

Poverty and Social Impact Analysis (PSIA) and Agricultural Policy in PRSP countries

Workshop proceedings

Rome, 15 - 16 September 2004



Deutsche Gesellschaft für Techni-
sche Zusammenarbeit (GTZ)
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Deutsche Gesellschaft für Technische
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Hosted by the International Fund for Agricultural Development (IFAD) in collaboration with the World Bank and the German Technical Cooperation (GTZ)

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Preface

Since its inception in 2001, poverty and social impact analysis (PSIA) has increasingly gained ground in the context of policy-related analytical work, and a whole range of development organisations are keen to learn from the experiences made. Against this background, the International Fund for Agricultural Development (IFAD), the World Bank and the German Technical Cooperation (GTZ) invited the agricultural and food organisations based in Rome and several bilateral donor agencies to participate in a two-day workshop *Poverty and social impact analysis (PSIA) and agricultural policy in PRSP countries* on September 15 and 16, 2004, in Rome to assess the PSIA results in the agricultural sector and draw lessons from experience to date. Approximately 100 participants representing 15 institutions, including bilateral and multilateral development agencies as well as organisations from developing countries, took part in the workshop.

Imbedded in the fundamental shifts in international development cooperation in the past few years and based on our commitment to better coordination and harmonisation of our development assistance, this event can be seen as a “lighthouse” example of implementing and realising common activities of several donor agencies. Hosted by the International Fund for Agricultural Development (IFAD) and organised in collaboration with the World Bank and the German Technical Cooperation (GTZ), the workshop involved not only joint planning, organising and implementing activities but also enabled common capacity-building, expanded our knowledge of different approaches and activities of the other agencies and allowed elaboration of joint activities suitable for inter-agency collaboration. We would like to acknowledge the central role of the representatives from Malawi, Cambodia and the Philippines for the success of the event: without their experiences and honest and substantial inputs we would not have learnt as much as we did.

We would like to thank Cheikh Sourang (IFAD), Andreas Groetschel and Anis Dani (World Bank) as well as Renate Kirsch and Joana Henseler (GTZ) for conceptualising the workshop, Bianca Schimmel for facilitating it, the IFAD secretariat for the smooth operation and all the presenters, panellists and participants for their valuable contributions throughout. GTZ takes responsibility for the workshop documentation. This task was supported by GFA Terra consultant Sonja Sparla and Zlatina Loudjeva (DFID). The core authors of this report are Mari Tertsunen (Africa Department, PRSP and PSIA), Sabina Schnell (Social Protection, Focal Point PSIA) and Joana Henseler (Africa Department, economist). Valuable comments were received from Cheikh Sourang (IFAD), Renate Kirsch, Andreas Groetschel (World Bank) and Peter Poulsen (DfID). We would like to emphasise the excellent inter-agency collaboration we also experienced in the documentation phase.



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This is to acknowledge the important contribution to the workshop by 100 registered participants, of whom 70 have attended all sessions on a full time basis. The sustained level of the participants' attendance and interest has made it possible to organise mixed panels and break-out groups bringing together the rich experience and diversified perspectives from 16 multilateral and bilateral development agencies, as well as developing country institutions, including: AfDB, Cambodia, Canada (IDRC), FAO, Finland, Germany (GTZ and BMZ), IFAD, Italy, Malawi, Philippines, Sweden, Switzerland, UK (DFID), WFP, and World Bank.

Special thanks to the panellists, presenters, discussants, moderators and break-out group facilitators from various institutions, namely: Helmut Asche, Louis Bockel, Jim Carruthers, Srey Chanthy, Ephraim Chirwa, Kevin M. Cleaver, Peter Conze, Caesar Cororaton, Eve Crowley, Anis Dani, Hartwig de Haen, Klaus Deininger, Michael Dreyer, Neela Gangadharan, Paul Garaycochea, Andreas Groetschel, Joana Henseler, Gary Howe, David Kingsbury, Renate Kirsch, Rüdiger Krech, Robert Kressirer, Khwima Nthara, Zlatina Loudjeva, Mattias Lundberg, Bertha Masiku, Hailu Mekonnen, Clement Nyirongo, Stefano Paternostro, Peter Poulsen, Alexandra Rottger, Phrang Roy, Bianca Schimmel, Sabina Schnell, Cheikh M. Sourang, Sonja Sparla, Mari Tertsunen, Ganesh Thapa, Duch Wontito.

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LIST OF ABBREVIATIONS

ADMARC	Agricultural Development and Marketing Corporation
AfDB	African Development Bank
APIM	Agricultural Policy Impact Monitoring
BMZ	German Ministry of Economic Cooperation and Development
CEM	Country Economic Memorandum
CGE	Computable General Equilibrium
CSO	Civil Society Organisation
DfID	Department for International Development
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FIVIMS	Food Insecurity and Vulnerability Information and Mapping Systems
FY	Financial Year
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IMF	International Monetary Fund
MDG	Millennium Development Goals
MLMUPC	Ministry of Land Management, Urban Planning and Construction
NGO	Non-governmental Organisation
PIM	Policy Interest Matrix
PREM	Poverty Reduction and Economic Management Network
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
QR	Quantitative Restriction
SAP	Structural Adjustment Program
TIPS	Toolkit for Institutional, Political and Social Tools
UN	United Nations
WB	The World Bank
WFP	World Food Programme
WTO	World Trade Organization

0 SYNTHESIS

This report provides a comprehensive insight into the workshop *Poverty and Social Impact Analysis (PSIA) and Agricultural Policy in PRSP Countries* held in Rome in September, 2004. Based on the workshop proceedings, the structure of this report is consistent with the workshop programme, starting with a short synthesis. The first day of the workshop focused on introducing the concept, road map and philosophy of the analysis as well as presenting results of some PSIAs dealing with agricultural reform aspects. The Rome-based agriculture and food organisations IFAD, FAO and WFP and the African Development Bank were also given opportunity to present their perspectives and analytical work in relation to agricultural reforms. The second day steered the centre of attention to country cases, perceptions of PSIA users and lessons learned and to possible collaboration on PSIA. Detailed synopsis of the workshop proceedings will be presented under the respective topics.

The scope and coverage of this synthesis comprise the *context* and the *objectives* of the workshop, the *main results, recommendations* and the *way forward*, bringing simultaneously to light some of the opportunities, challenges and trade-offs of the PSIA approach. To facilitate understanding of the issues discussed during the workshop and presented below, the synthesis starts with a broader context, viewing the PSIA approach as a part of current development discussion and global trends.

The context

Fundamental shifts in international development cooperation have taken place in the past few years. *Poverty* has been rediscovered as the major topic of development cooperation and *poverty reduction* as its overarching goal. This development is based on several simultaneous discussions such as the limited success of the Structural Adjustment Programs (SAP) of the World Bank and the International Monetary Fund (IMF), and the returning and growing debt burden of several developing countries, especially the poorest and least developed ones, affecting poverty reduction. Since the dawn of the Heavily Indebted Poor Countries Initiative (HIPC II), the developing countries eligible for debt relief have been required to develop a national *Poverty Reduction Strategy (PRS)* in order to use the financial resources freed up by the debt cancellation in reducing poverty in an effective and sustainable manner. An approved PRS – earlier approved by the IMF and World Bank Boards, today a formal adoption of the strategy by the respective Government – became also a requirement for concessional lending from the World Bank and the IMF.

The PRS approach, which is supported by most governments of developing countries and international development agencies, declares poverty reduction as the main objective of all development efforts. The adoption of the PRS approach and of the Millennium Development Goals framework increased the need for more systematic analysis of the poverty and social implications of reforms: Poverty reduction responds to changes either in growth or in distribution, and a debate emerged over the distributional implications of many of the policies proposed and implemented within these frameworks. By paying more systematic attention to distributional consequences of policy reforms, PSIA informs that debate. PSIA can hence be seen as one of the centre pieces for the preparation of PRSP.

As a result, shortly after the advent of the PRS approach, PSIA was introduced as an instrument to strengthen the PRS agenda by underpinning its analytical base. Although the PRSPs constitute improved development strategies, *analytical gaps with regard to the poverty impact of proposed policies and programmes* became obvious. Disregarding different country conditions, a 'blue-print approach' to policy reforms seemed to be continuing, and PSIA as an approach for country and context-specific assessment of the effects of policy reforms became more important. In most countries, the policy reforms are likely to emerge from the

PRSP process, but since its inception the application of PSIA has also been expanded to non-PRSP countries. The PSIA underlines the importance of a national debate on the priorities of reform areas and designs, it fosters transparent approaches and provides the platform for new consensus building between development partners.

Poverty and Social Impact Analysis (PSIA) is defined as the analysis of the intended and unintended distributional impacts of policy reforms on the well-being or welfare of different stakeholder groups, focusing particularly on the poor and vulnerable. It combines ex-ante or ex-post impact analysis of policy reforms with policy dialogue and decision-making processes. PSIA supports the national policy formulation process and can be of high importance to any national policy strategy planning, as e.g. in the context of PRS processes, as it underpins these with evidence-based analysis.

PSIA addresses poverty as a multi-dimensional phenomenon, as it analyses both the economic and non-economic dimensions of poverty. In analysing the distributional impacts of policy reforms, PSIA looks at *how the impacts are transmitted*, analyses the *key stakeholders* affected by reform or likely to impact it and the *institutions* affected by or affecting reforms, and assesses the *risks* to and from reforms. Essential is also the differentiation between short and long-run effects on the one hand and direct and indirect effects on the other.

PSIA incorporates a variety of well-known social and economic tools and methods. The choice of tools will depend on the nature of the reform, the timeframe for the analysis, the information base and the resources available. Nonetheless, PSIA is more than a mere re-labelling of established instruments. It is new in the sense that it focuses on the poverty and social impacts of specific policy reforms, and applies diverse methods both comprehensively and systematically. Next to providing analytical results, PSIA aims to influence and improve national policy formulation processes through informing policy discussions and presenting alternative reform designs. Using appropriate M&E systems, actual poverty and social impacts can be tracked and any necessary policy corrections made. Ideally, monitoring and evaluation should be integrated within existing national monitoring systems. Hence PSIA gives partner governments policy options tailor-made for their specific contexts.

PSIA underlines the importance of a national debate on the priorities of reform areas and designs. By doing so it enhances transparency and provides a platform for commitment and consensus building between development partners. The analytical focus of the PSIA exercise and the conclusiveness of its results may depend on the clarity in the delineation of specific policy issues addressed. Likewise, the menu of policy options, the decisions on policy action and the sustainability of resulting policy reforms also depend on the degree of openness and space in the policy arena at the given time.

PSIA is hence considered as one of the analytical underpinnings that should be applied to inform policy design. The approach has gained importance to the point that the new *Operational Policies on Development Policy Lending* 8.60 of the World Bank explicitly recommends its application. While the PRSs emerge as mutual accountability frameworks between countries and their development partners, the World Bank and IMF have renewed their commitment to continuing PSIA support as part of their lending policies. However, the analytical work is not the prerogative of any single agency. To examine the poverty impact of major policy reforms is a necessary and valuable exercise for all countries and organisations involved in development and poverty reduction. Hence, partnerships with other institutions are welcome.

Objectives of the workshop

The first objective of the workshop was to learn how PSIA-related work contributes and adds value to agricultural policy. The PSIA work conducted in the agricultural sector ranked number three in the World Bank's internal sectoral distribution on PSIA's in 2003 and 2004 and provides therefore an opportunity to compare different country case studies and reform areas. Reform intentions in agricultural policy are perceived to have tremendous distributional impacts on rural and poor people, which was a further reason to adopt this sector focus. Furthermore, in the context of an anticipated increase in investments in agriculture and rural development, PSIA has emerged as a promising tool to assist the planning and formulation of policies and strategies that would guide such investments.

Another objective was to offer an opportunity to the Rome-based agriculture and food organisations (IFAD, FAO, WFP) and the African Development Bank to present their perspectives in relation to agricultural reforms, to share their experiences and/or analytical work with other partners and to contribute to the assessment of PSIA experiences to date.

Directly linked to this, the third objective was to encourage more organisations to become familiar with the PSIA approach and to engage in this kind of analysis. The intention was to lay a basis for a broader community of practices by extending existing cooperation among several bilateral donors and the World Bank on PSIA-related issues to new partners and possibly identifying a number of specific activities suitable for inter-agency collaboration.

The workshop was based on a selection of questions:

- What sort of analytical results and policy recommendations are generated by an ex-ante impact analysis on agricultural reform?
- Are the results relevant for the general debate on agricultural policy?
- Do these results and recommendations influence the policy dialogue in partner countries? If so, how and to what extent? What sort of process is more effective in influencing policy?
- Which of the applied methods are promising for addressing agricultural issues?

This was facilitated by:

- introducing the PSIA approach to participants who were not yet familiar with the concept and the approach;
- presenting and analysing applied country cases;
- exploring entry points for an active involvement of the participants' respective organisations in PSIA; and by
- engaging with members of the core PSIA Teams from the World Bank, GTZ and DfID (the agencies that have been the most actively involved in implementing PSIA so far) as well as with government officials from partner countries, who have been involved in conducting a PSIA and are the owners over the process and the results.

