

How Influential Has Poverty and Social Impact Analysis (PSIA) Been? An IEG Study of World Bank Support to PSIAs Approach Paper, February 5, 2008

I. Background

1. The central mandate and corporate mission of the World Bank is to fight poverty. Fundamental to realizing this mission is supporting policy reforms that have minimal adverse impacts on the poor while having the maximum positive impacts. Poverty and Social Impact Analysis (PSIA), introduced by the Bank in April 2002, was aimed at helping to design and implement such pro-poor policy reforms.
2. As defined by the Bank, PSIA is the analysis of the distributional impact of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable.¹ The Bank envisaged an important role for PSIAs, including helping countries to elaborate and implement poverty reduction strategies in developing countries, promoting evidence-based policy choices, fostering debate on policy reform options, and helping to build country ownership and capacity for analysis.²
3. Two recent IEG evaluations have emphasized the usefulness of distributional analysis in supporting pro-poor policies. An IEG evaluation of the Poverty Reduction Strategy Initiative found that most Poverty Reduction Strategy Papers to 2003 have not considered the full range of policy actions required for growth and poverty reduction, and recommended that the Bank help countries address key analytical gaps relating to the poverty impact of policies and programs.³ Assessing downstream development outcomes, IEG's 2006 Annual Review of Development Effectiveness found that growth did not always translate efficiently into poverty reduction and argued that the distributional effects of growth-enhancing reforms need to receive greater attention.⁴
4. The original batch of Bank PSIAs were conducted to inform Poverty Reduction Strategy Papers (PRSPs). However, there was no formal requirement to undertake PSIAs for PRSPs. Beginning in 2004, Operational Policy (OP) 8.60 formally required that in cases where the country policies supported by the Bank's Development Policy Loans (DPLs) are "likely to have significant poverty and social consequences...", the Bank should summarize in the Program Document the relevant analytic knowledge of these consequences and measures for reducing adverse effects and enhancing the positive effects associated with the specific policies being supported.⁵ OP 8.60 referred staff to a Good Practice Note on Poverty and Social Impact

¹ See World Bank PSIA website: www.worldbank.org/psia, October 2007.

² Ibid.

³ The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank's Support Through 2003, IEG, World Bank, 2004.

⁴ Annual Review of Development Effectiveness 2006, *Getting Results*, IEG, World Bank, 2006.

⁵ OP 8.60, World Bank, 2004.

Analysis⁶ which provided guidance on applying OP 8.60's requirement relating to poverty and social impact analysis, including possible criteria for selection of policies for analysis. Investment operations were not required to be preceded by PSIAs. The Bank has, nevertheless, conducted PSIAs for some investment operations. Box 1 outlines the origins of PSIA and Box 2 presents details of the requirement in OP 8.60.

Box 1: PSIA Origins

In January 2001, the Joint Implementation Committee for Poverty Reduction Strategy Papers (PRSP) acknowledged the gaps in the analysis of policy impacts within client countries and asked the World Bank to take the technical lead in helping developing countries fill this analytical gap. The analysis of impacts of policy reforms is not entirely new, nor are the analytical instruments for such analysis new inventions. What is new is the application of the tools and techniques of social and economic analysis to analyze impacts of economy-wide policy reforms before those reforms are carried out (ex-ante analysis), and more systematic use of that analysis to inform policy advice and policy design. A quick internal stocktaking in 2001 identified some ongoing analytical work but revealed considerable analytical gaps within Bank- and IMF-assisted operations. Consequently, the Bank, along with key donor partners, embarked on a program of systematizing PSIA of the policy reforms supported by its lending. PSIAs were formally launched within the Bank in April 2002 when a concept note was written.

Source: "Poverty and Social Impact Analysis of Reforms: Lessons and Examples from Implementation", Eds. Aline Coudouel, Anis Dani, Stefano Paternostro, World Bank, 2006.

