

**Differentiated understandings of impact:
should PSIAs be used as a mechanism for
reaching the very poorest?**

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Acronyms

ADMARC	Agricultural Development and Marketing Corporation
DHS	Demographic and Health Survey
EIA	Environmental Impact Assessment
ESAF	Extended Structural Adjustment Facility
GUYSUCO	Guyana Sugar Company
IFI	International Financial Institution
LSMS	Living Standards Monitoring Survey
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organisation
PPA	Participatory Poverty Assessment
PRA	Participatory Rural Appraisal
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
RTVP	Reaching the Very Poorest
SIA	Social Impact Assessment
STRATEX	Strategic Export Initiative (Uganda)
UPPAP	Uganda Participatory Poverty Assessment

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Nevertheless the analysis and views contained in the study are the author's alone.

Limitations

Studies for the RTVP Output 1.1 consultancy project have been time and resource constrained, which has limited staff input on the production of this paper to ten person days, including time for meetings, presentations and liaison.

Executive Summary

This paper examines whether Poverty and Social Impact Analysis (PSIA) are the best information gathering tool for informing policy makers about the impact, or likely impact, of policy making on the very poorest.

PSIAs are studies into the social and poverty related impacts of policy change. Many PSIAs are undertaken *ex-ante*, but they can be undertaken while a policy is being implemented. Their aim is to increase the use of information in policy formation, and allow for the identification of winners and losers as a result of the proposed policy change and to understand or predict the likely distribution of benefit and loss. The intention is that this information feeds into policy design and redesign, its sequencing and the development of mitigating or complementary policies. However, PSIAs have been criticised as being donor led and insufficiently embedded in domestic policy making processes.

So, why use PSIAs rather than any other mechanism to investigate the impact of policy on the very poorest? We compared a number of investigative tools commonly used to examine the distribution of costs and benefits generated by policy change and found that PSIAs are not necessarily the best instrument for generating informed policy change and improvements in implementation by either donor organisations or in southern governments. They suffer from having four main end users (donors, domestic policy makers, domestic civil society and the international academic community); they commonly focus on issues that are of importance for the major donors or the country government but not necessarily on the topics of greatest interest to the very poorest; and they are not necessarily well embedded in government policy processes. In addition, most commentators feel that PSIAs are already methodologically complex. If they are to be adapted to fully differentiate amongst income and well-being groups to represent the impact of policy change on the very poorest they will become even more complex. This may make them more difficult to replicate successfully without use of expensive international technical inputs. In contrast household surveys and Participatory Poverty Assessments tend to have substantial domestic buy in. They are also regularly repeated (although PPAs are only beginning to be repeated now), producing time series data which allows for an analysis of change, often down to the District and sometimes sub-district level. PRSP Annual Reviews are part of the PRSP implementation process and therefore are both embedded and regular (or at least as embedded and regular as domestic buy-in of M&E processes allows). Beneficiary Assessments and the use of Report Cards are seen as being 'civil society' friendly and there tends to be the capacity in-country to facilitate and manage such participatory approaches to data collection. Both can be easily adapted in order to capture the opinions of the very poorest.

Even if PSIAs or another method provide governments and other decision makers with improved information about the very poorest, will that result in improved policies targeted at this group and in their improved well-being? We suggest that there are methodological, administrative and political difficulties in differentiating amongst the poor and in designing, funding and implementing policies aimed at this group which need to be addressed with vigour if the very poorest are to be assisted.

Focusing on twelve pilot PSIA studies conducted during 2002 and 2003, analysis shows that the majority of the studies present information on impact on the poor but do not differentiate meaningfully amongst the poor. They contain very little discussion of how policies or reform programmes may affect different sub-groups of poor people and the very poorest are rarely identified. This is partly due to the methodological

difficulties in providing differentiated information but it is also a result of the policies that many of the pilot PSiAs focus on, which tended to be issues which are of less immediate relevance to the very poorest in terms of first round or direct impacts.

The paper suggests that improving PSiAs methodologically so that they can provide differentiated information about the very poorest is not the biggest hurdle. There are a number of complementary activities necessary if such information is to be successful in mainstream reaching the very poorest within donor and southern country government policy and practice. DFID needs to decide whether PSiAs are the best information generation mechanism to achieve this. Methods for differentiated analysis within PSiA should be developed and pilot tested, this could be complemented by commissioning a desk study to examine the effectiveness of a range of existing methods used in such impact assessments, and the quality of the evidence that they have been able to produce analysis of policy impacts on differentiated groups.

The technical focus on improving data collection and analysis methods must be coupled with complementary activities in capacity building and dissemination. These must be seen as long term activities and supported through long term change management processes in government and in the donor community based on good institutional and political analysis. There is also a need to increase use of political analysis of decision-making processes within DFID. The domestic political economy must be understood. Why is it that the very poorest are excluded from political processes? Why is it politically unappealing to focus resources and attention on marginal and vulnerable groups? Until these two areas of weakness are resolved, PSiA will have limited impact on the very poorest. We suggest that a study is commissioned to examine these political processes in a small number of carefully selected countries.

A number of changes in donor practice are suggested if a focus in the very poorest is to have a chance of success. These include changing professional incentives to result in improved relationships with donor recipient governments, investing in long-term change management processes and embedding country strategies within a solid knowledge of the culture and political economy of that particular country.

DFID has an opportunity to take a lead amongst donors in focusing attention on the very poorest. However, if this effort is to be successful, clarity will be needed on what southern governments and donors should do if PSiAs or other investigative tools identify that policy change is likely to damage very poor people. First of all, policy makers may wish to know how many people will be affected and how badly, but then policy makers will need to make a calculation of predicted gain against predicted loss. The literature on social cost benefit analysis provides some guidance on this, but in the end a political decision must be made. If a decision is made to go ahead with the policy change, there may not be enough information to devise effective mitigating measures – even if there is the political will. DFID will need to develop clear policy on how to approach these difficult issues, including policy on social protection and compensation measures.

1. Introduction

This study was commissioned by the Reaching the Very Poorest (RTVP) policy team in DFID. The objective of the study is to answer the following questions:

1. To what extent have PSIA exercises been used to examine the impact of policy changes on the poorest?
2. Are PSIAs a suitable instrument for improving the ability of policy to reach the very poorest? What are their strengths and weaknesses compared with possible alternatives?
3. What additional information and other adjustments would be necessary to make PSIAs more suited to the purpose of reaching the poorest?

The terms of reference of the study under which this paper has been produced can be found in Annex 1. The 'mini terms of reference' for the eight papers in the commissioned as part of this study¹ are in Annex 2.

In this paper we present a brief explanation of what Poverty and Social Impact Analyses are and why they have been developed. We also assess the limitations of PSIAs in comparison with other policy related poverty-analysis approaches. We then discuss the technical and methodological, administrative and political difficulties in differentiating amongst the poor and in designing, funding and implementing policies aimed at the very poorest. We go on to introduce the 12 World Bank/ IMF and DFID PSIA pilot studies undertaken in 2002 - 2003 and assess the extent to which they present differentiated information. Summaries of the 12 studies can be found in Annex 3. We then discuss what complementary activities are necessary if PSIAs are to successfully mainstream reaching the very poorest within donor and southern country government policy and practice. Annex 4 presents summaries of data collection and analysis methods for PSIA.

2. Poverty and Social Impact Analysis.

2.1 What are PSIAs, and why do they exist?

Poverty and Social Impact Analysis (PSIA) are studies into the social and poverty related impacts of policy change. Many PSIAs are undertaken *ex-ante*, but they can be undertaken while a policy is being implemented. Their aim is to increase the use of information in policy formation, and allow for the identification of winners and losers as a result of the proposed policy change and to understand or predict the likely distribution of benefit and loss. The intention is, that this information feeds into policy design and redesign, its sequencing and the development of mitigating or complementary policies.

The box below presents the key elements of the PSIA approach²:

¹ A 'consultancy to scope and document global experience of 'reaching the very poorest' and related policy issues'. Also known as RTVP Output 1.1.

² Item 10 should arguably appear as both item 1 and item 10. Domestic policy debate is necessary to identify the topic for PSIA and to consider how the results will feed into domestic policy formation. Alternatively PSIAs should be more transparently about influencing the donors and the IFIs, rather than domestic policy formation processes. For more on this point, see below.

A variety of tools and techniques are available to carry out PSIA. These tools draw on both economic and social approaches. The choice of tools will depend on the reform being analysed, the information available, and capacity constraints. Each tool can be used in the context of several types of reform. However, each reform typically requires a specific mix of tools.

Box 1: Key Elements of the PSIA Approach

- 1) Asking the right questions
- 2) Identifying stakeholders
- 3) Understanding transmission channels
- 4) Assessing institutions
- 5) Gathering data and information
- 6) Analysing impacts
- 7) Contemplating enhancement and compensation measures
- 8) Assessing risks
- 9) Monitoring and evaluating impacts
- 10) Fostering policy debate and feeding back in to policy choice

The list above (Box 1) indicates that PSIAs have things in common with many other forms of analysis, and there has been some discussion as to whether the label 'PSIA' is useful.

- Will the label PSIA lead to the production of separate outputs, rather than the mainstreaming of PSIA-type principles?
- Is PSIA creating an elitist language or 'school' all of its own?
- Is the language of 'impact analysis' a problem? What about empowerment and opportunity and the opening up of national debates?
- Will the PSIA label lead to other useful analysis which examines the relationships between policy and society or poverty being disregarded? (PRSP Synthesis Project, 2003)

This paper focuses on PSIAs, however many of the points that it makes could be applied to other forms of social and poverty related analysis.

So far, PSIAs have been donor funded exercises, but it is hoped that by undertaking such studies and disseminating the findings, policy makers, civil society, parliamentarians and members of the public can be better informed, improving the quality of policy dialogue and ultimately the debate around policy choices. The extent to which PSIAs are currently integrated into the monitoring and evaluation processes designed and implemented for poverty reduction related policies differs from country to country. In some, they have been stand-alone activities, only nominally integrated, while in others the level of synergy between on-going poverty monitoring and PRS M&E and PSIA activities has been greater. There is clearly a tension where PSIAs are seen as donor-led, and where the policies that they are assessing are perceived as elements of donor conditionality. Are the choices genuine and is domestic policy debate unfettered? In addition, the role of PSIAs can be confused by their four main

end users (donors³, domestic policy makers, domestic civil society and the international academic community). These groups have different information needs, and different criteria by which they assess the quality of the argument and evidence with which they are provided. If the World Bank is using a PSIA as part of its pre-lending due diligence process this may place a set of requirements on a PSIA which are very different to those placed on the data collection, analysis and dissemination of a study which is to inform domestic debate around an issue which generates significant political heat, domestically (e.g. basic income grants in South Africa).

Some argue that the current confusion of target audience has damaged the reputation of PSIAs. The pilot studies were not rigorous enough to meet World Bank due diligence requirements. They were not sufficiently embedded into national government PRSP M&E processes to be locally owned. They did not involve all the stakeholders sufficiently to please civil society organisations and they do not adequately integrate qualitative and quantitative methods, specify transmission routes and identify the counterfactual for the international academic community.

The debate around end users and ownership is on-going. Local ownership is likely to be higher where there is domestic capacity to undertake the data collection, analysis and dissemination. The IFIs and bi-lateral donors state that the ultimate goal is for low-income countries to lead PSIA, and that this will happen as an integral part of their poverty reduction strategy process (World Bank, 2003a). This, perhaps, discounts the challenging debates around the domestic ownership, or otherwise, of poverty reduction strategies in a number of countries with full PRSPs. Until poverty reduction is part of the mainstream political discourse in a country, and there is a *genuine* commitment in government to reducing poverty and social exclusion and this combines with increased use of technical information in policy formation processes, then the embedding of PSIAs in PRSPs may be in name only. Nevertheless, there are constructive attempts by both the IFIs and bilateral donors to build domestic analytical capacity and embed poverty and social impact analysis within government. Donor involvement in priority setting, commissioning and dissemination of findings is regarded as temporary, while local capacity and ownership is built. How long the transition period will be, and whether country governments have the motivation to undertake PSIAs in their current form will differ from country to country, and will depend on donors being willing to relinquish control.

2.2. How PSIAs came about.

Traditional World Bank lending focused on infrastructure and development. As this shifted to structural adjustment, sector-wide approaches, programmatic and policy based lending, and from infrastructure to social sector services, there was an increased need for *ex-ante* analysis (Dani, 2003). This need was exposed through a series of self-critical papers by the World Bank and IMF between 1997 and 1999. A leading example was the external review of ESAF which showed that the negative impacts on the poor resulting from ESAF programme could be attributed to a lack of *ex-ante* analysis (David Booth in ODI, 2003a).

Since 1999 the development of PRSPs has generated a further impetus within the Bank to treat poverty and social impacts more systematically (World Bank, 2003a).

³ The degree to which the World Bank and other donors affect national country policies means that, if they are responsible, they must inform themselves about the impact of the policies that they suggest on the poor and the very poorest (Sarah Hague, World Bank, pers comm.).

DFID (the Poverty Analysis and Monitoring [PAM] team in Policy Division) and the World Bank have worked together to develop Poverty and Social Impact Analyses (PSIAs)⁴. They have done this by combining a number of existing methods out of a toolbox of impact assessment and poverty assessment methodologies (see *Methods* section, below). So, PSIAs methods belong to the same stable of methods used for Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA), but they differ in important respects. EIA is based on the 'do-no-harm' approach to minimising the negative impact that development interventions cause. PSIA has replaced this 'safeguard' stance with strategic upstream analysis which aims to *improve* development outcomes, rather than simply minimising damage (Dani, 2003). In addition, work by Dr Anis Dani, lead scientist in the World Bank, highlights how important PSIA has been internally, within the World Bank. It has given social analysts and economists a joint project. Rather than developmental funding decisions being made by economists and critiqued by social analysts they are now working together⁵. This is seen as a very constructive departure. However, enthusiasm for PSIAs is not universal within the Bank, and some see it as a short lived reaction to NGO pressure, rather than something likely to become embedded in the same way that Environmental Impact Assessments have, both within the IFIs and at national government level.

2.3. Comparison of PSIAs and other poverty analysis instruments.

The table below, Table 1, compares a number of investigative tools commonly used to examine the distribution of costs and benefits generated by policy change. What our analysis shows is that PSIAs are not necessarily the best instrument for generating informed policy change and improvements in implementation by either donor organisations or in southern governments. They suffer from having to provide information to a number of different audiences, as mentioned above; they commonly focus on issues that are of importance for the major donors or the country government but not necessarily on the topics of greatest interest to the very poorest; and they are not necessarily well embedded in government policy processes. In addition, most commentators feel that PSIAs are already methodologically complex. If they are to be adapted to fully differentiate amongst income and well-being groups to represent the impact of policy change on the very poorest they will become even more complex. This may make them more difficult to replicate successfully without use of expensive international technical inputs.

