does raise a bigger question of whether there is something intrinsic to a PSIA, specifically the study of not just economic impacts but social and political economy effects, that distinguishes it from more narrowly executed distributional analyses. This question will be returned to in the later sections of the report.

¹⁴ The Tanzania PSIA on Electricity Tariffs also started out as a policy note but was re-classified as a PSIA, mainly because as it evolved it was thought to incorporate a number of the key elements of a PSIA.

3. PSIA in Practice – Analysis and Findings

THE STUDY COUNTRIES – AN OVERVIEW

3.1 Each of the PSIAs selected for review is shaped by specific country circumstances. A general look at the different types of country contexts reveals a range of economic and social challenges, poverty levels, policy and institutional capacities. Of the 8 countries, two are classified as middle income – Indonesia and Kenya – and the remainder are low-income. Two countries in the sample experienced significant conflict/violence in the period leading up to or during the PSIA – DRC and Nepal. Four countries – Indonesia, Madagascar, Kenya and Tanzania – figure in the top 2 quintiles of the Bank’s CPIA (for the year in which the PSIA or policy note was initiated) while the rest figure in the bottom 2 quintiles. All countries in the sample had national poverty reduction strategies or their equivalents in place at the time of the PSIA or policy note. Annex 2 gives a synopsis of each of the PSIAs and policy note covered by the review.

3.2 The capability of governments and their capacity for effective policy making are of particular relevance.¹⁵ In CPIA terms, Indonesia stands out as a country with significantly more institutional capacity than the rest. Using a broader yardstick drawn from the Bank’s governance indicators, Table 2 shows how the 8 countries figure in terms of international assessments of ‘government effectiveness’ and ‘voice and accountability’.

3.3 Patterns are hard to discern (unsurprisingly at this high level of generality but it is notable that in the two countries with the lowest rankings for government effectiveness plus DRC, which is known to have very weak government capacity and a relatively underdeveloped civil society, the PSIAs all had a focus on supporting institutional capacity whether inside or outside government. In the case of Indonesia, Tanzania and Kenya the analyses were desk-based, relatively short with no ambitions to go beyond providing sound policy advice. Not much should be read into this at this stage, but the question of fit between PSIA design and specific capacity needs at the sector and/or policy level is a key question that will be tackled later on in the report.

Table 2: Indicators of Government Capability

	Government Effectiveness	Voice and Accountability
	<i>Percentile Rank 1-100</i>	<i>Percentile Rank 1-100</i>
Madagascar	46.9	47.6
Indonesia	41.7	42.8
Tanzania	39.3	43.8
Kenya	30.3	46.2
Nepal	21.8	22.6
Cambodia	20.9	24.0
Yemen	13.3	17.3
DRC	No data	No data

¹⁵ The stock of institutional capacity and the record of effective policymaking in the past is likely to influence the way in which a PSIA is designed and implemented.

DOING PSIA IN DIFFERENT REFORM CONTEXTS

What triggers a PSIA?

3.4 PSIA's are undertaken for a variety of reasons. The GPN states that "ideally, if time and resources permit, PSIA should be carried out for all the key reforms identified as having likely significant distributional impacts during initial screening" (2008:12). However, in practice this is not realistic. Criteria for selecting priority reforms for PSIA include:

- Significant poverty and social impacts on different groups, particularly poor and vulnerable groups;
- Potential to significantly improve the benefits of a reform for poor and vulnerable groups;
- The prominence and urgency of the reform in the government 's policy agenda;
- Level of national debate surrounding reform - in particular where there are political sensitivities surrounding the reform that might spark strong public responses and prompt attempts to block decision-making and implementation (GPN 2008, p12-13).

3.5 The case studies identify a number of reasons for carrying out a PSIA (which are listed in Table 3). Triggers range from concerns about direct welfare impacts associated with an ongoing reform process (DRC Mining) to politically sensitive reforms and concerns about possible impacts on the poor and reactions from industrial or middle class groups (Tanzania, Nepal and Indonesia). The timing of Bank operations also plays its part in triggering PSIA's (in line with OP8.60). For example, preparations for a Water Sector Support Programme in Yemen, and the PRSC and Poverty Assessment in Nepal were part of the decision to undertake a PSIA. Building an evidence base to inform ongoing or future reform efforts is also significant in several PSIA's, including Kenya social pension, Madagascar health and Cambodia social land concessions.

3.6 In highlighting the reasons for doing a PSIA, it is also relevant to ask where the PSIA was initiated from. The PSIA framework is clear that identifying a topic should be a collaborative exercise between potential stakeholders. The GPN notes that the scope for doing this is likely to vary by country and reform context. The vast majority of the PSIA cases included in the review were initiated by Bank staff with differing levels of consultation and dialogue with government counterparts. The Indonesia policy note stands out as an example of demand-led policy analysis, with clear ownership by the government counterpart who 'commissioned it'. The DRC PSIA was initiated at the request of the project unit responsible for managing the voluntary departures programme. The Tanzania PSIA was initiated by staff in the country office with only limited direct consultation with GoT, largely because of the sensitivity of the issue.¹⁶ The Kenya PSIA was initiated by staff at Bank HQ with few links to the government or the Bank country office. The Yemen water reform PSIA, by contrast, emerged from ongoing engagement in the sector and involved close communication with the Yemeni authorities, GTZ and between the PSIA team and the water sector programme managed from HQ.

¹⁶ The view inside the country office was that Government was reluctant to consider significant tariff increases because of possible adverse effects of key interest groups and would therefore not agree to a PSIA. Furthermore, local researchers would be unwilling to work on such a PSIA because of the political sensitivity of the topic.

Table 3: Reasons for carrying out a PSIA

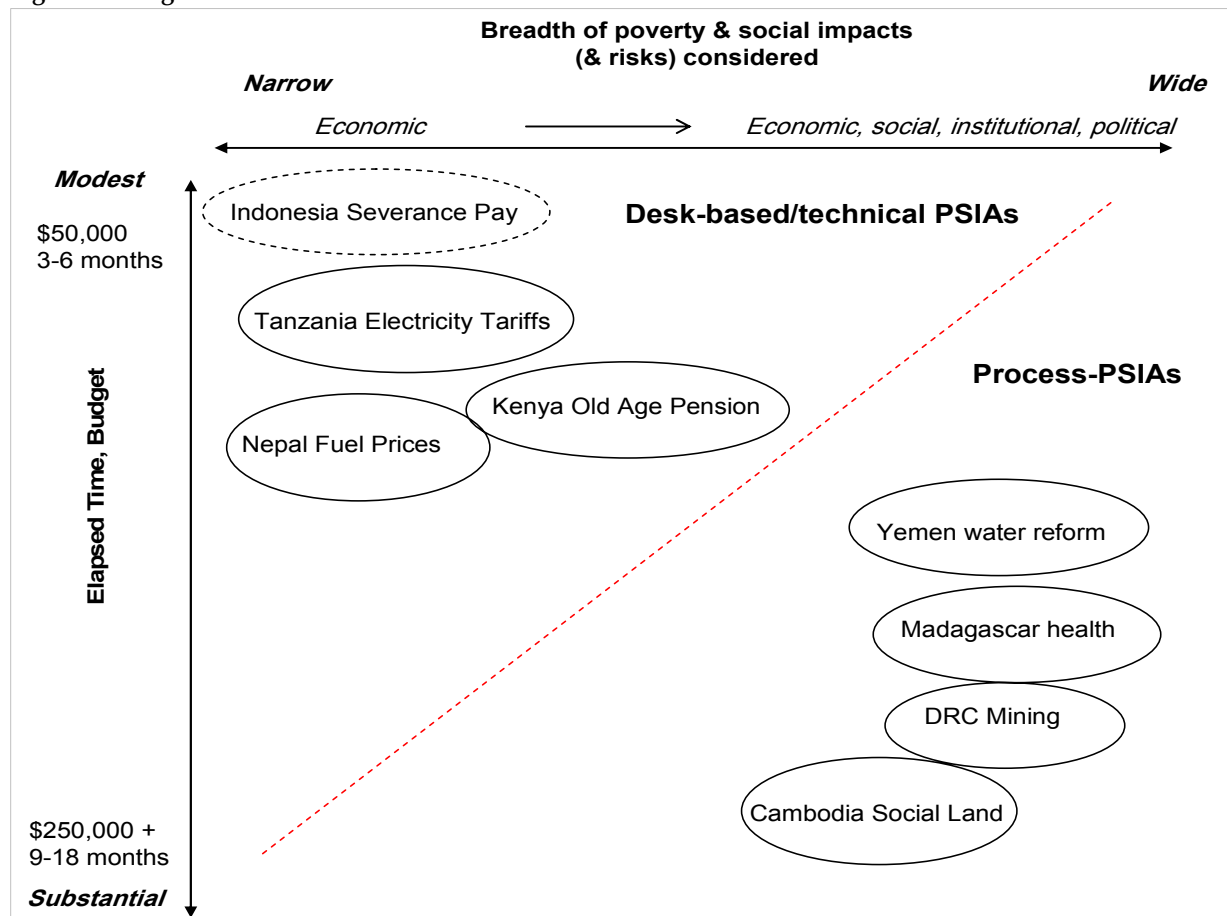
	The need for mitigating measures	Urgency of reforms / prominence in national or sectoral agenda	Political sensitivity of reform	Improving the efficacy of ongoing operations (improving the likelihood that reforms will be successful)	Timing & design of Bank operations	Building an evidence base / lesson learning for future reform efforts
Yemen Water		X (Water sector reform high up GoY's agenda)		X (NWSSIP)	X (WSSP)	X
Madagascar Health		X (Health prominent in PRS)		X (FANOME/EF, Health programmes for the poor)		X
Kenya Old Age Pension					X (ESW)	X
Cambodia Land					X (Possible WB operation)	X
DRC Mining	X	X (Gecamines reform & voluntary departures prog in inception phase)		X (Voluntary Departures Programme)	X (Voluntary Departures Programme)	
Nepal Fuel Prices		X (Nepal Oil Corporation in major financial crisis)	X (Concern about public protects/ social unrest)		X (PRSC)	X
Tanzania Electricity Tariffs		X (Power outages, TANESCO in financial crisis)	X (Concern about public protects/ social unrest)			X
Indonesia Severance Pay	X (Concern that design of SP reform would create inequities)	X (EPL reform profiled in media & earlier a major concern)	X (Concern about public protects/ social unrest)			X

3.7 The data suggests that there isn't any clear association between the reason(s) for doing a PSIA and where/how it was initiated. PSIA's are triggered for multiple reasons and, as should be expected, Bank staff play a major role in initiating and getting them off the ground. The role of in-country stakeholders at this stage in a PSIA can be quite complex with some governments having a significantly more developed interest in, and understanding of, PSIA than others. But there are also instances when it would be difficult for government to initiate a PSIA because of the political sensitivity of the policy issue. This was certainly the case in Tanzania and to a lesser extent in Nepal. At the same time, some have argued that Bank involvement in politically sensitive PSIA's can be seen as problematic, particularly by interest groups outside of government (World Bank 2008a). These are the kinds of dilemmas that Bank staff have to deal with on an ongoing basis. If they are seen to be too forceful in demanding a PSIA of a sensitive policy issue they can be criticised for 'railroading' government. If they are too tentative they can be criticised for not taking the issue of poverty and social impacts seriously enough. In such situations the Bank may work more effectively 'behind the scenes' until such time that there is a clearer constituency of support for PSIA within government or more broadly.

