

Social Impact Analysis





The Background

- Joint WB-IMF Working Group established on Social Impact Analysis for PRSCs and PRGFs
- Concept Note prepared by PREM/SDV/IMF approved and issued by Joint Implementation Committee, May 2001
- PREM, SD and DEC are working in parallel to develop methodologies and instruments for SIA
- Countries nominated by regions and ratified by JIC
- Pilot countries drawn from different regions will have PRSCs and PRGFs in next 12 months



SIA Objectives

- for the Bank:
 - To conduct SIA on behalf of Bank and Fund (responsibility for SIA lies with **country economists**)
 - To build country capacity to conduct SIA
- for SDV:
 - To develop its SIA framework, methodology, tools and instruments
 - To build SIA capacity within SD Group
 - To sell SD services to country teams by demonstrating added value



What is SIA?

- SIA refers to the analysis of intended and unintended consequences of policy interventions on the well-being of different social groups, with a special focus on the vulnerable and the poor
- Applies to macroeconomic, structural and sectoral reforms
 - **Ex ante** SIA will inform choice, design and sequencing of alternate policy options through (i) clarification of assumptions about transmission channels and expected impacts, and (ii) delineation of potential distributional and poverty impacts of
 - During **implementation**, SIA will monitor actual impacts of policies and public actions, including unanticipated impacts and institutional behavior that affects those outcomes
 - **Ex post** SIA will assess the distributional and poverty impacts of policy reform to improve understanding of future policy impacts



Traditionally, SIA has:

- looked at projects rather than policies;
- considered negative impacts rather than positive benefits;
- failed to consider the goals of development;
- tended to focus on the impacts on individuals rather than on societies and social groups.



Level of impact

- Micro-level: impacts on individuals
- Meso-level: impacts on collectivities, e.g. groups of people, institutions, organisations
- Macro-level: impacts on social macro-systems, e.g. national and international political and legal systems.

(Becker, 1997, Social Impact Assessment, UCL Press)



Policy actions result in:

- Intended development outcomes (goals & objectives) – at macro levels and at micro levels.
- Accepted known negative effects – short and long term (which may, or may not, be mitigated and/or mitigatable).
- Unintended consequences (positive and negative) which are not foreseen and/or planned for.

Environmental (Impact) Assessment

Unintended
Environmental
Outcomes

negative

positive

negative

environmental

foreseen
and
unforeseen

Planned
Intervention
(project or policy)