In terms of the other methods listed in the table below, household surveys and Participatory Poverty Assessments tend to have substantial domestic buy in. They are also regularly repeated (although PPAs are only beginning to be repeated now), producing time series data which allows for an analysis of change, often down to the District and sometimes sub-district level. PRSP Annual Reviews are part of the PRSP implementation process and therefore are both embedded and regular (or at

⁴ PSIAs are one of a number of approaches. The ADB staff are now expected to carry out regular 'Initial Social Assessments' and the IADB is trying to introduce socio-cultural analysis. CDB has also introduced social appraisal for all projects, and plans to carry them out systematically from this year.

⁵ The debate in his paper presented in Manchester in November 2003 at the 'Enterprise Development Impact Assessment Information Service' conference 'New Directions in Impact Assessment for Development: Methods and Practice' was almost entirely inward looking and focused on the professional prominence and allegiances of environmentalists, economist and social analysts.

least as embedded and regular as domestic buy-in of M&E processes allows). Beneficiary Assessments and the use of Report Cards are seen as being 'civil society' friendly and there tends to be the capacity in-country to facilitate and manage such participatory approaches to data collection. Both can be easily adapted in order to capture the opinions of the very poorest.

Table 1: Strengths and weaknesses of selected approaches in providing information on the very poorest

Instrument	Strengths	Weaknesses
Social Impact Analysis	<ul style="list-style-type: none"> • SIA can be used to assess the impact of policies on people, the impacts of stakeholders on the reform and how people respond to the opportunities that policy actions create • Incorporates impact assessment and opportunity analysis • Can be participatory • provides an understanding of the social context, institutions and coping strategies that affect social behaviour and policy impacts. 	<ul style="list-style-type: none"> • Derived from a 'do no harm' tradition and so might be difficult to adapt to focusing improving policy for the very poorest • SIA is not the best instrument to use for broad based reforms where the transmission channels and groups affected are not well known.
PSIA	<ul style="list-style-type: none"> • The approach aims to identify the groups most vulnerable to negative impacts from a proposed policy (and those most likely to gain). The losers may include large numbers of very poor people. Highlighting this can lead to policy being redesigned or mitigating measures being implemented to benefit the very poorest 	<ul style="list-style-type: none"> • PSIA findings rarely identify the very poorest, or investigate how a policy will specifically affect different groups of very poor people. • Identification of policies to analyse done by donors or decision makers in government. Priorities of the very poorest are likely to be missed. Policies selected for analysis may have little or no impact on the poorest.
Participatory Poverty Assessments	<ul style="list-style-type: none"> • A research guide is used but the study communities may be able to emphasise the issues of relevance to them. This is likely to mean that the policies and services with greatest impact on the poor and the very poor will be highlighted for examination. • There are techniques for differentiating amongst the poor. Well trained facilitators should be able to identify the destitute, the very poorest and the excluded and elicit their opinions. 	<ul style="list-style-type: none"> • Facilitators may not elicit issues and themes which are important to the poor, but rather stick to their research guide. They may also fail to differentiate amongst the poor systematically • The very poorest often lack confidence and are not very eloquent, especially in public fora. They may therefore be unwittingly ignored. • People living with AIDS, widows the mentally ill, and the mentally and physically impaired may be disproportionately represented amongst the very poorest, but stigma and social exclusion may lead to their 'invisibility' to outsiders • Migrants (who may also be very poor) may be excluded from community based exercises, as they are not seen as belonging to the community
Household Surveys	<ul style="list-style-type: none"> • Can produce statistically robust data on different income groups, including the very poorest • Panel data can be generated (i.e. time series data, 	<ul style="list-style-type: none"> • Sample rarely large enough to give statistically significant differentiated information on poor groups at the sub-district/ province level

	<p>generated from repeat interviews of the same households), providing important information about movements into and out of poverty. Correlations (e.g. consumption figures and assets, income and education, ill-health and consumption) can enable analysts to determine the probable causes of such changes in well-being.</p>	<ul style="list-style-type: none"> • Surveys commonly directed at household head. May not capture the opinions of marginalised individuals within households • Questions in questionnaires may not cover the issues of interest to the very poorest • The destitute are often not in households and are left off lists of households (kept by local government etc.) used to generate random samples. They are therefore left out of surveys • Not very good at answering process or why questions
PRSP Annual Review	<ul style="list-style-type: none"> • Special studies can be commissioned to be part of a PRSP annual review 	<ul style="list-style-type: none"> • May not include the very poorest unless there is existing work which (1) identifies them, and (2) presents clear analysis of poverty determinant and dynamics showing why 'x' policy is likely to affect 'y' and 'z' groups
Beneficiary Assessment (BA)	<ul style="list-style-type: none"> • Participatory, involving direct consultation with those affected by and influencing reform. not focused exclusively on the poor, but may be designed to include the opinions of the poor and very poor • can be adapted to assess the impact of discrete policy interventions where transmission channels and affected groups are clearly defined. • Can be used to evaluate proposed policies, to signal constraints to participation faced by target group, and to get feedback from the public regarding ongoing policy implementation. • Can be adapted to capture the opinions of the very poorest 	<ul style="list-style-type: none"> • More appropriate for measuring responses to changes in service delivery than macro-economic changes • Tends to have a narrower focus than Social Impact Assessment or PPA. Provides less contextual and historical background information.
Report Cards	<ul style="list-style-type: none"> • used to get feedback on the public's satisfaction with service provision • Combines participatory (qualitative) and quantitative methods. Can be used in conjunction with household surveys • Enables the public to communicate their views to public agencies and politicians on key reform areas. 	<ul style="list-style-type: none"> • Can only be used to assess policies already implemented. • More appropriate for measuring responses to changes in service delivery than macro-economic changes • requires an agency with market research and data collection skills to conduct the survey • requires support of media • limitations in comparability across services, • large sample required for heterogeneous population and lesser used services, • lack of predictability in how different players respond.
Participatory Public Expenditure Reviews (PPER)	<ul style="list-style-type: none"> • involve stakeholders in the government's budget allocations in the PER process. Involving the public can help improve better targeting, allocation, and 	<ul style="list-style-type: none"> • The poorest are unlikely to have their voices heard • Using the budget process as a starting point presupposes that a particular policy has already been

	tracking of resources. <ul style="list-style-type: none">• Can result in policy suggestions• Can make the final decisions of the PER more legitimate and accountable	selected. This might not be useful where a number of options are on the table.
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Some data is drawn from <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/81ByDocName/ToolsandMethods>

3. Difficulties in identifying and reaching the very poorest

In this section we assess the difficulties in identifying and having positive impacts on the poor and the very poorest, *in general*. This is useful if we are to avoid underestimating the challenges faced by making PSIA work as a tool in generating positive impacts on the very poorest. There are technical/ methodological reasons for the lack of focused attention on the poorest by national country governments. These combine with administrative and budgetary constraints and with reasons derived from the country's political economy to result in inadequate funding and low levels of budgetary priority for these areas of work.

3.1. Technical and methodological difficulties

In order to design policies and programmes to benefit the very poorest we must know who we mean by the very poorest, as the definition affects the way of measuring which in turn affects who is categorised as poor and how their trajectories into and out of poverty are understood.

The categorisation of a household as poor in most countries is based on its location above or below the food or total consumption poverty line and is therefore an income based measure. Participatory Poverty Assessments (PPAs) provide information to support more complex understandings of poverty, and in some cases (e.g. Uganda's UPPAP 2) have made special efforts to provide differentiated information about 'special poverty groups' (David Booth, pers comm.). Many developing countries have survey data which has been analysed in terms of more than one poverty line and which estimate depth and severity as well as incidence of poverty. Cross tabulations are commonly done for at least some geographic and socio-economic variables, most countries have DHS data which provide correlates of nutrition and mortality variations (ibid). However, government documents rarely provide analysis of multi-dimensional poverty, or present analysis of the differential experiences of the transient and chronically poor.

3.1.1. Disaggregated identification of the poor.

There are the following issues in identifying who the poor are, and where they are located

- **by location** – does the national household survey provide accurate data, is it analysed to generate information about spatial clusters of poverty?
- **by livelihood group** – does the national household survey or census provide accurate information about individuals' and households' livelihood portfolios⁶? Is the data analysed to provide decision-makers with adequate information

⁶ Placing an individual in a single livelihood group assumes that that individual does one thing, or has a clearly dominant livelihood activity. However, an individual may spend the majority of their time on one activity, e.g. food farming, but gain most of their income from another, e.g. artisanal alcohol production. Other household members may have a similar variety of activities, which may change with position in the life cycle and with season and in response to the constraint and opportunity environment. This makes it difficult to categorise either the individual or the household, except by mapping common livelihood portfolios. Most household surveys categorise the household based upon the main livelihood activity of the household head.

about the livelihood groups which are most vulnerable to shocks and most likely to be poor or very poor?

- **by ethno-linguistic group** (e.g. socially excluded or adversely incorporated groups, e.g. the Batwa in Uganda). Is information on ethnicity collected? Is it compiled, analysed (and correlated with economic and well-being information) and made usable for decision-makers?
- **by duration of poverty** – Survey data provides a snap shot of a household's level of income or consumption at a particular time. The lack of quality panel data means we cannot track the movement of households into and out of poverty or know the duration their poverty (i.e. whether they are transitorily poor, chronically poor, seasonally poor or moving in and out of poverty over the life-time of the head of household).
- **by dimensions of social difference** (e.g. gender, mental and physical impairment). Without this information understandings of 'vulnerable groups' may be based on untested blanket assumptions or on the differentiated empirical reality of different people's experiences within these groups.
- **within households** – intrahousehold data collected through a sub-sample of the household survey, if analysed and presented in a usable format, may enable decision-makers to design policies which target vulnerable individuals rather than assuming that distributive mechanisms within household are equitable and benign.

Although household surveys provide data which can generate disaggregated understandings of income poverty, such analysis is rarely done well. This means that it is not usual to have national level programme targeted at the very poor. There may be specific programmes targeted at identified 'vulnerable' groups, for example, to women headed households, to the mentally and physically impaired or to people living with AIDS, but these social identifiers do not necessarily correlate perfectly with poverty let alone with severe or chronic poverty. Some programmes implemented at the local level through NGOs or local government may use participatory poverty assessments or locally undertaken PRA processes to identify the poorest prior to delivering specific programme, but these tend to be piece-meal in nature, rather than systematic programmes undertaken throughout the country.

3.2. Administrative constraints.

Once the very poorest have been identified, there are then a number of administrative issues in terms of implementing policy to affect them. These include:

- the high transaction costs of work in remote areas, with low population densities and poor roads and telecoms
- difficulties in attracting and retaining good staff in what are often seen as hardship postings
- the lower internal rates of return on investments in remote areas – it may be harder to justify infrastructural and other investments where populations are low, and limited complementary investments result in poor uptake
- the difficulties of working effectively in conflict zones
- targeting disadvantaged individuals rather than households is costly, requiring more information and greater administrative capacity than household level targeting. Disadvantaged individuals may be within non-poor households and so be ignored by untargeted programmes.
- rationing - funds and time allocated to poverty reduction programmes/policies are never adequate. Decisions must be made concerning who will benefit (and how) and who will not. Policies and programmes designed to reduce

poverty may be evaluated on efficiency. As it commonly costs more, and is harder, to raise some very poor people out of poverty than to raise larger numbers of less poor people out of poverty (as the poverty gap is smaller and very poor people commonly face multiple disadvantages) there may be strong disincentives to focusing on the very poorest, rather than on the less poor. Also, some development professionals (in governments, donor organisations and NGOs) are confident that interventions targeted at the non-poor generate adequate multipliers and up and downstream linkages to produce sufficient benefits to the very poorest to move them out of poverty. (However, this is rarely termed 'trickle-down', as such ideas have been discredited.)

- professional incentives - these may encourage development professionals to do things that are easy, quick and 'efficient', rather than difficult, slow and expensive (per person benefited). This is likely to result in programmes targeting to the most severely and the chronically poor being de-emphasised. Government spending decisions may also be based on local political realities which give limited voice and priority to the very poorest.
- targeting errors (i.e. casting the net too wide and drawing in people not in the target group, thus increasing costs or casting the net too narrowly and not benefiting all the individuals and groups you intended to).
- geographical targeting vs. individual targeting: Areas with high incidence of poverty are not necessarily the areas with the highest incidence of severe and chronic poverty. Severely or chronically poor people may live within non-poor areas and even within non-poor households. Being able to identify who these individuals are is difficult, time consuming and costly.

3.3. Political and cultural constraints.

- the poor may be seen as undeserving in domestic (and international) poverty discourses (e.g. debates which categorise the deserving and undeserving poor)
- the domestic political economy may not be conducive to enabling genuine attempts to reduce poverty – e.g. if policy making and implementation is geared to the distribution of spoils to constituencies and interest groups rather than to the construction of the developmental state
- fear of moral hazard in some national governments and donor organisations who believe that if the poor are assisted by development interventions and social programmes (1) traditional safety nets will collapse and (2) the poor will reduce their own efforts to escape poverty through entrepreneurialism
- exclusion or adverse incorporation based on fractures in society along ethno-linguistic lines may create poverty. The domestic political economy and culture may preclude attempts to reduce that poverty
- governments have to prioritise areas of expenditure when formulating their budgets. Investments in poverty reduction may not receive a high priority because (1) the very poorest may have low political capital and may have few interlocutors and (2) democratic processes may be flawed and generate insufficient downward accountability.

The severely and chronically poor are frequently under-represented in the policies and programmes of both donors and national (and local) governments. There are a number of problems specific to the severely and chronically poor.

Even if the political economy of a country has generated what might be called a developmental state, political elites and government officials may not be familiar with

the idea of differentiation amongst the poor. They may see 'the poor' as a homogenous group, assume that the causes of their poverty are identical and that policies and interventions will be equally effective for all. There may, therefore, be little interest in generating better information on the determinants of poverty, on differentiation amongst the poor or on their different trajectories out of poverty or deeper into poverty in response to government (and donor) policies and programmes. Equally, some communities are loathe to differentiate between households in the community based on their level of poverty, saying 'we are all poor here'. This may be because community leaders and the better off within the community do not wish to see resources funnelled towards particular 'undeserving' individuals and households, or it may be that such targeted interventions are viewed as undermining local redistributory mechanisms and the patron-client relationships embedded in them.