Main results of the workshop

PSIA and PRSP

The participants agreed on the importance of PRSs as country-owned strategies for poverty reduction and as the overarching framework for both bi- and multilateral donor activities. They also recognised that while a large proportion of the poor in developing countries live in rural areas and are dependent on agriculture, the agricultural sector has not received appropriate attention in development and implementation of PRS(P)s. It was further agreed that the PRSPs have not fulfilled the expectations regarding poverty reduction yet, and the questions how to improve these strategies and which reforms need to be specifically addressed,

demand further elaboration. It was also mentioned that the donor alignment in the PRSP process has not yet gone far enough. Donors should aim at common products, such as PSIA, to improve the poverty focus of donor and national policies.

The evolution of the PSIA can be compared to that of the PRSP process: after the initial enthusiasm there was a certain disillusionment with the achieved results, caused by slow processes and unrealistic expectations. It has to be acknowledged that major developmental progress cannot be expected to set in after four years. By linking PSIA more closely to the PRS cycle and by stressing in-country capacity-building, the expectations are that in the next five to ten years the PSIA approach will become significantly more country-driven and country-owned, going beyond servicing the needs of development organisations.

The participants' expectations towards PSIA expressed in the beginning were sceptical. The hopes were mainly linked to the relationship between PSIA and PRSP. It was recognised that PSIA may strengthen the PRSP agenda if it feeds the results back to the PRSP platform. In the course of the workshop the attitude towards PSIA changed significantly to a much more optimistic one, and the fears were largely replaced by optimistic views on the opportunities and potentials of the approach. It was also recognised that PSIA is useful for countries' policy formulation and national planning whether or not they have a PRS.

The feeling amongst participants was strong that PSIA is exposed to the same risks as the early PRSP generation, such as less-than-adequate participation, a lack of focus on rural poverty and a weakness with respect to M&E aspects. It can educate the PRS approach and strengthen the country-specific focus on poverty reduction, but one has to be cautious not to see it as a panacea for all the limitations of the PRS process. PSIA can ensure participation of national stakeholders in the analytical work, but it cannot guarantee or substitute for adequate participation in the PRS process or in the PRS M&E process.

The limited coverage of the agricultural sector is one of the identified weakness in many PRS papers. The rising share of PSIA's related to agriculture and land may be an encouraging indication of the increasing attention paid to agriculture in the PRS context. However, much is yet to be done in terms of planning and implementation of PSIA's, in order to keep up with the pace of PRSP-driven reforms. In an ideal situation the PSIA process should originate from the country and be embedded within the governments' planning and budgeting processes, as well as in the business plans of development partners. However, such a level of mainstreaming still remains an aspiration, but can be expected to enhance through increased use of the Development Policy Lending.

PSIA's contribution to policy reforms

PSIA has emerged as a promising tool to help shape the planning and formulation of policies and strategies in agriculture and rural development but has yet to be applied more systematically. Foremost, the debate around PSIA has contributed significantly in *changing donors' perspectives* towards macro level analysis. It was explained during the workshop that many organisations have changed their achievement structure from an output towards an impact or results orientation. They have realised that a lasting positive impact on the poor can only be achieved if their problems are simultaneously addressed at the policy, institutional and programme levels. PSIA can assist this shift in focusing on the improved poverty orientation right in the beginning of the policy development process.

Most PSIA's performed in the context of agricultural policy deal with rural and agricultural credit policy, reform of extension services, land reform and liberalisation or privatisation policies. All of them have used a *mixed method approach* in relation to qualitative and quantitative methods and an effective *combination of social and economic tools*. The main shortfall in the application of the approach is the lack of systematic use of process tools to facilitate the policy dialogue. Overall, experience with PSIA in the agricultural sector has shown that the

process of performing a PSIA and the results it produced have – to varying degrees – exerted an influence on policy formulation and implementation as well as on the operations of the World Bank. Nonetheless, the weak point in many PSIA cases so far is the actual policy dialogue process of how to use the outcomes. In order to improve the effectiveness of the PSIA with respect to agricultural policy, the most important steps in future will be to strengthen multi-disciplinary approaches, integrate broader policy dialogue into methodology, make better use of the PSIA for the design of M&E systems, keep evaluating the PSIA cases, learn from mistakes and good practice and broaden the coalition and expand the work on the PSIA.

Learning from PSIA experiences and related analysis

The country cases presented gave the participants an opportunity to assess some PSIA cases done so far and the tools and methods used in the analyses. The presentations also shed light on the limitations of some implemented agricultural PSIA cases on the formulation and implementation of policy reforms to date. This is mainly because most PSIA cases are still at the stage of analysis or dissemination of results and have not yet had time to show impact on the policy level. Still, some lessons can already be learnt from carrying out PSIA cases in the agricultural sector up to now. Even though the PSIA teams sought *participation of national stakeholders*, some had difficulties in involving them actively in both the design and implementation phases and in creating national ownership. Often the exercise was perceived as donor-driven, with little say of national stakeholder groups in the selection of the reform area or the process, which resulted in lack of buy-in of national constituencies for policy action once the results were released. It was widely recognised that PSIA results will not influence decision makers in their action agenda if the process is donor-led. PSIA can only have a sustainable impact if the choice of the reform to be analysed as well as the demand for PSIA originate from the partner country.

The first PSIA cases clearly underestimated the effort needed to *facilitate a public dialogue* from the outset. While resources for carrying out the analysis existed, resources for the dissemination of results and for further advocacy purposes were comparatively low. Lack of PSIA *anchorage within government institutions* and the lack of capacity to continue the PSIA process without external support were given as further reasons for the limited impact mentioned.

The majority of implemented PSIA cases tend to *concentrate on the fine-tuning of reforms*, rather than on presenting alternative policy options or analysing the entire reform area. This limits the options for policy advice considerably and has been criticised by local advocacy groups if the PSIA's objective is to provide policy choices. If for example the privatisation of the cotton boards in West Africa is the topic of a PSIA, then privatisation is already given as a fact, instead of looking into the structural problems of the cotton industry in the given country altogether, discussing *if* privatisation of the boards is in fact the best solution to the problem. However, it was also argued that the scope of a PSIA today is also limited by the *methodological constraints* faced when addressing such extremely complex policy issues, and that with more experience over time the scope and quality that social and poverty impact analysis can capture will increase.

PSIA is an approach designed to guide the formulation of alternative policy options, rather than simply assessing impacts of predetermined policies. However, even if the decision on policies has already been taken, PSIA may be very useful in analysing their impacts and in identifying mitigation measures to compensate for the loss of specific groups resulting from them.

The experience with PSIA thus far clearly shows the difficulties of *linking research results to development action*. Although technically sound, demand-driven and participatory PSIA cases have been carried out, they have had little impact on the design and implementation of policy reforms. Therefore, the *integration of PSIA results into policy dialogue* remains a challenge.

Capacity constraints to implement PSIA work were identified as a tremendous impediment to bringing the agenda forward. Constraints exist not only within the partner countries, but also among multilateral and bilateral donor agencies. Despite its prominence in debates, capacity-building appears not to receive sufficient attention and resources from donors. However, building capacities to carry out the analysis does not suffice in creating in-country ownership for the PSIA process. Strengthening analytical and communication capacities of different national stakeholders to effectively use the PSIA results and recommendations is equally important.

Inter-agency collaboration

The participants were interested in engaging in PSIA and used the opportunity to define ways to enhance inter-agency collaboration. The cooperation among several bilateral donors and the World Bank on PSIA-related issues has proved fruitful and successful and this occasion to build up broader collaboration on agriculture PSIAs was appreciated and used.

Given that an increasing number of partners are looking to the PSIA as an opportunity to broaden the space for policy dialogue, a need was seen for *clarifications* with regard to the overlays and similarities between PSIA-related tools and the specific approaches to impact assessment used by other agencies. Institutions considering joining the PSIA network have their own analytical impact assessment tools, which need to be integrated with the PSIA toolkit. Identifying the most appropriate means for realising and making the best use of this integration remains a challenge.

The discussion in the workshop confirmed that *knowledge management* within and between development organisations needs to improve. PSIAs very rarely take into account the results of similar previous analytical work. The institutional memory should be strengthened, as looking at past experiences and lessons learnt can avoid duplication.

Getting involved in PSIA work at country level provides an opportunity for multilateral and bilateral agencies to support and influence the analytical work of the IFIs. In this respect PSIA can contribute to strengthening the links between international and bilateral agencies. Some proposals as pathways for prospective collaboration are listed below.

Some tensions and trade-offs

Implementing a PSIA requires decision-makers to choose the reform area of the PSIA, to decide on its timeframe and scope, the methods and tools applied, the sort of process, etc. All these are issues which can imply *political trade-offs* and between which the *right balance* is crucial for the PSIA to have a lasting impact. Another trade-off exists between analytical rigour and national ownership, as well as between the “due diligence” criteria of external partners (in relation to their programming cycle and lending targets, etc.) and the uncertainties (in terms of timing and resources) of an open-ended participatory process at country level.

Inherent tension also exists between a *timely response to sometimes urgent needs* for policy change and comprehensiveness. While some participants advocated a “lean or rapid” PSIA, as sufficient in circumstances where quick policy feedback is required, critical voices emphasised that the results need to be very robust as they may lead to the adoption of profound and definitive policy changes. The criteria of choice within this trade-off should be the production of durable solutions. Incremental policy adjustments by means of an ongoing, learning-by-doing PSIA process were proposed as a possible solution to these tensions.

The workshop also entailed discussions on how to avoid excessive reliance on purely quantitative (economic) methods to address poverty issues, to achieve a systematically balanced multidisciplinary approach to PSIA and to secure a balanced team composition.

Recommendations

Though not new, the approach has yet to *be applied more systematically*. From a political point of view, the value added by introducing a PSIA is the access of partner governments to the proposed exercise as a decision-shaping tool, combined with the self-commitment of the Bretton Woods Institutions to make policy impact analysis mandatory for all major reform programmes. This is one reason why the PSIA has been so positively received from its outset. Development agencies saw its value in underpinning and operationalising the PRS approach, while international NGOs praised its potential to help identify policy alternatives for partner governments and its ability to contribute to more inclusive and accountable policies. Finally, in the context of an anticipated increase in investments in agriculture and rural development, the PSIA has emerged as a promising tool to help shape the planning and formulation of policies and strategies that would guide such investments.

One of the main discussion points throughout the workshop was the issue of *participation*. It centred on the question of how to strengthen the voice of the poor and avoiding domination of the PSIA process on behalf of the elite. It was generally acknowledged that addressing the poor during the information gathering period of a PSIA is not sufficient to create pro-poor policies. The following suggestions for further inclusion were made:

- Involving the poor in the identification of priority areas for policy change,
- Allowing the poor to participate in identifying the questions PSIA asks and in choosing policy options,
- Making the PSIA methods and tools traceable, thus more transparent to the poor as well as national policy makers,
- Involving the poor also requires helping them to understand the process.

It was recognised that some policy reforms may require a centralised pre-defined decision that can then be fine-tuned through participatory approaches, while other policy reforms can actually be initiated in a participatory bottom up way. Therefore, *different sorts of policies demand different channels and methods of participation*.

Participation is only a means, not an end in itself, nor is it equivalent to consensus building. Participation can facilitate the dialogue between different stakeholders and can give a voice to people or groups usually ignored. But its impact on hard policy choices is very limited. Likewise, it is important to keep expectations of the PSIA realistic. If the bar is set too high, the PSIA is bound to disappoint. It goes beyond the capacity of PSIA to change power structures in countries. The PSIA can analyse political economy issues and power relations but it cannot change them.

More attention needs to be given to issues such as the risk of reform failure due to weak implementation capacities or certain stakeholders capturing the reform. The *political economy* within a country plays a crucial role in determining reform outcomes. Tools applied to analyse the political economy, i.e. to find out which groups benefit and which lose as the result of a reform, as well as which groups have the power to prevent reform implementation, include stakeholder, institutional and risk analysis.

It was recognised that, disregarding the length and depth of the participatory processes, policy makers have to make hard choices to find a balance in:

- Short-term vs. long-term considerations (economic, environmental, demographic),

- National interest vs. concerns of specific pressure groups,
- Government's political survival vs. protection of the interests of the (rural) poor.

The interests of pressure groups are not always identical to national interests. Moreover, different people and groups within a society inevitably have different interests. Powerful groups may exert significant influence on a reform process, frequently leading to a less-than-optimal reform outcome. Similarly, there is some evidence that governments focus more on the short-term needs than on the long-term goals, due to limited tenure and political pressures. Another issue to consider is the *technical versus political feasibility* of results. In many cases, technically sound solutions to problems might not be politically enforceable.

It is crucial that the *methodology* used in the PSIA as well as the identified results and recommendations are entirely *comprehensible* to the partner country. This is a necessary condition for civil servants and decision makers to employ these results for policy formulation. Should there be a trade-off between analytical rigour and the full understanding of methods and approaches from the side of national stakeholders, the donor agencies should better step back and accept the partners' level of knowledge. This is the only way PSIA can contribute to informed policy formulation.

Participants recognised that if expectations placed on the PSIA are too high and donors demand that it show fast impact, it is doomed to fail. They recommended *being more patient with the PSIA approach* as it takes time for it to realise its full potential.

