

A Short Guide to Poverty and Social Impact Analysis (PSIA)

1. What is PSIA?

Poverty and social impact analysis (PSIA) is an approach to analysing policy impact on poverty reduction. PSIA analyses the effects of specific reform measures on the welfare of various sections of the population, particularly poor and vulnerable groups.

PSIA is *not* a standardized instrument; it is a flexible approach which combines **three core elements**:

- A *conceptual framework* that delineates the main questions and steps of a PSIA.
- A *tool-box* that draws from a wide range of quantitative and qualitative, economic, social, institutional and political instruments for data collection and analysis.
- An emphasis on *linking policy analysis to policy dialogue and decision-making*

The special features of PSIA are:

- Focus on specific, usually impending reform measures by partner governments.
- Explicit aim of linking reform and poverty reduction.
- Empirical depth of analysis.
- Linking analysis with policymaking processes.

2. Choice of reform for a PSIA

Ideally, a PSIA should be carried out *before* the decision on the specific design and implementation of the reform (ex-ante) to allow - as far as possible - enough time for analysis, discussion of findings and inclusive policymaking. But PSIA cannot be carried out in a 'void', i.e. the possible alternative reform measures must be defined in such a way that they can be analysed. PSIA can be conducted also during and after the implementation of the policy thus helping to evaluate the distributional impacts, draw lessons learned and if necessary adapt the reform or devise complementary interventions in order to improve its poverty reduction impact.

PSIA cannot be conducted for all reforms and should preferably only be carried out for those that:

- have significant (anticipated) poverty and social impacts,
- are accorded high priority on the national agenda, or
- are highly controversial.

Orientation for the time-line:

Most PSIAs have taken between one and two years. While the analysis itself can take between two and six months depending on the data necessary and available, the accompanying dialogue process generally lasts much longer. Coordination and consultation of different stakeholders typically takes time.

3. Participation and ownership

The institutional anchoring of a PSIA and adequate consultation of key stakeholders of the reform can determine ownership of the results and thus implementation of the recommendations. It is helpful to establish a *communication strategy* early on, to ensure effective participation throughout the process.

When involving the relevant national actors (policymakers, technical experts, representatives of the groups concerned), it is important to specify the roles and the input each can bring at the different stages of the process and identify the person/organization, ideally with proven PSIA competence, that can play a clear lead role. The lead could be taken by the government unit in charge of developing and monitoring the PRS (e.g. PRS secretariat) without neglecting the role of the sectoral ministry in charge of the reform under analysis.

Steering committees or working groups are a good overall consultation mechanism. Stakeholder workshops can be a good vehicle for participation of a broader range of stakeholders: They can be used to agree upon the main objectives and research questions of the PSIA, comment on interim findings and draw up strategies for implementing recommendations. The results should also be disseminated via other channels, e.g. the media, to reach a wider public.

A PSIA can contribute to strengthening political and public support for a certain reform measure, but *should not be dependent on consensus only*.

4. Capacity building

Some partner countries still lack sufficient capacities to carry out a PSIA completely on their own. So besides involving national actors in the process, it is also important to assure the quality of the analysis. Team leadership should be assumed by an expert experienced in PSIA. National experts should be involved in the team. Not only are they familiar with the local setting, but they can also gain practical experience with the approach through learning-by-doing. Key technical and political staff from partner institutions and from civil society should also be supported in commissioning, facilitating or using the results of a PSIA, and in participating in the related dialogue.

In the medium and long term, capacities for PSIA must be strengthened for different stakeholders:

- Research institutes and technical government staff in data collection and analysis
- Specialist staff and policymakers in commissioning and steering PSIAs and in using and implementing the findings in policy decisions
- Civil society in putting the findings to use in public dialogue and advocacy.

These capacity-building measures can be well integrated into projects dealing with PRS advice and support.

5. Contents of a PSIA

The central research questions and methodology to be applied should be detailed in a Concept Note first. It is important to evaluate secondary literature on the topic *in advance* and to account for experience from other countries where possible. This is a way of making sure that existing data and information are utilized and of avoiding duplication. It also substantially reduces the input and costs of gathering primary data.