Where the state is constructed around neo-patrimonial norms (see Bird, Booth and Pratt, 2003), real developmental and poverty reduction objectives may not exist, or at least the distribution of resulting attention and expenditure may not be explainable technically. The design and implementation of policies and programmes which benefit the very poorest may happen occasionally but within a policy context which makes such interventions unlikely to succeed, other than for small groups of people. Such positive occasions may result from local activism or donor pressure, but without understanding the political economy and political decision-making of a particular country well, donor conditionality can do little.

3.4. The limited reach of government

In many sub-Saharan countries the reach of the state may be limited in terms of geographical coverage and also in terms of the goods and services provided. The poorest often have limited interactions with the formal economy and have poor access to government services. Government policies impact on them mainly by not impacting. They have no strongly negative or positive effects. The *absence* of impact is unlikely to be identified by PSIA as a problem, as this has not been their purpose.

4. PSIA pilots and on-going PSIA activities.

4.1. The rationale behind the PSIA pilots.

DFID and the Joint Implementation Committee of the World Bank and IMF undertook pilot PSIA in 12 countries (listed below in Table 2) under two separate initiatives in 2002-2003 in order to demonstrate the circumstances in which PSIA can be useful in assisting policy decisions. The pilots were intended to provide lessons on methodology and management and on how to situate PSIA within national policy processes so as to maximise ownership and capacity building (PRSP Synthesis Project, 2003).

The terms of reference for the DFID pilots emphasised:

- Combining international and local consultants
- Combining economic and social expertise
- Doing PSIA in 'real policy time' (40 days consultancy time)
- Envisaging government as the primary client for the PSIA results

- Identifying a government unit to work in partnership with DFID on the PSIA piloting exercise, typically the PRSP-responsible unit in the Ministry of Finance (ibid).

The World Bank/IMF studies have tended to be more detailed and time consuming and with greater technical input by international experts than the DFID-led studies, which were intended to feed into 'real time' domestic policy processes.

4.2. Criteria for pilot selection

The countries in which pilots were undertaken was determined following discussions with donor recipient country governments.

The selection of sectors and topics for the pilot PSIAs was determined by the following criteria:

- the expected magnitude of distributional impact,
- the proposed reform's significance in the country's reform programme,
- the timing and urgency of the reform, and
- the level of controversy surrounding it.

4.3. The pilot PSIAs

The 12 pilots were:

- **DFID:** Armenia, Honduras, Indonesia, Mozambique, Rwanda and Uganda (and a desk study PSIA in Orissa, India)
- **World Bank/ IMF:** Chad, Guyana, Kyrgyz Republic, Malawi, Mongolia and Zambia.

4.4. Overview of pilot PSIAs.

The table below (Table 2) we show the pilot PSIA studies which have been completed and are in the public domain, by donor, and indicate their sectoral focus. The URLs link readers through to a one-page summary of the study selected.

Boxes presented in Annex 3 provide readers with a bullet pointed summary of selected pilot PSIA studies. These summaries include:

- Summary of main methods used
- Involvement (or future potential involvement) of government/ degree of institutional embedding in government PRSP processes
- Influence to date on domestic policy processes (where known)
- Key findings with regard to the poor, and where such information has been provided, the poorest.

They draw on data from a range of sources, largely

- the ODI-led seminar series on PSIAs, hosted at DFID, at which the DFID pilot studies were presented
- the PRSP synthesis project website (<http://www.prpsynthesis.org>), and
- the World Bank PSIA website (<http://lnweb18.worldbank.org/ESSD/sdvext.nsf/81ByDocName/PSIAintheWorldBank>)

Table 2: An overview of pilot PSIA⁷

COUNTRY	DONOR	
	WORLD BANK	DFID
Armenia		Title: Water Sector Reform Sector: Water URL: http://www.prspsynthesis.org/Armenia_Final_Summary_PSIA.doc URL: http://poverty.worldbank.org/files/14023_psia_armenia.pdf
Chad	Title: Cotton Sector Reform Sector: Agriculture URL: http://poverty.worldbank.org/files/14667_Cha_Ctn_Mixed_She_Jul03_cleared.doc	
Guyana	Title: Guyana Selected Sector Reforms Sectors: Water, Sugar and Bauxite Sector Reform URL: http://poverty.worldbank.org/files/13981_guy_psia.pdf	
Honduras		Title: The Possible Privatisation of Electricity Distribution in Honduras Sector: Energy URL: http://www.prspsynthesis.org/Honduras_Final_Summary_PSIA.doc URL: http://poverty.worldbank.org/files/14024_psia_honduras.pdf
Indonesia		Title: Poverty and Social Impact Analysis Indonesia Rice Tariff Sector: Agriculture/Trade URL: http://www.prspsynthesis.org/Indonesia_Final_Summary_PSIA.doc URL: http://poverty.worldbank.org/files/14025_psia_indonesia.pdf
India (Orissa)		Title: Assessing the Impact of Fiscal and Structural Reforms on Poverty in Orissa Sector: Macroeconomic/Fiscal URL: http://www.prspsynthesis.org/India(Orissa)_psia_summary.doc
Kyrgyz Republic	Title: Kyrgyz Republic Electricity Sector Reform Sector: Electricity tariff reform URL: http://poverty.worldbank.org/files/13929_kyrgyzelectric_eng.pdf	

⁷ See also - PRSP Synthesis Project (2003) 'Learning the Lessons on PSIA – A Synthesis of Experience from the DFID Pilot Studies.' PRSP Briefing Note, No. 8. October, 2003 – for a useful one-page summary of the 6 DFID funded pilot PSIA's.

Malawi	<p>Title: Agricultural Market Restructuring Sector: Agriculture URL: http://poverty.worldbank.org/files/14976_Malawi_Ag_Mkt_-_PSIA_Summary_Sheet.doc</p>	
Mongolia	<p>Title: Mongolia Cashmere and Energy Sector Reform Sectors: Cashmere sector, Energy tariff reform URL: http://poverty.worldbank.org/files/13975_mongolia_psia.pdf</p>	
Mozambique		<p>Title: Fuel Tax in Mozambique Sector: Energy/Fiscal URL: http://www.prpsynthesis.org/Mozambique_Final_Summary_%20PSIA.doc URL: http://poverty.worldbank.org/files/14026_psia_mozambique.pdf</p>
Rwanda	<p>Title: Reform of the Tea Sector⁸ Sector: Agriculture URL: http://poverty.worldbank.org/files/14975_Rwanda_Tea_-_PSIA_Summary_Sheet.doc;</p>	<p>Title: The Impact of Increases in Public Expenditure on Poverty in Rwanda Sector: Macroeconomic/Fiscal URL: http://www.prpsynthesis.org/Rwanda_Final_Summary_PSI.doc URL: http://poverty.worldbank.org/files/14679_Rwa_Pub_Mixed_She_Mar03_Cleared.doc</p>
Uganda		<p>Title: The Strategic Exports Initiative Sector: Trade URL: http://www.prpsynthesis.org/Uganda_Final_Summary_PSI.doc URL: http://poverty.worldbank.org/files/14028_psia_uganda.pdf</p>
Zambia	Unfortunately there is no information available on the World Bank website regarding this study	

⁸See also <http://inweb18.worldbank.org/ESSD/sdvext.nsf/81ByDocName/CountryExperienceRwandapublicexpendituretargetsanalysis>

4.5. Representation of the very poorest in the pilot PSIA's.

The boxes presented in Annex 3 provide a quick overview of the pilot PSIA's. An attempt was made to identify areas within the PSIA's which provided findings differentiated by severity or chronicity of poverty, by livelihood or social group. However, as you can see very few of the PSIA's provided differentiated information. It is notable that none of the sample of World Bank PSIA summaries examined feature disaggregated poverty as an issue. This indicates the lack of prominence currently given this issue. Examining both the summary documents and the full PSIA reports we found a mixed picture. In general the pilot PSIA's have very little discussion of how policies or reform programmes may affect different sub-groups of poor people. Instead findings talk about (for example) 'net positive impacts on poverty and social conditions'. Such averages mask the reality. In an attempt to give a differentiated picture the Uganda study probably goes the furthest, in that it examines impacts differentiated within the household and in particular how STRATEX (the Strategic Export Initiative) will impact women and children. Some others of the pilot studies (e.g. Kyrgyzstan, Guyana and Rwanda) present some analysis where the poor are disaggregated by income quintile. However, in general this differentiated analysis is limited. It is worth asking why this is so. A likely answer is that many of the pilot PSIA's focus on issues which are of less immediate relevance to the very poorest in terms of first round or direct impacts. For example, these groups are commonly not connected to mains water or the national power grid, nor are they formal sector workers and therefore water and power sector privatisation is of interest to them mainly through second round impacts and multipliers. In few of the studies are these levels of impact explored.

In the section below, we present brief outlines of the use of differentiated data in the pilot PSIA's (please refer to Table 2 for the web URLs for access to the World Bank or DFID summaries of the pilot PSIA's).

Armenia

The Armenian PSIA concluded that increasing municipal and irrigation water costs as part of reforms to the water sector was likely to have significant negative impacts on very poor and vulnerable households over the short and medium term, especially in poor, isolated dry regions. Efforts to reduce the widespread problem of non-payment of water bills would affect poverty incidence. Full payment compliance of existing tariffs would increase the numbers of the very poor by nearly 18% (from 15.9% of the population to 18.7%) and the poor by 4.6% (from nearly 35.0% to 36.6%). The report suggests targeted transfers to the poor to protect them from the full rise in costs and enable poor families to use the amount of water recommended by the WHO (Roe, et al, 2003). Increased tariffs for irrigation water will have a damaging impact on the 25% of farm households who do not gain a cash income. Increasing tariffs may contribute to farm households deciding to leave farming and to both poverty and increasing social tensions (DFID, 2003a).

Chad

Despite a shortage of updated and reliable disaggregated data on poverty and social indicators in Chad (World Bank, 2002a) the PSIA findings on the privatisation of cotton ginneries in Chad

provides some differentiated findings, and shows that small-scale producers of cotton who do not own cattle are likely to be more negatively affected by privatisation than larger scale farmers with cattle. This is because after privatisation they are likely to find access to credit more difficult. The study also suggests that if privatisation leads to significantly increased cotton hectareage then pastoralists might experience further constraints in their access to land and water. While it is useful that the analysis has identified possible impacts on this group, the study does not specify whether pastoralists in Chad are poorer on average than crop farmers. Women are also identified as possibly losing out as a result of reform, if this leads to reduced vibrancy in the cotton sector, thus leading to a reduction in the number of traders coming to villages (Verardo, B. et al., 2003; World Bank, 2002a).

Guyana

The Guyana PSIA examines the likely impact of reforms in the water, sugar and bauxite sectors. Guyana's water sector reform aims to implement cost recovery, reduce government subsidies and target government transfers to the very poorest consumers. The PSIA analysis differentiates by income quintiles in many places and notes that it is unlikely that the squatter, rural and hinterland Amerindian communities, who currently have poor access to water will gain universal water supply by 2007. The report states that only 14% of the poorest households in rural areas have access to water compared to 51% of the richest urban households, 38% of the poorest urban households and 85% of the richest urban households (World Bank, 2002b).

The Guyana PSIA suggests that reforms to the sugar industry will benefit poor workers in the sector and that land sales by GUYSUOCO will increase land productivity generating indirect benefits for the poor (World Bank, 2002b). Neither of these assertions specify whether the very poorest or specific vulnerable groups are likely to benefit. However, it is noted that increased sugar prices may have a small negative impact on the poor. (ibid)

The study concludes that reducing subsidy to the Bauxite industry is necessary, but will result in job losses as parts of the industry contract, damaging local economies and possibly resulting in labour migration. There is no analysis as to which poor groups might be most badly affected, but there is an assumption that funds saved through the removal of subsidy will enable government to delivery targeted transfers to the most needy. Communities around Bauxite plants have received a number of free services. These will cease with privatisation, affecting the poor particularly badly (World Bank, 2002b). Transfers to compensate the losers are unlikely unless there is strong political support for such a move, supported by technical information which identifies the poorest households and individuals.

Honduras

The study of power sector reform in Honduras shows that the effect of increases in the price of electricity would have the greatest negative effect on very poor rural households (DFID, 2003c). Changes to spending habits for rural households were predicted to be up to three times greater for rural households than for urban households (ibid). The report provides some analysis separating the non-poor from the poor and very poor (Gonzalez and Cuesta, 2003) but findings were not highly disaggregated but could have been (ODI, 2003b).

Indonesia

The PSIA examining the likely impact of an increase in the rice tariff in Indonesia showed that the policy change would result in 0.06% increase in urban poverty and a 0.04% increase in rural poverty (over 100,000 people in total) (Leith et al, 2003). The PSIA focused on one policy change – in this case an increase in the rice tariff, so was not able to take into account the likely concurrent increase in fuel, phone, and electricity tariffs which together could be expected to have a much larger impact on poverty (ODI, 2003c). The study found that the poverty gap would also increase, but that the effects would differ considerably among poor households. Net rice producers and households with high shares of income deriving from unskilled labour would be generally expected to benefit from the added protection offered by a tariff increase, but poor households who are net rice consumers would be expected to be directly negatively affected, although second-round effects might compensate for the price impact. Rural households with low shares of income derived from unskilled labour would lose from tariff increases. This differentiation by livelihood group and by net consumers and producers of rice is useful, but it does not provide us with the information that we need to know about the very poorest. We can assume that net producers of rice are not amongst the very poorest, but without knowing more about the relationship between being part of the unskilled labour market and severe or chronic poverty we cannot identify whether the very poorest will win or lose as a result of the tariff increase.

Kyrgyzstan

The PSIA provides some information broken down by severity of poverty, for example, incidence of power cuts and proportion of household income spent on electricity (World Bank, 2003f). The report finds that increased tariffs for electricity may lead to non-payment of bills and the very poorest under-using heating to a dangerous extent during the winter. It states that the means-tested social protection system is currently poorly targeted, and that instead of relying on cash transfers a 'life-line subsidy' might be a more efficient way of protecting the poor. However, the study states that the life-line household energy requirements of the very poorest do not currently reflect an equitable billing level (World Bank, 2002e).

Malawi

The PSIA examining the possible impact of the closure of ADMARC (maize) markets in Malawi found that the rich and poor will be differentially affected. Vendors and rich rural households will benefit while rural communities, particularly in remote areas, have already been adversely affected by the withdrawal of ADMARC markets or the decline in their business activities. Liberalisation of food markets has increased differentiation and strengthened the position of the rural elite and non-poor households. The poor commonly run out of food 1 or 2 months after harvest. They and are increasingly dependent the non-poor to provide them with casual employment in order to buy food but they have difficulties accessing affordable maize. These findings do not differentiate amongst the poor and do not identify particularly vulnerable groups.