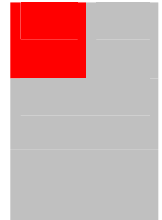
The way forward - pathway for PSIA-related partnerships

One of the objectives of the workshop was to enhance collaboration in analytical work like PSIA. Based on the assumption that the PSIA is an opportunity to either direct or re-direct policies in the interests of the rural poor - the common starting point - there is room for partnership among the participating donor organisations. The following pathways for prospective collaboration were identified in the context of the formal workshop proceedings or during side meetings:

- Laying the ground for donor convergence on the principles and the methodological approaches in relation to the PSIA, including but not limited to:
 - a comparative review of selected experiences made by various agencies with regard to policy assessment approaches and methods;
 - arrangements for structured feedback on learning tools being developed by certain agencies (e.g. DFID and the WB developing a toolkit on political, institutional and social analysis, or as the WB wrote the Good Practice Note for PSIA with contributions from various partners); and
 - identification of opportunities for cross-fertilisation of ideas and experiences in the context of ongoing or planned PSIA activities.
 - There is certainly scope for the exchange of good practices, including how some of the tools that other agencies have been using can enrich the PSIA processes in agriculture-related areas.
- If the PSIA is to be participatory and country-owned, a serious and well-targeted capacity-building effort is indispensable. Capacity-building is needed at all levels, including levels of government, civil society, community-based organisations, development partners, etc. and should be a joint effort of development agencies.
- Jointly formulating and implementing some specific PSIA pilots, as warranted by country circumstances, in areas of relevance to the respective mandates, strategic frameworks and experiences of various agencies (such as rural finance, decentralisation and rural

development, smallholder market linkages, access to and control of productive assets, e.g. land, water, technology, as well as agricultural trade and tariffs).

All presentations and papers presented during the workshop can be viewed and downloaded at the following internet links: www.gtz.de, www.worldbank.org/psia and www.ifad.org .



1 OPENING SESSION

The workshop began with an opening statement by Mr. Jim Carruthers, IFAD's Vice President of the Program Management Department and the representative of the host institution. Due to the increasing recognition of the need for the agricultural sector to move to centre-stage in the context of PRSP debates, he noted that the agricultural sector has also stepped into the PSIA spotlight. The workshop, as an issue-oriented learning event of PSIA experiences in relation to agricultural policy and a means of bringing together a broad institutional range and diversified profiles of experts, came at the right time and was therefore most welcomed by IFAD. Mr. Carruthers regarded the workshop as being "a new opportunity to strengthen the already promising cooperation in a variety of sectoral or thematic areas between IFAD and the two other co-sponsoring organisations".

Mr. Kevin Cleaver, Director of the Agricultural and Rural Development Department of the World Bank, provided some information on the background of PSIA. At the beginning of the structural adjustment programmes in the '80s, the critics stressed their negative social and environmental impacts, particularly their negative impacts on the poor "who were the sacrificial lambs ... for structural adjustment and economic growth, which often did not benefit the poor at all, but the middle class and the rich." Moreover, the World Bank and the IMF realised that the structural adjustment programmes of the last 20 years often did not have the desired positive impacts. Besides partly having negative social and environmental impacts on the poor, the SAPs did not deliver sustainable economic growth. There was a need for analyses, to change policies and induce mitigation measures. To overcome the problems of SAPs, a new instrument, the PRSP, was introduced in the late '90s. The World Bank understands PRSP as a comprehensive development plan focusing on poverty reduction.

After the introduction of PRSPs, the PSIA approach followed in 2001. Mr. Cleaver emphasised that PSIA is not a World Bank initiative but rather a global one. The usefulness of PSIA can be assessed by asking whether it addresses the likely impacts of policy and investment change on the poor and tries to identify ways of enhancing the positive and reducing the negative impacts. In 2001 six pilot PSIAs were carried out and currently about 100 PSIAs are ongoing. These numbers provide clear evidence of the growing importance of PSIA "as one of the centre pieces for the preparation of Poverty Reduction Strategy Papers". Since its inception the application of PSIA has also been expanded to non-PRSP countries. However, it is not the mere number that is important but rather the impact PSIA has been having on the ground.

GTZ's Director for the Africa Region, Mr. Peter Conze, recalled that GTZ was at first rather critical about PSIA. Was it just a "new baby from Washington", or was this new approach really going to be implemented according to the principles and philosophy as outlined in the World Bank's documents? At a second glance GTZ understood that PSIA has tremendous potential to influence the new development agenda and it wanted to take the chance to support it. He explained that PSIA can be helpful in overcoming old criticism towards the so-called Washington Consensus as it enables partner governments to choose between policy options tailor-made for their specific country contexts. In Mr. Conze's view PSIA addresses the major concerns of the traditional structural adjustment approach: "It overcomes the one-size-fits-all approach ... and instead emphasises that policy recommendations must be based on a solid empirical analysis and [be] country-specific", leading to a new quality of policy-making. The PSIA underlines the importance of a national debate on the priorities of reform areas and designs, it fosters transparent approaches and provides the platform for new consensus building between development partners.

Alongside these general gains, GTZ learnt that PSIA can support its very own institutional agenda. Moreover, the PSIA approach helps GTZ internally to keep the focus on poverty reduction and in operationalising the PRSP support via the technical assistance it provides to

partner countries. The approach has further assisted in redirecting the institution from an output to an impact orientation. Last but not least, PSIA provides an opportunity for bilateral donors and implementing agencies to support and influence the analytical work of the World Bank, while getting involved in PSIA work at the country level. In this respect PSIA can contribute to strengthening the links between multilateral and bilateral agencies.

2 DOES POLICY IMPACT ANALYSIS SUPPORT THE PRSP AGENDA?

The next session introduced the relationship between PSIA and PRSP. Key representatives of the development organisations present expressed their points of view on this, on perceived PSIA potentials and constraints and their expectations of the workshop. These issues were addressed in a panel discussion, moderated by Helmut Asche (Lead Economist, Africa Region, GTZ). The following persons participated in the panel: Kevin Cleaver (Director for Agriculture and Rural Development, World Bank), Gary Howe (Director Southern and Eastern Africa, IFAD), Duch Wontito (General Director of Land Management and Urban Planning, Ministry of Land Management, Urban Planning and Construction of Cambodia), Hailu Mekonnen (Principal Poverty Specialist, Poverty and Sustainable Development Unit, African Development Bank) and Paul Garaycochea (Deputy Head of the Division for World Bank/IMF Debt issues, German Ministry for Development Cooperation). The panellists' statements were followed by inputs and comments from the audience.

2.1 PANEL DISCUSSION

The panellists agreed on the importance of PRSPs as country-owned strategies for poverty reduction and as the most important instrument for both bi- and multilateral donor activities. Further, it was pointed out that the vast majority of the poor in developing countries live in rural areas and depend on agriculture. In spite of its incontestable role in combating poverty, the importance of the rural sector has often been underrated in PRSPs. The panellists further agreed that PRSPs have not fulfilled the expectations regarding poverty reduction. There is still a long way to go in operationalisation of poverty reduction strategies.

Mr. Cleaver began by stating his expectations and hopes with respect to PSIA in agriculture. He noted that the limited emphasis of the first round of PRSPs on agricultural and rural development as well as the lack of specificity of the PRSP with regard to the strategies for these sectors is partially due to the fact that both donors and governments focus more on agricultural production, such as increasing crop productivity, than on how to combat rural poverty. PSIA can help to overcome this bias. The political challenge is how to place poverty reduction at the centre of government policy in such a way that it is reflected in the composition of public expenditure. The analytical challenge is to overlay the sectoral strategies with poverty analysis and PSIA, so that sectoral plans have sufficient positive poverty and social impacts and PSIAs provide a sufficient amount of sectoral detail, in order to maximise the impact on the poor. Adequate policies can be designed only if there is a thorough understanding of where the poor live, what their livelihood strategies are and what causes poverty. Mr. Cleaver stated that the World Bank has learnt that the participation on behalf of people who are affected by plans provides for better plans. New PRSPs have seen much improvement with regard to rural development strategies and much of this improvement is due to previous analysis.

Considering the number of analytical studies already being carried out for both sector policies and poverty issues as well as the high costs of this sort of work, Mr. Mekonnen from the AfDB expressed concerns with regard to the value-added of PSIA. If the analytical and diagnosis work of poverty and the participatory process for designing the PRSP were carried out well, all the policies proposed in the PRSP should reduce poverty and therefore the need for the PSIA may be limited. Furthermore, one has to be aware that in some countries the data base and analytical capacity are very weak, which may result in a very lengthy PSIA process. This may impede the PSIA's objective of producing results in real policy time, i.e. in time to advise the policy formulation process. In these countries there is a risk that PSIA results and recommendations will only be disseminated when they have already outlived their usefulness. The question is whether funds used to carry out a PSIA would not be better spent on

addressing pressing needs of the poor or strengthening their participation in the elaboration and implementation of PRSPs.

Mr. Howe continued: Since overcoming the Washington Consensus and accepting the existence of grey areas regarding development strategies, the donor community rejects blueprints for economic transformation and for policy and institutional change, and aims instead at country-specific policies for poverty reduction. However, in reality the road map of policy reforms is often still the same as it was in the context of the structural adjustment programmes. Mr. Howe expressed the fear that the “PSIA may go the route of simply being the mechanism through which some people look at the impact of a reform menu, which is actually the reform menu of the past”.

Mr. Howe emphasised the importance of country ownership and stakeholder participation for the success of PSIA. The PSIA mechanism could be very helpful if it addressed and calculated the impacts of options identified by national stakeholders, therefore, only if the PSIA supported a road map that the stakeholders made themselves. The national stakeholders and the poor have to be involved in formulating the questions and identifying the options; furthermore, the methodology has to be transparent to them. It is therefore crucial that the methodology used in the PSIA, the identified results and recommendations derived from them are entirely comprehensible to the partner country. This is a necessary condition for civil servants and decision makers to employ these results for policy formulation. Should there be a trade-off between analytical rigour and the full understanding of methods and approaches from the side of national stakeholders, the donor agencies should better step back and accept the partners’ level of knowledge. This is the only way PSIA can contribute to informed policy formulation. In addition, the donors need to be ready to accept policy options they did not have on their list of acceptables before starting the process.

Mr. Garaycochea from the German Ministry of Development Cooperation (BMZ) urged “to be very cautious in thinking that PSIA will bring solutions to all the problems we have with the PRSP approach in terms of ownership, participation, policy choices and policy options and describing the right policy options.” PSIA is not a panacea, but its potential lies rather with “educating” PRSP and strengthening the focus of government policy on poverty reduction. PSIA can help in strengthening in-country policy debates and increasing the respective policy options, including macroeconomic issues. It can help to avoid making the same mistakes as in the era of structural adjustment, which neglected the poverty impacts of reforms by focusing too much on economic aspects. It could be a way of strengthening the negotiating capacity of national governments with the Bretton Woods institutions on conditionalities. However, PSIA is only useful if there is demand from the governments of PRSP countries for it and if these governments own the outcome of the dialogue. The hardest test for PSIA is its impact on policy and especially whether – as a result of PSIA – donors and governments will accept policy options that were not initially considered.

From a bilateral donor’s perspective, Mr. Garaycochea noted that the donor alignment in the PRSP process has not yet gone far enough. Donors should aim at common products, such as PSIA, to improve the poverty focus of donor and national policies.

Mr. Wontito from the Ministry of Land Management, Urban Planning and Construction (MLMUPC) of Cambodia presented some background information on the PSIA with regard to land reform. In 2003 the World Bank supported the ministry in conducting PSIA studies on three important topics: land availability, the potential impact of social land concession and landlessness assessment. It is the policy of land distribution of the Royal Government of Cambodia to reduce the poverty of the population. The spirit of the sub-decree on social land concession of the government is the transfer of state-owned land to poor people, but there is still a lack of supplementary regulations for the implementation of the Social Land Concession Program. The government highly appreciates the work of PSIA, its transparent approach

and multi-disciplinary methodology. The staff of the ministry participated in the studies and played an important role in disseminating the results of the PSIA.

2.2 INPUTS FROM THE AUDIENCE

After the panel discussion participants were asked to think about the two following questions:

- What are your expectations (hopes/fears) of the PSIA approach?
- Do you believe that PSIA strengthens the PRSP agenda? How? Why not?

The participants were then invited to share their views with the plenary.

Participants pointed out the potential PSIA has in strengthening the PRSP agenda if it succeeds in feeding back its results to the PRSP platform. The advantage of PSIA is its clear focus and purpose from the very beginning, whereas the PRSP paper is, on average, fairly weak and less focused in terms of political priority setting and the identification of priority areas of action.

Despite recognising important advantages of the PSIA approach, many participants expressed rather sceptical views. The concern was raised that PSIA, as an approach contributing to the PRSP process, might become a victim of the same problems the PRSP is facing, such as the dominance of economic aspects of poverty or the lack of national ownership. When analysing poverty impacts of policies the “intangible” dimensions of poverty, such as socio-economic and political exclusion, discrimination and lack of empowerment, should be taken into consideration. Although both PSIA and PRSP are supposed to capture these non-economic dimensions of poverty, the results have not been convincing.

Several participants expressed fear that PSIA might end up only as a topic of discussion in workshops and headquarters, remaining a study collecting dust on the shelves of government institutions without delivering any advantages for the real stakeholders. Although poverty diagnostics are available in many countries, their results are often not translated into budget allocations because of the political economy and vested interests. Furthermore, PSIA and other analytical work carried out so far have not succeeded in linking research results to concrete suggestions on how policies can be reformed. PSIA can only have an impact if it bridges research results and the action agenda for poverty reduction policies.