How do PSIA products differ?

3.8 The GPN is clear that practice around PSIA will vary according to different country and reform circumstances. This is supported by the recent PSIA stocktake that points to an increase in the number of PSIA-type 'products'.

Figure 3: Categories of PSIA



3.9 Each of the cases reviewed has its own particular character forged by the specificities of relationships with the client, within the Bank (HQ and country office) and with other development partners. There are, nevertheless, some common features among them which, when viewed in terms of a spectrum, produce two broad categories of PSIA (Figure 3).

3.10 The first category, or 'process PSIAs', pay close attention to most if not all the key elements of the PSIA framework (see Figure 1). They emphasise stakeholder engagement and draw on both primary and secondary data for analysis (Box 1). They consider a wide range of poverty, social and institutional/political economy effects and give explicit attention to building a constituency of support for PSIA findings through active engagement with government officials and/or dissemination in-country. Process PSIAs have fairly large budgets and involve time frames ranging from 9 to 18 months. In the past, they were also more likely to have received dedicated financial support under incremental funding from the Bank's budget.

Box 1: Process PSIA's in practice – water sector reform in Yemen

In Yemen, the political economy of the water sector with its numerous interest groups, governmental bodies and development actors, plus the recent experience of preparing a highly consultative comprehensive water strategy and investment programme (NWSSIP), meant that country ownership was regarded as a sine qua non for the PSIA - 'not just a goal but a precondition'. Water sector reform was expected to generate a number of distributional impacts. The view was that these would be best addressed by understanding stakeholder interests, influence, support and opposition to the NWSSIP. Consequently there was a strong focus in the PSIA on stakeholder engagement throughout at all the design and implementation stages. Analysis and political dialogue were conducted in parallel leading to a highly iterative process lasting well over a year. The eventual PSIA 'product' was a combination of this iterative process together with a full stand-alone report and summary in English, a summary report in Arabic and an implementation matrix (contained in the main report) designed to feed directly into the update of the NWSSIP.

3.10 On the whole, process PSIAs are more exploratory than technical PSIAs. The policy challenge tends to be broad in which analysts and policymakers anticipate a number of possible options and ways forward (Box 2). As such the PSIA is more likely to be approached as a learning exercise intended to raise issues, inform debate and enhance reform or programme efficacy.

Box 2: Assessing programme efficacy and potential policy options in Madagascar, DRC and Cambodia

The Madagascar PSIA on 'Health Care for the Poor' undertook to assess the effectiveness of the government's cost recovery programme for drugs at community health centre level (FANOME) and, in particular, to assess the effectiveness of the Equity Fund (EF) in reaching the destitute poor. The trigger for the PSIA came from the WB country economist who recommended to SDV the need to assess the functioning of FANOME/EF and to "inject some realism" into GoM thinking about its health programming based on concrete data about its effectiveness.¹⁷ In DRC, the PSIA on reform in the mining sector set out to (a) understand the impacts of redundancies on employees leaving Gecamines and their households, and (b) identify options for mitigating any negative social impacts of the reforms. In Cambodia, the PSIA undertook to assess the likely implications of the government's social land concession programme which was intended to reduce poverty by using previously idle land and allowing households to use land as collateral for capital investments. The results of the PSIA were expected to inform the design of the government's programme and provide a rationale for a WB investment loan aimed at facilitating implementation of the programme.

¹⁷ Specific research objectives were to (i) summarise available evidence on the distributional impact of cost recovery for drugs and the poor; (ii) understand why the current safety net policies in health care do or do not effectively reach the poor; (iii) provide a local/users-level perspective on access and constraints to health care; (iv) recommend ways to improve the Equity Fund.

3.11 The second category of PSIA is the ‘technical PSIA’. Four cases fall into this category with the policy note in Indonesia at one end of the spectrum (and not officially classed as a PSIA) and the PSIA on old age pensions in Kenya at the other end. Relevant features of this category are: desk-based analyses of a fairly narrow range of economic (income/consumption) impacts, secondary data, limited social analysis (if any), and no assessment of institutional or political economy effects. This category of PSIA tends to have modest budgets and be produced in less than 6 months either as part of a broader piece of an ESW, or as a short advisory note shared directly with the client with limited dissemination.

3.12 Technical PSIAs typically address a fairly narrow policy problem where there is a degree of confidence about the preferred policy option and the likely impact on the poor. PSIA in this category tend to ‘know’ in advance what the evidence will show and are used as largely advisory tools to assist policy makers in winning the argument for (or against) reform (Box 3). It is also significant that two of the PSIA were produced after Bank incremental funding came to an end, raising the possibility that budgetary pressures were also influential in the design of the PSIA (World Bank 2008b).

Box 3: Evidencing the argument for/against reform in Indonesia and Nepal

The Indonesia policy note on severance pay reform was requested by a government official with a longstanding relationship with the WB and explicit concerns about the progress of labour reforms in Indonesia. The aim of the policy note was to (a) respond to a demand for just in time advisory support, (b) build understanding of the opportunities and obstacles to severance pay reform drawing on international experience (in which there is clear evidence that partially implemented reforms rarely succeed and often backfire), and (c) provide this policy advice in a timely fashion to assist policymakers. Since political sensitivities and a lack of data made a more comprehensive PSIA impracticable, drawing on international evidence regarding severance pay reform provided a ‘politically neutral’ basis for providing advice on the Indonesian reform package. In Nepal, a turbulent political and policy context had made the government nervous about fuel price increases. Bank staff remained fairly convinced that Government of Nepal’s concerns about the poverty impact of such an increase were unfounded given the fuel consumption patterns of poor households. The PSIA set out to evidence this and support decision-makers in the ‘argument for’ price reform.

3.13 Preliminary analysis shows that PSIA do vary by context, mainly in the way that the policy problem is framed. Theoretically speaking, any policy problem is suitable for exploratory analysis along the lines of the process-PSIA, but circumstances tend to dictate what is practical in a particular setting, at a particular time. Analysis further suggests that PSIA includes a spectrum of approaches with certain regularities but also some important differences from one another. Turning back to Figure 2, process PSIA start from the premise that building the links along the results chain is part and parcel of the exercise. This observation accords with a view expressed in the wider PSIA literature that the process of doing a PSIA can be as important for creating a culture of pro-poor policymaking as the findings themselves (Hanmer et al 2002). Technical PSIA, on the other hand, tend to short-circuit this process, seeing the objective primarily in terms of providing analysis and advice to the right people at the right time. Both categories have their place and have the potential to inform and guide policy decisions in a positive direction. They also represent two rather different ends of a spectrum raising the question of what the next generation of PSIA should look like and what the implications are for building capacity for pro-poor policy making in the Bank’s partner countries.

CONDUCTING A PSIA

Methods

3.14 The PSIA framework is clear that PSIA is an approach to policy/impact analysis and not a template. PSIA combines social and economic analytical tools to gauge the potential distributional impacts of reforms. It can also help with analysing institutions and the broader political economy to identify interest groups and potential winners and losers in the reform process (World Bank 2008). The choice of tools again depends on the specific reform context, as well as resource, capacity and data limitations.

3.15 The findings from the case studies support the idea of an approach rather than a template. Methods range from field-based community rankings (Madagascar), power mapping (Yemen), semi-structured interviews and focus group discussions (Madagascar, Cambodia, DRC) to econometric analysis of household survey and investment climate data (Nepal, Tanzania, Kenya). The more exploratory PSIAs use mainly qualitative and field based methods, drawing on quantitative tools where possible to support the analysis of economic impacts. Both Cambodia and Madagascar provide strong illustrations of how it is possible to combine quantitative and qualitative analysis in a beneficial way (Box 4). The desk-based PSIAs – Nepal, Tanzania and Kenya - draw exclusively on quantitative methods and secondary data sources. No reference is made in any of them to other possible forms of analysis or qualitative data sources. The Indonesia policy note is somewhat different as it draws on a review of economic theory and international experience, mainly because of the lack of quantitative data on severance pay in Indonesia at the time.

Box 4: Combining quantitative and qualitative methods in Madagascar and Cambodia.

The Madagascar PSIA was divided into two phases: first, a review of existing quantitative data and specific analysis of issues such as the impact of distance and quality of services on the poor; second, field research in three provinces. Phase one included institutional stakeholder interviews and the identification of potential research sites, which then informed the methodology and location of phase two. Quantitative and qualitative data was collected to assess the quality and institutional constraints to programme efficacy. In Cambodia, the PSIA began with a literature review and a review of ongoing and planned survey work on land issues in Cambodia. Plans for the field research were agreed amongst collaborators at a design workshop held in Phnom Penh. Research tools used included participatory rural appraisal, focus groups and household surveys. Landlessness, land poverty and the reasons behind them were studied using Oxfam's LADIT (Landlessness and Development Information Tool), which uses village leader/official interviews, surveys of the land poor and discussion groups.

3.16 The choice of methods is determined by the purpose of the PSIA. The more technically focused PSIAs are geared towards providing evidence and support for a specific policy option, often within a limited window of opportunity.¹⁸ In such cases, quantitative tools provide a reliable, rigorous and quick way of examining the problem. They may also help to side-step some of the political sensitivities surrounding an issue by providing 'dispassionate' quantitative evidence at a time when decision-makers are required to make tough policy decisions. This is the case in Nepal, Tanzania and Indonesia. The more process-oriented PSIAs, on the other hand, view the choice of methods as a critical part of raising issues and informing public debate, mainly through participation by different stakeholder groups. They tend to tackle political economy issues head on as part of building a constituency of support, both for the PSIA approach and its findings.

¹⁸ The exception is the Kenya PSIA which does consider policy options but with no additional social or institutional analysis.

3.17 None of the PSIAs uses the full suite of methods on offer partly because of resource and timing constraints and partly because of data and capacity constraints at the country level. Some do provide strong examples of using integrated methods, however, and the possibilities that multi-disciplinary approaches can bring (Cambodia, Madagascar, DRC). Looking at the case studies as a whole, together with the broader literature, the following observations emerge.