Mongolia

Information on the completed Mongolian PSIA is not yet in the public domain, but interim results show that reform in the cashmere sector could result in 20% increases in herders' incomes and in the export potential of livestock products increasing by over a third. These findings do not appear to highlight how the reforms may affect the poor or the very poor. Work on reforms in the energy sector suggests that untargeted increases in energy tariffs would have a negative impact on the poor. Interim findings suggest that the development of an adequate 'life-line tariff' which ensures that the poor are not unduly taxed is crucial for the success of the reforms, however there is no differentiated picture of how the increased tariffs may affect different livelihood groups, the severely or chronically poor or people living in different geographical areas (World Bank, 2003f; World Bank, no date).

Mozambique

Mozambique's fuel tax increase was found by the PSIA to be likely to negatively impact on the poor. The increase is likely to result in increased food prices, and to disproportionately impact on fuel-intensive activities, such as fishing, mining and small trading. The study identifies that the absolutely poor will be affected by showing that reduced purchasing power (resulting from increased fuel costs and knock on impacts on other prices) is likely to push about 28,500 people below the poverty line and 56,000 below the absolute poverty line. The much larger impact on the very poorest is explained by the fact that many of their livelihoods rely on food marketing. On the positive side, the tax would generate additional funds for government, which could benefit poor households, depending on how it was spent.

Orissa, India

The pilot PSIA on Orissa, India, analysed a range of structural reforms being undertaken by the government, in areas of assets, service delivery, and the creation of an enabling environment for the private sector. The report does talk about different livelihood groups and identifies in several places where impacts are likely to have negative or positive impacts on the very poorest (e.g. tribal groups) (DFID, 2003d).

Rwanda

The Public Expenditure PSIA for Rwanda is extremely wide ranging. Increased spending on poverty-reducing programmes was likely to benefit poor households and generate indirect economy-wide benefits. However, the macroeconomic implications of increased public spending and financing, such as inflation, debt sustainability, aid dependency, Dutch disease etc. might generate potential negative effects, affecting the economy as a whole and various poor groups in particular. Focusing on three of the expenditure areas covered by the PSIA – agriculture, labour intensive public works and roads, we find that although poverty is considered, there is little differentiated information. 'Own account' farmers and agricultural labourers have high incidences of poverty, and are the least likely to gain first round benefits from the commercialisation of the agricultural sector (Mckinnon et al, 2003). Reform programmes do not appear to be targeted and do not recognise the particular constraints faced

by women or other marginalised groups (Mckinnon et al, 2003). The short run impacts of labour intensive public works on the very poorest will depend on whether they get work through the scheme, whether they are able to do physical work and on wage rates (ibid). The report suggests that quotas might be used to ensure that women, youth, the disabled, ex-combatants and men released from prison are included. The report could not draw firm conclusions on how investments in road building and maintenance would affect the poor, but it suggested that the major beneficiaries from improved inter-urban roads would be the highest expenditure quintile, who spend almost 60 times as much on transport as the lowest quintile (Mckinnon et al, 2003).

The study talks in places of social benefits, by which it presumably means benefits to the poor, but it does not explicitly address the detail of poverty processes and the possibility that some types of expenditure will address these processes better than others; nor does it examine the likely pattern of changes in income distribution and the impact that this might have on the poorest or provide differentiated understanding regarding impacts on vulnerable groups (e.g. women and the elderly) or the very poorest (DFID, 2003b).

Few of the findings presented in the study of the reform of the tea sector in Rwanda are differentiated by poverty group (see World Bank, 2003g).

Uganda

The examination of STRATEX (Strategic Exports Initiative), the export led growth policy in Uganda, showed that there were likely to be economy wide benefits from export diversification and increased foreign exchange earnings. It is assumed that rural households will benefit through improved incomes but women and children may not benefit due to intra-household dynamics. Although the paper does discuss the extremely poor, its findings do not differentiate amongst the poor. This is because there has been little analysis in Uganda so far which assesses the distributional effects generated by the supply response to STRATEX. (Booth et al., 2003a and 2003b). However, it does provide strong analysis on gender issues, which is rarely found in other PSIA studies.

4.6. On-going PSIA activities.

The World Bank pilots were commissioned during 2001, the Bank then went on to commission an additional 20 studies in 2002, and a further 37 in 2003 (World Bank, 2003a). During 2003 there were 71 identifiable ongoing PSIA activities, 62 of which were in PRSP countries (Dani and Paternostro, 2003). In late 2003 there were 100 World Bank commissioned PSIA-type activities which were on-going (Sarah Hague, World Bank, pers comm.).

The PSIA activities that have been undertaken so far can be clustered into a number of sectors, with the majority of the studies (75%) being undertaken in (in descending order)⁹:

- utilities
- public sector

⁹ <http://Inweb18.worldbank.org/ESSD/sdvext.nsf/81byDocName/CountryExperience>
downloaded 08.12.03

- agriculture
- trade
- macroeconomics

None of these would have been considered priority areas for social impact assessments, which used to have a 'safeguard' focus (minimising harm) rather than proactively feeding into the development of policy (Dani, 2003).

In terms of regional concentration, most PSIAs have been undertaken in Africa, with contrastingly small numbers in South Asia (see below).

Table 3: Distribution of PSIA activities, by region.

Country	% of all PSIAs
Africa	43
Europe and Central Asia	20
Latin America and the Caribbean	19
East Asia and Pacific	12
South Asia	3
Middle East and North Africa	3

Source: World Bank, 2003 (web, see source in footnote below)

The focus of DFID activities in the PSIA-related area has been around providing support to in-country development of PRSP M&E systems, and a focus on improving the PSIA toolbox. The Poverty Analysis and Monitoring Team in DFID are also working on the barriers to information based decision making and on mechanisms for increasing in-country analytic capacity for PSIAs and local ownership of the results (Clare Shakya, DFID, pers comm.).

5. Complementary Activities.

In this section we suggest ways in which the processes surrounding PSIAs may be improved, in order to increase the extent to which the data contained within PSIA-type reports may be included within government policy processes and donor strategy and practice.

5.1. Getting through to policy-makers.

For those of us who are in the business of information generation, analysis and dissemination it is difficult to face the harsh reality that information is actually not the key ingredient in political decision-making. As we know, policy formation is a messy and fragmented business. Lobbies are important and their use of information, coupled with the size and influence of the lobby can be significant. Aside from responding to crises and listening to the inputs of various constituencies, decision-makers may call on technical information when making policy, but often to justify a decision that has already been made. How can information generated by PSIAs on the very poorest make a difference, bearing in mind this reality?

Policies, once made, are fragmented rather than coherent. And there is a significant disjuncture between policy on paper and policy as practiced. It is policy as practiced which is important to the lives of the very poorest. So, inputting information about the very poorest into policy formation is clearly important, but influencing practice on the ground is even more important. How can both be achieved?

It can be difficult ensuring the good poverty analysis is used in the development of pro-poor policy and in determining the budgetary weighting given to resolving poverty issues. Below are some activities that may help (including areas that DFID is already investing heavily in):

- Develop improved understanding on domestic discourses around poverty in the country. For example, are the poor seen as generally 'undeserving'? Do elites make assumptions about why people are poor and how people can move out of poverty? How do the general public view poverty and the poor? Are these views and assumptions helpful or harmful in terms of the development (funding and implementation) of constructive poverty reduction policies and programmes? Can DFID influence domestic poverty discourse in a positive way? (e.g. through media campaigns using research findings with case studies and personal accounts of life in poverty)
- Provide training to civil servants, parliamentarians, civil society, the private sector (and others) in understanding poverty in the country.
- Embed PSIA within existing government M&E processes – where these exist. This is particularly important where the country has a PRSP and where there is a PRSP M&E process. What can DFID do to ensure that this happens, in reality rather than just on paper? (e.g. do we need to extend the time frame? What capacity needs to be built? How can such capacity be retained in government? What funding support is needed, and how long for? Etc.)
- Ensuring that PSIA results are disseminated well, using appropriate and innovative forms, to parliamentarians, civil servants, civil society, the private sector and the general public.
- Assuming that information-based decision making is not the norm, finding ways of encouraging greater use of technical information and analysis, particularly in the formation and implementation of pro-poor policy.

5.2. Understanding the role of information in policy processes.

Understanding the role of information in political decision making and policy formation is important if having more differentiated information in PSIA is to have any bearing in the design of policies in countries or within donor organisations.

What are the factors that limit the use of information?

- If decision-making processes are not understood, information may be presented to the wrong people at the wrong time (presented either long before or after the decision has been made) in the wrong formats (e.g. a long and unwieldy report, rather than an oral briefing)

- If it is not presented in a way that convinces (could be use of language, use of evidence, or just a failure to tap into popular discourses in a way that makes the ideas absorbable) then an opportunity is lost
- If those presenting the information are politically illiterate and fail to have their voices heard (the work may not be locally owned, and so whatever it says may be unlikely to be taken seriously; those presenting the work may not be aware of local or donor sensibilities and so may alienate the audience, etc.) then, again, an opportunity is lost

The information must be put into usable forms and presented to end users in a way that is useful to them. The ways that the end-users are accustomed to using information must be considered carefully, if dissemination is to communicate successfully. In addition, people may have access to information, but not use it when making decisions, so the use of information in decision-making must be understood. This implies the need for institutional analysis, prior to the commissioning of PSIAs.

(see findings from ODI's RAPID project (Research in Policy and Development) <http://www.odi.org.uk/RAPID/Index.html>)

5.4. Reducing the difference between policy on paper and in practice.

If the RTVP group are to use improvements in PSIAs to generate improved attention to the very poorest either by Southern Governments or within DFID and other donors, then they need to take seriously the disjuncture between policy on paper and policy as practiced.

ODI has undertaken work through technical support to DFID's Drivers of Change team, which can be drawn on in understanding how such disjunctures can be reduced. In addition, RTVP has commissioned a piece of research which is to produce analytical tools for understanding the fracture points between the development of good social policy and its implementation. This will be completed by the end of FY 2003-04.

6. Conclusion

PSIAs are not necessarily the best mechanism for gathering information about policy impacts on the very poorest. Nor are they ideally suited to feed into national government policy formation processes, in their current form.

As we have shown above, few PSIAs provide much differentiated information on different poor groups. Tracing the impact of policy change on the poor is difficult. Predicting such changes requires a thorough understanding of the direct and indirect and the first and second round effects of the policy. Also, there must be thorough and easily accessible information concerning the determinants of poverty and well-being declines and also regarding the interrupters of poverty. Data must provide accurate insights into who and where the poor are. Transmission mechanisms and multiplier effects must be well understood. Causality must be clear and the counterfactual must have been identified with a degree of confidence. If we then wish to

generate a more subtle and nuanced understanding of policy impact, we increase the analytical complexity of the exercise and the information demands.

Staff within the RTVP team and the Poverty Analysis and Monitoring team in DFID are attempting to develop methods to enable PSiAs to provide more differentiated information and to ensure that the very poorest are considered by policy makers. But using information to help focus policy and practice on the poor is hard enough, focusing on the very poorest is even harder and there is limited evidence of any of the PSiAs feeding into domestic policy formation processes yet (although they may well be changing donor strategies and practice), partly because PSiAs are a new phenomenon and partly because of the limited use of information in policy formation that we have identified.

Action for the future

If DFID wants to use PSiAs to improve national policy formation and implementation in favour of improving the well-being of the very poorest, then a decision must be made as to whether PSiAs are the best information generation mechanism for this. The technical work that the Poverty Analysis and Monitoring team in DFID are doing with the World Bank to develop tools for differentiated analysis in PSiAs needs to be completed and pilot tested, and the results compared with existing policy related poverty tools (e.g. those presented in Table 2). This could be complemented by commissioning a desk study to examine the existing analysis of policy impacts on differentiated groups in, say, 5 countries. A scoping study would be needed at the beginning of the research to identify studies of policy impact which differentiate amongst livelihood and well-being or poverty groups. The remit of the full study could be to assess the effectiveness of a range of methods used in such impact assessments, and the quality of the evidence that they have been able to produce. The study would need to have information concerning the team compositions and the budgets available in each of the countries studied. The efficacy of the study would be increased if it could include a component which analysed how the research findings were disseminated in-country and to the donor community and to what extent the research had influenced policy. Clearly in order to do this, the authors of the original report would need to be willing participants of the research and there would also need to be a political analysis component of the study.

Once a decision has been made as to whether PSiAs are the best approach to use, attention can be focused on improving PSiAs, or the other selected method(s), in order to improve their ability to tell policy makers about the very poorest. Whichever approach is selected the technical focus on improving data collection and analysis methods must be coupled with complementary activities in capacity building and dissemination. These must be seen as long term activities and supported through long term change management processes in government and in the donor community based on good institutional and political analysis.

There is a clear need to increase use of political analysis of decision-making processes within DFID. The weak inclusion of information in decision-making in many developing country contexts is known. What is less clear is what can be done to increase demand for information by political decision makers. An additional gap in our understanding is what can be done to increase not only domestic political demand for broadly spread poverty reduction but more specifically improvements in the well-being of the very poorest. The domestic political economy must be understood in order to be able to fill this gap. Why is it that the very poorest are

excluded from political processes? Why is it politically unappealing to focus resources and attention on marginal and vulnerable groups? Until these two areas of weakness are resolved, even technically brilliant PSIA reports, which disaggregate the poor successfully and convincingly argue that the impact of policy on particular groups of very poor people will be different to those experienced by the less poor or the non-poor, will have limited impact. We suggest that a study is commissioned to examine these political processes in a small number of carefully selected countries.

Within DFID and wider donor circles PSIA's will not achieve the refocusing of policy on the poor let alone the very poorest, until

- professional incentives are changed to:
 - support the development of relationships between donor personnel and government officials which are predicated on something more closely resembling an equal partnership,
 - allow donors to 'accompany' domestic political processes, at the pace at which they happen, rather than – through working to unrealistic timetables - become involved in the creation of additional conditionality, or the development of enclave or parallel processes
 - value knowledge of national country culture and political economy
- professional practice is changed to:
 - refine who the audience is for PSIA's – domestic government and civil society, international academic community or donor community (and revise the data collection and analysis methodology and dissemination processes as a result), as this will determine whether future PSIA's are well received by any of these audiences
 - enable long-duration processes of support alongside PSIA processes, which include the design and implementation of an institutional change management process in government and civil society in the country in which a PSIA is being undertaken, in order for the systematic use of technical information in policy processes to become a more realistic possibility.