The participants laid strong emphasis on the participation of the poor and ownership of the PSIA process by partner countries. A question arose with regard to who actually owns the PSIA, whether it is a product of multilateral donors or national governments. Some participants hoped that the participatory process of PSIA would induce partner governments and other national stakeholders to own the process and to take informed policy reform decisions. Others feared that many governments in less developed countries would lack the capacity to conduct PSIA and therefore would not take on ownership of the PSIA process. Likewise, the concern was uttered that PSIA may not be able to give the poor – the real target group – a voice. Since they do not have the resources to constantly participate in all envisaged processes and they have difficulties in expressing their problems, needs and aspirations, the poor are easily overburdened. The trade-off between participation on one hand and cost and time on the other was also mentioned. Finding the correct balance between these conflicting interests seems to be the art of success.

Participants also commented on the history of impact analysis. One participant urged not to reinvent the wheel, as impact analysis has been conducted by a lot of agencies for several years, but usually under different names. PSIA should build on previous experiences and lessons learnt as well as on the data already available in a specific country. Only after analysing existing experiences and data a decision should be taken whether it is necessary to undertake a new PSIA or not. Some participants recognised that if expectations of PSIA are

too high and donors demand that it show fast impact, it is doomed to fail. They recommended being more patient with the PSIA approach as it takes time for it to realise its full potential.

3 THE CONCEPTUAL FRAMEWORK OF PSIA

3.1 THE WORLD BANK'S PERSPECTIVE

Anis Dani and Stefano Paternostro from the World Bank explained the basics of PSIA and its application and use within the World Bank. The presentation was followed by a brief questions and answers session as well as a more detailed discussion in the context of working groups.

The WB representatives defined PSIA as being the analysis of the distributional impact of policy reforms on the well-being or welfare of various stakeholder groups, particularly focusing on the poor and vulnerable. The PSIA can be carried out before, during or after the implementation of reforms. Not only income distribution is taken into account, non-income dimensions are also part of the analysis, e.g. access to services, as they can be affected by reforms in different ways for different groups. Hence, PSIA links to a notion of poverty as a multi-dimensional phenomenon.

PSIA is more of a framework or an approach, rather than a specific tool that is used and implemented. It is composed of an array of different social and economic tools that are, in turn, defined all depending on the context of the reform, the availability of data and the capacity at hand. The unit of analysis is the reform per se and not the entire PRSP process; however, the analysed reforms are often part of the PRSP process. PSIA has been carried out for a range of reforms, usually selected on the basis of the scale and direction of the targeted impact. Although other analytical work has been done, the PSIA approach is new in that it focuses on the poverty and social impacts of specific reforms.

In addition to assessing the impact of policy reforms, PSIA looks at how the impacts are transmitted, analyses the institutions affected by or affecting reforms and assesses their risks. By trying to expose the role of institutions in terms of influencing or being influenced by the reform process, PSIA brings elements of the political economy into the analysis. A further element of PSIA is stakeholder analysis, i.e. understanding different interests of different population groups and analysing the influence different groups may have on policy reform.

PSIA aims to influence national policy and to improve the design and implementation of reforms through informing policy discussions and presenting alternative reform designs as well as through informing the design of M&E systems to establish feedback mechanisms. PSIA is considered as one of the analytical underpinnings that should be used to inform policy design and gained importance to the point that a new World Bank policy, the Operational Policy 8.60 for Development Policy Lending, considers its application good practice.

The presenters then took the participants through the stages of PSIA implementation and provided an overview of the available tools. The PSIA framework is a ten-step conceptual approach to be used by governments, research institutions, NGOs and donors. The steps are:

- Asking the right questions,
- Identifying stakeholders (e.g. different income groups, different ethnic groups, rural vs. urban population, gender),
- Understanding transmission channels (a reform may result in differentiated impacts for different groups via five transmission channels: employment, prices, access to goods and services, assets, transfers and taxes),
- Assessing institutions,
- Gathering data and information,
- Analysing impacts (expected direction and magnitude of impacts),
- Enhancement and mitigation measures,

- Assessing risk (institutional, political economy, exogenous and other country risks),
- Monitoring and evaluating impacts,
- Fostering policy debate and creating feedback.

Criteria for the selection of a reform for the analysis are the size and the direction of the impact, taking into account the importance of the reform to the government's agenda, the timing and urgency of the reform as well as the level of the national debate surrounding this reform.

PSIA emphasises a collaborative process between economic and social analysis and therefore applies a mix of qualitative and quantitative methods. Linking these two different methods in analysing the same issues, however, from different perspectives, has improved the quality of analytical work. Mr. Dani stressed the importance of stakeholder, institutional and risk analysis. Stakeholder analysis is imperative in understanding the political economy dimension of reforms by understanding the different interests and, hence, the different influence that groups may have on policy reform. Institutional analysis assesses the political economy of the country, i.e. who sets the rules and who will benefit from specific reforms. It is vital that PSIA considers: (a) what are the changes proposed in the institutions; (b) what are the interests of the people within those institutions, will they follow the rules that were set for them or do they have their own vested interests that would undermine the achievement of reform objectives; and (c) are there incentive structures that would make those institutions more responsive to market signals or will state or elite capturing continue, as has often happened before the reform. Risk analysis attempts to find out whether the reforms will be implemented and whether they will be implemented in the way they should. Risk assessment becomes a crucial part of the PSIA process as there are always uncertainties, which have to be consciously addressed.

Within the World Bank the work related to PSIA has been significantly scaled up in the last two years. DFID and GTZ have supported the World Bank in this effort by funding some PSIA's by means of trust funds. Starting with six pilot cases in FY02, approximately 100 PSIA's are presently underway in 48 countries, out of which 62 PSIA's are being implemented in 38 PRSP countries.

The World Bank representatives explained that wherever a PSIA is conducted, the country team seeks participation on behalf of the national stakeholders from the outset. The stakeholders are involved in selecting the scope and focus of the PSIA. But Mr. Dani cautioned that the national stakeholders "may be less concerned about the overall fiscal impact than about the bread and butter issues that are going to hit them". It is imperative that this be factored into the analysis. In order to identify the most pressing concerns of stakeholders, the PSIA looks not only at prices but also at multiple transmission channels, like employment, access to goods and services, assets and taxes. People may care more about the non-income dimension than the income dimension of a reform. They may be willing to pay more for a service if access to the service and its quality improve. An example from the transport sector illustrated this point. In many cases people would accept a rise in transport prices if the transport services became simultaneously more reliable, as the unreliability of the services represents a cost in itself.

One of the major lessons learnt in the past two years is that PSIA should not be a stand-alone activity but has to be integrated in donor country strategies, programming cycles and analytical instruments. The World Bank declared that its Development Policy Lending is expected to carry out an analysis of the impacts, not only to inform the policy dialogue in borrowing countries but to justify to its board why certain reforms are supported and whether they are pro-poor or not. The World Bank is convinced that analysing distributional effects has great potential to lead to better targeted and more sustainable agricultural policies.

More details with regard to the World Bank's perspective of the PSIA are available on the PSIA website: www.worldbank.org/psia.

3.2 RESULTS OF THE WORKING GROUPS

The presentation was followed by a discussion among participants at their tables. Participants were asked to address the following five questions in the context of their groups:

- In which way is the PSIA different from the analytical work that your organisation is doing already?
- Where would such an approach fit into your organisation's work/tasks/operations?
- Where do you see a role for your organisation concerning the PSIA?
- Where do you see the practical obstacles for the approach?
- What are potential fields of collaboration for the institutions at the workshop?

One statement per table was offered to the plenary, while other debated issues were presented on flipcharts at a market place.

The participants recognised the potential of the PSIA to satisfy the need for a participatory assessment tool, for both the design and implementation stages. However, certain groups still had difficulties in understanding the correct definition of the PSIA. Some got the feeling that the PSIA is just a "big pot" of different analytical tools, that seems to fit in everything. One group had the impression that the PSIA is a matter of just choosing policies from a menu of options, while others tried to clarify that the PSIA is very much a process of formulating policies from scratch.

All groups vigorously emphasised the need to involve a wide range of stakeholders in the process and give people a voice. They agreed that it is of utmost importance to carry out the PSIA in a participatory manner. Nevertheless, the participants admitted that participation is difficult to realise, especially due to costs, the lack of capacity, political economy issues and information imbalances.

Capacity constraints to implement PSIA work were identified as a tremendous impediment to bringing the agenda forward. Capacities are lacking at various levels, not only within the partner countries, but also among international financial institutions, UN organisations and bilateral donors. Unless rigorous capacity-building takes place, particularly at country level, in-country ownership of the PSIA process will remain rhetoric and donor agencies cannot apply it systematically as a due diligence instrument.

Possible entry points for cooperation in PSIA were discussed. It was agreed that PSIA provides a good framework for collaboration between various agencies. Each organisation is engaged in analytical work but collaboration has to be increased. The present organisations dispose of many instruments comparable or similar to PSIA and it is important to identify the value-added of each of these single instruments and link them together.

Anis Dani and Stefano Paternostro responded to some of the issues. They noted a tendency to overload the PSIA framework with different objectives. PSIA tries to look at the different distributional impacts that a reform may have, in other words, to identify winners and losers emerging from a specific reform. PSIA seeks to provide options on how to minimise the number of losers or how to create compensatory measures to take care of those who are unfortunate to lose. Carrying out PSIA involves a trade-off between analytical rigour and the participatory element of the process. To find a balance is paramount to the success of a PSIA.

PSIA is an approach that incorporates many available and well-known tools and methods. In this respect there is little new about the approach. New is the systematic and comprehensive way of addressing policy reform issues, as opposed to exclusively addressing programmes and projects. For example, while social analysis and sociological tools used to be applied to project design or social assessment for individual investment projects, they were very rarely, if at all, applied to policy questions. Much of the re-learning of the past two years has been how to adapt the tools to budget support and policy-based lending as well as sectoral issues to which they were not applied in the past.

Expectations regarding the role of PSIA need to be realistic. The PSIA is not a tool to fix the problems with the PRSP process, nor to necessarily shape the political agendas of governments. PSIA cannot solve problems of exclusion and the lack of participatory decision-making processes. Mr. Dani urged not to “over-romanticise what participation can achieve”. Participation includes two elements. One is how to get more engagement in the PSIA undertaking itself, the other deals with taking decisions when the results come in. It is very important to be transparent and to engage stakeholders in the policy dialogue, but participation cannot achieve consensus among all the stakeholders on hard policy choices.

4 AGRICULTURAL POLICY AND PSIA

The objectives of the session “Agricultural Policy and PSIA” were to establish a common understanding among participants on what the Rome-based institutions and other donor agencies see as major issues in agricultural policy and on which agricultural policies they focus. It also intended to inform on which agricultural policy issues have been tackled so far by the PSIA as well as what the main results have been.

4.1 PRIORITY ISSUES IN AGRICULTURAL POLICIES

At first, presenters were asked to explain the main positions of their institutions with respect to agricultural policy. The statements were presented by Mr. David Kingsbury (IFAD), Ms. Eve Crowley (FAO), Mr. Robert Kressirer (GTZ) and Mr. Klaus Deininger (World Bank). These introductions were followed by an open discussion in the plenary. Mr. Rüdiger Krech, Head of the Social Protection Section of GTZ, moderated the session.

Mr. Kingsbury started by introducing IFAD’s priorities in the agriculture sector, which are described in IFAD’s “Strategic Framework for 2002-2006”. The priorities stated in the Framework result from IFAD’s experience with projects and programmes in the field. IFAD tries to bring perspectives from the micro level to the sectoral and macro levels. With the overall objective of making national and international playing fields more equal and levelled for the rural poor, IFAD’s strategic objectives are: i) strengthening the capacity of the rural poor and their organisations (to reduce their own poverty and, in the area of policy, to increase their capacity to advocate for themselves); ii) improving equitable access of the rural poor to natural resources and to technology; and iii) increasing access of the rural poor to financial services and markets. Since IFAD has limited field presence and limited analytical capacities, they are searching for strategic partnerships with governments, civil society organisations and like-minded donors to achieve these goals.

In many parts of the world a key specific policy area under the first strategic objective is rural decentralisation. One niche IFAD considers particularly important for its own role is the link between the village and municipality levels. Regarding the second strategic objective, IFAD has been active in clarifying the rights of indigenous people to natural resources, such as land, water and forests, in improving the access of rural people to irrigation resources, in facilitating the recognition of users’ groups at a national level and in clarifying their usage rights. The third strategic objective includes helping farmers to adapt to policy or market reforms by supporting them to better understand the stakes at hand and to articulate their needs more clearly.

Ms. Crowley continued by presenting FAO’s strategic framework and the focus of FAO in agricultural policy work, from both the normative and operational perspectives. FAO adopts a people-centred approach with the overall objective of improving the living conditions of the rural poor. FAO’s corporate strategy is focused on five main areas: i) eradication of food insecurity and rural poverty; ii) strengthening the policy and regulatory frameworks; iii) creating sustainable increases in the supply and availability of agricultural products; iv) improvement and sustainable use of natural resources; and v) improving decision-making by providing information and knowledge management systems to its clients.

The work of FAO includes food insecurity and vulnerability information mapping systems (FIVIMS), supporting national capacities to improve the competitiveness of farming (access to technologies, markets and increased investments), preparedness for and responses to food and agricultural emergencies, integrated rural development strategies, institutional and organisational development (public restructuring, decentralisation processes, participation, etc.), regulatory frameworks to trade, agro-industrialisation and food chain policies. FAO al-

ready uses a wide range of different policy impact assessment tools, many of them included in the PSIA toolbox, but stresses the need to adapt these tools to country capacity.