3.18 Quantitative approaches are justified in terms of speed and efficiency and where the policy problem is largely known. The merit of such approaches lies in their rigour and timeliness. There is a general favouring of econometric analysis over more descriptive quantitative analysis. This means that much rests on the model that is used and the accessibility of the output. However, the case study evidence suggests that this may be short-sighted given that quantitative analyses tend to focus on a narrow set of distributional effects.. In Kenya, the PSIA uses quantitative methods to model the impact of pension receipt on elder-headed households, with a simulation to explore the relatively budgetary costs and poverty reducing impacts of a universal old age pension. The analysis itself is robust and clearly presented, but major questions remain about the wider dynamics surrounding pension reform in Kenya and, in particular, how the introduction of an old age pension stacks up against more traditional forms of coping at the household level, including remittances, inter-household and community transfers and traditional safety nets. As a consequence the study stands out as an interesting empirical experiment but has few links into the current state of policy debate around social protection in Kenya.

Box 5: Going ‘beyond the economic’ in Yemen

In the Yemen PSIA, the team chose a qualitative, field-based approach to study the political economy of the water sector and the distributional impacts of NWSSIP implementation. Field sites were purposively selected to combine perspectives on integrated water resource management, socio-institutional development and the local context. Analytical methods included: stakeholder analysis – to build an understanding of stakeholder interests; institutional analysis – to understand the dynamics of informal and formal institutions in the water sector; social impact analysis – to assess positive and negative impacts of NWSSIP implementation on socio-economic groups; and, social risk assessment to identify the risks to and from possible changes to NWSSIP. The result, according to stakeholders, was a persuasive PSIA that engaged stakeholders along the way, pushed water policy in Yemen toward a greater comprehension of poverty, social and political issues and informed the NWSSIP update in such a way as to increase the likelihood (the process is still under way) of effective implementation.

3.20 The wider PSIA and evidence-based policy making literature states that understanding political and institutional barriers to policy change are key to influencing policy processes (ODI 2005, Davies et al 2000). Without an understanding of how these barriers play out, particularly in sensitive political environments, it is difficult to understand the true scope for reform. This does not mean that all PSIAs should necessarily undertake such comprehensive analysis themselves but that it makes sense for them to refer to analyses that do, or to incorporate key features of the institutional and political environment in their findings. Amongst the case studies there are good examples of both approaches. In the case of Yemen water sector reform institutional analysis provided insights into the structure and dynamics of informal and formal institutions from the basin to the national policy level and the implications of these interactions for the political economy of the water sector. As a result, a number of recommendations were included in the NWSSIP update about accelerating the pace of institutional reform with stronger decentralised water management. In Indonesia, a short advisory note prepared and communicated in real time was seen to be the best way of navigating the difficult institutional politics surrounding labour

reforms. Analysis of the potential fall out from driving through partial reforms involved a nuanced understanding of the context and the applicability of reform experience from elsewhere. As it was, the government's decision not to go ahead with planned reforms was a positive outcome. In the case of Nepal, however, the increase in the fuel price following the PSIA was below what was expected, was not linked to a formal process of price adjustment nor did it get repeated when the oil price surged some months later. It is interesting to reflect whether one reason for this was because policy makers remained unconvinced about the political and social costs of introducing a price increase, and whether more attention to political economy effects would have provided a clearer picture of what was possible at the point at which results were shared with government?

3.21 The choice of methods in PSIA needs to recognise the need for short turn-around information as well as more in-depth and detailed results. Desk-based studies often have the advantage of a fast turn-around, while process-PSIAs tend to use field-work tools that generate in-depth data but over fairly long elapsed times. The risk of undertaking primary analysis is that opportunities are lost to stimulate policy or programme debate in the short run, unless the design and choice of methods are adapted accordingly. Where this does happen, it can be very effective. In DRC, for instance, the first phase of the Mining PSIA involved a piece of action-research designed to flush out issues prior to the main PSIA. This process immediately produced results that then triggered interim support for the project unit working with the voluntary departures programme. Waiting for the full PSIA to report would not have provided such a quick, time aligned solution. On the other hand, in Madagascar the extensive use of field-based tools over a period of several months¹⁹ produced a study of considerable depth and quality but, arguably, one that was not well attuned to stimulating policy discussions in the short run.

3.22 Triangulation of results appears not to happen consistently, raising the question of whether it should be a minimum requirement for PSIA. Quantitative approaches on their own are particularly vulnerable in this respect, with the quality of findings relying heavily on the merits of the 'model' and the data used. But good practice would suggest that a commitment to comparing findings against other, similar sources of evidence whether local or international, quantitative or qualitative is essential if they are to have maximum impact (Davies et al 2000). More process oriented PSIAs tend to use triangulation instinctively although with perhaps less engagement with broader empirical evidence on the reform topic than might be considered desirable.

3.23 All in all, the case studies confirm that Bank-executed PSIAs are strong on method. There are good examples of both quantitative and qualitative studies. There are fewer cases of fully integrated methods, possibly because of the costs involved. Quantitative studies tend to turn around results more quickly than qualitative studies, although the use of rapid qualitative tools can significantly enhance timeliness in qualitative studies. Both quantitative and qualitative studies offer strong insights into poverty impacts, but qualitative studies provide insight into a broader set of social and institutional impacts. Desk-based studies tend to be more advisory while the case studies that pay attention to institutional and political economy effects (Yemen, DRC) have a clearer insight into the policy process and into the possibilities for supporting pro-poor policy change. Qualitative methods can be costly but this need not necessarily be the case if more rapid turnaround methods are used. A combination of rapid qualitative assessment with quantitative modelling may be a desirable way forward. In the next section,

¹⁹ Field work was carried out for 21 days in each province with researchers staying in communities for 2-3 days at a time.

this issue is looked at more closely by examining the influence that different PSIA methods have had on in-country policy and planning processes.

INFLUENCE ON POLICY AND PLANNING PROCESSES IN-COUNTRY

3.24 The literature and PSIA framework suggests that PSIA can influence in-country policy processes in three inter-related ways:

- I. By identifying pro-poor policy options and ways forward
- II. By helping to build conditions for more pro-poor decision making and implementation in the future, and
- III. By building public support for reform implementation

3.25 This section of the report looks at each of these in turn. As noted at the beginning of the report, there are some important caveats to keep in mind. First, PSIA approach policy influencing in different ways. The Indonesia policy note had the clear aim of informing a key stakeholder about possible reform scenarios. It was not intended to be an exercise in building broader public support for reform implementation. In contrast, the Cambodia PSIA intended to raise issues and learn lessons about the poverty and social impacts of land distribution, with a view to building a constituency of support for the reform process. Second, influencing policy is a complex matter. Since PSIA are one element in a complex array of events and processes leading to a policy change, the relationship between PSIA and in-country policy processes is sometimes obscure and/or indirect.

Box 6: Madagascar – direct versus indirect effects

The case study of the Madagascar PSIA on Health Care for the Poor finds little direct evidence of impact on FANOME/EF. What it does find is a number of wider system-wide and indirect effects that have since become significant, not just in health but more broadly. These effects include the development of social accountability mechanisms between providers and community members through the use of community score cards; recognition of the potential role of community health extension workers, particularly in hard to reach areas; provider incentives and increased support to mutuelles (health insurance schemes) with special focus on the needs of the transient and destitute poor. As an ex post assessment of the equity fund, the PSIA had less influence with no resulting increase in funding as the PSIA had recommended.

POLICY OPTIONS AND WAYS FORWARD – LINKING ANALYSIS TO POLICY PROCESSES

3.26 PREMPR's stocktake of poverty and social impact analysis in the context of development policy lending finds that in general terms PSIA has improved the ability of governments to communicate reforms and in some cases to implement difficult reforms. At the same time, only a few DPL TTLs were able to point to the specific impact of PSIA work on the design of lending or on policy thinking at the country level.

3.27 Findings from the case studies provide a slightly more up-beat picture with several fairly clear examples of PSIA contributing to specific policy action(s) or a shift in programme design. It should be said at the outset that the magnitude of these effects is fairly modest, few involve clear alternative policy options and in some cases what transpires is less than what might have been expected. A number of factors appear to be linked to the likelihood of a PSIA influencing in-country policy or planning decisions.

Table 4: Factors affecting whether PSIAs have policy influence

	Aligned with national/ sector strategy	Aligned with country policy calendar	Champion in host govt	Advocate in local WB +/-or DP office	Other DPs involved at country level	Skills/ multi-disciplinary team / use of local researchers	Operational relevance & useability of results
Yemen Water	Y	Y	Y	Y	Y	Y	Y
Madagascar Health	Y	X	Y/X	Y	Y	Y	X
Kenya Pension	Y	X	X	X	X	X	X
Cambodia Land	Y	Y	Y/X	Y	X	Y	X
DRC Mining	Y	Y	X	Y	X	Y	Y
Nepal Fuel	Y	Y	Y/X	X	X	X	X
Tanzania Electricity	Y	Y	X	Y	X	X	Y
Indonesia Severance	Y	Y	Y	Y	X	X	Y

LEGEND: Y = present with traceable influence; Y/X = present but weak effect; X = not present

3.28 The first factor is the presentation of clear, operationally relevant findings in a timely manner for decision-makers. This speaks to the accessibility of the PSIA and the need to think consciously how results are to be used for operational purposes. In Tanzania, despite a fairly complex quantitative analysis, the results were presented in an easily accessible form and in time for key decisions to be made to tackle the crisis in the power sector. In response, the Government of Tanzania agreed to an average increase in tariffs that was substantially above the rate of inflation; something it had not done for many years. In Yemen, on top of a lengthy and complex study, the PSIA produced an implementation matrix providing clear PSIA recommendations for the NWSSIP update. The case study finds that working groups established for the update process are using the PSIA and particularly the implementation matrix as key reference documents. On balance, the implementation matrix has probably been the most critical factor in ensuring that PSIA recommendations were fed into the policy process in the water sector. In DRC a log frame was used to focus on how to adapt programmes and policies to minimise the social impact of Gecamines failure and the proposed restructuring. Providing a mechanism for directly linking PSIA findings with the policy process seems uncontroversial but it is not standard practice in PSIA. Recommendations presented further on suggest that it making this standard practice might improve the operational relevance of PSIA.

3.29 The second observation is that while having a champion or set of champions within the host government is important, the level and type of champion is also important. The PSIA framework stresses the importance of embedding the idea of a PSIA, along with its execution, inside the host government. This involves raising awareness of PSIA among key government officials and enhancing the ability of government policymakers to review PSIA results and recommendations and consider policy alternatives based on findings. Observations across the 8 cases vary on this dimension, with very different degrees of embeddedness on the government side depending on the country and policy context.