DFID has an opportunity to take a lead amongst donors in focusing attention on the very poorest. However, if this effort is to be successful, clarity will be needed on what southern governments and donors should do if PSIA's or other investigative tools identify that policy change is likely to damage very poor people. First of all, policy makers may wish to know how many people will be affected and how badly, but then policy makers will need to make a calculation of predicted gain against predicted loss. The literature on social cost benefit analysis provides some guidance on this, but in the end a political decision must be made. If a decision is made to go ahead with the policy change, there may not be enough information to devise effective mitigating measures – even if there is the political will. DFID will need to develop clear policy on how to approach these difficult issues, including policy on social protection and compensation measures.

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Annex 1: Overarching Terms of Reference

Terms of Reference for consultancy to scope and document global experience of 'reaching the very poorest' and related policy issues

1. **Objective**

1.1 To scope, document and share (including at a multi-stakeholder workshop) policy-relevant global experience of 'reaching (and assisting) the very poorest', including:

- **who** are the poorest in different contexts (e.g. regional, rural/urban), what are their characteristics and **why** they are 'poorest'
- **why** overcoming extreme poverty is important (given lack of consensus on this and resistance due to e.g. transaction costs)
- **what** strategies, policy instruments, approaches, mechanisms have worked for the poorest in escaping extreme poverty, what hasn't, why (to the extent these are not covered in the Issues papers, see below and attached mini-TORS)
- **how** policy-makers and practitioners can identify 'the poorest', analyse 'poorest' issues and formulate/implement policy accordingly (practical tools, frameworks and methodologies).

1.2 The consultants should use material held in DFID (accessed through the RTVP team), other donors, national and sub-national governments, INGOs, academia and elsewhere, as appropriate. The material gathered should as far as possible be evidence-based and represent best available knowledge. For the sake of clarity and time available, this exercise is limited to existing materials.

2. **Outputs**

2.1 The required outputs are:

- methodology for consultancy, by mid October;
- 'global experience' knowledge paper (10,000 words plus key documents attached) synthesising existing knowledge, by mid January;
- 'issues' papers on key areas (see below) by mid January
- suggestions for fora/future events for dissemination including conferences, websites, possible links with CP Report launch (ongoing)
- input and presentation at workshop, by end of February.

2.2 Early consultations by DFID's policy team for Reaching the Very Poorest (RVPT) have revealed seven key issues of particular relevance to the poorest, which merit focused attention, and on which specific 'issues' papers should be produced by the consultancy. These are:

- service delivery and the poorest – what's the experience on issues like equity and access to health, education, water, microfinance etc services (team link: Keith Mackiggan)
- tackling the underlying social and political causes of extreme poverty –what's the experience, using concepts like rights, citizenship, political contract etc (Keith Mackiggan)

- improving the analysis of extreme poverty and the policy implications – where has this worked e.g. through distributional analyses, participative techniques (Tim Harris)
- making aid instruments (e.g. DBS, SWAPS, PRSPs, global public goods) work better for the poorest – what do we know already, what are the issues outstanding (Pat Holden)
- growth and social protection – how can the poorest benefit from growth, be included in it, and be protected from vulnerability (Pat Holden)
- MDGs and future scenarios – what are the implications for achieving (or not) the MDGs, and more generally if current trends are extrapolated? (Tim Harris)
- conflict and the poorest – what are the linkages, where are the knowledge gaps? (Jane Alexander).

2.3 The outputs will be disseminated as widely as possible, to ensure maximum global impact and uptake. They should therefore be delivered in hard and electronic copy so they can be posted on relevant websites. They should use plain English and should include appropriate case studies presented in boxes etc. The ‘global experience’ and ‘issues’ papers should include links to key websites and documents available on the web. The ‘global experience’ paper should be accompanied by a complete bibliography, with abstracts of key documents (max. 50). Hard and (where available) electronic copies of key documents should be delivered to the team so that these, too, can be shared as widely as possible.

3. Activities and methodology

3.1 It is envisaged that the methodology adopted will largely be desk-based, reviewing documentation available through international networks, using telephone and email contact and internet searches. However, it will also include international and/or UK travel for the purposes of efficient and cost-effective gathering of materials (e.g. to attend DFID retreats, regional heads meetings, meetings with the RTV team, relevant international conferences or meetings).

3.2 The work will involve close cooperation and consultation with the RTVP team in DFID London. Activities will be subject to discussion with the RTVP Team throughout the consultancy. Any changes in planned activities must be agreed with the RTVP Activity Leader.

3.3 The first output will be an agreed methodology which will define more precisely respective responsibilities between the consultant and the RTVP team. However, it is envisaged that the team will lead on communications with DFID counterparts and will make initial contacts (which the consultant may then be invited to follow up), whereas the consultant will lead on all other communications. Frequent joint meetings and/or conference calls between the team and the consultant on each of the outputs will be required for two-way sharing. The methodology should include this. (The person responsible for the seven work areas relevant to the ‘issues’ papers is identified above in paragraph 2.2).

3.4 The breadth of the subject-matter, covering issues such as economic policy, social policy (including access to health, education, water and sanitation, security and justice), access to credit, insurance and markets, livelihoods, rural and urban poverty, social and political organisation and change, food security, governance and institutions, will require a multi-disciplinary approach calling on people with a variety of professional experience. The RtVP Activity Leader will need to approve the consultant’s choice of individuals. The consultant will need to ensure that cross-cutting themes like gender, rights, citizenship, and empowerment are

considered in all its work. The consultants will appoint a project manager to coordinate inputs and liaise with DFID.

4. *Time frame and budget*

4.1 The activities will start on 20 October 2003 and will be completed by 31 March 2004. The consultancy is estimated to take up to 60 days. A comprehensive list of activities for the entire life of this consultancy should be included in the methodology.

5. *DFID Coordination*

5.1 The consultants will report to the RTVP Team Activity Leader, Keith Mackiggan. The RTVP core task team will also comprise Geeta Unnikrishnan, Pat Holden, Tim Harris, Jane Alexander and Maria Cushion. A Steering Committee will consist of the core task team plus representatives of the three Regional Policy Units.

6. *Background*

6.1 There is now substantial international consensus around the Millennium Development Goals (MDGs). To achieve many of these goals, the poorest must also escape poverty. However, existing policy interventions often do not reach them. And not enough is known about how this situation can be improved.

6.2 There is a need to build a global knowledge base of effective policies and approaches to tackle extreme poverty and (as demonstrated from extensive consultation by DFID's 'Reaching the Very Poorest' (RTVP) team) considerable international demand to do this.

6.3 There is no one standard definition of the 'poorest'. The causes of their poverty will vary: vulnerability to idiosyncratic shocks, social and political exclusion, a lack of protection, rights or voice. They will have different characteristics from place to place (for example caste, gender, ethnicity, refugees etc). And even within single households, there may be substantial disparities (especially based on gender). But what the poorest have in common is that they are unlikely to benefit from mainstream growth and development processes, and this is (at least for now) how they are defined by the RTVP team.

6.4 It is assumed there is, globally, substantial experience of 'reaching the very poorest', in readily accessible forms. However, this has not been brought together in one place before and looked at from a policy angle. This is the gap this piece of work is expected to fill. It will also be used to fill the gap in the discourse vacuum about 'poorest' issues globally. The ultimate 'clients' for this work are therefore all organisations with an interest in development issues plus, of course, the poorest themselves.

6.5 The role of the RTVP team in this work, as well as funding and managing it, will include:

- collaborating with the consultants in synthesising knowledge by (a) helping to access DFID experience, (b) identifying key contacts in international organisations (to help the consultants answer the final question under 2.1) and (c) making this information available in user-friendly formats;
- co-authoring drafts presented by the consultants; and

ensuring maximum global impact and interest by developing an effective communications strategy that disseminates the knowledge and lessons flowing from the consultancy products.

Annex 2: Mini-TORS for issues papers (RTVP output 1.1)

Aid Effectiveness

In recent years the international community has emphasised the importance of creating an enabling policy environment for addressing poverty through the increasing use of government owned aid instruments (PRSPs, SWAPs, DBS) rather than through stand-alone projects.

The consultants should provide a review which scopes existing issues and identifies gaps for further work in relation to the following.

Whilst there is increasing evidence that such instruments are effective in helping to reduce poverty, many issues remain in relation to whether the use of these instruments is ensuring the inclusion of the very poorest and enhancing their livelihoods. How far this will impinge on whether the MDGs are reached or not.?

Further, such aid instruments are currently linked to the performance of countries and the “poorest” in poor performing countries are most likely to suffer in poor performing environments. What prescriptions for reaching the poorest are proposed in these situations ?

- -What evidence exists to show that indicators for the well-being of the poorest have improved where such aid instruments have been employed (ref. The case for Increased Aid “ Foster and Keith”)
- -What needs to be put in place to ensure that such instruments are effectively addressing the needs of the very poorest .
- -How far are existing aid instruments able to encompass issues of rights and responsibilities and issues of power and inequality and gender.

Growth issues

This paper should focus on issues such as:

- -What are the arguments concerning whether growth is sufficient and what needs to be put in place/considered if the needs of the poorest are to be met?
- -What is pro-poor growth. Are some kinds of investment inherently more pro-poor than others ?
- -How can social protection be built effectively into a growth model –rather than just be seen as a residual safety net ?
- -How can the private sector be made pro-poor ?
- -How can issues of voice, exclusion and discrimination be built into a growth model.?
- In relation to all the above topics the focus should be on the very poorest –what we know already and what questions need to be answered/highlighted for the future. What are the gaps in knowledge?

MDGs

The work of DFID and certain other development agencies is strongly focussed on achieving the MDGs. In many countries, similar goals and targets have also been applied in the national context and included in nationally-owned poverty reduction strategies.

Analysis of progress towards the MDGs at both global and national levels indicates that many of the goals and targets are unlikely to be met if current trends continue.

The consultants should explore the relationship between the poorest and the achievement of these goals and targets. They should also identify possible areas of future work and analysis in this area.

Issues to investigate include:

- Would a more explicit focus on the needs of the poorest make it more likely that the MDGs will be met? Does this apply to some goals and not others?
- Is the strong drive to meet the MDGs producing a situation that disadvantages the poorest, for example by focussing attention on those who are easiest to help?
- What analysis has been done on how equitable MDG progress has been between the poorest and other groups? What further analysis would be useful and what are the information needs for this?

Poverty analysis and monitoring

Initiatives such as the PRSP process are providing a push towards using hard evidence (of what is needed, what works and what doesn't) to inform policy development. In this context, DFID (the Poverty Analysis and Monitoring (PAM) team in PD) and the World Bank are developing methods so that policy makers can assess the likely impact of proposed policy changes on particular groups of people. DFID and the Bank call these exercises Poverty and Social Impact Analyses (PSIAs).

These PSIAs and other similar exercises could potentially be used to examine the impact of policy changes on the poorest.

Issues to investigate include¹⁰:

- To what extent have exercises such as poverty and social impact analysis been used to examine the impact of policy changes on the poorest? Are there general lessons that can be drawn from these?
- How could these PSIAs be extended to provide further analyses relevant to the poorest?

¹⁰ The author's initial comments on the terms of reference was: they lack a question which will focus on what happens when excellent PSIA-type analysis is undertaken, but there is inadequate domestic (government) ownership and enthusiasm leading to the study sitting and gathering dust on a shelf, rather than feeding into changes to policy or implementational practice. So, something could be added on evidence of PSIAs feeding into domestically driven policy change; domestic demand for information-based policy making; use of PSIA-derived information by the interlocutors for the poor in demanding their (socio-economic) rights.

- What information is needed to extend these analyses, what are the gaps and how might they be filled?

Social and political change

Review the relevant literature and identify the best six examples of 'successful' consciously pro-poorest *public policies* and determine the impetus for such initiatives looking in particular at

- Local, national and international drivers of change (i.e. the issues that put the poorest on the agenda)
- Actors: the role of the poorest themselves, as opposed to intermediaries (NGOs, INGOs, UN, donors, political parties, middle class or elite, non-poorest poor, private sector, FBOs etc)
- Processes: e.g. social mobilisation, media campaigns, elections, constitutional reform processes, conflict or conflict reduction, sources of resistance ('drivers of stasis') and how it was overcome

'Success' is measured in terms of the numbers of poorest affected and/or the magnitude of improvement in their livelihoods.

Service Delivery

[to be completed]

Annex 3: Summaries of Pilot Studies

Box 2: Armenia: Water Policy Reform

Date of PSIA: April 2003

Focus: Municipal and irrigation water reforms

Methodology

- The pilot relied largely on existing research, with some additional gap filling over 4-5 weeks in 2002
- Qualitative methods included key informant interviews, stakeholder analysis and focus group discussions

Institutional Development

- The pilot depended on the support of the key policy and sectoral ministries. Despite this there is insufficient government ownership of PSIA findings – greater buy-in is required, and the Presidential Administration will need to provide a stronger lead to the PRSP and PSIA process if they are to acquire real influence
- Non-state stakeholders made important contributions to the PSIA. Much of the understanding of what is happening at the community level is outside of government and the lack of capacity in government itself is a key issue for future PSIA and PRSP activity
- There is a risk of poor policy sequencing and/or lack of commitment to required complementary policies

Findings

- **Effect on policy:** the PSIA findings are currently being discussed with stakeholders, so it is not clear yet what effect it will have on policy
- The public lack trust in the government and its capacity to address the problems in the water sector
- Short and medium impacts are likely to have significant negative impacts on households, particularly the very poor and vulnerable, through increase municipal and irrigation water costs, especially in poor, isolated dry regions
- Non-compliance in the municipal water sector is widespread but is not a consequence of poverty; however, increasing collection would affect the poor, along with other groups. Full payment compliance of existing tariffs would increase the numbers of the very poor by nearly 18% (from 15.9% of the population to 18.7%) and the poor by 4.6% (from nearly 35.0% to 36.6%)

Box 3: Chad Cotton Sector Reform

Date of PSIA: July 2003 (Fieldwork, May - June 2003 (48 days))

Focus: Privatisation of cotton ginneries

Methodology

The methodology included use of both qualitative and quantitative methods.