GTZ's objectives are linked to the MDGs. Mr. Kressirer pointed out that in the last two years GTZ went through a process involving the change from a project to a programme approach, and in doing so from output to impact orientation. He presented the relevant policy issues for GTZ in the agricultural sector: the impact of agriculture on poverty reduction; how to link primary production with processing and creating value-added; how to influence international, regional and national trade for the benefit of rural (small-scale) producers; how best to reorganise agricultural services between the government, private sector and civil society; and how to stimulate private sector investment in low potential areas for pro-poor growth. GTZ would like to intensify discussion and collaboration among donor organisations on: making trade issues more conducive for producers in developing countries, supplementing programme-based approaches in agriculture with capacity development by means of technical assistance, involving the private sector to a greater extent in pro-poor growth, mitigating HIV/AIDS effects in agriculture and ensuring sustainable management of natural resources.

The World Bank has recently formulated an agriculture strategy and intends to focus more on the rural sector. Mr. Deininger provided an overview of the WB's agriculture strategy, which focuses, among others, on access to input and output markets, the determination of prices agricultural producers receive, insurance mechanisms, community-driven development, organisation of the poor to improve their access to services, provision of services on the part of the private sector as well as policies to enhance the endowments (natural resources, human capital, health, etc.) of the poor. In these areas, attention has to be paid to the nexus between poverty reduction and growth and how PSIA can help maintain and/or enhance this focus.

After these presentations the floor was opened for participants to comment. The discussion centred on issues crucial in agricultural policy and how they relate to the PSIA.

It was pointed out that the ministries of agriculture in developing countries have only limited resources (around 3% of national budgets) and that many decisions about agriculture are not taken by the line ministry but by other actors (e.g. ministries of finance). Taking the limited financial resources and decision-making power of the agricultural ministries into account, meetings and consultations with regard to agriculture should involve more stakeholders and not merely the ministers of agriculture and donors.

Many participants demanded to go for light PSIA assessments as a rapid response instrument for policy makers instead of carrying out lengthy and expensive PSIAs. While such PSIAs have been carried out, Mr. Dani cautioned that their relevance may be limited. Some participants advocated for more intensive PSIAs. PSIA should ignite a process that allows stakeholders, including the poor, to play a role in the design and implementation of policy reforms. However, "quick and dirty" PSIAs will not be able to ensure process-oriented participation and dialogue with the poor, as this requires a lot of time. Without participation the elites will continue to find ways to expropriate the benefits.

The discussion turned to the issue of how the political economy can influence the outcome of reforms. One point of view was that the PSIAs can be effective at a lesser cost if they look intensively at the institutional and implementation dimensions of reforms. The PSIA aims at influencing the (re)design of reforms in order to minimise the number of losers and maximise the number of winners among the poor. But even a well-designed reform may hurt specific groups, especially in the short run. Identifying ways to design adequate mitigation and social protection measures is crucial to avoid resistance amongst the disadvantaged groups. In this respect, the PSIA can contribute to the identification of transfer mechanisms that may become necessary with regard to redistribution policies.

It was suggested that the PSIA should also be applied to investigate the impact of international policy choices on different stakeholders, e.g. the impact of agricultural policies of developed countries on poor people in developing countries.

4.2 EXPERIENCE WITH PSIA IN AGRICULTURE

The discussion was followed by an introductory presentation of PSIA in agriculture. Mr. Andreas Groetschel, World Bank consultant, stated that agricultural issues account for only 15% of the World Bank-supported PSIA work. If land reform is included, the percentage increases to 21%. Most PSIAs performed in the context of agricultural policy deal with rural and agricultural credit policy, reform of extension services, land reform and liberalisation or privatisation policies. All PSIAs have made use of a mixed method approach. The most commonly used instruments were stakeholder analysis, institutional analysis, impact analysis and risk analysis. The advantage of the methods applied to date lies in the effective combination of social and economic tools. The main shortcomings of the methodology result from the lack of systematic application of process tools to facilitate the policy dialogue. Overall, experience with PSIA in the agricultural sector has shown that the process of performing a PSIA and the results it produced have – to varying degrees – exerted an influence on policy formulation and implementation as well as on the operations of the World Bank. Nonetheless, the weak point in many PSIAs so far is the actual policy dialogue process of how to use the results. In order to improve the effectiveness of PSIA with respect to agricultural policy, the most important steps in future will be to strengthen multi-disciplinary approaches, integrate broader policy dialogue into methodology to a greater extent, make better use of PSIA for the design of M&E systems, keep evaluating the PSIA cases, learn from mistakes and good practice and, last but not least, broaden the coalition and expand the work on the PSIA.

The session was closed by Ms. Renate Kirsch (Senior Social Scientist, GTZ Africa Department), who summarised the overlaps of the agricultural policy priorities presented by the development agencies as well as reform areas actually addressed in practical PSIA work so far. An overlap in interest and with that a potential for inter-agency cooperation exists in rural decentralisation, irrigation, access to rural markets and market reform as well as trade issues (tariff and subsidies). Agricultural policy areas in which PSIAs have not been conducted but would be interesting to address include credit policies, food security and safety nets, conservation of natural resources, addressing the lowest administrative level where the World Bank is not engaged, linking primary production with processing and value-added; reorganising agricultural (extension) services, private sector engagement and impact of HIV in agricultural policies.

5 PSIA RESULTS AND METHODS FOR AGRICULTURAL POLICY – REVIEW OF SECTOR EXPERIENCE

The intention of this session was to provide participants with a general understanding of the kinds of results and recommendations a PSIA can produce and how they are used and implemented by government. Three different central areas related to agriculture were presented and discussed: land reform programmes, agricultural trade and tariffs and the reform of public agricultural marketing boards.

5.1 PSIA RESULTS ON LAND REFORM PROGRAMMES

Klaus Deininger, Lead Economist at the World Bank, presented the topic “Land in the context of PSIAs”. The multi-faceted importance of the topic land, its complexity and political sensitivity as well as its country-specific nature highlight why land is such a suitable sector for PSIA. Mr. Deininger described how PSIA can contribute to the national decision-making process on land issues. The analysis can demonstrate the links between land, growth and poverty, identify mutually beneficial policy options, develop and follow up on prioritised strategies for implementation, adapt international experience to local conditions, draw lessons from failures and successes and generate lessons for others.

Mr. Deininger then presented the experiences gathered with access to land. If the redistribution of land from large land owners to small farmers is accompanied by a package of support and the appropriate policy environment, it helps increase rural productivity and makes everybody better off. Land issues are, by their very nature, country-specific because land is deeply rooted in history and links to culture, identity and space. The donor organisations cannot and should not make the policy choices for the government but they can facilitate the process and provide analytical input showing governments and national stakeholders the implications of specific policy choices. Because of the complexity and country-specific nature of land access issues, patented solutions do not exist. Hence, carrying out pilots and monitoring continuously are vital exercises to be able to learn from experience.

Issues related to tenure security were described in detail. Mr. Deininger urged the participants to look at tenure security from a broader perspective and not just at the credit effect of better land titles. Increased tenure security implies that owners of land are less occupied with guarding their land assets. They can use their resources elsewhere, e.g. invest more resources into the productive use of land, thereby increasing the value of their asset. Tenure security benefits people who already have access to land but does not help those without access. Therefore, an important task is to look at means and ways of increasing access to land.

In order to enhance the understanding of tenure security issues, Mr. Deininger gave a short elaboration of several country cases. In Paraguay a study revealed that the size of the credit effect of a land title depends on the size of the land. Only people with a land endowment of more than five hectares were able to significantly benefit from this credit effect. In such an environment land titling is an ineffective instrument for reaching the poor.

In China, the average land size per household is only about 0.5 hectares. This egalitarian distribution of land has helped to ensure food security and led to significantly higher levels of human development outcomes than in other countries.

In Uganda a study revealed that the productivity of plots affected by conflicts is about one third of the productivity of unaffected plots. Plots held by widows have a 40% higher probability of being affected by conflict than others. This probability suggests that many women have to fight for the land of their deceased husbands, usually against male relatives, as inheritance rights are improperly regulated.

In Mr. Deininger's opinion the current debate on land reform underestimates the potential of rental markets. The growing importance of rental markets is a result of the rural non-farm economy developing, which provides increasing opportunities for diversified livelihood strategies. Land owners involved in the non-farming economy rent out their land for additional income. The farmer renting the land may be able to make better use of it than the owner.

5.2 PSIA RESULTS ON AGRICULTURAL TRADE AND TARIFFS

Caesar B. Cororaton, Senior Research Fellow from the Philippine Institute for Development Studies, presented "Trade Reform and Poverty: The Philippine Case". He described the process of trade reforms in the Philippines and displayed results of a macroeconomic modelling exercise to assess poverty impacts of a tariff reduction in rice.

The method used for the analysis was a CGE (computable general equilibrium) simulation model, designed to analyse the possible poverty effects of the removal of quantitative restriction (QR) and the tariff reduction on rice imports. The CGE showed that tariff cuts between 1994 and 2000 had been poverty-reducing, primarily by means of a reduction in consumer prices, and the reduction in poverty had been greater in the capital, where poverty is lowest compared to rural areas, where it is highest. While industry, particularly the export-dominating non-food manufacturing sector, expanded, the agricultural sector contracted.

The presentation highlighted the distributional impacts of reducing rice tariffs and removing QR on rice. The most likely results would be: i) negative income effects for household groups, where the problem of poverty is severe; ii) reduced prices of rice, but not significant enough to mitigate the decline in income for the groups adversely affected; and iii) an overall increase in the Gini coefficient, hence a worsening of income inequality.

The conclusion of the exercise was that the removal of QR and a tariff reduction have negative effects on the poorest of the poor and the reduction of prices is not significant enough in this group to mitigate the decrease in income. However, CGE as a static analysis does not take medium or long-term effects into account. According to the presenter, the fact that in the medium term farmers can move to producing other crops implies that some of the negative effects can be mitigated in the medium run.

The results of the PSIA led to a heated debate in the Philippines where government is currently discussing whether to carry through the reform. In some cases there has been a policy reversal with the government either withholding or increasing the tariffs for specific products.

5.3 PSIA RESULTS ON REFORMING PUBLIC AGRICULTURAL MARKETING BOARDS

Mattias Lundberg from the World Bank presented the third topic, "PSIA and the Government in Marketing Reforms". The leading questions of the presentation were: How do agricultural market reforms affect poverty and income distribution? Can interventions in agricultural markets on the part of governments really be justified as being pro-poor? The decision to reform marketing boards is frequently a result of the inefficiency, corruption, costliness and ineffectiveness of marketing boards. Furthermore, the collapse of international cartels and the prevention of certain interventions on behalf of the WTO have led governments to reform their boards.

Governments can choose the scope and extent of reforms, their sequence and pace as well as the method of reform. Most importantly, governments can decide to conduct PSIA or not. All these choices exert an influence on the poverty impact of reforms. Different kinds of market reforms have different consequences for the poor. Not only the combination and scope of

reforms, but also their sequence and pace may matter. For example, in the absence of a strong state and of a good regulatory mechanism, too much private sector intervention taking over too fast can lead to a poor delivery of services and poor coordination. Simply abandoning the market to the private sector or simply transferring monopoly rights from the state to one private company may not improve performance.

After elaborating the above-mentioned choices, Mr. Lundberg presented the methods used for the PSIA at a household level, firm level and public sector or organisational level. Several methods of reform are available: privatising state-owned enterprises, creating joint ventures, allowing competition, establishing a public sector marketing board as one market actor amongst others, etc. The openness of the reform process as well as the involvement of all stakeholders determines which methods are considered. There is some evidence that transparency is not an antecedent to, but a consequence of reforms. Where reforms have been successfully implemented they have resulted in greater participation, greater openness and last but not least greater transparency.

Mr. Lundberg brought up the challenge of institutional knowledge. The institutional memory is very weak and the gap between what donor organisations know and what they actually do is astonishing. Not only are lessons from one country to another not applied, but also lessons from one country to that country itself. The reform of the agricultural marketing board in Malawi has been analysed three times in the last 15 years. None of the studies took the previous findings into account.

The PSIA's conducted in this reform area have been weak in transferring the results of the analysis into the policy process. The analysis can be excellent but if it does not succeed in integrating the results into the policy process, the analysis will have no impact. Mr. Lundberg described the cases from Chad (cotton), Guyana (sugar) and Malawi (ADMARC), where the influence of the PSIA on policy formulation has not been remarkable. So the question arises why is this the case and what has to improve?

5.4 DISCUSSION

The presentation of sector experience was followed by discussion of whether PSIA has been an achievement or a failure so far. While some participants argued that PSIA has failed due to its limited impact on the design of policy reforms, others consider its contribution to a change in the perspectives of donors, particularly the IFIs, towards policy reforms as a success. Mr. Helmut Asche stated that the creation of the PSIA as a 'trademark' is an achievement in itself. He reminded participants that only ten years ago a representative of the IMF announced at a workshop that structural adjustments cannot have any adverse social effects. Today it is broadly recognised that there is more to development than economic growth. Providing empirical evidence to strengthen such multi-sectoral perspectives is an important contribution of PSIA. However, even the supporters of PSIA agreed that it has not been as successful as initially intended.

