

Chairperson's Summary: Committee on Development Effectiveness (CODE)

On June 3, 2009, the Committee on Development Effectiveness (CODE) met to consider the document *How Effective Have Poverty and Social Impact Analyses Been? An IEG Study of World Bank Support to PSIA*s, prepared by the Independent Evaluation Group (IEG), together with the draft management response.

Overall Conclusions. The Committee welcomed the timely discussion of IEG's study of Poverty and Social Impact Analysis (PSIA), particularly in light of the ongoing discussion to establish a Multi-Donor Trust Fund to support PSIA work, to be operational in fiscal 2010. Members recommended enhancing the use of PSIA but clarifying the operational objectives of each PSIA exercise. They proposed establishing a hierarchy of objectives and following up on PSIA findings with appropriate dissemination and disclosure, including in several languages. They stressed the importance of linkage with country assistance programs and flexibility in PSIA, albeit with clear accountability, rather than having a standardized approach adhering to rigid guidelines. There were comments on the importance of capacity building but perhaps as a second-order objective of PSIA. Members felt that important lessons could be drawn from the past experience in conducting PSIA. In this regard, they felt the decentralized management of the new PSIA Trust Fund to the Regions was appropriate. The desirability for the Bank to share the PSIA report with other donors or development partners was mentioned.

The following key issues were raised at the meeting:

PSIA Operational Objectives. Many members stressed the importance of PSIA in emphasizing social and economic analysis ex ante on the distributional impact of policy reform, with particular focus on the poor. They agreed that the operational objectives of such analysis should be clarified and adapted to each specific country policy context. Some members underlined that PSIA should not be an item within a checklist to be complied with once an intervention has already been decided, and suggested that poverty distribution analysis ideally should be conducted upstream so as to be an input to policy design. There were comments on the relevance of the objectives of informing the country policies and building capacity in client countries to conduct their own PSIA. However, there were also views that perhaps both should be second-order objectives of PSIA. One member felt that building capacity should not be an objective at all because it requires separate activities. One speaker queried whether local institutions could be more involved in the preparation of PSIA.

Questions were raised on integration and compliance with Operational Policy 8.60, which requires that the Bank determine whether specific country policies supported by Development Policy Loans (DPLs) are likely to have significant poverty and social impact. Supporting assessment can be done through PSIA or embedded in other analytic work. In addition,

there were questions on the rationale and criteria for country selection, and who initiates the request or proposal for conducting a PSIA. One member asked to what extent gender issues have been adequately mainstreamed in the new Good Practice Note. *Management agreed with IEG on the need to ensure that staff understand what the PSIA approach is and stated that it would disseminate widely the revised Good Practice Note, and enhance the quality assurance process.*

Country Program. Speakers underscored the need for PSIA to become an integral part of country assistance programs and Bank operations, and to consider the political economy dimension in doing poverty and distribution analysis. The need for stronger linkages between country units and PSIA teams was emphasized. Some speakers noted the need for flexibility in applying a range of tools and methods to specific situations rather than treating PSIA as a standardized approach. It was also suggested that the topic and timing of the PSIA should be aligned with the country's priorities and the objectives of the Country Assistance Strategy (CAS). Relatedly, there were comments on the need for engaging country stakeholders to build ownership, especially among policy makers. There were also questions on the extent to which PSIAs are used in the design of DPLs. In addition, some members sought further information on countries' demand for PSIA. *Management agreed with IEG's recommendation on the need to ensure better integration of PSIA into the Bank's country program. Management clarified that a number of issues, including compliance with Operational Policy 8.60 and consultations with stakeholders, will be addressed in the DPL Retrospective report currently under preparation.*

Knowledge. Some members felt that in the context of the knowledge agenda there was extensive experience that should be used to better implement the PSIA approach in the future. In this regard, they encouraged more dissemination, including translation into local languages and follow-up of PSIA findings. One

member felt that in addition to an analysis ex ante on the distributional impact of policy reform, ex post evaluations would be valuable contributions to knowledge. Some questions were raised on PSIA's relationship with economic and sector work, including Poverty Assessments. *Management stated that PSIA is a set of tools that are frequently conducted in the context of DPLs and often used in Poverty Assessments, Public Expenditure Review, and other core economic and sector work or in the preparation of investment projects. It also clarified that regional PSIA teams draw on staff from all networks and Development Economics and the Chief Economist and are further supported by the Poverty Reduction and Economic Management and Sustainable Development Anchors. It also noted that it is working to enhance the outreach of knowledge in PSIA and to improve Web-based learning. IEG pointed out that there is still insufficient ownership of PSIA findings by operational staff and managers within the Bank.*

Trust Fund. Some members felt that the main purpose of the Trust Fund should not be to save resources from regular budget. They also proposed the new Trust Fund should be designed to finance activities in which PSIA was not regularly used. A question was raised on possible lack of sustainability of PSIA funded through earmarked Multi-Donor Trust Funds. There was also a request for the Bank to share the findings of PSIA with other donors. Relatedly, a comment was raised on the need to understand whether important donor-funded activities are not bought by country directors, who therefore do not integrate them in CASs. The recommendation on shifting the decision-making and funding mandate of the new Trust Fund to Regional vice presidential units was welcomed. *Management clarified that the bulk of resources used to support PSIA comes from Bank resources, and that the financial contributions from the new Trust Fund will be very small. However, it indicated that it hopes to leverage the new Trust Fund so as to make the Regional vice presidential units more responsible and accountable for carrying out this analysis.*

Monitoring and Evaluation (M&E). Some members took note that about 75 percent of the sample PSIA did not include M&E indicators or data collection methods necessary for monitoring the impact of reform policy. They underscored the potential for more effective use of PSIA findings to inform the M&E systems.

Giovanni Majnoni, Chairperson