- Qualitative methods: Social assessments, institutional analysis and key informant interviews, and focus group interviews – these will inform the identification of welfare indicators for quantitative sampling
- Quantitative methods: Secondary analysis of sector reports and papers; Panel sampling for the generation of baseline sampling
- Unlike many other PSIA pilots, the field team was composed entirely of local consultants (a senior social scientist and four sub-teams, each containing two researchers, who spent 5 days in each study village)

Institutional Development

There does not appear to have been a strong institutional development focus in the PSIA

Findings

- **Effect on Policy.** Too early to tell.
- Direct losers:
 - Some Cotonchad employees are likely to be made redundant (approx 1500)
 - Most cotton farmers will lose as a result of the reform – especially low/medium producers without cattle. The latter will require support in the purchase of cattle and access to credit.
 - Pastoralists – if the area under cotton increases significantly, their access to land and water sources might be further constrained
- Direct winners:
 - Government functionaries would probably benefit from privatisation because of (1) better access to information, (2) political capital/ links with people in power, and (3) their mobility and geographical proximity to main commercial routes
 - Traders/ market intermediaries – likely to benefit from their privileged access to critical assets and to information, networks and credit
 - Transporters will gain, especially at the local level, if Cotonchad's monopoly in cotton transportation is removed
- Uncertain impacts:
 - Women are seen as being a particularly vulnerable group. They may benefit if the cotton sector remains vibrant, with increases in the number of traders in the villages, as this would improve market access for women. Low female literacy will need to be addressed to reduce their barriers to involvement in farmer's organisations
 - Differential regional impacts: Western region - higher productivity cotton-producing area – thus better placed to take advantage of post-reform opportunities. Central/Eastern regions - more vulnerable to the risks associated with the reform
- Findings are somewhat differentiated by livelihood group (e.g. cotton farmers with few cattle) or social difference group (e.g. women) but not by other axes of social difference or by the severity or duration of poverty

Box 4: Guyana Selected Sector Reforms

Date of PSIA: September 2002

Focus: Water, Sugar and Bauxite Sector Reform

Methodology

- The Water Sector analysis draws mainly on the findings of a KPMG study (2000), which conducted a survey of 900 households and consumer-led focus groups in selected areas
- Stakeholders included individuals, households, and both public and private sector institutions
- The Sugar Sector analysis draws on work carried out by a major corporate stakeholder in conjunction with non-stakeholder analysis
- The Bauxite Sector analysis draws on existing non-stakeholder research, which in itself had engaged local household opinions.

Institutional Development

- Institutional development did not appear to have been integrated into the methods or processes used in this PSIA.

Findings

- The objectives of Guyana's programme of reforms are key to its PRS
- Medium and long-term reforms are likely to have a net positive impact on poverty and social conditions, though specific groups are likely to experience serious short-term impacts: of particular concern are the likely redundancies in inefficient areas of the sugar and bauxite industries
- Guyana's newly combined national water company needs to address several issues to ensure that universal access to clean water is met by 2007, in terms of consumer coverage and cost:
 - proper implementation of a full cost-recovery strategy for the sector, reducing generalised operating and capital subsidies and targeting Government transfers to the very poorest consumers
 - sector investment programme aims to reduce water costs by rationalising existing production facilities. This will be offset by improved treatment facilities and the expansion of transmission and distribution networks. However without exceptional sustainable supply arrangements to reduce consumer costs and increased investment targets it is unlikely that the squatter, rural and hinterland communities, who currently have poor access to water, will gain universal water supply by 2007
- The evolving nature of the international sugar industry means that the Government needs to react in a way that will reduce the negative impact on its national and local stakeholders. The two policy options could bring differential impacts on poor groups of the community, though the actions will undoubtedly affect the low-income workers and other individuals in the service sector in Demerara
 - expanding production at Skeldon at a price of 16% of annual GDP, would pose immense economic and social challenges for Guyana as a whole, though with 20-25% of this investment locally it would create significant opportunities and employment for the local area, with a strong positive impact on poor households
 - improving cost-effectiveness of Demerara estates by undertaking a government-led Agricultural Improvement Programme and other private-sector incentive-led actions
- GUYSUCO will need to sell a proportion of its extensive land holdings to finance the Strategic Plan, which should have an indirect beneficial impact on poor households nationwide as the land is regenerated for more productive use or developed for low-income housing
- The subsidies to maintain Bauxite operations, its workforce and related services, which the Government has been providing since 1992, and amount to 1.5% of annual GDP, are unsustainable and will not generate an upturn that will prevent closure and unemployment. There is only one current proposal, which would privatise part one of the three main sites, though this has both positive and negative implications
 - the relief from the current subsidy would allow capital to be directed into other investments, including social expenditures for the poor
 - however, the substantial job layoffs, spillover onto the local service sector, and decline of social services provided by the mine would devastate the community
 - as the newly unemployed specifically-skilled labourers migrate in search of work, other mining areas in Guyana might become saturated; but also the remittances from emigrated workers will positively affect the overall GDP.

Box 5: Honduras: Privatisation of Electricity Distribution

Date of PSIA: submitted 2003 (research undertaken over 8 weeks in late 2002)

Focus: Power Sector Reform

Methodology

- The study used a mix of qualitative and quantitative analysis, secondary data with gap filling new research
- A 60 household survey focusing on energy-use behaviour was undertaken plus focus group discussions with involving 84 households, and key informant interviews.
- Analysis of behavioural responses were based on price changes for electricity calculated for eight different scenarios, comprising different combinations of the possible reforms. Three different scenarios were examined in terms of purchasing power with price increases of up to a maximum of 30% for electricity and 6% for general prices

Institutional Development

- The PSIA topic was selected by the research team rather than in consultation with government, because time was short. There was little consultation with stakeholders during the research process.
- PRSP preparation and implementation is coordinated by UNAT (Technical Support Unit of the Social Department of the Vice Presidency), with inputs from sectoral groups civil society, the private sector and academia. In theory these arrangements can be used to implement PSIAs, but in reality additional support is needed, as UNAT lacks the time and resources to undertake analytical work. The PSIA report suggests the establishment of a new PRSP Unit within UNAT, with personnel recruited from outside government or seconded from the Central Bank, the Ministry of Finance or from other parts of UNAT

Findings

- **Effect on policy** – limited so far. Government ownership of the findings has been limited
- **Winners:**
 - the economy may benefit from efficiency gains following privatisation.
 - households may gain from increases in service quality
- **Losers:**
 - rural and urban households may face increased electricity bills
- Findings are undifferentiated by severity or duration of poverty, livelihood group or socio-cultural group

Box 6: Indonesia: Rice Tariff Reform

Date of PSIA: Sept - Oct 2003 (8 weeks)

Focus: Tariff Increase

Methodology

- A mix of qualitative and quantitative methods were used to examine the likely impact of increasing rice tariffs from 25% to 45%:
 - Quantitative: a CGE (Computable General Equilibrium) model was used to analyse the first and second round effects of a change in tariffs
 - a 'Policy Interest Matrix' developed through key informant interviews with government, civil society and donors
- Analysis was undertaken by SMERU (Indonesian think tank) and DFID

Institutional Development

- There is a low level of commitment to PSIA's or information-based decision-making in the Indonesian government. More work needs to be done in these areas

Findings

- **Effect on policy:** rice tariff increases have not yet been announced, possibly delayed as a result of the PSIA findings.
- Losers outnumber the gainers
- The poverty gap will increase, showing that amongst the poor, the magnitude of the losses will outweigh the gains
- The effects differ considerably among poor households.
 - Winners from tariff increase:
 - Net rice producers and those households with high shares of income deriving from unskilled labour are generally expected to benefit from the added protection offered by a tariff increase
 - Losers from tariff increase:
 - Poor households are net rice consumers and are expected to be directly negatively affected, though second-round effects may compensate for price impact.
 - Rural households with low shares of income derived from unskilled labour lose from tariff increases.

Box 7: Assessing the Impact of Fiscal and Structural Reforms on Poverty in Orissa (India).

Date of PSIA: April 2002

Focus: Orissa Broad Economic Reform - Structural Adjustment Lending and Budget Support

Methodology

- Unlike other pilot PSIAs, the Orissa study reviewed a range of policy measures in the economic reform programme, rather focusing on a particular programme
- the study was undertaken over 2 weeks by a single non-stakeholder expert, who produced descriptive analysis, drawing on existing literature and mostly central government stakeholder consultation. As a result, the findings were largely synthetic and the conclusions are subjective.

Institutional Development

- the economic reforms in Orissa are strongly government-owned. The Federal and State 5 Year Plans are, in effect, poverty reduction strategies
- the PSIA has so far been most visibly useful to donors, though it may in fact create a common basis for policy-makers in different sectors to discuss their concerns
- however, there is very limited capacity in Orissa to undertake this kind of PSI analysis without external assistance. Responsibility for the coordination of future PSIA work is likely to fall between several sector ministries, including the Planning Department and Finance Secretary, but moreover future research will need to be strongly linked to a significant capacity building effort.

Findings

- There are a range of structural reforms being undertaken by the government, in areas of assets, service delivery, and the creation of an enabling environment for the private sector. The study suggests that the general direction and intent of the reforms are pro-poor, but there may be more scope for enhancing positive benefits
- in the past, panchayati raj institutions have worked less well in Orissa than in other states. Improving the performance of village-level institutions will be central to achieving major improvements in service delivery of healthcare, education, community management and irrigation schemes.
- If no extra resources become available, the GoO faces a choice between making 20% of civil servants redundant and cutting priority expenditure.
- The immediate impact on retrenched civil servants may be low as they are mostly literate; though there would be a knock-on effect in the labour market and associated services. The net impact of retrenchment will depend on the use of the resources liberated. If used for public works programmes, poverty would be greatly reduced. Increased resources for rural infrastructure should also provide employment for people who are in general poorer than employed civil servants. If reforms lead to improvements in service delivery, there would be large benefits for the poor
- plans to reduce subsidies are likely to affect different groups on several levels:
 - Irrigation subsidies are only likely to harm the better-off farmers
 - the rural electrification subsidy is important in poverty reduction especially in non-agricultural rural sectors, so reforms must maintain incentives to ensure the supply
 - the food subsidy is a complex and historically poorly-performing policy - careful studies of its functioning and pro-poor benefits should help to formulate better policy priorities
- proposed revenue reforms are unlikely to have a regressive impact, though
 - the pattern of VAT exemptions will be important in determining poverty impact (exemption of staple foods and other necessities is generally pro-poor)
 - measures directly affecting the forest dwellers who are amongst the poorest,
 - the kendu leaf pickers' increased fixed minimum wage should ensure some security though employment would be reduced if demand falls
 - the levy on forest products could lead to reduced prices, which would have serious negative impact on poverty
 - new laws to help tribal people reclaim some of their land is a pro-poor measure though implementation of these reforms will be difficult, and will sometimes involve competition between poor groups

Box 8: Kyrgyz Republic Electricity Sector Reform

Date of PSIA: October 2002

Focus: Tariff increase with user billing, distribution and reliability

Methodology

- A combination of qualitative and quantitative approaches, using both macro and micro-level data:
 - carried out in March 2002, involving in-depth discussions with all major stakeholders including government officials, members of parliament, large business consumers, NGOs, and community leaders as well as focus group discussions with the population
 - further analysis of government electricity sector data in conjunction with household budget survey data
 - quantitative study to be designed using the outcomes of the analysis reflected in the preceding reports and major stakeholder consultation.

Institutional Development

Findings

- 48% of households in Kyrgyzstan are classified as poor. They may respond to substantial tariff rises by defaulting on their electricity payments to a level that would seriously compromise profitability
- households find poor service quality and maintenance and over-billing harmful to their budgets
- with current poor targeting of the means-tested social protection system, a 'life-line subsidy' might be a more efficient way of protecting the poor than cash allowances, though the life-line household energy requirements of the very poorest do not currently reflect an equitable billing level, which can drive some households to cut life-sustaining heating use
- suspicion of privatisation, and few visibly immediate benefits, coupled with inherent distrust of the government, means that although there is currently little consumer satisfaction, the Electricity Supply Industry and State Energy Agency must restructure the pricing and performance mechanisms in such transparent way that they combat these perceptions and improve consumer satisfaction.

Box 9: Malawi: Agricultural Market Restructuring

Date of PSIA: July 2003

Focus: Closure of ADMARC (maize) Markets

Methodology

A mix of qualitative and quantitative methods were used to (1) assess the importance of ADMARC on household welfare and to (2) understand private traders' perceptions of ADMARC in 20 villages

- Quantitative:
 - Analysis of 1997/98 Integrated Household Survey (IHS) data to assess the impact of access to ADMARC markets by rural households, using distance to market in relation to crop yields, profits and household consumption
 - Data from IHS used in a follow-up panel in 2002 to assess changed importance of ADMARC over time
- Qualitative methods:
 - Semi-structured interviews with traders, key informants, and local ADMARC officials
 - Focus group discussions in 2 villages per site
 - Participatory learning methods

Institutional Development

- Capacity building: The team (plus a National Economic Council official and a senior officer from ADMARC headquarters) received 2 weeks training designed by Washington-based experts in the World Bank and GTZ.

Findings

- **Effect on policy** – too early to tell. The PSIA results are still being discussed by policy makers
- Winners from the removal of ADMARC from maize marketing:
 - richer rural households
 - vendors.
- Losers from the removal of ADMARC from maize marketing:
 - rural communities, particularly in remote areas, have been adversely affected by the withdrawal of ADMARC markets or the decline in business activities of ADMARC due to its financial and operational problems.
 - Use of purchased inputs has declined, as their availability and affordability has declined
 - The poor produce smaller maize surpluses. Even when they have a surplus to sell, they lack access to reliable output markets
 - The poor run out of food 1 or 2 months after harvest. They lack access to affordable maize during the rest of the year.
- Liberalisation of food markets has
 - increased differentiation
 - strengthened the position of the rural elite and 'well-to-do' households. The poor are more dependent on them as providers of casual employment (*ganyu*), an increasingly important coping strategy.

Box 10: Mongolia Cashmere and Energy Sector Reform

Date of PSIA: March 2003, though ongoing

Methodology

- Current analysis of the cashmere sector uses partial equilibrium analysis, analysis of the energy sector is using systems engineering design tools
- energy, livestock and cashmere modules have been developed, tested and added to the LSMS following discussions with principal ministries involved, other donor partners and Parliamentary approval

Institutional Development

There does not appear to have been a strong institutional development focus in the PSIA. However Mongolian researchers have been trained in analytical methodologies, building their capacity.

Findings

- **Effect on Policy:** preliminary work on the energy and cashmere analysis has led to the inclusion of pro-poor policy alternatives in the government's PRSP medium term development objectives.
- Redefined policy choices in the cashmere sector could lead to the incomes of the herders increasing by over 20 percent and the export potential of livestock products increasing by over a third
- increases in energy tariffs, if not appropriately targeted, would have a negative impact on the net household incomes of the poor and increase service costs to the government. The development of an adequate 'life-line tariff' which ensures that energy companies are operating efficiently and the poor are not unduly taxed is crucial for the success of any reforms in this area

Box 11: Mozambique: Fuel Tax Increase

Date of PSIA: May – July 2002

Focus: Fuel Tax Increase

Methodology

- The research used a mix of qualitative and quantitative methodologies data.
- Quantitative:
 - A SAM (Social Accounting Matrix) was used to track the impact of scenarios on economy wide prices and output at the sectoral level.
 - The household survey was analysed to link price increases to household purchasing power.
- Qualitative:
 - Fieldwork was also done using key informant discussions to identify potential vulnerable groups
 - Rapid fieldwork and key informant discussions were held with the private sector and civil society organisations.