The balance between economic and social methods was discussed. Some participants expressed worries that social aspects, such as common land and social structures in the presentation on land reform, were underrepresented.

Participants discussed the aspect of participation in the PSIA. Some participants advocated a more consistent integration of participation in a PSIA setting: starting from building relationships of trust with the poor, building their capacity and creating the political space in which they can better negotiate. Others argued that the PSIA design is not intrinsically participatory in terms of the political process in the country. Stakeholder participation in the PSIA process does not necessarily ensure participation in all steps and at all levels of the PSIA.

6 PSIA AS A PROCESS TO FACILITATE NATIONAL POLICY DIALOGUE ON REFORM ISSUES

The second day of the workshop started with a summary of the key issues raised on the previous day. These issues, presented by Cheikh Sourang (IFAD), were the extent and the limitations of participation in PSIA processes, the expectations of PSIA and possible pathways for PSIA-related partnerships. This was followed by a GTZ contribution, which reviewed the process, the results and the policy impact of nine PSIAs related to agricultural policy. Guests from Malawi and Cambodia then shared their views and experiences as PSIA users with the audience.

6.1 REVIEW OF PSIA PROCESSES

Presentation of a desk study

Mari Tertsunen (GTZ) presented the main conclusions of a desk study commissioned by the GTZ that analysed nine PSIAs in the agricultural sector, based on the available documentation. The analysis tried to look at various questions: i) who was responsible for choosing the reform for PSIA; ii) who has been involved in the PSIA; iii) whether results have been disseminated and how user-friendly they were presented; iv) how has the PSIA contributed to policy debate and how much impact has it had on national policy-making.

All PSIAs involved various stakeholders, albeit to different degrees and at different stages of the process: not only the government, but also CSOs, the private sector as well as other donors.

The proposal for carrying out a PSIA usually originated from the donor. Donors typically consulted the governments when choosing the reform, but tended to influence the design and methodology stages of PSIA more than the partner governments.

The analytical part of the assessed PSIAs seems to have worked rather well. But resources for raising awareness and promoting national dialogue had been comparatively low. More time and effort are required to involve stakeholders from the beginning. Phased PSIAs, in which the findings of the first phase inform the next steps, could be helpful to improve the quality and relevance of the outcomes of the analysis, and for involving stakeholders in several iterative circles. M&E systems also need to be built in from the beginning of the PSIA.

The record of disseminating results is diverse but in most cases some dissemination processes have taken place. The primary vehicle for dissemination were workshops with the main stakeholders of the reform. The media could be used for a wider dissemination of results and members of parliament should be more involved.

The majority of the reviewed PSIAs tend to fine-tune reforms rather than to help developing different policy options. Some PSIAs have contributed to fostering national debate on the reform issues. However, unambiguous proof of the impact of the assessed PSIAs on policy-making is difficult, since many other factors influence policy decisions. Moreover, it is still too early to review impacts as only four of the nine PSIAs have been completed. It will be important to evaluate the PSIA processes when more are finished.

Part of the problem is the lack of “anchorage” in government and the lack of capacity to continue the PSIA process so as to make it a dynamic rather than static exercise. Good practice examples for the institutional embedding of PSIA were to set up national steering committees and to host PSIAs in national governments’ institutions. Capacity-building for the analysis

was carried out to a certain degree but there is a need also for capacity-building that enables the stakeholders to effectively use the PSIA results and recommendations. A concluding proposal was to take a more dynamic, process-oriented view of PSIA – “the movie” as opposed to “the photograph”.

Feedback from the audience

The presentation sparked a lively and at times controversial debate about the PSIAs presented, the conclusions of the desk study and the complex issues of stakeholder participation and national ownership. It was acknowledged that the sample should have included only completed PSIAs in order to assess policy impacts and some aspects were difficult to capture adequately due to limited documentation available. One conclusion drawn from the intensive discussions and the sometimes differing perceptions of the PSIAs included in the review was that knowledge management and information sharing between donor organisations has to improve.

It was pointed out that the PSIA on land in Zambia included stakeholders at very early stages and in a collaborative process. In-country capacity was used and built and the PSIA fed into the policy debate. The PSIA also had an impact on policy, since the land policy proposed by the government never made it to parliament because of the discussions of stakeholders and the dissemination of the results.

Similarly, regarding the PSIA on agricultural reform in Madagascar, the issues had been prominent in the political debate for years and the analysis was actually used to justify keeping the tariff on rice. In Malawi there were consultations with several NGOs, the government and tobacco companies before starting the PSIA on the reform of the tobacco sector.

The presentation mentioned that in some cases partners expressed a certain fatigue in participation. It was discussed whether this fatigue is an indication that PSIA is considered a donor-driven invention, whether there are too many parallel participatory processes, or whether the fatigue results from vested interests of some stakeholders. One participant remarked that if the donors want people and institutions to participate, the benefits of participation should be clear. The analysis should be focused on specific questions and experiences and be of good quality in order to be useful for decision-making and help overcome the fatigue.

Participants discussed how country ownership can be ensured. Some participants doubted that participatory processes alone suffice to create ownership. They argued that only those who finance a process can own it. Others pointed out that paying for the PSIA does not automatically give someone the monopoly on the process. If a country gets a grant from the World Bank to conduct research, it is not the Bank that owns the research results, but the country.

It was admitted that different sorts of policies demand different channels and methods of participation. Some may require a centralised pre-defined decision that can then be fine-tuned through participatory approaches, while other policy reforms can actually be initiated in a participatory bottom up way.

The question of timely and wide disclosure of PSIA findings was discussed. It was recognised that politically sensitive materials are often difficult to clear for dissemination. From a donor’s point of view, finding the balance between government sovereignty and dissemination in such cases is very difficult.

The WB representatives cautioned that if the bar is set too high, PSIA is bound to disappoint. It goes beyond the capacity of PSIA to change power structures within countries. PSIA can analyse political economy issues and power relations but it cannot change them.

The audience was also reminded that participation is only a means and not an end in itself. The most important issue should be participation in the benefit stream from policy reforms. In order to achieve this, the most important part of the process is the final discussion. There was agreement that so far the analytical part of PSIA has been much more rigorous than the feeding of the results into the policy dialogue and that this needs further attention .

6.2 PSIA EXPERIENCES FROM PARTNER COUNTRIES

The representatives from government, parliament and research institutions from Malawi and Cambodia were invited to share their experiences with PSIA.

The case of agricultural market reform in Malawi

The case of the Malawi PSIA was presented by Clement Nyirongo, representative of the Malawian Ministry of Finance, Ephraim Chirwa, consultant, who worked on the PSIA qualitative analysis and Nthara Kwima, consultant for Oxfam Malawi. Present at the meeting was also the Hon. Bertha Masiku, MP.

The Agricultural Development and Marketing Corporation (ADMARC) was set up by an act of parliament in 1971 to promote agricultural development. ADMARC was to provide inputs to smallholder farmers in rural areas and to buy their produce at predetermined prices. As the main purchaser and distributor of food, the institution was of great importance to national food security. But over the years it became inefficient and financially unsustainable.

The IMF and the WB advised the Malawian government to sell off ADMARC's unviable assets and made the selling a conditionality for accessing funds. 204 rural markets were identified as being economically inefficient and their privatisation was prepared. But then stakeholders began to question the policy. In 2002 Oxfam carried out a study on ADMARC, using an approach similar to PSIA. The Parliamentary Committee on Agriculture conducted a further analysis.

The World Bank conducted a PSIA study (2002 to 2003) and presented its findings and the lessons learned in early 2004. The study confirmed the social functions of ADMARC and the potential negative impacts the closure of the proposed 204 rural markets could have on people in remote rural areas. It was recommended that a careful analysis of ADMARC's institutional problems be carried out before undertaking any major policy changes. The government, World Bank and IMF changed their original thinking of the ADMARC restructuring based on these findings. However, by the time the findings were disseminated, the parliament had already decided to commercialise ADMARC.

Mr. Nyirongo criticised that even though three institutions carried out similar studies, coordination among them was weak. Furthermore, civil society organisations were not involved in the WB's PSIA process and the government was only actively involved at the time of result dissemination. An opportunity for the findings to impact the decision-making process was lost.

Mr. Nthara reiterated that the PSIA on ADMARC was indeed an opportunity lost for collaboration. He emphasised the need to involve stakeholders from the beginning. In the case of the ADMARC PSIA this could have led to a focus on the impact of the overall commercialisation of ADMARC as opposed to looking only at the closure of the 204 markets.

Mr. Chirwa stated that there have been many studies, even undertaken by government itself, but these do not seem to be used for decision making. In order to change this, the real de-

mand to conduct PSIA studies has to come from developing countries. The process can be promoted but the actual need must come from the government.

Mr. Paternostro from the World Bank confirmed the problems with including stakeholders from the beginning but pointed out that the ADMARC PSIA was one of the first PSIA's undertaken and that since then lessons have been learned and improvements have been made in involving stakeholders and disseminating results. An accomplishment of the PSIA was that the findings changed the World Bank's position, as it no longer advocated the privatisation of loss-making rural markets.

The case of land reform in Cambodia

Mr. Srey Chanthy from the Agri-Business Institute in Cambodia presented the PSIA in Cambodia on social land concessions. The PSIA was carried out to determine the poverty and social impacts of land distribution and the conditions for the successful realisation and sustainability of potential benefits. The process was participatory from the beginning and involved numerous stakeholders. The PSIA originated from the World Bank but was carried out in partnership with various national stakeholders and other donor agencies. The government took on ownership of the process by not only facilitating but leading it.

The PSIA included various studies and techniques. It was important to adopt a multidimensional approach to PSIA to catch the complex interconnections between land, social structures and poverty and to identify support packages needed for the successful transfer of land ownership.

The PSIA assisted the Royal Government of Cambodia in the operationalisation of the social land concession sub-decree, which lacked supplementary regulations for the effective implementation of the programme, in the implementation of the land law regarding state land recovery as well as in the implementation of the economic concession reform.

The PSIA study revealed the weakness of the implementing institutions and the potential danger resulting from it. It provoked an intensive debate among stakeholders in Cambodia, offered alternatives and facilitated consensus building. The analysis is considered to be the first step in a series of inter-linked studies to capture a dynamic process and a continuous exercise.

Presently the government of Cambodia is asking donors to provide technical and financial assistance to carry on with the social land concessions programme, which will also include further studies of issues not covered in the first analysis. Implementing the recommendations of the PSIA will also need more training and capacity-building activities, especially at the decentralised levels.

Participants in the workshop were given the opportunity of discussing the issues related to the Cambodian PSIA in a smaller working group in the next session.

7 PSIA RESULTS AND METHODS FOR AGRICULTURAL POLICY – REVIEW OF CASE STUDIES

Three working groups were organised to discuss country cases where PSIA were done. The intention of these groups was to present real PSIA to provide participants with a general understanding of how PSIA are used, the tools applied and to discuss the results, the usefulness and the impact.

7.1 BREAK-OUT GROUP 1: PSIA ON AGRICULTURAL MARKETING BOARDS

The session began with the presentation of a PSIA case study on the privatisation of the Rwandan tea marketing board by Stefano Paternostro from the World Bank. The presentation was followed by a commentary from the discussant Ms. Alexandra Rottger (FAO) as well as by an open discussion among the participants. Ms. Renate Kirsch (GTZ) moderated the session.

Presentation of the case study: Rwanda tea

The Rwandan PRSP envisages privatisation and private sector development as a main component of growth-based rural strategies for increasing domestic demand. Within this framework the privatisation of tea and coffee estates is one of the highest priorities. A significant economic impact of the reform is expected, while little is known with regard to the social impact and the groups affected by the reform. The main component of the analysed reform consisted in the purchasing of a 55% share of the tea estates by a private investor and the restructuring of the tea parastatal as a regulatory tea board.

The terms of reference for the PSIA were jointly drafted by the World Bank and the government of Rwanda. The analysis started with a literature review, followed by an institutional and stakeholder analysis, a social risk analysis and a household survey. The multidisciplinary research team consisted of local consultants. Consultations were carried out both with central and grass root stakeholders, and a PSIA steering committee was created with representatives from the PRSP Unit, the Privatization Secretariat, the Ministry of Agriculture, the Growers' Federation, the Tea Board and the Ministry of Commerce.

The PSIA substantially expanded the evidence base of the reform and the World Bank support for it in the framework of the Poverty Reduction Strategy Credit (PRSC), the Country Economic Memorandum (CEM) as well as the Export Promotion Action Plan. It introduced new policy options, such as a differentiated tea pricing policy to improve quality and capacity-building of grower associations. Additionally, it opened up a dialogue and improved communication and collaboration in the tea sector.

Discussion

In the ensuing discussion the central topics were:

- What is new about PSIA, both in terms of applied methods and in terms of results of the analysis?
- How are policy reforms for the PSIA chosen? How are alternative policy options identified? How relevant are the chosen reforms for poverty reduction?
- How are results of PSIA integrated into policy decisions affecting the poor?
- Are there differences in perception and commitment to PSIA between the PSIA anchor in the World Bank headquarters and the operational departments?

It was noted that the results of the PSIA in the tea sector of Rwanda were not new and that a debate on marketing boards has been ongoing since the 1980s. In this context it is important to look also at other experiences with such reforms, for example in Kenya, which has a long tea sector experience. Furthermore, agricultural policy impact monitoring (APIM) was also carried out before, including all elements of the current PSIA approach. However, the results of the APIM were not taken into account in the design of Structural Adjustment Programs since they were not considered important.