economic

Unintended
Social
Outcomes

Intended
Development
Outcomes

positive

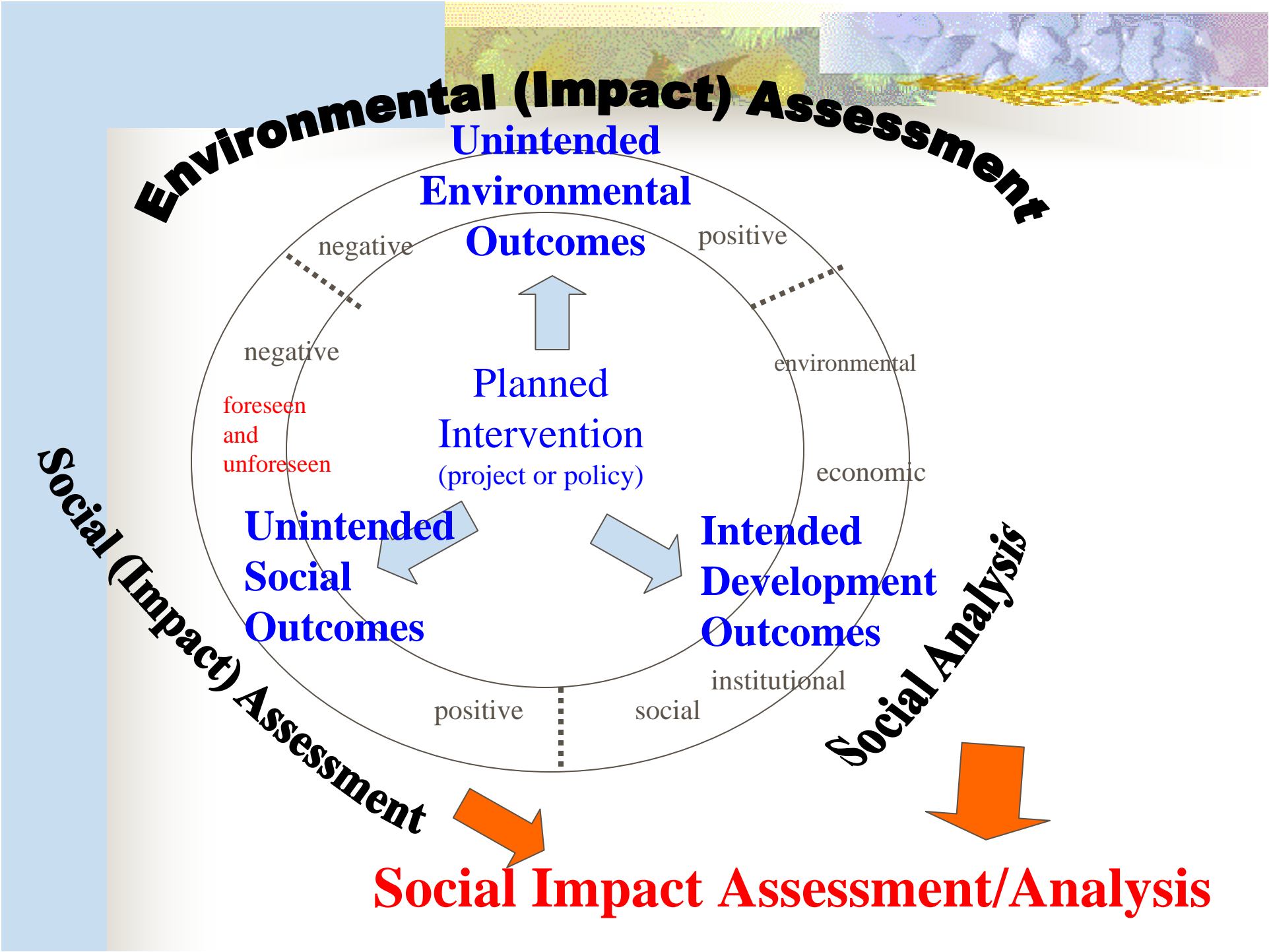
social

institutional

Social (Impact) Assessment

Social Analysis

Social Impact Assessment/Analysis





Fiscal Policy Changes in I-PRSPs

- Raising Existing Taxes:
 - VAT & consumption taxes (31%), other taxes (31%)
- Changing tax composition, esp. income tax brackets and creating special new taxes (46%)
- Cutting expenditures:
 - Non-wage/administrative (31%), military (31%)
 - Non-food subsidies (23%)
- Increasing expenditures:
 - Employment benefits (15%)
 - Food subsidies (23%) & non-food subsidies (23%)
 - Primary education (100%), other education (77%)
 - Primary health (100%), other health care (46%)
 - WSS (46%); rural roads (92%);
 - rural infrastructure (100%); urban infrastructure (54%)



Macroeconomic Policy Changes in I-PRSPs

- Monetary Policy: Changing Money Supply growth and Credit growth targets (31%)
- Fiscal Policy: Changing Fiscal Deficit targets (23%)
- Changing emphasis between macro instruments, i.e. policy mix (1 PRSP case)
- Policy Sequencing (0%)

Structural Reforms in I-PRSPs:

■ Institutional changes:

- Creating special anti-corruption units/policies (92%)
- More budgetary autonomy to social sector Ministries (46%)
- Decentralizing social expenditures to lower levels of government (92%)
- Changing cost recovery in social sectors (38%)
- Strengthening tax administration (69%)
- Strengthening financial sector supervision (38%)
- Instituting Civil service reform (62%)

■ Trade liberalization:

- Changing tariff rates (46%)
- Changing other trade policies (licensing, etc) (77%)



Structural Reforms contd.