Institutional Development

- Local ownership of the PSIA process and the findings was good, as the Mozambican government selected the policy for review and cooperated with discussions throughout the PSIA process
- The Ministry of Planning and Finance has a long-term and consistent concern with poverty analysis, so this PSIA was not an opportunistic response to the PRSP process.
- Ministries are familiar with strategic planning. The involvement of line ministries in consultation is well-established, though certain ministries have been considered to be more closely linked to poverty issues – health, education and agriculture
- There is capacity for contributions to PSIA analysis scattered through Mozambican institutions, both governmental and non-governmental. This is particularly true if the wide social development understanding of poverty is considered. The scarcest resource for future PSIA work is the economics and research management skills of local experts. At present, there are fewer than 10 Mozambicans who could coordinate a sustained programme of PSIA

Findings

- **Effect on policy:** Too early to tell. The PSIA possibly moderated the views of those who feared a major upheaval from a tax rise
- Results show that the poorest will be negatively affected by increases in fuel prices
- Winners:
 - many households *could* benefit from increased public expenditure, though this is dependent on how the additional revenue is distributed
- Losers:
 - the cost of living is likely to increase as a result of food price increases, though the net impact on poor households should be small
 - households that rely disproportionately on fuel-intensive activities, such as fishing, mining and small trading etc, will be hardest hit.
 - The reduction in purchasing power (resulting from increased fuel costs and knock on impacts on other prices) is calculated to have the effect of pushing about 28,500 people below the poverty line (approx 5400Mt/day) with 56,000 being pushed below an absolute poverty line. The much larger impact on the number of extreme poor is explained by the fact that there are a group of extreme poor who rely very largely on marketing food

Box 12: Rwanda: PRS Public Expenditure Increases

Date of PSIA: 2003 (3 missions to Rwanda over 8 months from mid-2002)

Focus: Fiscal austerity.

Methodology

- A mix of qualitative and quantitative methods were used
- Quantitative:
 - Expanded PRSP expenditure scenarios were taken as the basis for the analysis, which examined each of the sectoral and macroeconomic issues and presented them in a simple RMSM-X (Revised Minimum Standard Model) type model.
 - analysis of international evidence.
 - the sectoral pattern of the proposed expenditures was analysed alongside the household living conditions survey 2001
- Qualitative
 - Key informant interviews and workshops with a range of stakeholders (government, NGOs, donors, the IFIs and the Rwandese private sector)

Institutional Development

- The PSIA in Rwanda emerged out of a difficult set of negotiations between and GoR and the IFIs. Government was committed to the PSIA being undertaken and all ministries with priority programmes participated (through interviews and workshops etc.)
- The government's capacity to engage in the debate needs to be reinforced by improved macroeconomic modelling capacity

Findings

- **Effect on policy:** the findings of the PSIA have well-received by the government, but it will be difficult for them to influence policy, as it is an area that the IMF (and others) have strong opinions
- **Winners:**
 - Increased spending on poverty-reducing programmes is likely to have many benefits for poor households with several indirect benefits economy-wide
 - Agricultural commercialisation may benefit richer farmers first
- **Losers:**
 - Potential negative effects relate to the macroeconomic implications of increased public spending and financing, such as inflation, debt sustainability, aid dependency, Dutch disease etc. and the impacts that these may have on the economy as a whole and various poor groups in particular
- **Level of differentiated understanding:** the impact on vulnerable groups (e.g. women and the elderly) is only beginning to be assessed

Box 13: Rwanda Tea Sector Reform

Date of PSIA: 12 month period starting in May 2003

Focus: Private sector development

Methodology

- In-country analysis, in conjunction with the Rwanda Ministry of Finance and World Bank, of:
 - ongoing stakeholder and institution consultations
 - social and risk analysis
 - quantitative baseline and follow-up surveys of household welfare indicators

Institutional Development

- Restructured tea parastatal as a regulatory Tea Board may not have sufficient capacity for its new role
- grower organisations are weak and need to be strengthened to ensure appropriate representation

Findings

- The effect of the results of the PSIA on policy design and implementation remains to be seen
- the reforms are expected to have had a broad range of benefits across the country in stabilising and liberalising the economy, affecting households through to national-level stakeholders
- the privatisation of 10 estates is expected to boost production and efficiency, increasing export earnings and increasing employment across each immediate region
- there are concerns of labour exploitation due to the geographical sector dominance of each estate

Box 14: Uganda: Strategic Exports Initiative (STRATEX)

Date of PSIA: September 2003

Focus: Export led growth

Methodology

- Quantitative:
 - Analysis of household survey to reveal scale and distribution of likely direct income effects from growth in coffee and fish sales
- Qualitative:
 - Use of existing literature and case study material examining gender and distributional issues at the (sub) micro level

Institutional Development

- the institutional framework for embedding PSIA exists, through the Economic Affairs Directorate. It has some track record in evidence-based policy making.
- It would be possible to undertake a PSIA of this type using Uganda's limited capacity for multi-disciplinary social science
- There will often be a relatively weak connection between the repositories of detailed case-studies presenting data on micro-level issues (often university-based researchers in departments other than economics) and the politicians and officials responsible for macro, structural and sectoral policy making. Future PSIAs need to build bridges between these institutions, in order to make sure that the scope covers the range of issues highlighted in this study

Findings

- **Effect on policy:** too soon to judge the extent to which the recommendations in the PSIA will have an effect on policy
- **Winners:**
 - Economy wide benefits of export diversification and increased foreign exchange earnings are expected
 - Rural households are *assumed* to benefit through improvements in income levels
- **Losers:**
 - women and children may not benefit due to intra-household dynamics.
- **Level of differentiated understanding:** there has been little analysis in Uganda so far which assesses the distributional effects generated by the supply response to STABEX

Annex 4: Methods of data collection and analysis used in PSIA.

The DFID funded PSIA pilots tended to use an eclectic mix of methods depending on the configuration of the country team and data availability. Because the World Bank funded pilots tended to have had a larger budget and to have been undertaken over a longer period, they had the luxury of being able to use not only existing quantitative data and secondary sources, but also to commission new research. In doing these the World Bank teams drew from the tools which appear in the User's Guide to Poverty and Social Impact Analysis (World Bank, 2003b). The table in Annex 4 (Table 4) identifies some of the approaches to data *collection* which have been used in some of the existing PSIA's. Table 5, also in Annex 4, presents some of the data *analysis and assessment* techniques.

As we have shown in our discussion above, it is necessary to increase the disaggregation of data on the poor within PSIA's by income, well-being, duration of poverty or vulnerability, in order to enable policy makers to understand not only who the very poorest are, but where they are in the country, what sectors they are active in, what their trajectories into and out of severe and long-term poverty are, and therefore which policies and developmental processes may affect them negatively or positively. World Bank teams are aware of arguments for greater differentiation within PSIA's but they are loathe to commit themselves to structuring this into the PSIA's that they support. They feel that existing PSIA's attempt to identify those most likely to be negatively affected by the proposed policy change. Producing a more complicated picture would be analytically complex and resource intensive and might result in dilute and confusing findings (Sarah Hague, World Bank, pers comm.). However, the Poverty Analysis and Monitoring team in DFID has identified the need to generate differentiated findings as a major focus for its work on PSIA's, and plan to work on improving PSIA's both technically and in terms of process (Clare Shakya, DFID, pers comm.). It is therefore inappropriate for this paper to either pre-empt or duplicate their work. We hope that the discussion above will help in this process.

Table 4: Examples of data collection techniques¹¹

Technique	Description	Advantages	Limitations
Household surveys 1. Multi-topic surveys (For example, LSMS and Priority Survey)	LSMS - An enumerator, who typically makes two household visits, each usually lasting three to four hours, collects data. Covers usually 2,000 to 5,000 households. The first LSMS survey in a country can take between 18 and 36 months and costs between US\$500,000 and US\$1 million. PS - similar to the LSMS but has a shorter questionnaire and usually covers a larger sample of households (8,000).	Measurement and analysis of different poverty dimensions, their inter-relationships and correlates	Time-intensive (collection and Analysis)
2. Demographic and health surveys	Nationally representative household surveys with large sample sizes of between 5,000 and 30,000 households, typically. DHS surveys provide data for a wide range of monitoring and impact evaluation indicators in the areas of population, health, and nutrition.	Health-poverty measurement, health behaviour analyses, basic poverty diagnostics	Measurement of other dimensions of poverty limited, diagnostics limited
3. Employment surveys	Household based survey.	Analysis of employment patterns, wage income analysis (linked to education)	Limited use for poverty measurement and diagnostics
4. Single-topic surveys	Household based survey	Income-poverty measurement (or another single dimension)	Limited diagnostics possible
5. Rapid monitoring surveys and service satisfaction surveys	The CWIQ is a household survey that uses structured questionnaires and probability-based samples. It draws extensively from market research methodologies. It is used mainly to monitor development objectives using leading indicators such as beneficiaries' access to, use of, and satisfaction with services. The CWIQ is based on: large samples (in Ghana, the sample was 15,000 households); short questionnaires; easy data collection; quick data entry and validation; simple reporting; and fixed core and flexible modules.	Quick and cost-effective monitoring of key welfare indicators.	Income-poverty measurement not possible, limited diagnostics
Quantitative Service Delivery Survey (QSDS)	An analytical approach that uses qualitative methods to unpack the "black box" of decision-making and implementation processes. Understanding of political economy and governance issues through analysis of the institutions that are involved in the design and implementation of reforms, and identification of dynamic processes, and potential constraints in this respect.	Useful for PSIA regardless of reform type, but particularly important for policy changes involving institutional reforms, such as decentralisation of public services, utility reforms, land reforms, social safety net reforms. Useful for policy design and implementation.	Care should be taken in generalizing findings across different units of analysis and across regions with dissimilar informal institutions even within a country (e.g. panchayat institutions will vary enormously across different states within India).
Beneficiary Assessment (BA)	BAs draw from consumer research, traditional qualitative social science research, anthropological participant observation (observing people and interacting with them in their environments), conversational interviews, focus group interviews, institutional assessments, and investigative journalism. A BA is designed in consultation with policymakers and others who will use the information. Information is collected through focus groups and individual interviews. A semi structured interview guide is drafted before the research begins.	Like PPAs, policy makers have greater ownership over the results and therefore more likely to use them.	Less participatory than PPAs.

¹¹ Tables 3 and 4 are adapted from those appearing in Robb, C.M. (2002) 'Poverty and Social Impact Analysis – Linking Macroeconomic Policies to Poverty Outcomes: Summary of Early Experience.' IMF Working Paper, which were in turn based on the World Bank PRSP Sourcebook (2000). (<http://www.worldbank.org/poverty/strategies/chapters/data/data.htm>), World Bank PSIA User's Guide (2002). Both table 3 and 4 are supplemented with information from another section of the World Bank website <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/81ByDocName/ToolsandMethods>

Report Cards	Citizen Report Cards and Community Score Cards can be used to capture feedback from the general public on public services. Draws on private sector practice of soliciting feedback from citizens and compiling "report cards". Intended clientele of public service are surveyed. The survey may be carried out by the private sector (and then this is similar to CWIQ surveys) or carried out by citizens groups.	Can help test policy assumptions. Increase accountability and transparency of government expenditures. Increases participation of citizens. Can contribute towards demand driven change. Creates a demand for good governance and better services.	Requires support from government otherwise there is a limited change that the results will be acted upon.
Participatory Poverty Assessment	PPA is an instrument for including poor people's views in the analysis of poverty and the formulation of strategies to reduce it through public policy. They are designed in consultation with policy makers and civil society groups. A research guide is used but the study communities may be able to emphasise the issues of relevance to them. This is likely to mean that the policies and services with greatest impact on the poor and the very poor will be highlighted for examination. Unlike a household survey, which consists of a predetermined set of questions, a PPA uses a variety of flexible participatory methods that combine visual techniques (mapping, matrices, diagrams) and verbal techniques (open-ended interviews, discussion groups) and emphasizes exercises that facilitate information sharing, analysis, and action. PPAs go beyond the household unit of traditional surveys to focus on individuals, intrahousehold dynamics, social groups (such as gender, ethnicity, class, caste, age), and community relationships. There are techniques for differentiating amongst the poor. Well trained facilitators should be able to identify the destitute, the very poorest and the excluded and elicit their opinions. A typical PPA can take 5 to 9 months for research and analysis, with a research team of 10 to 20 people. Purposive sampling is used to select research sites (typically 40-60).	In-depth analysis of the views of the poor and their political, social, and institutional context; policy priorities of the poor, multi-dimensional dynamic of poverty and of coping mechanisms; identification of constraints that could be overcome through public action to increase access to reform benefits, with a particular focus on constraints for the poor. PPAs also a) increase the understanding of the multidimensional nature of poverty and enable the perspective and priorities of poor people to be included in the analysis of poverty and policies; b) promote wider ownership of researchers' findings and increase the influence of these findings on policymaking by including a cross section of other civil society groups in the process; c) increase country capacity to analyze and monitor poverty and policy impacts. PPAs often take less time and cost less than household surveys because they use a selected sample of communities.	The quality of PPAs can be compromised unless facilitators are highly skilled to ensure that research is participatory, data are not biased, vulnerable groups are included, the poor may not be differentiated systematically, community expectation are not raised and outcomes accurately analysed. PPAs are not as extensive, representative, or standardised as household surveys. Facilitators may not elicit issues and themes which are important to the poor, but rather stick to their research guide. The very poorest often lack confidence and are not very eloquent, especially in public fora. They may therefore be unwittingly ignored. People living with AIDS, widows the mentally ill, and the mentally and physically impaired may be disproportionately represented amongst the very poorest, but stigma and social exclusion may lead to their 'invisibility' to outsiders. Migrants (who may also be very poor) may be excluded from community based exercises, as they are not seen as belonging to the community.
Social Capital Assessment Tool (SOCAT)	A set of integrated quantitative and qualitative measurement tools to investigate institutions, networks and norms that enable collective action. Has to be adapted to a specific research issue. Can be implemented in conjunction with other tools. It can be useful for understanding reforms with low/medium indirect impacts. Agricultural reforms (changing subsidies/taxes), liberalising markets, financial reforms (changing access to credit), labour market reforms (active labour market programs), utility reforms (access to services), decentralisation, social safety net programs (changing public/private transfers).	It can tell you about the existence of institutions and networks affected by and/or involved in reform implementation. Which norms and values lead to policy adoption or resistance? The distribution of social assets and their role in income generation and risk management. What are the impacts of reforms on households with low social assets? Which adaptations in policy formulation and / or which mitigation measures are advisable?	Collects social capital data only at micro and meso levels. For analysis of links between social capital and poverty, combination with other survey is necessary.
Participatory Public Expenditure Reviews (PPER)	Involves stakeholders in the government's budget allocations in the PER process. Involving the public can help improve better targeting, allocation, and tracking of resources.	Can result in policy suggestions. Can make the final decisions of the PER more legitimate and accountable	The poorest are unlikely to have their voices heard. Using the budget process as a starting point presupposes that a particular policy has already been selected. This might not be useful where a number of options are on the table.
Demand Analysis: Consumer	Adapts and expands traditional demand analysis. Includes qualitative and quantitative methods to examine consumer or client demand for different types of services (willingness to pay, ability to pay, preferences), probes qualitative	It can be used to examine the effect of price increases on different groups of consumers including the poor, specifically taking into account	Requires skill in triangulating information to provide assessment of client response to changes in tariff