In response it was noted that the important thing about PSIA is commitment to do it systematically and consider its results in the design of policy. The PSIA approach doesn't present new tools but tries to further develop and combine existing tools and to apply them in a new framework. Until recently the World Bank concentrated only on the financial costs for the government and neglected the poverty "costs". The value-added of the PSIA lies in its focus on impact on the poor and its operational relevance for the lending activities of the World Bank.

The relevance of the reform for the poor sparked further debate. It was pointed out that neither the tea growers nor the tea pluckers are poor. Although the difficulties of the tea crop board in Rwanda were recognised, participants were convinced that other more pressing problems existed and questioned the economic advantages of the respective tea sector reforms. The answer was that tea is Rwanda's most important economic sector. If other reforms of relevance for poverty reduction are identified, other actors are encouraged to carry out PSIA on the issues they consider important.

Some participants argued that although the World Bank has come a long way in its policy prescriptions since the SAP era, the starting point is still the old paradigm of development. The Rwandan tea example shows that the WB still assumes that privatisation is the best policy to follow. The same attitude was observed in the analysis concerning the privatisation of the ADMARC in Malawi, where the PSIA followed a narrow approach by focusing only on the privatisation aspect of the reform instead of addressing alternative policies. The counterfactual should also be assessed when analysing a policy option.

Participants in the group expected the PSIA to be used for choosing alternative reforms for implementation and not for justifying predetermined policies that belong to the "classical" WB policy menu as well as increasing their acceptance by designing marginal mitigation measures. The PSIA should also offer an opportunity to model policies in terms of timing and sequencing.

As an answer to these expectations it was pointed out that PSIA should come in after the discussion of policy choice and then help to answer a specific question with regard to the distributional impact of the policy. The definition of the problem to be addressed by means of specific reforms does not come from the PSIA. The PSIA is an analytical tool, not a decision-making tool. It is not the correct instrument for discussing the entire reform process and cannot answer all the questions related to the reform. Theoretically the forum in which the policy options are chosen is the PRSP consultation process.

Nevertheless, these consultation processes have limitations and can seldom be used for discussing in-depth alternative options. If transparency in the choice of reform could be secured before conducting the PSIA – which for example did not happen in the Malawi ADMARC case – then its results would be more legitimate.

It was pointed out further that regardless of who chooses for which policy a PSIA should be carried out – whether the choice is led by the government or by a donor – the results still remain relevant and can have a significant policy impact. For example, in Malawi the PSIA still did help to redefine the position of the WB on the ADMARC strategy.

A systematic integration of PSIA into the policy formulation process requires capacity for PSIA and to accustom the decision-makers to use PSIA and its findings. However, there is no guarantee that the PSIA will change the design of the policy, which depends to a large degree on political economy issues. Furthermore, since PSIA is one of many elements that influence the policy decisions, an attribution problem is inevitable in trying to establish how much PSIA has influenced a certain policy.

Concerns were voiced that while units in the World Bank headquarters are pushing PSIA forward, staff in the operations departments are doing “business as usual”, i.e. continuing with the old approaches. A response was that the World Bank headquarters reacts to external pressure and addresses criticism regarding negative poverty effects of reforms by applying new approaches and instruments. At the operational level PSIA is an additional burden on country offices that are already faced with multiple demands and high pressure. Hence the consolidation of the PSIA at an operational level might take some time. What is important in the end – with or without the PSIA label – is to look at distributional impacts of major reforms.

7.2 BREAK-OUT GROUP 2: PSIA ON AGRICULTURAL TRADE AND TARIFFS

Mr. Peter Poulsen (DfID) presented the case study on “Raising Rice Import Tariffs in Indonesia”. Mr. Caesar Cororaton (Philippines) was the resource person of this group and Mr. G. Thapa (IFAD) contributed as a discussant. The session was moderated by Mr. Anis Dani (WB).

Presentation of the case study: Indonesia rice

The policy question was whether the tariff on imported rice should be increased from 25% to 45% to protect the domestic rice industry. The Indonesian proponents argued that higher tariffs would raise prices, which in turn would raise farmer incomes. The opponents argued that poor people (including rice farmers) are net consumers who will suffer from higher prices. The PSIA progressed the debate by considering the impact of increasing rice tariffs on both consumers and producers of rice.

The methodology used for this PSIA consisted of a Computable General Equilibrium Model (CGE) and a Policy Interests Matrix (PIM) as an analysis of political decision-making.

The results of the CGE analysis showed that the tariff increase would lead to an increase in overall poverty incidence, although the effects are rather small. The poverty impact is more severe for urban than rural households. It also differs for consumers and producers. Regarding the group of rice producers, small farmers would lose out the most, while other farmers would benefit marginally. Overall the effects of the tariff increase would be to cause redistribution from consumers to producers without a clear-cut discrimination between poor and non-poor households within each of these groups. Considering the economy as a whole, the CGE therefore suggests that the increase in rice tariffs has detrimental effects on poverty. It can be reasonably assumed that long-term, dynamic impacts of a tariff increase will have more severe effects on poverty. Therefore, if even the static analysis results in an increase in poverty, the argument that a tariff rise is pro-poor cannot be supported.

The aim of the PIM was to examine the different interests of the main actors of the reform. This tool for mapping the decision-making process looks at the existing power structures among the relevant actors, at the different schools of thought they represent and at coalitions between the actors. Therefore the PIM analysed the interests of the four most influential actors for policy-making on tariffs: the Ministry of the Economy, the state commodities logistical agency called BULOG, the Ministry of Agriculture and the National Planning Board named Bappenas. For each of these actors the matrix recorded the policy objective (implicit and

explicit), main rationale for the arguments, expected benefits (short, medium and long-term), identified constraints, transmission channels and the degree of influence. The main finding was that the government bodies advocating a high tariff (BULOG and the Ministry of Agriculture) are more powerful within the government than those advocating no or a low tariff (Ministry of Economy and Bappenas). Many donors generally argue against a high tariff but do not have strong influence over the government.

After completion of the PSIA in October 2002, the tariff increase that had been announced a few months prior was never implemented or announced again.

Discussion

The subsequent discussion focused on the usefulness of the PSIA, its constraints and lessons learnt from the case study.

The following elements of the PSIA exercise were identified as having been useful for the decision-making process:

- The PSIA exercise contributed to a clarification of policy objectives.
- The exercise clearly focused on the impacting policy in the sense that it examined the effects of the reform on consumers vs. producers on the one hand and urban vs. rural households on the other.
- In general the PSIA has the potential to make results transparent by pointing out the type of effect (positive or negative) on different population groups and forcing decision makers to clearly and openly ponder on effects when deciding on whether or not to go ahead with a reform.
- Undertaking a PSIA was relatively uncomplicated due to the availability of a CGE model that could easily be adapted for the purpose of the PSIA.
- The PSIA examined not only the incidence of poverty but also the poverty gap and poverty severity.

Constraints of the PSIA exercise were identified with respect to the following issues:

- Weak ownership of the Indonesian government;
- Capacity constraints on the part of the government as well as civil society;
- Limitations of the CGE model:
 - The model is based on data from 1996, which predates the Asian financial crisis.
 - Data is not disaggregated by gender or household.
 - The issue of illegal rice smuggling is not covered, which leads to omission errors in the analysis.
 - The model fails to consider dynamic effects as well as the effect of world prices.
 - When considering trade issues, a regional analysis and similar analysis in other countries should be carried out.
 - It would not have been possible to develop a CGE from scratch in the time available.

The most important lessons learnt identified by participants were:

- An easy tool that can be applied by stakeholders at the national level is needed instead of a highly complex and intransparent model.
- Political decisions cannot be captured through an economic model alone, social analysis tools as well as tools for mapping the decision-making process are indispensable for a sound PSIA.
- Different interest groups need to be closely examined (producers vs. consumers, urban vs. rural households, men vs. women, etc.).
- Different time horizons (short, medium and long-term) need to be closely examined and weighted against each other.

- Different government bodies need to be closely examined, due to given power structures, different interests and opinions.
- There is a need to invest in policymakers and national stakeholders to enable them to make efficient use of the PSIA results and recommendations.
- The CGE requires specialist skills and is data-demanding, while the PIM is easier to apply, the mix of quantitative and qualitative methods was useful for the analysis.

7.3 BREAK-OUT GROUP 3: PSIA ON LAND REFORM PROGRAMMES

Mr. Srey Chanthy from the Agri-Business Institute Cambodia presented the PSIA on the Cambodian land reform. The following discussion was supported by comments from resource person Andreas Groetschel (World Bank) and discussant Michael Dreyer (GTZ) as well as others with working experience in and with Cambodia. This break-out group was moderated by Zlatina Loudjeva (DfID).

Presentation of the case study: Cambodia land

Mr. Chanthy elaborated why the Social Land Concession Policy had been chosen for the analysis. Land issues dominate the discussion on poverty reduction in Cambodia, as land distribution is expected to have a significant positive poverty impact. Previous attempts of the government to distribute land have not been successful and experiences from projects implemented with assistance from diverse donors have not shown clear results.

The objective of the research was to determine the poverty and social impacts of land distribution and to identify the conditions required for the successful realisation and sustainability of potential benefits. The PSIA was to assess:

- Potential poverty and social impacts of the policy;
- Institutional issues related to the policy;
- Availability of support services and infrastructure;
- Extent and reasons for landlessness and land poverty as well as
- Potential availability of land for distribution.

Mr. Chanthy explained that the proposal for this PSIA originated from WB Regional SD staff. Several partners participated in the research: besides the World Bank Task Team for this PSIA, the Social Concession Working Group of the MLMUPC, GTZ through its LMAP Project, Oxfam GB, ABiC (an NGO experienced in local research on NRM issues) as well as several other stakeholders who provided comments and support throughout the process. As audience of the study Mr. Chanthy mentioned the Royal Government of Cambodia (MLMUPC, MAFF, MRD, as well as other departments concerned with land issues and in particular all Committees on Social Concession), NGOs, CSOs, all national stakeholders in land issues and the donor community.

PRA exercises, such as focus group discussions at different levels or mapping exercises, household surveys as well as the review and analysis of secondary literature were the main research instruments and tools applied. Research teams comprised experienced researchers from the partner organisations as well as operational staff from various government institutions.

Being without land is a serious and growing issue in Cambodia with 12% to 15% of rural households currently affected. The PSIA found that the greatest challenge for the land reform is the identification of suitable land. The legal basis for identifying private state land and/or recovering such land, if illegally claimed, has to be strengthened. The PSIA recommended reconsidering the strict limits on land allocation since the farmers need sufficient land to ensure food security for their families. If land plots are too small, not enough will be invested in

them. Furthermore, the land distribution needs to be accompanied by social service delivery, in particular health care. The PSIA revealed the weakness of the institutions expected to implement the policy both on central and decentralised (commune council) levels. External support will be needed to build capacity and to ensure accountability and transparency in the process.

Mr. Chanthy next presented the achievements of the PSIA. Generally the awareness with respect to land distribution issues was raised. More specifically, the process created broad ownership of the PSIA results as well as enhanced identification and consensus building on the required policy actions. Potential land distribution options and mechanisms were identified and the institutional constraints for implementation revealed. Worth mentioning is that the PSIA attracted the interest of donors in providing funds for programme implementation.

The PSIA was not able to arrive at a quantification of potential impacts nor at a costing of the overall programmes and an assessment of overall economic impact. Moreover, there is still uncertainty with regard to the impacts on indigenous communities. Due to the political system in Cambodia, a final assessment of all issues related to political economy is currently not possible.

Results of the PSIA have been shared in a national workshop and the documentation of the workshop has been distributed in Khmer and English. The outcomes of the study are presently informing the preparation of a support project for SC implementation, in which PSIA research partners are likely to be involved.

Discussion

A lively discussion followed the presentation. Some participants expressed worries about the lack of analysis on the indigenous people. Since the Social Concession Programme will distribute land to landless or land-poor households, the indigenous people, who already have common land classified as private state land, are excluded. The problem of illegally occupied land was addressed as well as the wide spread of land mines, which PSIA did not analyse directly.

Participants extensively discussed the effects of landlessness. Landlessness does not necessarily make the people poor, since opportunities to diversify employment are increasing. But in the countryside landlessness implies the shortage of rice and other staple food, which results in poverty.

The participants expressed a strong feeling that the criteria currently used for defining the beneficiaries of the land reform programme are too strict and need adjusting.

The discussant of the group questioned whether the issue of property rights was properly addressed during the PSIA and worried about the likely capacity constraints. Support is needed through extension services and information on good agricultural practices. Some criticism came up on the relation of this reform to other policies. The links to broader policy context seem to be unclear. But this PSIA resulted in formulating a project that includes AG+RD services as well as complementary policies, and the project attempts to address the more comprehensive picture of development, with several ministries involved.

Many issues have not yet been resolved. For example, it has not been decided who has the mandate for state land although sub-decrees are under way and implementation guidelines for the land law being prepared. Nor is it clear to what extent uneven distribution of land will become an issue and whether there is a risk of certain stakeholder groups blocking land distribution and thereby impeding implementation of the programme. A participant also feared that PSIA may have raised expectations of fast programme implementation. This may result in disappointment since it takes time to make enough land available for distribution. The rep-

representatives from Cambodia firmly believe that there will be enough time to address these open questions in the second round of analysis (when formulating the land project).