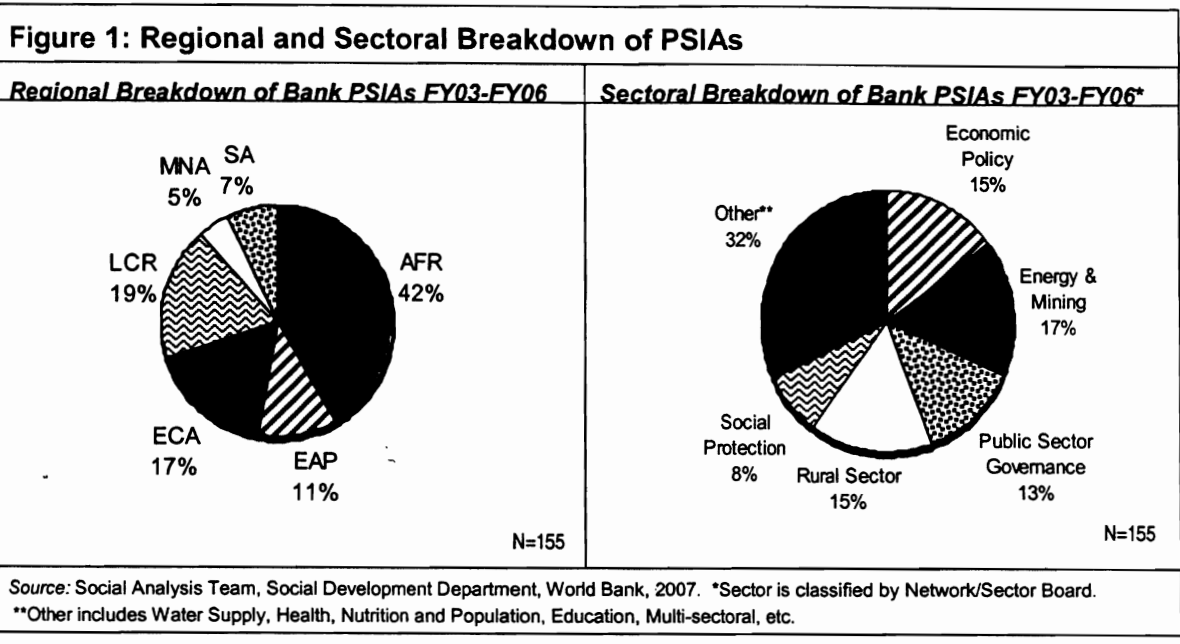
5. During FY03-06, the Bank conducted about 155 PSIAs in 72 countries in 15 sectors.⁷ These PSIAs were concentrated in the Africa Region (42 percent) followed by the Latin American and Caribbean Region (19 percent) and then the Europe and Central Asia Region (17 percent). The three most represented sectors were energy and mining (17 percent), rural sector (15 percent), and economic policy sector (also 15 percent). Figure 1 presents the regional and sectoral breakdown of PSIAs.

6. During FY07-08 the Bank conducted an additional 40-50 pieces of PSIA-type analytical work, but did not always tag them as such and often integrated them into other Bank analytical work.⁸ A small number of such analytical pieces were also carried out under recipient-executed trust funds. The Bank is currently in the process of identifying which of these pieces of analytical work qualify as "PSIAs."

⁶ "Good Practice Note: Using Poverty and Social Impact Analysis to Support Development Policy Operations," World Bank, 2004.

⁷ The FY02/03-06/07 PSIAs were funded by a variety of Trust Funds as well as the Bank's incremental fund for PSIAs of US \$5.8 million. The Trust Funds were provided by several donors (Germany, Norway, UK, Belgium, Italy) roughly totaling US \$10 million.

⁸ The FY07-08 PSIAs were funded outside the Bank's incremental fund for PSIAs. As incremental funding for PSIA is exhausted and is replaced by the normal operating budget, the Bank aims to align PSIAs much more closely with and integrate them into country Economic and Sector Work. See "Poverty and Social Impact Analysis of Reforms: Lessons and Examples from Implementation", Eds. Aline Coudouel, Anis Dani, Stefano Paternostro, World Bank, 2006.



7. This IEG study of PSIA's responds to a request from the World Bank's Board of Executive Directors for an independent assessment of PSIA's. The study also responds to recent criticisms of PSIA's by external groups, including several NGOs. These criticisms are that: (a) the Bank does not do enough PSIA's; (b) it does not do enough to build country capacity and to foster country ownership; (c) there is insufficient disclosure of PSIA results by the Bank; and (d) PSIA's focus too much on mitigating the impacts of a pre-determined reform and not enough on analyzing alternative policy options.⁹ Reflecting some of these concerns, IDA Deputies at the Fourth IDA 15 replenishment meeting in November 2007 "encouraged Management to strengthen the preparation of country and sector strategies and improve the conduct of poverty and social impact assessments (PSIA's)."¹⁰

Box 2: Requirement Relating to PSIA in OP 8.60

The Bank determines whether specific country policies supported by a Development Policy Loan are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups. For country policies with likely significant effects, the Bank summarizes in the Program Document relevant analytic knowledge of these effects and of the borrower's systems for reducing adverse effects and enhancing positive effects associated with the specific policies being supported. If there are significant gaps in the analysis or shortcomings in the borrower's systems, the Bank describes in the Program Document how such gaps or shortcomings would be addressed before or during program implementation, as appropriate. OP 8.60 refers staff to a Good Practice Note on Poverty and Social Impact Analysis for applying this guidance, including possible criteria for the selection of policies for analysis.