- Banking sector reforms
 - Closing Banks (23%)
 - Changing prudential rules (46%)
 - Special lines of credit for SMEs (77%)
- Agricultural reforms
 - Land reform (31%)
 - Agricultural legislation (38%)
 - Export price liberalization (23%)
- Privatization
 - Productive Firms (85%), Utilities & Services (85%)
- Pension reform (54%)

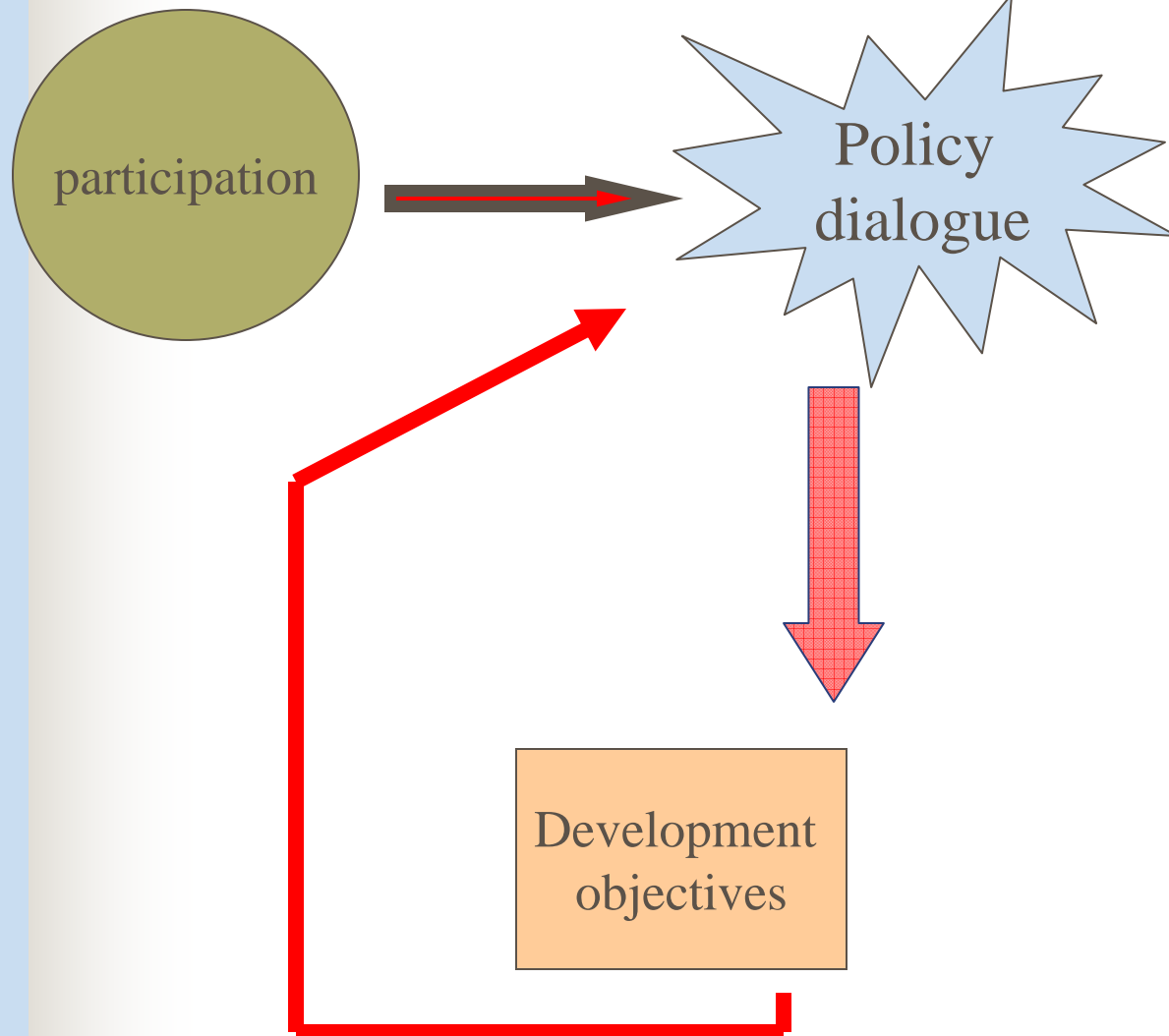


The Opportunity for Social Development

SIA provides an opportunity to renegotiate social policy to benefit the poor. Core SD issues become more important:

1. **Social inclusion, poverty and social impact analysis** have been recognized as important elements of adjustment programs, especially by external stakeholders and IMF