8 STRENGTHENING IN-COUNTRY POLICY ANALYTICAL WORK – CONTRIBUTING TO A PSIA NETWORK

The main purposes of this session were to jointly identify capacity constraints, to suggest how each organisation can contribute to overcoming them, to identify areas of cooperation and to agree on next steps of cooperation.

In the first few minutes Peter Poulsen (DfID) gave further information on and advocated for the donor network on the PSIA. Mr. Poulsen mentioned the elaboration of TIPS, toolkit for institutional, political and social analysis in PSIA, which is soon to be finalised and published. He also presented some sub-groups of the network and highlighted the collaboration with the World Bank and the IMF.

The session then gave workshop participants the opportunity to identify issues for discussion and to make suggestions on how organisations could co-operate on them. The participants proposed five topics for discussion in small working groups. The following statements present a selection of the results of each discussion group.

1. Link of PSIA analysis to policy choice and policy design to maximise impact of PSIA

The discussion in the first group evolved on how to integrate results in decision-making as well as on how to reconcile the interests of different stakeholders. The choice of welfare indicators and the manner of choosing priority reforms were mentioned as determinants of the impact of PSIA on policy. In order to link analytical results to policy choice and design, the group saw PSIA's potential in starting the policy dialogue and in finding solutions for specific problems.

2. Close collaboration of donors on the country level in PSIAs

The second group agreed that for entering into a PSIA collaboration it is preferable to use existing donor coordination structures and established meetings instead of creating new ones. The members of the group emphasised the importance of government leadership in PSIA, which should not be impeded, but enhanced by close collaboration among donors. The extent of donor flexibility on different PSIA topics was also discussed. Doubt was expressed that donors would fund PSIAs outside the themes of interest to them. The group demanded that donors limit their participation to funding and capacity-building, while the analysis should be driven and carried out entirely by the government and other national stakeholders. However, it was also realised that due to political reasons governments would not propose PSIAs in all relevant and important topics. As IFAD and FAO do not always have in-country representation, the question arose of how to best bring these two organisations on board.

3. In-country capacity-building and institutional strengthening for the PSIA

Despite its prominence in debates, capacity-building does not receive sufficient attention and resources from donors. The group proposes to strengthen the capacity for PSIA of both national PRSP teams and donors supporting PRSPs, as they need to be on the same wavelength regarding PSIA. The next steps should be: (i) mobilising donors to join the capacity-building team; (ii) organising a training session on the fundamentals of PSIA for donors; (iii) selecting countries for similar training of national PRSP teams; and (iv) mobilising trust funds to finance such activities.

4. Multi-disciplinary approaches to PSIA

In the opinion of the fourth group, PSIA can only succeed if it uses a multidisciplinary approach involving economic, social, institutional and environmental aspects in the analysis. It is also crucial to base PSIA on the principles underlying PRSP and to be aware of the work carried out in the past, e.g. by AfDB, IFAD or FAO. Actions proposed by the group include: (i) to link DFID's 'Source Book' with other toolkits; (ii) to work together on the PSIA partnership based on good practice and to jointly support PSIAs on agriculture and food-based issues; (iii) to build capacity in multi-disciplinary team work including conflict management; and (iv) to build the PSIA into M&E systems and to make impact monitoring by stakeholders including the poor part of the PSIA.

5. Enhancement of the capacity of the poor to participate in the policy debate

PSIA should become a process that contributes to the capacity-building of the poor. Restricting capacity-building to government and development partners does not suffice because their interests often do not reflect the interests of the poor. The group proposes to create regular mechanisms of knowledge and skills exchange between agencies on how to enhance the capacity of the poor, such as familiarising and involving poor people's organisations with the PSIA and building up their negotiation skills.

The key potential areas for international cooperation in the PSIA identified during this session were:

- Collaboration in the development of uniform principles and methodologies for PSIA;
- Capacity-building for PSIA on all levels (governments, research institutions, donors, civil society); and
- Joint implementation of pilot PSIAs in the agricultural sector.

9 CONCLUSIONS ON IMPACT ANALYSIS FOR AGRICULTURAL POLICY

The last session consisted of two parts: first, Cheikh Sourang (IFAD) presented questions to a panel consisting of Gary Howe (IFAD), Hailu Mekonnen (AfDB), Louis Bockel (FAO) and Anis Dani (World Bank). A selection was made from questions written down by the participants for this final discussion round. Subsequently, Mr. Hartwig de Haen from FAO and Mr. Phrang Roy from IFAD made the closing statements for the workshop in the names of their organisations.

9.1 PANEL DISCUSSION

The first question referred to the fear of PSIA being used to assist the World Bank in justifying reforms that have already been decided. Mr. Dani answered that if the PSIA satisfies the WB's executive board by providing evidence that the chosen policies are pro-poor, this evidence will be taken into account. When conceptualising the approach about four years ago, the World Bank debated whether PSIA should focus only on adverse impacts of predetermined reforms and put a cost on these adverse impacts in order to compensate the disadvantaged, or whether PSIA should be an instrument that can inform on policy choice and the design of reforms. In the formulation of the new operational lending policy the purpose of PSIA is to analyse how to maximise positive impacts of the poor, as well as how to minimise the negative impacts. The evolution of PSIA can be compared to that of the PRSP process: after the first hype there was a certain disappointment with the results. But development does not take place in four years. By linking PSIA to the PRSP cycle and to the debates in the country, the expectations are that in the next five to ten years the PSIA instrument will be much more country-driven and country-owned, going far beyond just servicing the internal needs of the World Bank or other development organisations.

Mr. Dani added that the World Bank does not have a patent on PSIA. The Asian Development Bank started to implement a similar analysis to PSIA ten years before the Bank. The World Bank recognised the strategic importance of this approach and linked it to its operational decisions, but Mr. Dani hopes that PSIA is not considered only as a World Bank instrument.

The question with respect to the value-added of PSIA and its usefulness for comparing alternative policy choices was directed at the Rome-based agencies.

Mr. Howe responded that the value of a PSIA and its conclusions depend upon the value of the questions the PSIA responds to, i.e. whose questions it answers. PSIA can be interpreted in two ways: the narrow definition sees PSIA as a process in which the World Bank reflects upon the possible social impact of its own policy options, which is the way it may have started. The broader definition relates PSIA to the PRSP by looking at policy alternatives in the PRSP. Mr. Howe hoped that PSIA can be made a mechanism that empowers the poor to formulate their own questions, enables them to articulate options and to assess the relative effectiveness of solutions. Whether PSIA is regarded as a PRSP instrument or as a donor activity, the value-added is significant in both cases. Nonetheless, integrating PSIA in the context of the PRSP and embedding it in national systems would be the ideal situation.

Another card stated that PSIA is only justified if it impacts on policy formulation and on the M&E of the PRSP. Reducing PSIA to ESW of the World Bank would not have this impact.

Mr. Mekonnen observed that PRSPs are a summation of the experiences of the last three to four decades: structural adjustment programmes, debt relief, increased output orientation, aid fatigue and the need to develop coherent policies. Not all components of the PRSP will

achieve the desired poverty impact. PSIA is designed to help strengthen the PRSP agenda by identifying ways to maximise the positive poverty impacts of policies. The impact of PSIA can be gauged by monitoring the impact of policies. If PSIA is carried out correctly, it gives a sense of the impact's distribution and of the available policy options. PSIA has an important role to play in assessing policy impact, putting in place adequate M&E systems and changing policies. In order to realise the potential of PSIA, donors have to be selective and have to build the capacity for themselves and at country level for preparing good 2nd, 3rd and 4th generation PRSPs. PSIA is a right step on the right way, but more cooperation is needed to realise the potential of PSIA.

Another card questioned the sustainability of PSIA, asking how it will be financed in the long term. The high cost of PSIA is not justified if it fails to impact on policy and financing decisions.

According to Mr. Bockel, both FAO and IFAD need to participate in improving PSIA as a process product. It is important to ensure a certain quality from the beginning, to develop a checklist of elements or a set of criteria to define what a PSIA is. To ensure sustainability of PSIA and its relevance for the country, PRSP funds should be allocated to finance it.

For Mr. Howe the bottom-line is the poverty impact of policy. This is the simplest dimension of the PSIA and a good start. But it is even better to integrate PSIA in country-owned policy-making. A good principle is to ask the person affected. IFAD wants to use PSIA to make it a platform for asking the right questions and involving the poor people in providing at least some of the answers.

Mr. Mekonnen remarked that coverage of the agricultural sectors is one of its weakest links in the PRSPs. But poverty reduction and pro-poor growth are strongly connected to the agricultural sector. The question is what PSIA can do to put agriculture back in the centre of development programmes. So far, PSIA work in agriculture has been limited. It is also important to build capacity for PSIA and empower the national PRSP teams also in terms of enhancing the awareness of what PSIA can do for them.

According to Mr. Dani the extent to which the analysis focuses on the policy change or policy trigger (the "if") or on the implementation analysis (the "how") has to be taken into consideration. Institutional capacities strongly influence whether the policy will work. CGEs, partial equilibriums or benefit incidence analysis look at the impact of the reform, if the reform was implemented as planned. More attention needs to be given to issues such as the risk of reform failure due to weak implementation capacities or elite capture of the reform. It is critical to assess whether it can be reasonably believed that a policy would work. People, not machines, carry out reforms.

The need to develop dynamic tools not only for policy impact assessment, but also for policy monitoring was stressed by Mr. Bockel. Up until now capacity-building in these areas has not received enough attention. A participant from the audience emphasised the need to enable the rural poor in monitoring the impacts for themselves. The governments need to get feedback from the field to assess whether the programmes actually reach the poor and impact as planned. It was also suggested to expand PSIA to look at the impacts of international policy choices on different stakeholders, e.g. the impact of agricultural policies of developed countries on poor people in developing countries.

Mr. Sourang concluded the panel discussion suggesting what the acronym PSIA could stand for, besides Poverty and Social Impact Analysis:

P poverty but also **p**rocess, **p**ower and **p**articipation,
S social but also **s**ophisticated or **s**imple, but in any case done **s**eriously and **s**ustainably,

- I impact but also implementation, initiative, influence, international issues and cooperation and improvement,
A analysis but also agriculture, added value, action, accountability.

9.2 CLOSING NOTE

The session moved on to the final panel consisting of closing statements from the FAO and IFAD representatives.

FAO, as an organisation dealing primarily with helping countries to reduce poverty and hunger, attaches great importance to every effort to improve agricultural and overall development policies to make them more conducive to reaching the poor and hungry. According to Mr. de Haen rural development impacts on poverty reduction mainly through increased employment. The development path is important. Even if the essentials are known, PSIA can help specify the way impact on the poor happens. The value-added of PSIA has various other dimensions:

- It is a systematic framework for poverty impact assessment.
- Ex post PSIA is invaluable in order to learn from past experiences and mistakes.
- It helps in identifying institutional constraints associated with policy implementation.
- If the PSIA is carried out in an inclusive manner, the instruments of the PSIA toolkit can raise public attention to the complicated processes, by which policies impact on the poor or not and can be used to foment public discussion.

Mr. de Haen expressed worries about the PRSPs so far having neglected food security. He hoped that linking PSIA to PRSP will help to convince donors and recipients of the necessity to give greater consideration to food security. The information derived from PSIA can help to show what is missing in government policy and where priorities should be set.

Mr. de Haen also summarised the initiatives of FAO relevant to PSIA and defined clusters of agricultural policies for it: policies that affect endowments of the poor, that influence institutions and that affect prices and trade opportunities. PSIA could further be useful in going through the seven action plan commitments of the World Food Summit. All seven commitments provide room to discuss and evaluate the impact on the poor, hungry and food-insecure that the policies undertaken under these commitments have achieved. He also stressed the importance of bringing together specialists and producers of data and information with the policy makers.

The FAO representative concluded by stating that his organisation intends to continue and improve the collaborative work on PSIA: "FAO and all staff present here are certainly disposed to continue, accelerate and intensify the effort to work with the partners in the other agencies."

After expressing gratitude for the workshop, Mr. Roy from IFAD went on to say that while economic growth is important to reduce poverty, the rural poor tend to become the "sacrificial lambs" in the process of promoting growth. Donors should focus on the agricultural sector, not only for productive reasons but to also improve the livelihoods of the poor. He also highlighted the multi-dimensionality of poverty: "Poverty is their [the rural poor's] inability to make governments, civil societies and, indeed, international organisations accountable to them."

PRSPs must be nationally developed to confront the problems of the poor. To achieve this, it is essential to involve all stakeholders already in the design stage and to build up their capacities. IFAD will join PSIA if participation of all stakeholders is taken into account and if the poor receive enough attention during the process. More humility and understanding for different viewpoints is needed. He closed by pointing out that the donor community has to learn

from history, to share best practices and to make sure that the impact of international policies does favour the poor.

Mr. Sourang closed the conference with the last double 'A': appreciation for whoever has played a role in the conference, and appreciation to all participants for their time, input and wisdom. That has helped make this a success. The last 'A' was simply *arrivederci*.



ANNEX 1: INVITATION

ANNEX 2: WORKSHOP PROGRAMME

ANNEX 3: LIST OF PARTICIPANTS

ANNEX 4: ISSUE-ORIENTED SUMMARY

ANNEX 5: PARTICIPANTS' FEEDBACK TO ORGANISERS