3.30 In Yemen the PSIA was championed by the Minister of Water and Environment and the Deputy Minister of Agriculture and Irrigation, both of whom demonstrated a political commitment to the process and

to utilising the findings.²⁰ Analytical work was conducted using a multi-disciplinary research team that included the chairmen of the National Water Resources Authority and General Authority for Rural Water Supply Projects. The result was a process firmly embedded in the internal policy discussion on water sector reform in general and on the update of the NWSSIP in particular. In Madagascar a Ministry of Health official was seconded to the PSIA team and trained in PSIA methods along with other team members. Though this provided a clear link back into the Ministry on a number of technical issues, it was not the same as high level Ministerial engagement which may, with hindsight, have limited the wider impact of the PSIA on policies in the health sector. In Indonesia, the prominence and position of the client for the policy note was enough to give the exercise some influence on the decision not to go ahead with severance pay reform, although its wider influence on the policy debate about labour reform remains unclear.

3.31 In Cambodia, on the other hand, despite an extensive process of engaging government officials and clear demand for the PSIA from within government, the lack of high level ministerial engagement stalled efforts to turn the PSIA recommendations into practice. The weakness of institutions expected to implement the policy on land distribution, including a failure to identify which institution held the mandate for state land, made it difficult to translate PSIA findings into reality. Since then, the PSIA has been important in informing the preparation of a support project for social concessions implementation, but it has still proven difficult to get more systemic change without higher level political support. In Kenya, the lack of a government champion, particularly inside Ministry of Finance meant that the PSIA found very little favour within the core policy group working on pension reform.²¹

3.32 Nepal and Tanzania provide a counter example. In neither case was there an obvious champion for the PSIA from inside government (except perhaps for the planning commission in Nepal). Nevertheless, both PSIA's were able to feed into a decision to raise energy prices on the basis of evidence that showed that the impact on the poor would not be substantial. While generalisations cannot be made from a sample of two, the experience does suggest that, in certain instances, where political sensitivities are running high, a PSIA can have influence (albeit modest) without a clear champion from inside government. But, as argued further on, in such circumstances there is likely to be a need for a strong advocate within the Bank's country team or from a development partner if the PSIA's influence is to be more than marginal.

²⁰ Stakeholders did express scepticism about Yemen's ability to deliver on the priorities established through the PSIA and the NWSSIP update. Some were sceptical about the Government of Yemen's commitment to change; others were concerned about the capacity of the government to turn priorities into real implementation on the ground.

²¹ The team found a champion in the Retirement Benefits Agency, which had been tasked by the MoF to prepare a pensions policy. However, the debate on pension reform went well beyond the RBA and the Kenyan study failed to make much of a mark because of a weak champion at the core of government.

Box 7: Assessing the impact of rising energy prices in Nepal

The purpose of the PSIA was to provide evidence to government decision-makers that raising fuel prices in line with Bank macroeconomic advice would not have overwhelmingly negative impacts on the poor. Notwithstanding an official request for the PSIA as part of the ongoing Poverty Assessment from the Vice Chairman of the Planning Commission, the number of actors involved in policy making in the petroleum sector meant the no single champion for the work clearly emerged. Results from the PSIA did have some influence, including the decision by government in January 2005 to fully align the fuel price with the world price so that the Nepal Oil Corporation could recover costs. The recommendation, expressed during PRSC discussions that Nepal should introduce an automatic price adjustment mechanism, was not explored in the PSIA, however. Despite a one-off increase in prices in January, the effects were short lived as the government failed to act in the coming months in the face of another world oil price surge. Whether government would have acted if the PSIA had had a stronger champion on the inside of the policymaking process or if the PSIA had presented a broader case for continued price increases is impossible to tell. The case study concludes that the impact of the Nepal PSIA was discrete and short term. While its impact was definitely muted by the highly charged political context at the time, the case study questions whether a clearer dialogue with government together with broader stakeholder engagement might well have laid the basis for more sustained and sustainable reforms in the petroleum sector.

3.33 The third critical factor is alignment with the national policy calendar. The GPN and User Guide all make the point that to be effective PSIA needs to be anchored in the national poverty reduction strategy. This not only strengthens country ownership of reforms, it also improves the quality of debate and decision-making around reform processes and helps to promote a wider culture of evidence-based policy making. Ironically, findings from the country studies show fairly weak, indirect links with national development strategies. However, in most cases it is possible to find some reference to the reform topic in the strategy. For instance, pensions are a feature of the Kenya PRS, health care for the poor figures in the Madagascar PRS and land is a major issue in the Cambodia PRS. What seems to be as, if not more, significant is the timing of national policy decisions whether driven by the PRS or not. In Yemen, the update process for the NWSSIP and plans for a Water Sector SWAp provided a crucial juncture for the PSIA and ultimately for its ability to influence thinking at country level. In Indonesia, timing was everything. The focus of the work was demand-driven and was timed around the needs of the government. The analysis and recommendations were turned around quickly in time for a decision to be made to postpone a partial severance pay reform. The real strength of a relatively minimalist analysis such as this, and similarly those of Nepal and Tanzania, is the ability to provide evidence based policy advice in real-time. The relative merits of this versus the longer lead-time required of most process-PSIAs is returned to in subsequent sections.

3.34 The final observation is about the importance of staffing, skills and a World Bank or development partner advocate for PSIA at country level. PSIA provides an opportunity not only for the presentation of evidence, but also for knowledge and skills transfer. Multi-disciplinary and multi-institutional teams provide a key way for this to happen, while combining Bank analytical skills with those of other researchers, local and international, can provide a powerful basis for catalysing change. In Yemen, Cambodia and Madagascar the PSIA contributed to a greater awareness of the approach and familiarity with its methods and, arguably, provided a good basis for influencing pro-poor change in the future.²² In Madagascar, the view was that even though the PSIA may not have had a direct one-to-one effect on policy (at the time), it did help to bring pro-poor

²² Authorities in Yemen plan to do a further PSIA on urban water issues, while in Madagascar key recommendations of the PSIA were picked up some time after completion and are now forming a major part of efforts to improve social accountability within the health sector.

issues onto the policy agenda in part because of the capability of the team and the methods it used to underpin its analysis. However, its impact might have been even greater if the team had included a health economist and a policy researcher or public policy analyst who could have assisted in translating the findings and recommendations into a more policy-oriented framework. According to the case study, a public policy analyst on the team could have assisted in suggesting and developing mechanisms for stimulating policy dialogue and discussions around the findings.

3.35 PSIA with a locally based advocate in the Bank office or within a collaborating development partner are also much more likely to influence policy thinking in the immediate term than those without. This is irrespective of the 'type' of PSIA analysis. The PSIA team in Yemen included a longstanding consultant to the water sector who had worked for the Bank in Yemen and was heavily involved in the NWSSIP update. In addition, GTZ, who were providing technical support to the Ministry of Water and Environment, proved a strong advocate which, according to representatives based in Yemen, resulted in a 'coalition for change' around water sector reform that heightened the chances for PSIA influence in a way that would not otherwise have happened. In Tanzania, the PSIA was carried out by economists in the country office with close dealings with government. In the DRC, the PSIA was effectively 'hosted' by the University of Lubumbashi but with strong links to the project unit implementing the voluntary departures programme as part of a Bank lending operation. In neither Kenya, Nepal nor Madagascar was there a World Bank counterpart locally although, in Madagascar, GTZ played a significant role in acting as an in-country advocate. In Kenya, the absence of any advocate within the WB Kenya team proved a major obstacle to PSIA uptake (Box 8). Similarly, since most of the analytical work for the Nepal PSIA was conducted in Washington, the PSIA appears to have limited local impact beyond the ad hoc measures introduced by government at the time the PSIA was released.

Box 8: The politics of pension reform in Kenya.

The Kenya case study points to the potential of the PSIA to inform policy makers on pension reform but provides only negligible evidence in-country that this has happened. The case study describes a polarised debate on social protection and a complex array of actors that the PSIA was unable to straddle. Strong local politics had made the pensions debate an issue in the PRS and the forthcoming elections. Without a clear advocate for the PSIA in-country, however, it remained a largely desk-based exercise unable to convince either Bank staff or key national stakeholders that a universal social pension was/is the best intervention. The lack of consensus within the Bank country team on social protection versus macro-economic stability and other calls on the national budget, meant that the PSIA was poorly disseminated in-country, although there are plans to publish the paper as a Social Protection Discussion Paper which may eventually gain wider dissemination amongst interested parties.

BUILDING CONDITIONS FOR MORE PRO-POOR DECISION MAKING

3.36 The PSIA framework stresses that building the conditions for pro-poor decision-making requires attention to in-country institutional capacity for policy analysis and the use of findings for policy purposes. This implies close collaboration with local counterparts in generating and reviewing the results of PSIA, capacity support where needed, and close attention to monitoring and evaluation systems to ensure that policy analysis influences policy.

3.37 Among the 8 cases, two involved some explicit form of capacity support. In DRC, capacity support was provided to the research team at the University of Lubumbashi, while in Madagascar, support was given to training local researchers and a representative of the Ministry of Health who was seconded to the research team. Elsewhere, in Yemen, Yemeni researchers and members of government

were part of the extended PSIA team, although without any explicit objective of institutional strengthening. In Cambodia, the PSIA involved a research partnership with a locally based Institute and Oxfam GB together with operational staff from various government institutions. As a process this proved fruitful for raising public awareness (see box below) but critical institutional weaknesses continued to limit opportunities for more pro-poor decision-making inside of government. With only weak links to national PRS processes, none of the PSIAs was systematically linked into national monitoring and evaluation processes and in no case has there been a systematic monitoring of the effects of policy decisions linked to the PSIA.

3.38 In the remaining PSIAs, the focus was on communicating evidence that might assist reformers 'win the argument' for reform. Much of the work was done in-house by Bank staff with limited collaboration with local counterparts, except for some basic data collection. In Kenya, the Kenyan counterpart engaged in the PSIA was included in the team mainly to provide access to data. Notwithstanding the potentially useful results on poverty and pensions in Kenya, limited engagement with local counterparts meant that there is very little trace of support for either the analytical tools or the results inside of government. In Tanzania, Bank staff were of the view that political sensitivities surrounding the reform process meant that it would not have been possible to work more closely with local counterparts, including local researchers who also held sensitivities around the proposed reform option. In Nepal the PSIA took place as part of a much wider Poverty Assessment. The latter was a collaborative effort between the government of Nepal, the Bank and a number of other donors. The analysis and writing of the Poverty Assessment was done by mixed teams. However, the PSIA did not follow this approach. Analysis was done in Washington by Bank staff with limited involvement by Nepali counterparts. While capacity support was a key part of the larger poverty assessment effort, there was no structured knowledge transfer related to the specific analysis of the distributional effects of changes in energy prices. The Poverty Report as a whole, which included a chapter on the PSIA on fuel prices, was jointly branded with government and World Bank logos. Nevertheless, Bank staff were of the view that the PSIA was probably the 'least owned' part of the report. While it had some influence on an initial decision to raise fuel prices, the PSIA added little to building the future conditions for pro-poor decision making of this kind.