2. Renewed interest in the relationship between **national-level institutional change and local institutions**
3. **Participation** and country ownership have been recognized as key determinants of successful implementation
4. **Risk management**, especially of social risks, could act as a more comprehensive way of dealing with risks at the macro level

Phase 1: define objectives



Phase 2: strategic planning

participation

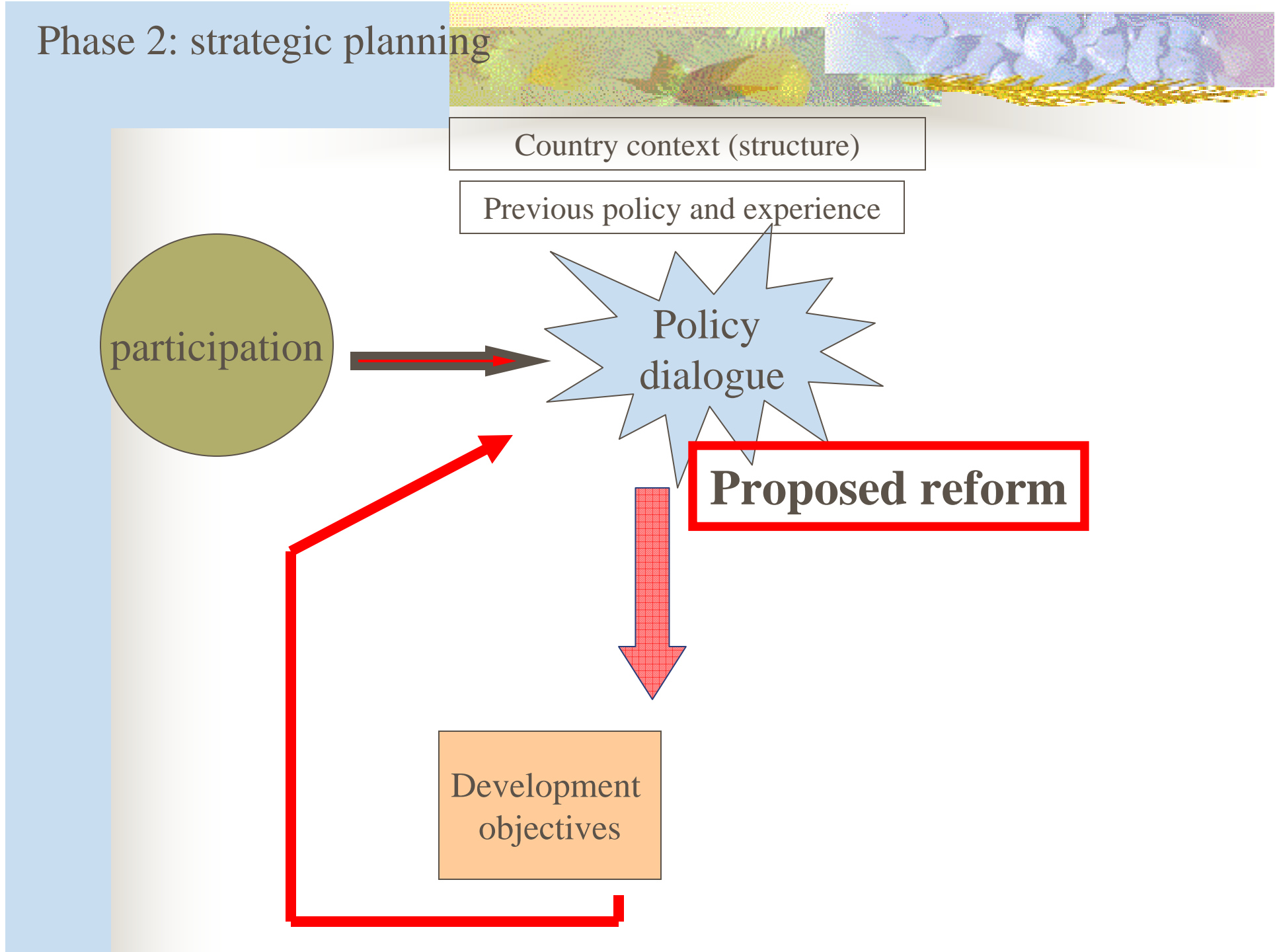
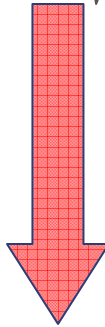
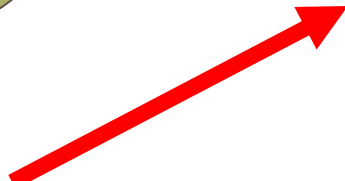
Country context (structure)