Assessment	and other factors driving demand and potential substitutes, obtains feedback on likely responses to potential changes tariffs or in service management (e.g. privatisation), and explores ways in which to more effectively help the poor in terms of price and access based on local institutional context and past experience with programs targeted at the poor.	institutional factors that affect the transmission of these prices. Helps to project more realistic revenue/cost recovery levels, incorporate client perspectives and levels of satisfaction, and rank the service in question in terms of overall development priorities of different groups of clients.	levels, and to distinguish potential biases in information provided. Skilled facilitators needed for effective qualitative work. Willingness to pay questions can raise expectations of service improvements, and need therefore to be carefully linked to sector constraints and likely scenarios.
Social Impact Analysis	SIA can be used to assess the impact of policies on people, the impacts of stakeholders on the reform and how people respond to the opportunities that policy actions create. It incorporates impact assessment and opportunity analysis. It can be participatory and provides an understanding of the social context, institutions and coping strategies that affect social behaviour and policy impacts.	Provides information on the social and political context for reform, who is affected by the reform at what point in time, preferences and priorities of those affected by reform, constraints to implementation of reform, how people, institutions are likely to respond to reform including whether assumptions on how they will react or be affected by the reform are correct. Provides information on coping mechanisms and social risks, suggestion from stakeholders on most appropriate means to mitigate negative impact of reform and potential effectiveness in local context.	Derived from a 'do no harm' tradition and so might be difficult to adapt to focusing improving policy for the very poorest. SIA is not the best instrument to use for broad based reforms where the transmission channels and groups affected are not well known.

Table 5: Examples of data analysis and assessment techniques

Technique	Description	Advantages	Limitations
Benefit incidence analysis	Benefit incidence compares the distribution of benefits from public spending to the distribution of income to determine whether the overall impact is progressive. Household or individual-level data can be used to measure the share of spending that goes to different income groups. The technique can be applied to government services. Most applications have focused on education and health, and participation rates in public works programmes. It involves three steps: estimating the unit cost, or unit subsidy, per person of providing a service based on expenditure data; imputing the unit subsidy to households (individuals) based on their utilization of public services—usually derived from household surveys; and, aggregating households (individuals) into groups and comparing subsidy incidence across these groups. The most common grouping is based on income or expenditure quintiles. The analysis can be further broken down by region, ethnic group, or gender.	Simple Assesses distributional incidence	Outcomes may not correlate with incidence; hence, this method does not quite assess impacts. Measures average not marginal impacts; (the two may differ significantly) Does not explain pattern of incidence
Spending Incidence Analysis	Spending Incidence Analysis looks at how much of the benefits of public spending accrues to households at the bottom end of the expenditure distribution. Data needs include: a representative household survey with information on household expenditures or income; consumer price index (ideally on a regional basis) to adjust household expenditure estimates for regional differences in price levels; binary indicators of utilization of publicly funded services (such as enrolment in primary, secondary or tertiary school) for each household in the sample; and (optional), data on per unit subsidy provided by the government for the relevant service or government budget data by sector and level of service to calculate the per capita public expenditure on a given service, ideally in small geographic areas.	More complex	
Marginal benefit incidence analysis	Marginal benefit incidence analysis measures the incremental increase in the share of expenditures going to a given quintile with a change in spending on the programme. <i>Average</i> benefit calculations require data on capital and recurrent costs whereas <i>marginal</i> benefit analysis requires data on recurrent costs only. It can examine the distribution of marginal benefits from programme expansion across different income groups. (e.g. ex-post behavioural marginal incidence analysis of public spending and social programmes, <i>ex-ante</i> behavioural marginal evaluation of policy reforms)	Often early capture of public programme by the non-poor (due to a political constraint, for example that restricts any adverse welfare impacts on the non-poor in the short-run). Poor may benefit disproportionately more from an expansion of the existing programme. For example, the rich may demand short-term payoffs from paying taxes to cover a social programme's start-up costs, and only once the programme has expanded (and the marginal costs of programme expansion have been lowered) will it be politically feasible for the government to concentrate services in poor, remote areas (Ravallion and Lanjouw 8).	More complex and data intensive Same weaknesses benefit incidence analysis except measurement of average effects
Tax incidence analysis	There are four possible approaches to identify whether taxes are regressive: a) general assessment can be based on a systematic review of the structure of taxes, and knowledge about consumption and production patterns among different population groups. International evidence about the distributive impact of a particular type of revenue measure can also be used; b) simple cross-tabulations of consumption patterns and income sources of different income deciles using household survey data can shed light on the distributive impact of alternative revenue services. Without knowing how household and firm purchases will shift as a result of the imposition of a tax, it is still possible to use recent household data containing information on the sub-sector in which the poor work, which goods and services they purchase, etc. to inform the likely economic		

Technique	Description	Advantages	Limitations
	incidence of the tax; c) price elasticity of demand analysis can take into account how consumers or producers will change their behaviour once a tax has been imposed when inferring the economic incidence of a tax from household data.		
Public Expenditure Tracking Surveys	Quantitative analysis to trace flow of budget resources. Expenditure tracking surveys can be used as supply-side checks on service delivery and budget execution when reliable and accurate data on actual budget disbursements do not exist.	Can be useful where there is an absence of reliable admin or financial data. Can provide data on governance, decentralization and cost-efficiency.	
Partial Equilibrium Models	Partial equilibrium models include 'multi-market models' and 'reduced-form estimation models'. These equate supply and demand in one or more markets so that the markets clear at their equilibrium price levels. This makes prices endogenous.	Partial equilibrium models are best suited to analysing sector reforms that are less likely to have large impacts on macroeconomic aggregates.	Partial equilibrium models do not include all production and consumption accounts in an economy, nor do they attempt to capture all of the economy's markets and prices. The approach allows the analyst to trace the impact of changes in one market on other markets, but it only captures such changes in the markets included in the model.
CGE models	The Computable General Equilibrium (CGE) model is a fully specified model of an economy, which includes production sectors, factor markets and institutions in addition to consumers. The CGE can be used to run policy simulations, against a base run (the counterfactual). The base run can model an external shock, for example, a terms of trade shock or an increase in world interest rates. The augmented CGE model with representative household approach can also be used.	Policy simulations produced by CGEs can compare the impact of alternative policies to counter the shock on, among other things, the distribution of income. CGE models can further specify different channels through which adjustment policies affect the distribution of income, including the change in factor payments (wages, rents and profits) arising from changes in relative prices, reductions in real incomes through increases in the cost of living and changes in the value of financial assets.	Require detailed data; are time consuming and complex; results are sensitive to the assumptions on which a particular model is based; and causality can be difficult to establish. Second round effects can only be predicted with decreasing certainty. The extent of policy relevance may be limited in poverty reduction terms since information from a CGE tends to be aggregate i.e. showing shifts in relative prices and incomes between traded good and non-traded goods sectors.
Household models	Micro-econometric models that integrate producer, consumer and worker decisions into a household problem. These models reflect the fact that many households, especially in rural areas, are simultaneously units of production and consumption. These models have been used to examine a wide range of policy reforms, such as price and marketing changes, market failures, and taxation. The models allow to estimate the response of households to changes, in terms of their consumption, production, labour supply, and more generally any allocation of resources within the household.	Separate models can be constructed for different groups to examine structural differences in the impact policies have on these different groups.	Data hungry
The 123PRSP model	123PRSP (one country, two sector, and three goods) is a static computable general equilibrium (CGE) model. It can be used to analyse the impact of macroeconomic policy and external shocks on income distribution, employment and poverty and allows for a forecast of welfare measures and poverty outcomes consistent with a set of macroeconomic policies in the context of a very simple general equilibrium model.	For a given set of macroeconomic policies, 123PRSP generates a set of wages, sector specific profits and relative prices that are mutually consistent. The projected changes in prices, wages and profits are then inputted into household data on wages, profits and commodity demand for representative groups, or segments of the distribution. In principle, 123PRSP can calculate the policy impact on each household in the sample so as to capture the effect on the entire distribution of income. For a given poverty line, 123PRSP can also compute the effect of different	123PRSP adopts several strategic simplifications in order to make the model user friendly. The cost of adopting this approach is that the causal chain from macroeconomic policies to poverty is in one direction only. The model in this regard does not capture the feedback effect of changes in the composition of demand (due to shifts in the distribution of income) on macroeconomic balances.

Technique	Description	Advantages	Limitations
		poverty measures.	
Integrated Macroeconomic Model for Poverty Analysis (IMMPA)	IMMPA is a dynamic computable general equilibrium (CGE) model. It can be used to analyse the impact of macroeconomic policy and external shocks on income distribution, employment, and poverty. One of its main features is that it integrates the real and financial side of the economy making it useful to analyse both the impact of structural reforms (such as changes in tariffs or the composition of public expenditure) and the effects of short term stabilisation policies (such as a cut in domestic credit or a rise in deposit interest rates).	It can be used to assess changes in the labour market and to identify the distinction between rural and urban sectors by completing separate projections on output and employment fluctuations for both areas, and therefore to study poverty in different geographical areas	CGE simulations depend to a large extent on the assumptions made in the model, especially those that are required to close the model. They are also data-intensive and difficult to master, something that could limit its usefulness under tight deadlines or capacity constraints.
PovSat	An Excel based software program which simulates the changes in poverty and inequality over time resulting from changes in output and employment growth. PovStat may be used to simulate the poverty and inequality impact of policies affecting sector-level output and employment growth rates. PovStat simulates poverty and inequality measures under alternative growth scenarios. Forecasts of varying levels of complexity may be computed depending on the availability of reliable data and the extent to which factors influencing poverty levels are incorporated. The simulations vary according to optional projection parameters.		PovStat does not capture second round effects. These may be captured by CGE models.
SimSip Poverty	SimSIP Poverty is a generic Excel based simulator, which allows to estimate the changes in poverty and inequality over time resulting from changes in output and employment growth. This tool may be used to simulate the poverty and inequality impact of policies affecting sector-level output and employment growth. It simulates poverty and inequality measures nationally and within sectors (urban and rural; agriculture, manufacturing and services). It may simulate the impact of various sectoral patterns of growth and population shifts between sectors on future poverty and inequality.		SimSIP does not capture second round effects. These may be captured by CGE models.
Poverty Analysis Macroeconomic Simulators (PAMS)	PAMS is an econometric model that links a macro-consistency model or macroeconomic framework to a labour-poverty module. PAMS can be used to address the impact of macroeconomic policies and exogenous shocks (such as an exogenous rise or fall in output growth, or a change in the sectoral composition of output) on individual households. PAMS can produce historical or counterfactual simulations of: (i) alternative growth scenarios with different assumptions for inflation, fiscal, and current account balances. These simulations allow for testing tradeoffs within a macro stabilisation program. (ii) Different combinations of sectoral growth (agricultural or industrial, tradable or non-tradable goods sectors) within a given aggregate GDP growth rate (iii) tax and budgetary transfer policies		The main limitation is the lack of feedback of the micro model into the macro model.
PPER	A public expenditure review (PER) is a key tool for analysing public-sector issues in general and public-expenditure issues in particular.	PERs help countries to establish effective and transparent mechanisms to allocate and use available resources in a manner that promotes economic growth and helps reduce poverty. They involve stakeholders in the government's budget allocations in the PER process. Involving the public can help improve better targeting, allocation, and tracking of resources. Can result in policy suggestions. Can make the final decisions of the PER more legitimate and accountable	The poorest are unlikely to have their voices heard. Using the budget process as a starting point presupposes that a particular policy has already been selected. This might not be useful where a number of options are on the table.
Scenario Analysis	This is an analytical approach using qualitative methods to identify and assess risks to, and from the policy reform, and to inform risk management strategies Risk assessment is relevant to all reforms that have significant poverty and social impacts..	Particularly useful for decentralisation reforms; civil service retrenchment; land reform; financial sector reform (e.g. regulatory reform, privatisation of SOE); labour market reform (e.g. minimum wage legislation); social safety nets; pension reforms; and agricultural reform (e.g. changing domestic subsidies and taxes,	If poorly facilitated or done with contentious stakeholders, assessment can easily produce skewed perceptions of risks that are based, for instance, on dogma or political calculation, rather than reflection and deliberation. As findings are

Technique	Description	Advantages	Limitations
		eliminating marketing boards)	necessarily based on stakeholder understanding of complex issues, it is key to validate results through reiteration exercises.
Social Accounting Matrices	A social accounting matrix (SAM) is a technique related to national income accounting, providing a conceptual basis for examining growth and distributional issues within a single analytical framework.	They can be used for some simple policy simulations and can be seen as a tool for the organisation of information in a single matrix of the interaction between production, income, consumption and capital accumulation. They can be applied to the analysis of the interrelationships between structural features of an economy and the distribution of income and expenditure among household groups.	SAM models have at least two major drawbacks. (1) prices are fixed, and do not adjust to reflect changes in, say, real activity. As a result, supply is either perfectly elastic (if chosen to be endogenous) and entirely demand driven, or perfectly inelastic – that is, supply is constant. (2) the results of the simulations vary greatly depending on the assumptions made about which accounts are exogenous and which endogenous.
Stakeholder Analysis	The aim of Stakeholder Analysis is to identify stakeholders and evaluate their interests, influence and capacities. Such analysis will consider groups of people who are affected by the policy as well as those who can influence the policy.	Stakeholder analysis can provide information on the political context of proposed reform and identify groups who may be opposed to the reform.	Requires country knowledge