3.39 A key part of the challenge in addressing institutional capacity weaknesses and including them as part of a PSIA is clearly time and resources. It also relates to where and how the PSIA was initiated and how much internal political support the PSIA commands. The case study evidence together with the review of the literature shows that supporting institutional change to bring about better quality decision-making cannot be done in one-shot (Higgins 2008). It is a process that needs several iterations. This is also the case with PSIA and it appears that expectations may exceed what can practically be done through one PSIA, particularly when the exercise is being led from Washington. The Yemeni example suggests that a crucial step in moving towards a more pro-poor decision making process is developing strong local advocates for the PSIA who are able to raise and embed the ideas in decision-making as the reform process unfolds. Having researchers or consultants working on the PSIA and in the sector itself can be another important way of getting follow-through, including developing a commitment to undertaking more policy analysis in the future. In Yemen, having a water sector specialist embedded in the team was critical. In Madagascar, there was no strong local advocate once the PSIA was complete. In Tanzania, weak interaction with the energy team in Washington meant that there was little chance that the PSIA would be followed-up in future Bank support for the electricity sector.

BUILDING PUBLIC SUPPORT FOR REFORM IMPLEMENTATION

3.40 Stakeholder engagement has two central purposes in PSIA: first, to be part of the analysis; second, to build public support for policy change. The PSIA aims to do this through identifying and interacting with stakeholders at different levels throughout the PSIA.

3.41 High levels of interaction with stakeholders is a central feature of the process-PSIAs in the sample. Stakeholder analysis is a tool widely used and stakeholder groups were identified for structured feedback and engagement as the PSIA process proceeded. In Cambodia, a key aim of the PSIA was to create a forum for the government, donors and civil society to openly discuss proposed reforms as well as the importance of a participatory and transparent process. Accessibility of the research process and results was supported through a series of workshops, initially at the design phase and later to provide feedback on PSIA results. The final workshop held in Phnom Penh in 2004 included over 100 representatives of various PSIA stakeholders including donor agencies and government officials. According to observers, the PSIA provoked some intense debate amongst stakeholders, raising awareness of both the issues and of what distributional analysis can contribute.

3.42 In DRC, a meeting in Kinshasa brought together unions and key ministries (including social sector ministries) to discuss the PSIA. This provided a unique opportunity to build consensus around the proposed mine restructuring programme and proposals for mitigating some of the impacts on retrenched workers. While not specifically attributable to the PSIA, it is significant that a week following this meeting the government signed an agreement to establish a management contract for Gecamines, something it had previously stalled on. By getting the right information into the hands of the right people, the PSIA had, at the very least, helped to create an important political opening for the reform programme.

3.38 Stakeholder engagement in Yemen was extensive, building on a strong local 'discussion culture'. Three stakeholder workshops were held over a nine-month period. Close engagement by the Minister of Water and the Environment was taken by other stakeholders as a signal that government was taking the process seriously. Several stakeholders mentioned that they would make use of the PSIA in their work. But the process was not without its critics with challenges of elite bias and a marginalisation of women in stakeholder discussions. Dissemination within Yemen was also criticised as several key stakeholders did not receive a copy of the PSIA.

3.39 It is interesting to note that levels of stakeholder engagement at the front end of a PSIA are not automatically correlated with active dissemination to stakeholders at the back end. Several cases with active stakeholder engagement had lost momentum at the dissemination stage, while others with significantly less engagement along the way managed a fairly robust dissemination process. In Yemen, members of the PSIA team acknowledged that not enough attention had been paid to dissemination of the findings, with one team member arguing 'we faltered on dissemination'. In Madagascar, the final dissemination event was attended by a good mix of government, NGO, donors and media representatives but it was a year after the PSIA had finished and allowed only 2 hours for discussing the findings. The general view in country was that this was insufficient to support a quality discussion, and as a result people were reticent to engage and/or speak out. In Tanzania, on the other hand, despite the controversies, the PSIA did manage to engage a broad range of stakeholders in the dissemination stage, bringing in staff from key ministries, academics, the working group of the Poverty Monitoring System

and the media. One unexpected outcome of the dissemination process was that a local research organisation has since planned a follow-up study that will take a more detailed look at the secondary effects of tariff increases, specifically on industrial consumers and SMEs.

3.40 The wider literature would suggest 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. Dissemination is not a one-off event but a continuous process of reaching out to stakeholders within and outside of government with tools that are fit for this purpose. Few of the PSIAs use creative means of communicating lessons, such as policy briefs, significant change analysis or a range of media outlets, relying instead on technical documents and stakeholder workshops. Receptivity to these methods varies by context and by the budgetary and capacity constraints imposed on them. In Yemen, PSIA summaries were produced for greater accessibility, but problems with the Arabic translation and the fact that several stakeholders didn't receive the final report were noted. Delayed dissemination in Madagascar meant that the final analytical report was unfamiliar to many stakeholders (including inside the local WB office), although those that had been close to the process at the time were aware of its significance. In DRC the final Bank approved report took several months to be produced leaving a vacuum between the very hands-on process of doing the PSIA and its eventual circulation in country. What is clear is that dissemination is more than just communicating results but a process of 'closing the loop' on the policy cycle which should, in theory, lead to greater public awareness and greater political commitment to pro-poor policy making in the future.

4. What constitutes 'success' - matching experience with the PSIA results framework

4.1 This section returns to Figure 2 and the generic results chain for PSIA. It was noted early on in the report that given the way PSIA has been evolving in recent years, expectations about implementing all elements of the PSIA framework have shifted. What constitutes 'success' may consequently look different in different contexts. Figure 2 is more of a heuristic device than a template for evaluating effectiveness. This section reflects on the use of Figure 2 as a guide for identifying results.

BANK INPUTS

4.2 The case studies show relatively strong inputs from the Bank, many of them in line with main elements of the PSIA framework. Bank staff have played a critical role in responding to and initiating requests for distributional analysis, in some cases in collaboration with other development partners. They have mobilised funding and identified key stakeholders. In just under half of the cases, the Bank engaged with stakeholders in the design of the PSIA and built a strong team of local and international researchers to deliver a high quality analytical product. This was not the model everywhere. Four of the PSIAs plus the policy note were based almost entirely on internal Bank inputs, with a good part of the analysis taking place at HQ rather than in the field. Dialogue and dissemination were focused around a narrow policy issue to which a restricted circle of decision-makers were privy. Nevertheless, each of these PSIAs was noted as having influence, albeit along a spectrum of possible outputs/outcomes.

4.3 None of the sample cases was directly linked into the preparation of a DPL, although the Nepal PRSCII was being prepared at the time of the Nepal Poverty Assessment and PSIA and PRSCV was being prepared in parallel with the Tanzanian PSIA. In Yemen the PSIA was linked to ongoing preparations for a water sector SWAp, in which the Bank was a major player, and the DRC PSIA was linked with the Bank's Transitional Support Strategy and the Private Sector Development Competitiveness Project. The findings of the PSIA in Cambodia have since been used by the government and the Bank in designing a social concessions land programme and elements of the PSIA in Madagascar have been picked up in ongoing support to the health sector.

COUNTRY INPUTS

4.4 The level of institutional input from partner governments varies widely across the case studies. In Indonesia, the policy note came about in direct response to a request from a trusted government official, but beyond that there was no institutional input from the GoI's side. In Kenya, the Retirement Benefits Agency provided a researcher for the PSIA team but the team and the exercise occurred largely outside of government. No arrangements were in place to link the PSIA to internal policy discussions or decision-making, although the RBA claims to have used the PSIA in the preparation of a draft pension policy currently under discussion.²³ At the other end of the spectrum, institutional and political commitment by the Yemeni authorities was evident in the participation of the Minister of Environment and Water and the Deputy Minister of Agriculture in the PSIA core team. In Madagascar, a seconded

²³ The case study team were not given access to this so it is hard to verify just how influential the PSIA has been.

MOH official provided a feedback loop into the Ministry, but as in Cambodia, the level of institutional engagement was too low to signal real political commitment to the process.²⁴ The PSIA team in Cambodia included representatives of national authorities but as in Madagascar, the team lacked clout without higher-level political support.

4.5 Engagement by government stakeholders in the roll out and dissemination of PSIA was limited in all cases, except in Yemen where the implementation matrix and the NWSSIP update provided a clear mechanism for continued governmental engagement. Regarding engagement with other country stakeholders, experience was uneven. There are examples of researchers trained by the Bank taking those skills and using them in other contexts. There are examples of stakeholders gaining awareness of the tools needed to assess the distributional implications of policy change and taking these into other fora. There are also examples of country stakeholders committing to follow-up PSIA on related themes. There are no examples, however, of institutional arrangements for stakeholders to engage national authorities on pro-poor issues after a PSIA has been completed. PSIA workshops tended to be one-off events and fora created for the purposes of the PSIA tended to fold once they are complete. It is possible that structures around, for instance, PRS monitoring in Tanzania, served this function, but the relatively weak link between PSIA and PRS processes suggests that this might have happened more by default than by design.

OUTPUTS IN-COUNTRY

4.6 Of the six output areas listed in Figure 2, PSIA have achieved the most success in providing reliable and robust evidence on poverty and social impacts and making this available internally and to relevant national decision-makers in a timely manner. But the picture is still uneven. The desk based PSIA in Nepal and Tanzania served a particular purpose and clearly had some influence on policy thinking. But in each case, reviewers found that a more holistic picture of distributional impacts, together with an assessment of some of the obstacles and risks to the reform process, might have significantly enhanced the relevance of the analysis to decision-makers. This may not have required a radically different approach, but rather an extension of the focus to include possible obstacles and opportunities for further reform. A specific illustration of this comes from Tanzania, where the PSIA on electricity tariffs recommended an increase in tariffs for the non-poor and retention (and possibly reduction) of the subsidised lifeline tariff and connection charge for the poor. The actual tariff increase approved was well below that suggested by the PSIA, it did not differentiate between income groups, and the connection charge was also increased. The case study concludes that although the PSIA had influence on the initial decision to increase tariffs (not to be underemphasised given the political sensitivity of the topic) its more subtle recommendations were not implemented, in part because a broad analysis on the impact of different tariff designs for poor and non-poor groups was missing. A representative of the Regulator also indicated in an interview that in order to consider differentiating tariff levels more data was needed on the cost structure of electricity supply and the characteristics of different target groups – something that a more holistic analysis could have possibly done.

²⁴ TTLs observed that this is often easier said than done when there is frequent movement at the political level in Ministries or when there is a climate of lack of openness or risk aversion which leaves the difficult policy issues to 'outsiders' and limits high level political engagement in potentially controversial exercises such as PSIA.

4.7 On the other output areas, three cases (Madagascar, Indonesia, and Kenya) explicitly consider policy options or scenarios together with possible costs and benefits. The remaining PSIA provide recommendations designed to improve the efficacy of policy proposals or ongoing programmes with relatively limited attention to alternatives options or trade-offs. More consider risks and potential political economy obstacles, but few focus on alternative risk-mitigating measures to prevent reform processes going off-track. There is limited follow-up on risks or on the take-up of PSIA recommendations across the board.