Previous policy and experience

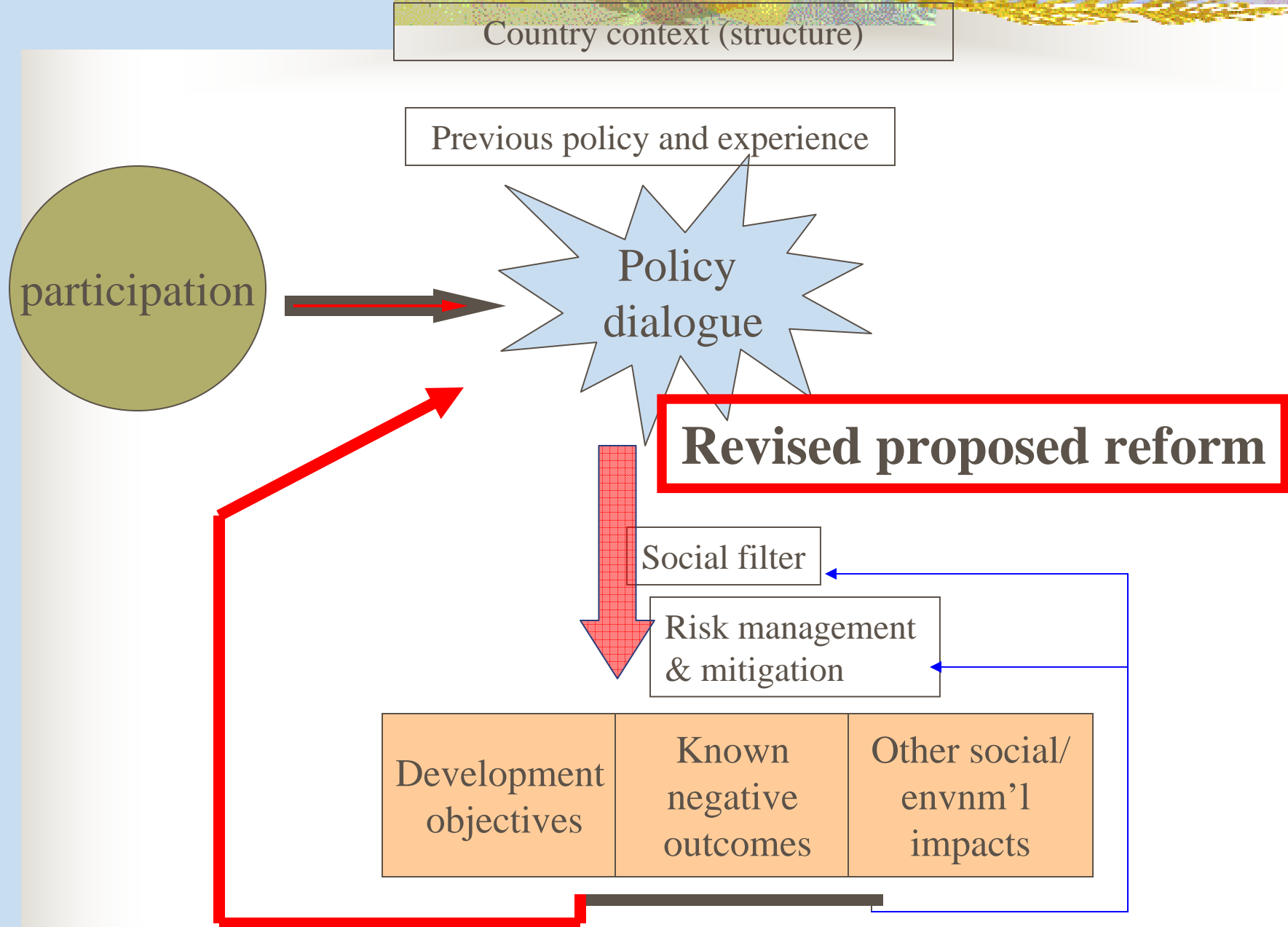
Policy
dialogue

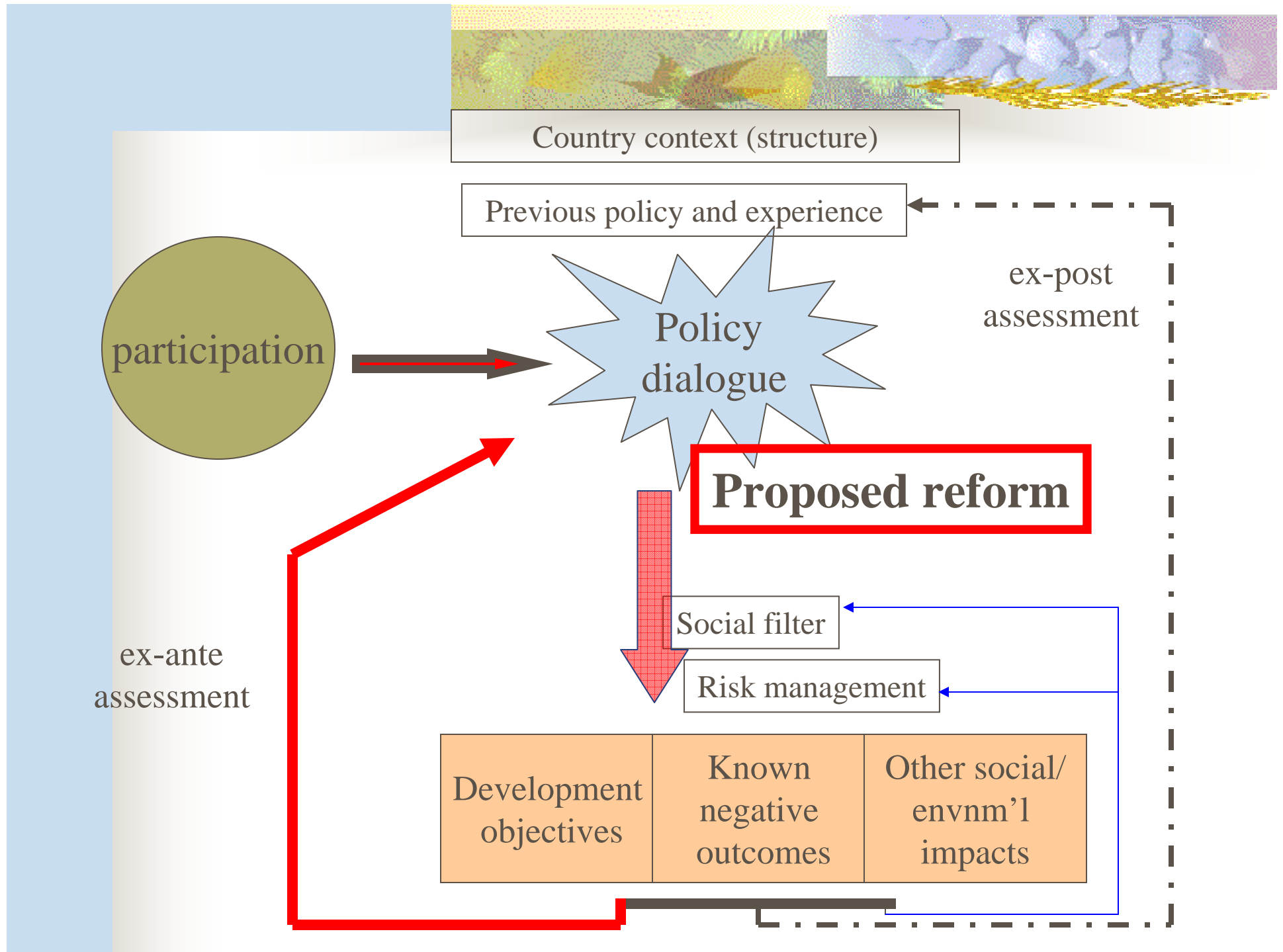
Proposed reform

Development
objectives

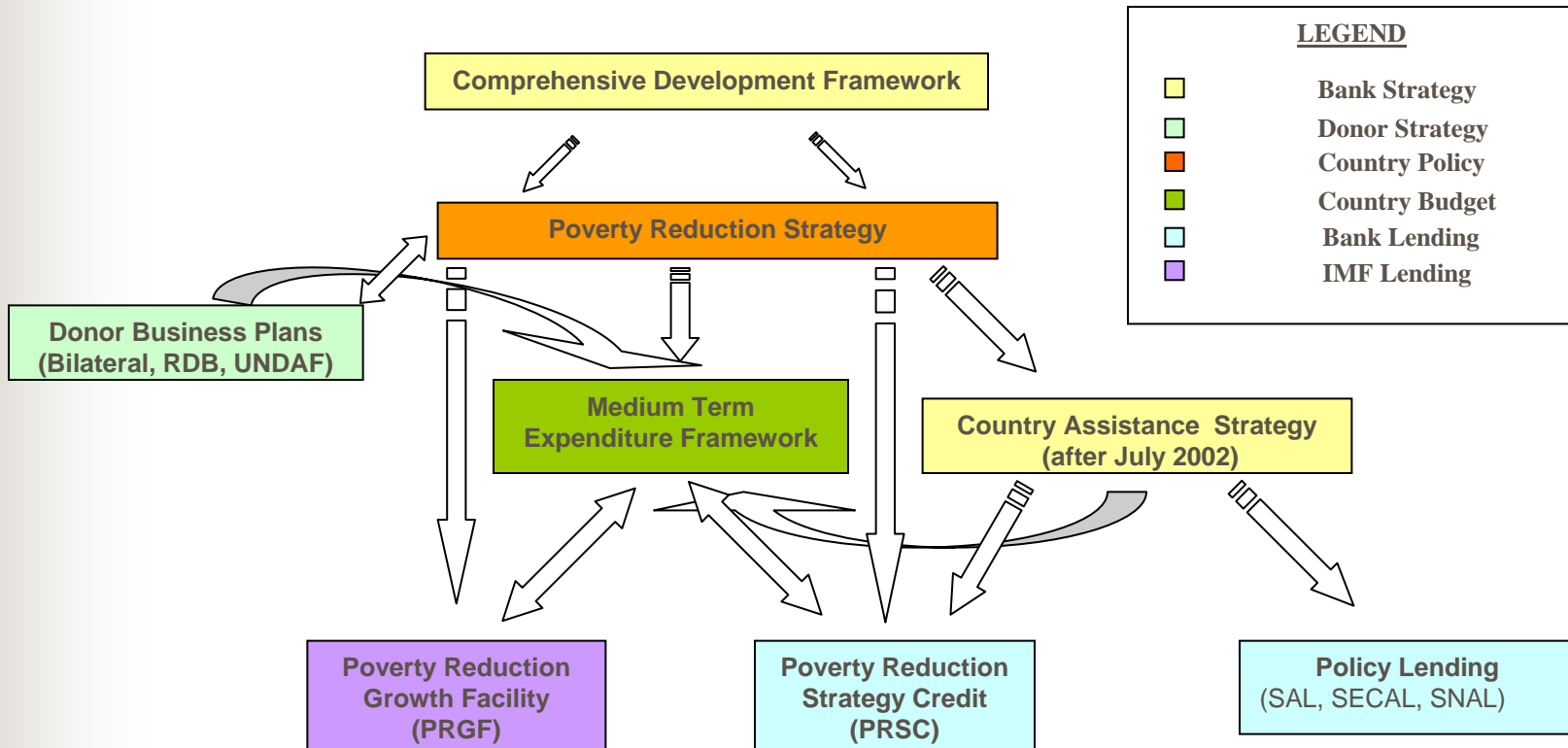


Phase 3: risk assessment and analysis of alternatives





The Macro Policy Agenda – Links Between Lending and Country-Led Strategy





Poverty Reduction Strategy Credits – A New Policy Lending Instrument

Poverty Reduction Strategy Credits are designed to balance the need for policy reforms with the goals of poverty reduction outlined in the PRSP. The IMF is offering a similar preferential credit facility (PRGFs) in PRSP countries. The general dimensions of PRSCs are fairly clear. A PRSC should be:

