

What is PSIA?

Poverty and social impact analysis (PSIA) is an approach used to analyze the distributional impacts of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable. The systematic use of PSIA helps to enhance the positive impacts of sectoral, structural and macroeconomic reforms and to reduce the negative ones.

PSIA is a systematic approach, rather than just a single instrument, that combines three elements:

- A conceptual framework that delineates the main questions and steps of PSIA. The key of the approach lies in the close attention paid to analyzing the way that stakeholders, institutions and transmission channels affect the outcomes of policies.
- A collection of tools that unites a variety of techniques available to carry out PSIA. These tools draw from a wide range of economic, social, institutional and political approaches.
- An emphasis on linking policy analysis to policy dialogue and decision-making.

PSIA puts emphasis on ex-ante analysis of anticipated poverty and social impacts of policy reforms, with the goal of informing the design of these reforms. PSIA also helps the monitoring of results during implementation and the ex-post evaluation of poverty and social impacts of reforms.

GTZ's Experience with PSIA

As part of programs implemented in our partner countries, particularly projects on social and economic policy, GTZ has been providing advisory services that are particularly relevant to PSIA, Poverty Reduction Strategy Papers (PRSPs) and poverty impact monitoring.

GTZ has actively participated in piloting PSIA:

- In *Armenia*, GTZ is supporting a process-oriented approach to PSIA in the social sectors. The PSIA complements existing data and information on active and passive labor market policies by providing a further in-depth analysis of their impacts. The interactive approach for facilitating policy decisions, assisted by a high-end software moderation tool, helps to promote consensus on the applicable criteria for comparison and their substantiation through measurable, expected outcomes. These can be used to advance the discussion on monitoring impacts during implementation.



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- In *Cambodia*, GTZ and the World Bank supported the Government of Cambodia and OXFAM to carry out a PSIA on social land concession. The research has revealed important information about the problems surrounding landlessness and poverty, the likelihood of success of the land distribution program, and the preconditions for any land distribution program in Cambodia. The process has helped to build alliances in order to move the land distribution agenda forwards.
- In *Malawi*, GTZ supported the qualitative analysis in one of the first PSIA cases, on the privatization of the Agricultural Development and Marketing Corporation (ADMARC). The PSIA helped to recognize the importance of ADMARC markets in remote areas for food security and the need to compensate for market failures.
- In *Ghana*, GTZ and the Kreditanstalt für Wiederaufbau (KfW) supported a PSIA led by the Government of Ghana on pro-poor decentralization. The study sought to analyze the impact of additional resources at the district level and to identify capacity constraints in delivering pro-poor services at the district level. The results fed into the progress report of the Ghana Poverty Reduction Strategy.

The German Support for PSIA

On behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ), GTZ has established a Trust Fund at the World Bank to advance the use of PSIA in decision-making and to enhance collaboration between the World Bank and the bilateral German Development Cooperation. Next to supporting selected PSIAs, the Trust Fund also promotes capacity building and the development of lessons learned.

With assistance from the Trust Fund, the World Bank is carrying out PSIAs in Kenya, Tanzania, Indonesia, Sri Lanka and Nicaragua and supporting the implementation of Poverty Analysis Macroeconomic Simulators (PAMS) in Burkina Faso, Benin, Guinea and Mauritania. GTZ is supporting the implementation of the PSIA on local tax reform in Tanzania and the dissemination of its findings.

The work on PAMS builds on previous cooperation between the World Bank and GTZ in Burkina Faso. GTZ has offered technical assistance and training for the development and implementation of PAMS. Results obtained with PAMS were used to revise the country's PRSP and to inform the World Bank's Poverty Assessment, as well as to assist in the negotiation between the Government and the International Monetary Fund.

A new series of PSIAs are planned with support from the German Trust Fund on the impact of land tenure reforms in urban Ethiopia, the reform of the Kenyan Commodities Markets, the incidence of public spending in Lao PDR (with a focus on



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ethnic minorities and women), the implementation of water and forestry policies in Mexico, the Yemen Water Sector Reform, the impact of Agricultural Marketing Reform on India's farmers, the deepening of Egypt's Social Policy Reform Agenda, Health and Policy Monitoring in Madagascar, and Land Policy Reforms in Northern Uganda and their implications for resettlement and recovery.

GTZ's advisory services

GTZ is undertaking efforts to mainstream PSIA within German Development Cooperation, to build alliances with other international development agencies in order to promote the PSIA agenda, and to contribute to the further development of the instruments and the methodological approach for PSIA.

GTZ focuses on enabling our partner institutions from government and civil society to:

- Initiate and implement PSIA, and use the results to inform public debate and policy design;
- Integrate PSIAs into national poverty reduction strategies and political decision-making structures;
- Develop and apply qualitative and quantitative methods for poverty impact analysis, e.g. Consultative Impact Monitoring of Policy (CoIMPact); PAMS;
- Build capacity and expertise for commissioning and implementing PSIA and related analyses.

Please do not hesitate to contact us if you need further information on GTZ's experience with PSIA, or on any other issue related to poverty-oriented impact analysis and monitoring.

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