4.8 In terms of dissemination and debate, there is evidence that PSIA stimulated policy thinking and excited interest in pro-poor issues. In this way, PSIA have improved the quality of Bank policy dialogue, which is a key output in the results chain. In Yemen, the PSIA generated demand for PSIA-like thinking and analysis in the water sector and Bank staff noted its contribution to more systemic thinking in the sector and a willingness to move beyond 'the economic'. In Madagascar, the PSIA is not known for its one-to-one impact on policy but rather for its general influence on pro-poor thinking in the health sector and its contribution to work on social accountability in the sector and beyond.

4.9 On support for capacity to engage in a PSIA and to consider and act on its findings, the findings are thin. Technical support to government and non-government members of the PSIA was a key feature in DRC, Madagascar, Yemen and Cambodia. But evidence on capacity building is extremely limited. Part of the challenge of addressing capacity shortfalls is the limited agency on the part of PSIA TTLs who can only move as fast as the institutional and political context allows them to. It is a politically delicate process to introduce pro-poor policy analysis and practice into the way a government or part of government operates. Since this process takes time, a single PSIA with a limited budget or limited window of opportunity can only do so much. There is some evidence that collaboration between development partners on different aspects of the PSIA-capacity building agenda can produce results. In Yemen, for instance, the collaborative relationship between the Bank, GTZ and other DPs provided a force for change that, when combined with a strong government champion, resulted in significant progress on key issues in the water sector going forward. But the fact remains that institutional strengthening is a long-term process, requiring a mixture of systemic and targeted support over an extended period of time. One-stop PSIA can contribute to this end but are unlikely to be the sole source of change.

OUTCOMES AND IMPACTS

4.10 As several of the PSIA were started less than 2 years ago, it is too early and too difficult to rigorously assess outcomes and impacts. It is also incredibly difficult to attribute significant change to a PSIA in isolation given the complexity of policy and political processes in most countries and the lack of any clear counterfactual. The information required to make an informed judgement on impact is also not available because of the lack of systematic monitoring of policy processes and outcomes at the country level. However, while the destination remains uncertain, the direction of travel shows some promise in at least a few cases, with evidence of an increase in pro-poor thinking, improvements in openness and transparency, improvements in Bank policy dialogue and signs of a commitment to further PSIA in future iterations of the reform agenda. These promising directions provide a critical justification for continued attention to PSIA. But the findings suggest the need for a recalibration of the PSIA agenda if it is to remain operationally relevant for Bank internal use and, more importantly, in-country partners and stakeholders.

5. Moving Forward with PSIA: Conclusions and Recommendations

INTRODUCTION

5.1 This final section of the report focuses on overall conclusions and recommendations. Taking into account caveats about the limitations of the Review and particularly the size of the sample, this chapter provides an assessment of the record on PSIA in relation to in-country policy and planning processes. It is then considered how PSIA might develop in the future, including the contexts in which PSIA is most likely to be a useful approach.

THE REVIEW IN PERSPECTIVE

5.2 There is a universe of PSIA experience of which this Review constitutes only a small part. The sample is limited and purposively selected; inevitably limiting what can be said of general relevance. The focus of the Review on the relationship between PSIA and in-country processes also means that most of the emphasis has been on the 'outward face' of PSIA. Aspects of PSIA experience, including internal Bank and development partner thinking and ways of working, have not been given the same emphasis, resulting in an assessment that is inevitably partial. Limitations have partly been remedied by drawing on the wider literature and on internal reviews of practice inside the Bank, but inevitable gaps remain. This does not undermine the ability to draw conclusions but it raises an inevitable caution about their generalisability.

ASSESSMENT OF PSIA

5.3 Findings suggest that the PSIA approach has been influential (to varying degrees) in:

- Generating analytical evidence on key policy issues in a timely manner for in-country decision-making processes;
- Providing a framework for country stakeholders to engage on pro-poor issues, and supporting the enhancement of pro-poor thinking in specific policy areas;
- Filling critical analytical gaps by bringing in the skills and funding needed to address them, sometimes at short notice.

5.4 PSIA designs vary across settings and have evolved over time. This has led to some very specific PSIA experiences. Despite the difficulties associated with making generalisations with a small sample, there are a number of factors that appear significant in shaping how, and how well, PSIA has influenced Bank engagement and been integrated into country processes.

- Timeliness is critical and points to the need to consider 'what will work' in 'what context' and 'to what end' rather than assuming that every PSIA needs to follow the same trajectory. Since PSIA is a family of approaches, the key objective should be to ensure relevance and timeliness in a particular policy setting. Short turn-around products, even based on preliminary analysis, can assist reformers make better informed decisions.
- Timeliness and relevance point to the importance of alignment with national and sector strategies and/or the national policy calendar.

- Economic analysis is an important dimension of distributional analysis but moving beyond ‘the economic’ also brings with it not only a greater understanding of likely, and sometimes unexpected impacts, but also of possible behavioural responses to policy change. This is important in understanding what makes reforms stick and how best to support them.
- The useability of results is essential. PSIAs with greatest operational relevance for country-level processes pay heed to accessibility, in some cases using tools such as implementation matrices or logical frameworks for translating findings into concrete policy or programme actions for country decision-makers to consider.
- Navigating the difficult politics surrounding reform is an important part of an effective PSIA. Having champions and advocates for PSIA work at the country level – within and outside of government – is probably the most influential factor in terms of creating the conditions for policy change. But the level and status of these champions matters too. High level political engagement makes a difference but where political sensitivities are significant a strong advocate within either the Bank country office or similar DP office can provide a much needed anchor, as well as the opportunity to keep the process going once the analytical work itself is complete. PSIAs led from Washington may need these advocates more than others.
- Stakeholder engagement outside of government helps to build a constituency of knowledge and activism on reform issues but is often a one-shot process and on its own is not sufficient to secure a policy ‘response’.
- Building conditions for pro-poor policy making is a multi-causal process to which a single PSIA, whether stand alone or embedded in other analytical work, is unlikely to be able to make significant inroads.
- The record on capacity strengthening is weak. It has been better in contexts where the PSIA has a strong local advocate and a link into the local policy research community. There is no real evidence of PSIA directly influencing capacity to identify, analyse and utilise evidence for policy making inside government.
- Dissemination is not a one-shot process and few PSIAs include active tools for dissemination beyond the disclosure of final reports and workshops. Funding for dissemination may be a constraint.

RECOMMENDATIONS ABOUT THE FUTURE OF PSIA

5.7 Stepping back from the specificity of each of the case studies the findings, together with some of the more recent literature on PSIA, suggest a number of recommendations for enhancing the impact of PSIA on in-country processes.

Valuing different PSIA products

5.8 The terrain around PSIA in the Bank has been changing for some time. Some of the latest shifts in approach reflect changes in the funding environment for PSIA – the end of incremental funding and the reliance on Bank budget and Trust Funds for analytical work – but also the increasing climate for real-time policy advice.²⁵ The findings suggest that it is not helpful to insist on a rigid definition of what does or does not constitute a PSIA. If the key objective is to provide reliable, relevant guidance to in-country decision-makers and Bank staff preparing operational support, then it is time to recognise that a range of PSIA products is appropriate. The main aim should be to ensure that they are ‘fit for purpose’ for

²⁵ New demands include analysis of the poverty and social implications of policy responses to the food crisis, the global financial crisis and climate change actions.

decision-makers on the ground, taking into account the need for timely, accessible analysis and advice and the nature of the relationship between the PSIA team and government counterparts.²⁶

But Poverty and Social Impact Analysis remains important

5.9 Recognising that a range of PSIA products is needed to fit different country and reform contexts should not mean letting go of some of the key tenets of PSIA which distinguish it from narrower distributional analysis. These include: combining poverty and social analysis of possible reform impacts; assessing distributional and political economy risks that might undermine reform effectiveness; and, integrating analysis and dissemination within country-led policy processes. Shorter, leaner PSIAs have shown themselves to be influential in the very short run but the most durable and embedded PSIAs in this study are those that provide a broad understanding of welfare effects, including an assessment of institutional and political economy effects that might help or hinder reform processes down the line. Improving the synergy between quantitative economic analysis and social and political economy tools may be a way to get the ‘best of both worlds’ going forward.

Wider use of rapid analytical methods

5.10 In some cases, the need to produce quick turnaround results (Indonesia and Nepal) makes it difficult to incorporate more than one analytical approach. This points to the need for a wider range of rapid analytical methods that can produce results more appropriate for real-time decision-making. Further guidelines on how to conduct institutional and political economy analysis in a more limited timeframe could be hugely valuable, both in terms of the added dimension they give to policy analysis and the cost-effectiveness of Bank and Trust Fund resources.

Consider an incremental approach

5.11 A key value-added of the PSIA approach should be its adaptability to different contexts. An incremental approach may be one way to achieve this, combining more than one PSIA product in a more phased approach that is adapted to the needs of the sector or reform area. Where appropriate, a more incremental approach could start with a lighter-touch analysis – which could be quantitative or qualitative, social or economic – designed to generate quick results for decision-makers. This could be part of an existing ESW or a stand alone exercise. Depending on the results of this stage, there could be a commitment to undertake more comprehensive analysis and/or capacity support to build the conditions for further pro-poor analysis and action. Unlike the current approach, which tends to require simultaneous action on all fronts, the incremental approach could treat analytical and capacity strengthening objectives in parallel or sequentially. It would involve a potentially different approach to stakeholder engagement, with more emphasis on getting the right people involved at the right time than a comprehensive approach. It would allow for sustained analysis and filling gaps over a period of time. It could provide a clearer basis for development partner cooperation based on comparative advantage in the PSIA results framework (e.g. working with bilateral and/or non-governmental organisations already engaged in the sector to boost support for policy analysis and pro-poor reforms). The approach would need a different funding model, possibly with tranching support over a period of months or years linked to a series of, rather than a single, deliverable.

²⁶ The Indonesia case study finds that “lean advice can be effective in influencing government officials if a relationship of trust exists between the government counterpart and the PSIA team.”

More emphasis on operational relevance

5.12 The PREMPR stocktake notes that several DPL TTLs were aware of a PSIA's general influence but were unable to identify concrete measures that flowed from it, whether for use in identifying prior actions or in broader dialogue with country partners. At the country level there were many stakeholders who were able to refer to the PSIA in general but not in terms of specific actions or measures that it had recommended. To improve operational relevance it is recommended that: (a) a clear link with in-country processes is established before undertaking a PSIA. In Yemen, for example, the fact that the PSIA was so closely linked to the NWSSIP update process provided it with a high level of operational relevance from the start. In Tanzania it was noted that pressure to do PSIA's without flexibility in format and approach was a problem for operational relevance; (b) all PSIA's, whether light-touch or comprehensive, would benefit from some form of log frame or implementation matrix that translates findings into clear policy or programme actions. Such a tool can underpin communication (see further on) and also facilitates monitoring and evaluation at the implementation level, something which is often missing in sector or national M&E frameworks.