- Oriented to the medium to long-term and based on transparent policy benchmarks and selective conditions
- Closely tied to the policy and budgetary cycle of the country
- Tied to participatory and transparent monitoring systems
- Underpinned by increased capacity building and in-depth ESW (PERs, Poverty Assessments, and Social and Structural Papers)



Poverty Reduction Strategy Credits – Operational Considerations

The PRSC is a series of two or three operations (“individual PRSCs”) that together support the government’s medium-term development and reform program. The PRSC process is ongoing, each subsequent PRSC builds on the previous one, and is tied to progress against agreed benchmarks. If progress is not being made, a decision is taken regarding on whether the program should be adapted or the next PRSC reduced or postponed.

PRSCs can be:

- Single-tranche credits– One in a series of single-tranche adjustment credits with conditionality focusing on the completion of agreed up front priority reform actions. Intended for countries with a strong track record
- Multi-tranche credits – Each tranche is tied to results-based monitoring indicators and progress benchmarks. Intended for countries without an adequate track record



SIA Scope of Work

- SIA roll-out in three phases:
 - **Stock-taking** in 10-12 countries by May 2001 (Albania, Burkina Faso, Cameroon, Georgia, Guinea, Mauritania, Mongolia, Mozambique, Pakistan, Uganda, Vietnam, and Zambia.)
 - Key macro and sectoral policy reforms undertaken
 - Existing social impacts and risk assessments
 - Availability of data, gaps, M&E systems
 - **Pilot** phase in 3-5 countries through Oct 2001
 - Development of tools and methodologies
 - Technical guidance to countries and country teams
 - **Mainstreaming** in 70 countries to be rolled out in FY02
 - The target is PRSP countries
 - The goal is development of in-country capacity to undertake SIA as part of PRSP process