Good practice principles for a PSIA are:

- Taking account of the *analytical framework* proposed in the PSIA User's Guide. The following should be analysed:
 - Major *stakeholders* who (can) influence the reform or are affected by it
 - *Institutions* that will implement the reform or are necessary for its success
 - *Transmission channels* for the impacts of the reform (prices, employment, access to goods and services, assets, transfer payments and taxes, authority and power structures)
 - (Possible) *Impacts* of reforms on the well-being of different groups
 - *Risks* of the reform not being carried out as planned, of the desired impacts failing to take effect or having adverse consequences
- Drawing up the *impact chains/ impact hypotheses* based on the analytical framework above. This is the key element of a PSIA which distinguishes it from general poverty analyses or sectoral analyses. The core question is *how* the reform influences the situation of the people affected, through which stakeholders, institutions, processes, transmission channels. When postulating hypotheses account should also be taken of the impacts of maintaining the *status quo* (no reform).
- Applying a *multidisciplinary* approach: combining qualitative and quantitative data, social, political, institutional and economic analyses. Particularly when analysing actors and institutions or the political setting, qualitative instruments are needed. These can help to set up hypotheses to be verified by quantitative methods, identify unforeseen impacts and risks, complement the conclusions of the quantitative analysis and possibly compensate for a lack of quantitative data.
- *Disaggregating* data and analysing by different sections of the population: by socio-economic categories, but also by gender, ethnicity, regions etc.
- Keeping an eye on the *monitoring and evaluation* of reforms: an ex-ante PSIA can and should lay the foundation for M&E of the reform, it furnishes the indicators, the baseline and the analytical basis. This should be linked to the PRS monitoring system. If at the time of the analysis no reliable data exists, you can plan relevant questions into the upcoming household surveys to validate and monitor the findings of the PSIA.

6. What role can GTZ play in a PSIA?

On behalf of the German Ministry for Development Cooperation (BMZ), GTZ has set up a Trust Fund at the World Bank to promote the systematic and transparent application of PSIA in World Bank development lending and strengthen cooperation between German bilateral development cooperation and the Bank. World Bank offices can use the Trust Fund to finance PSIA studies. If GTZ or its partners see the need for an analysis of this kind and are interested in cooperating with the Bank on this, you should make contact with the World Bank office in your country with reference to the Trust Fund. In this way you can arrange for a PSIA together with the World Bank. The local World Bank office must send the request to the Trust Fund Team in Washington.

Even if a joint PSIA study directly with the World Bank is not possible, there are other ways to get involved in a PSIA:

- Advice and support to partners in carrying out a PSIA or participating in a PSIA sponsored by another donor.
- Contributing own experience to the PSIA study and the relevant discussion process.
- Support the dissemination of PSIA findings, even if the PSIA has been carried out by other donors.
- Advice and support to partners implementing the recommendations of a PSIA that has already been conducted.
- Capacity development for PSIA at different levels: government institutions, research institutions in partner countries, civil society organizations, etc.

7. Additional resources:

Links

World Bank PSIA website: www.worldbank.org/psia

DfID: <http://www.prspsynthesis.org/>

Eurodad <http://www.eurodad.org/workareas/default.aspx?id=590>

Key documents

A User's Guide to Poverty and Social Impact Analysis. Washington, D.C.: World Bank. World Bank Poverty Reduction Group and Social Development Department (2003)
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:20454976~menuPK:1107972~pagePK:148956~piPK:216618~theSitePK:490130,00.html>

E-Learning Course on Poverty and Social Impact Analysis
<http://inweb18.worldbank.org/ESSD/sdvext.nsf/81ByDocName/TrainingMaterialTHEPSIAE-LEARNINGCOURSE>

Principles for PSIA Process in Policy Cycles and Stakeholder Participation. Schnell, Sabina/ Poulsen, Peter/ Condy, Ann/ Tertsunen, Mari (2005). A document produced jointly by GTZ and DFID for sharing with the PSIA Network.

Tools for Institutional, Political and Social Analysis (TIPS) in Poverty and Social Impact Analysis (PSIA). A Sourcebook for Commissioner, Practitioners and Facilitators: DFID / World Bank, North Sea Network

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTTOPPSISOU/0,,menuPK:1424015~pagePK:64168427~piPK:64168435~theSitePK:1424003,00.html>

Good Practice Note. Using Poverty and Social Impact Analysis to support Development Policy Operations. Washington, D.C.: World Bank. (2004)

<http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120840449856/GPNonPSIA9204.pdf>

Analyzing the Distributional Impacts of Reforms. Coudouel, Aline / Paternostro, Stefano (eds., 2005) Washington D.C.: Worldbank.

<http://www->

wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000090341_20050714144949

Evaluating the Poverty and Distributional Impacts of Economic Policies (Techniques and Tools). Bourguignon, François / Pereira da Silva, Luiz A. (eds.) (2003) Washington, D.C.: World Bank.

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:20465285~menuPK:1108016~pagePK:148956~piPK:216618~theSitePK:490130,00.html>