More triangulation of methods

5.13 A number of case studies recommend more triangulation of data sources and/or methods to develop a convincing case for policy change. Triangulation does not need to be overly burdensome, rather it can be based on existing studies or data sources that provide complementary evidence to that found in the PSIA. Evidence can be drawn from other contexts where appropriate. Without such triangulation, shorter and leaner PSIA's in particular run the risk of relying solely on the merits of the model rather than its broad applicability to the policy or reform context. It is recommended that more attention to triangulation be paid in PSIA's going forward.

Communication is key

5.14 A key message from the broader literature on evidence based policy-making is that communication is central (ODI 2005). However, communication is one of the weakest areas of PSIA practice. To improve it, a much more active approach should be adopted that recognises that there are political sensitivities that require careful tailoring to context.²⁷ Analytical reports and time-constrained workshops may satisfy minimal dissemination criteria but they do not amount to communication in ways that really support change. A possible priority for PSIA, and the PSIA team supporting it, is to bring communication to the heart of the approach, seeing the opportunities for it much earlier on in the process and funding it properly to ensure that policymakers see both the purpose and value of bringing evidence on distributional impacts into the policy process. This involves identifying key audiences early on, tailoring the communication of findings, as appropriate, to different policy constituencies (i.e. technical government staff vs political leaders vs. academic researchers vs. civil society organisations vs. internal Bank staff) and using a range of communication tools from short research or policy briefs to interactive seminars linked to a particular policy process to engage audiences in PSIA findings. Not all tools will be appropriate in all instances and in some cases, as already indicated, it may not be possible for Bank staff to be too open about the support they are providing. Nevertheless the presumption should be that all PSIA work eventually needs to be communicated and it is vital to know at the outset what the 'strategy' for communication is and how it can be built over time.

²⁷ There are times when disclosure of the results of a PSIA need to be handled carefully, but this does not obviate the need (and may potentially increase it) for a clear communication strategy as part of PSIA - whether a quick turnaround exercise or a longer reflective one.

More focus on the policy process

5.15 One of the risks of PSIA is that it is perceived by clients as an imposition that is ill-timed or ill-fitting with the domestic decision-making process. This suggests the need for further understanding about how the domestic policy process works in a particular sector/reform area, and what are likely to be the key points for dialogue and negotiation relating to a PSIA. This is slightly different from the institutional analysis of interest groups and focuses more directly on the way in which policy gets made and how evidence figures in the decision process. Recognising that a PSIA is unlikely to be the sole source of policy advice is also an important part of understanding how decision-makers will respond and whether there might be potential synergies between different analytical products that can assist the reform processes going forward.

Build-in tools for assessing in-country 'impact'

5.16 This recommendation relates to the need for an assessment of in-country 'impact' to be mainstreamed as part of the PSIA exercise itself. Just as the focus on dissemination often wanes once a PSIA report is complete, so follow-up on what happened, where and why tends not to happen or is limited to generic lessons learned exercises. This makes reviews such as this one difficult, but more importantly it detracts from the country-specific lessons learned that could be used to orient similar or related work in the future. The process of assessing 'what happened and why' can be kept simple in the form of an 'After-Action Review' which is handled by the PSIA team at a point shortly after completion. This recommendation falls in line with successive QAG and IEG reviews that note weaknesses in the monitoring of analytical work and its impact on country partners.

5.17 The ToR also asked for ideas about how the next stage of support for PSIA in the Bank might evolve. Four priorities, based on the recommendations above, present themselves:

- Support for a more flexible format and approach to PSIA including piloting incremental approaches that combine short and medium term PSIA 'products' with tranching or flexible funding;
- Support the development of a wider range of rapid analytical tools, particularly for institutional and political economy analysis that are suited to real-time decision-making processes;
- Give in-country decision-makers more discretion over the use of PSIA funds for in-country work, possibly by placing 'PSIA pooled funds' as part of Bank operations or creating a demand-driven fund for PSIA work at country level. This would also assist in stronger harmonisation and alignment around PSIA work at country level.
- Put the communication of policy lessons at the centre of PSIA by requiring that applications for PSIA support include communication plans, even if these involve having to be transparent about difficult issues of disclosure.
- Mainstream implementation matrices and after-action reviews in support of more operationally relevant (and evaluable) PSIA.

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STUDIES SUPPORTING THE SYNTHESIS REPORT

Literature Review

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- Higgins, K with Fattah, K. (2008b) Yemen Water Sector Reform Program
- Higgins K with Subianto, B and P.Prasetyohadi (2008c) Severance Pay Reforms in Indonesia
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- Samuels, F and Raharinjanahary, H (2008) Health Care for the Poor in Madagascar
- Steer, L (2008) Electricity Tariffs for the Rich in Tanzania
- Steer, L (2008) Socio-Economic Impact of Fuel Prices in Nepal

²⁸ See the Literature Review by Higgins, K (2008) for a full list of references informing the Review

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Lemma, A. (2008) Mining Reform in the Democratic Republic of Congo

Reviewing Results of Poverty and Social Impact Analysis on Bank operations and policy formulation in-country

I. BACKGROUND

Structural, sectoral and macroeconomic reforms are core elements of Poverty Reduction Strategies. In the past, a systematic ex-ante assessment of poverty and social impacts to inform the design and implementation of reforms was often neglected. In 2001 the World Bank developed a conceptual framework for Poverty and Social Impact Analysis (PSIA) to promote a more systematic assessment of policy reform impacts.

PSIA is the analysis of intended and unintended consequences of policy reforms on the well-being or welfare of different social groups, with a particular focus on the poor and vulnerable. The approach analyzes the distributional impacts of policy reforms as a means to increase the extent to which equity and poverty reduction are considered in the policy design process. In addition to analyzing potential impacts, PSIA creates space for public policy dialogue among a range of stakeholders, thus contributing to increased transparency and accountability in policy formulation and allowing decisions to be based on empirical evidence.

The approach has two different purposes: First to improve the analytical underpinning for policy reforms regarding their poverty and social impacts and second to develop policy options and create space for public dialogue around reforms. It thus contributes to designing policy that is more pro-poor, inclusive, transparent and evidence-based.

The main objectives of the PSIA approach are:

- Understanding the impact of policy reforms on poverty and social outcomes
- Analyzing intended and unintended consequences of policy interventions (ex-ante, during implementation or ex-post)
- Considering trade-offs between costs and benefits of reform by assessing opportunities, constraints and risks
- Enhancing the positive impacts of reforms and minimizing their adverse impacts
- Designing appropriate mitigating measures and risk management strategies for the reform program, when adverse impacts and risks are unavoidable and
- Building country ownership and capacity for analysis and implementation of policy reforms

The need for reviewing PSIA results

Three different strands of argument call for the need to review PSIA results in more detail:

- a. Within the World Bank, the PSIA approach is anchored in the operational policy for Development Policy Lending. While it is not mandatory to conduct a PSIA in the preparation of an operation, the OP requires that potential poverty and social impacts of reform areas addressed in the operation are analyzed and that likely positive and negative impacts are discussed in the program document. Two internal reviews (World Bank 2006 and 2008) examined how Task Team

Leaders responded to this new requirement and if the Bank has been successful in strengthening ex-ante impact analysis in the preparation of DPLs. Both studies point to good compliance in addressing poverty and social impacts in program documents, but raise issues of quality and effectiveness.²⁹ Reviewing PSIA results in more detail will help to identify determinants when such work is or is not effective in informing operations and policy.

- b. Core elements of the approach and standards of implementation are presented and discussed in two World Bank documents: The publication "A User's Guide to PSIA" (World Bank 2003) presents a 10 step approach to operationalize such analysis. Additionally, the Good Practice Note for PSIA discusses in more detail the contribution of such analysis as an underpinning for budget support operations at the World Bank. The latter document has just been revised and updated. A consultation draft is presently available for comments on the website. The process of updating this document spurred a discussion on when and under what circumstances a PSIA is effective in achieving its objectives. Do all reform types require the application of all PSIA elements, including the application of interdisciplinary research, the participation of stakeholders, as well as the disclosure and consultation of results, or are leaner versions sufficient for certain reforms? Is there scope for variation in applying the approach without undermining its effectiveness? And if so, what are criteria to determine the kind of PSIA that will be most appropriate? The results of the review will inform this debate by providing insights as to whether different types of reforms can be better assessed by using different PSIA approaches.
- c. Roughly 150 PSIA's have been conducted since 2002³⁰, most of which received funding from the World Bank and were led by World Bank Teams. While this very swift uptake of the approach by the World Bank received international recognition and support, an open letter from NGOs in September 2007 raised concerns including: analyses were neither applied to all relevant reform areas nor undertaken early enough to inform the design of Bank operations or policy debates in-country; results were not adequately disseminated in-country; and local capacity for governments to independently carry out PSIA has not been sufficiently developed.

Certain aspects of PSIA work have already been reviewed, both internally by the World Bank and externally by bilateral donors and NGOs. (See Annex 1 for an overview of already existing reviews and lessons learned). External studies tend to focus on stakeholder participation and process issues, while internal reviews try to capture what new information poverty and social impact analysis reveals and how it influences Bank operations. Additionally, the World Bank's Independent Evaluation Department commenced a PSIA evaluation in December 2007, which will be finalized in July 2009. The approach paper emphasizes attention to reviewing the influence PSIA has had on Bank operations, country policies and capacity building.

Germany has been one of several donors who made Trust Fund resources available to pilot and mainstream the approach in the Bank and in partner countries. The German Poverty and Social Analysis Trust Fund partially financed 22 PSIA's between 2004 and 2006³¹. The donor is requesting an evaluation of the effects PSIA's have had on Bank operations and on policy making

²⁹ See World Bank 2006: Stakeholder Participation and Poverty and Social Impact Analysis in Development Policy Lending: A Preliminary Stocktaking, World Bank, Social Analysis Team, August 2006 and World Bank 2008 (Verena Fritz, forthcoming)

³⁰ An Excel spread sheet presenting information on the full inventory of the 150 PSIA cases will be made available to the consultants.

³¹ A list of the 22 PSIA cases funded under the GPSAF is attached in Annex 2

in-country. Funds from the second Trust Fund phase have been earmarked to review PSIA results, including, but not limited to the GPSAF funded cases.

Purpose and Objectives of this Review

The overall purpose of the review is to improve the practice and enhance the use of poverty and social impact analysis in the World Bank and in partner countries.

The exercise aims to obtain a representative picture of the kind of outcomes and impacts PSIA work has achieved within the Bank and within partner countries. Ideally, results will reveal how frequently different kinds of result have been achieved. The policy objectives, outlined in OP 8.0 and the implementation guidelines provided in the Good Practice Note for PSIA will serve as a reference framework to define objectives, identify likely impacts, and to develop hypotheses. For this, the consultants will develop a conceptual framework for assessing the effectiveness of PSIA.

Additionally the review seeks to provide insights on what works, where and when. Ideally, the work will identify key determinants that impede or enhance the effectiveness of PSIA within the World Bank or in policy formulation. Discerning what works for which kind of reform is of particular interest to the team.

A third objective is to develop recommendations to tackle identified constraints and provide guidance to the PSIA Team at the World Bank about how to adjust the present PSIA approach so that first, it more effectively informs policy design and second, it is applied more routinely within the Bank and in partner governments

The results of this review will directly inform the design of the next phase of the German Poverty and Social Analysis Trust Fund, as well as continued efforts to mainstream PSIA within the World Bank. Results will contribute to adjusting the approach so that it becomes more effective and responsive to Bank staff and client needs. Findings shall be presented at a planned PSIA conference in autumn 2008 to an international audience.

Activities for Implementation under the Assignment

Implementing the work will include the following tasks:

- Development of a Research Design, including methodology and sample selection
- Review of existing literature on PSIA
- Review and analysis of PSIA documents, loan documents, country policy documents and relevant sector work conducted by development partners
- In-depth analysis of selected case studies
- Interviews with Bank staff, government decision makers and relevant stakeholders in the PSIA

In more detail the activities will include:

- Reviewing the quality of PSIA work regarding content and process
- Analyzing results, when, how and to what extent PSIA has had an influence on World Bank operations (lending and non-lending as well as policy based and investment operations)
- Analyzing results when, how and to what extent PSIA has had an influence on policy in partner countries

- Reviewing how the application of the approach has evolved over time or in different regions or sectors and analyzing if better results have been achieved over time.
- Developing a typology of reforms that identifies what kind of reform needs what kind of PSIA design (methods, approach, process), to sufficiently and effectively inform operations and policy making.
- Identifying key factors impeding or supporting better uptake of PSIA in the Bank and in partner countries
- Identifying key factors that support or constrain high level PSIA results' ability to inform Bank operations and contribute to more inclusive, transparent and evidence based policy making in partner countries.
- Developing recommendations about how to enhance the effectiveness of the approach within the World Bank and in partner countries.

Expected Outputs and Time Frame

The consultancy firm is asked to deliver the listed outputs at the indicated dates

Stage	Content	Outputs	Elapsed Time	Delivery Date
1. Literature Review and Research Design	<ul style="list-style-type: none"> ▪ Selective review of the literature on PSIA to identify (a) the logic model (key assumptions/ chains of causality) underlying the PSIA approach – drawing on good practice guidelines etc; (b) factors associated with an effective PSIA; (c) evidence of variation effectiveness by reform type, sector etc. ▪ A concept note and research design to include: key variables for analysis (reform type, sector, age of PSIA, PSIA method, timing); sampling strategy & methodology. 	Literature Review and Research Design (Standalone)	15 days	April 30
2. Document Analysis and Review	<ul style="list-style-type: none"> ▪ Detailed review of 20 PSIAs based on key variables (above) looking at (a) analytical content and policy recommendations (b) process (c) goodness of fit with logic model (d) outcomes - in terms of Bank operations and policy formulation. ▪ Quant/qual analysis of factors associated with stronger outcomes such as: accessibility of method, timeliness, extent/type of participation, reform type, context, Bank staffing, in-country buy-in/ownership. ▪ Comparison of key factors with Bank operational data on DPLs (PADs, QAG data where available). 	Document Review of PSIA Results (Standalone)	40 days	June 15
3. Interviews with Bank & relevant donor staff	<ul style="list-style-type: none"> ▪ Interviews with Bank staff and relevant donor staff on key factors associated with effective PSIA. ▪ Additional views on what can improve on the contribution of PSIA to Bank operations & policy formulation in-country . 	Interview Notes (not standalone)	5 days	June 30
4. In-country reviews	<ul style="list-style-type: none"> ▪ Two country reviews with contrasting but positive PSIA experiences. ▪ In-country evidence gathering to focus on: (a) the presence /absence of critical factors explaining PSIA effectiveness; (b) perceptions about the link between key 	Two short country review reports (not standalone)	Approx 10 days each	June 30

Stage	Content	Outputs	Elapsed Time	Delivery Date
	factors and an effective PSIA from in-country stakeholders; (c) views on what can be done to improve the way PSIA influence Bank operations and in-country policy formulation.			
5. Synthesis	A synthesis report detailing: <ul style="list-style-type: none"> ▪ Analytical approach ▪ Key findings ▪ Messages ▪ Recommendations 	Synthesis Report Findings and Recommendations (Standalone)	20 days	First Draft Sept Revised Draft October Final Report October/Nov

List of relevant PSIA reports and reviews

- The World Bank looked at process in implementing the PSIA approach in two annual progress reports and drew very preliminary lessons in a report which informed the PRSP review report 2005. Reports can be made available upon request
- Stakeholder Participation and Poverty and Social Impact Analysis in Development Policy Lending: A Preliminary Stocktaking, World Bank, Social Analysis Team, August 2006
- The introductory chapter of the publication 'Poverty and Social Impact Analysis of Reforms'; Lessons and Examples from Implementation' reviews lessons and experiences made based on 14 case studies.
http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120845825946/PSIACASESTUDIES_BOOK.pdf
- 'Stakeholders, Power Relations and Policy Dialogue. Social Analysis in Agriculture Sector PSIA's'. This ESW was produced by the Social Development Department and reviews 10 PSIA country cases in the agricultural sector.
<http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1164107274725/3182370-1164107324437/Agriculture-PSIA-web.pdf?resourceurlname=Agriculture-PSIA-web.pdf>
- Two Volumes of Sector Guidance Notes for PSIA:
http://www-ds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/07/14/000090341_20050714144949/Rendered/PDF/329570analyzing0the0distributional.pdf
<http://go.worldbank.org/QHPOTW09W0>
- The German Agency for Technical Cooperation published Workshop Proceedings on a PSIA event in Rome in 2004, reviewing PSIA experiences in the Agricultural Sector
<http://www.gtz.de/de/dokumente/en-psia-agriculture-rome-conference-documentation-2004.pdf>
- GTZ's support to three PSIA's in Malawi, Ghana and Cambodia has been reviewed
<http://www.gtz.de/de/dokumente/en-psia-review-summary-2005.pdf>
- Principles for good practice PSIA, Principles for PSIA Process in Policy Cycles and Stakeholders Participation March 2006,
<http://www.gtz.de/de/dokumente/en-principles-for-psia-process-2006.pdf>

- ODI 2005; What has DFID learned from the PSIA Process - Kate Bird, Zaza Curran, Alison Evans, Sophie Plagerson http://povlibrary.worldbank.org/files/15014_prsp_synthesis_note8.pdf
- Poverty and Social Impact Analysis (PSIA): common themes and issues arising from five pilot studies. Note prepared by Lucia Hanmer & Barbara Hendrie DFID for the Joint World Bank/IMF/DFID PSIA Workshop, October 15 -17, 2002
http://povlibrary.worldbank.org/files/13992_dfid_psia_issuesnote.pdf
- The NGO EURODAD in cooperation with Christian Aid, Save the Children, Trocaire produced a report on PSIA, titled 'Open on Impact slow progress in World Bank and IMF Poverty Analysis' Sept 2005, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/POVERTY/EXTPSIA>
- OXFAM Brief Note on PSIA, September 2007:
http://www.oxfam.org/en/files/bn0709_blind_spot_world_bank_imf.pdf/download

Annex 2 PSIA Case Studies – Synopsis

1. Yemen – Water Sector Reform Programme

The aim of the PSIA was to subject reforms proposed through NWSSIP to poverty and social impact analysis in order to (i) assess the expected distributional impacts of several of the proposed reforms, (ii) analyse the political economy issues, constraints and possible incentives for decision-making in the water sector; and (iii) based on the PSIA findings, support the Government in improved implementation of the NWSSIP.

2. Kenya - Old Age and Social Pension Reform

The PSIA was intended to feed into broader debates about pension reform in Kenya. The study sought to describe the incidence, depth and severity of poverty amongst older people in Kenya. It aimed to generate evidence which would contribute to policy debates surrounding proposals for the development of a universal, non-contributory and unconditional pension for older people. The PSIA also sought to evaluate the current nature of pension receipt in Kenya and analyse its impact on the poverty of recipients and their households, and on national poverty statistics. The study also explored the potential costs and consequences of alternative policies and targeting options for poverty reduction amongst older people.

3. Tanzania – Electricity Tariffs for the Rich

Originally intended as a policy note, the primary purpose of the PSIA was to analyse who the beneficiaries of power subsidies were. This was done at a time of a national crisis in the power sector as severe droughts affected the supply of electricity. The crisis raised important questions about the viability of the hydro based electricity industry and it became clear that investments were urgently needed. These investments were only viable, however, with a tariff increase to a level that would cover both variable and capital costs. The PSIA aimed to provide evidence to the Government of Tanzania that raising the tariff on electricity would not negatively affect poor consumers.

4. Nepal – Socio-Economic Impact of Fuel Prices

The PSIA sought to analyse the likely impact of fuel price increases on households, including an analysis of household fuel use over time. The question arose as part of the Poverty Assessment in Nepal, but also as part of ongoing dialogue on the petroleum sector, where the need for price reform figured centrally. Concerns about the social and poverty consequences of a price increase had stalled the reform process. The PSIA was intended to provide a quick evidence based response to the question of whether a fuel price increase would hurt the poor.

5. DRC – Mining Reform

Following a restructuring and privatisation plan for the mining sector put in place with WB assistance, the PSIA sought to capture the indirect or secondary effects of downsizing the workforce; the potential impact of streamlining ancillary services the mining company provides on mining families and mining areas (i.e. water, schools and health clinics) and the social and political risks associated with a reform of this magnitude.

6. Madagascar – Health Care for the Poor

The aim of the PSIA was to assess how well the FANOME/Equity Fund system at community level was working, whether it was effective in reaching the poor (destitute) and what recommendations could be made especially in the anticipation of an expansion of the FANOME/EF to hospital level. The PSIA methodology also sought to bring key stakeholders together for dialogue around specific policies.

7. Cambodia – Social Land Concessions for the Poor

The aim of the PSIA was to assess the likely impact of the Government's proposed land distribution programme (social concessions based on state land). The programme was expected to increase the potential for pro-poor growth by providing access and management of natural resources, especially agricultural land, to previously excluded groups. The PSIA sought to assess this potential, at the same time informing a possible Bank investment operation aimed at facilitating the implementation of the programme.

8. Indonesia – Severance Pay Reform in Indonesia

This policy note (not officially a PSIA) sought to provide immediate feedback to those designing the details of the proposed employment protection reform in two ways (i) by bringing to bear the lessons from many other countries that have implemented EPL reform, and (ii) by commenting specifically on some of the design features that are under discussion in Indonesia.