Source: OP 8.60 Development Policy Lending, World Bank, 2004; "Good Practice Note: Using Poverty and Social Impact Analysis to Support Development Policy Operations," World Bank, 2004.

⁹ A consortium of NGOs (including Oxfam International, Save the Children U.K., CAFOD, Christian Aid, New Rules for Global Finance, Water Aid, Eurodad, TROCAIRE, Bretton Woods Project, Norwegian Church Aid), has developed these criticisms in a paper entitled "Blind Spot: The Continued Failure of the World Bank and IMF to Fully Assess the Impact of Their Advice on Poor People," Joint NGO Briefing Note, 2007.

¹⁰ Chairman's Summary, Fourth IDA 15 meeting, Dublin, November 12-13, 2007.

II. Objective and Scope of the Study

8. The objective of this study is to assess the influence of PSIAs on Bank operations, their influence on country policies, and their contribution to country capacity for policy analysis. Examining whether the Bank has complied with OP 8.60's requirements regarding DPLs which are likely to have significant poverty and social consequences is beyond the scope of this study. The three main evaluation questions that the study will answer are presented below. The instruments and methods that will be used to answer these questions are described in Section III.

(i) What has been the influence of PSIAs on *Bank operations* and what lessons have been learned?

9. To what extent have the ten key elements of the Bank's PSIA approach as stated in the Bank's Users' Guide to Poverty and Social Impact Analysis and the Good Practice Note on Poverty and Social Impact Analysis been followed?¹¹ How effective have the Bank's peer review and quality control mechanisms for preparing PSIAs been? What was the timing of the launch and completion of individual PSIAs relative to specific Bank operations, viz., PRSCs, other DPLs, and investment operations? To what extent did Bank staff designing PRSCs, other DPLs, and investment operations participate in determining the overall themes of PSIAs? What was the nature and depth of participation of these staff in preparing PSIAs? When, in what form, and to whom within the Bank were PSIA findings disseminated? Were the time and budget allotted to PSIAs sufficient for the purpose for which they were undertaken? Was the skills-mix of the PSIA team appropriate to purpose? Overall, to what extent did PSIAs influence Bank PRSCs, other DPLs, and investment operations? What were the causal factors explaining influence or lack thereof? What are the lessons learned for enhancing PSIA influence on Bank operations in the future?

(ii) What has been the influence of PSIAs on *country policies* and what lessons have been learned?

10. What was the timing of the launch and completion of individual PSIAs relative to the PRSP process in the country? To what extent did the PSIA process foster debate on policy reform options? How valid is the criticism that the Bank's PSIAs focus too much on mitigating the impacts of a pre-determined reform and not enough on analyzing alternative policy options? What role did the government play in identifying the need for and themes of PSIAs and in conducting PSIAs? When, in what form, and to whom were PSIA findings disseminated within the country? To what extent were the poverty and social impacts of PSIA-supported policy reforms monitored during implementation, to what extent was this monitoring data used to make mid-course policy modifications, and to what extent were PSIA-supported policy reforms

¹¹ The ten key elements are: (1) Asking the right questions; (2) Identifying stakeholders; (3) Understanding transmission channels; (4) Assessing institutions; (5) Gathering data and information; (6) Analyzing impacts; (7) Contemplating enhancement and compensation measures; (8) Assessing risks; (9) Monitoring and evaluating impacts; and (10) Fostering policy debate and feeding back into policy choice. It will be borne in mind that the degree of attention given to these elements may vary by country and reform. See "A Users' Guide to Poverty and Social Impact Analysis?," World Bank, 2003; and "Good Practice Note: Using Poverty and Social Impact Analysis to Support Development Policy Operations," World Bank, 2004.

evaluated *ex-post*? To what extent did the Bank's disclosure procedure and timing aid/hinder the discussion of policy reform options with civil society? Overall, to what extent did PSIA influence government poverty reduction policies? What are the causal factors explaining influence or lack thereof? What are the lessons learned for enhancing PSIA influence on country policies in the future?

(iii) What has been the contribution of PSIA to country capacity for policy analysis and what lessons have been learned?

11. To what extent did PSIA contribute to country capacity to collect, analyze, and utilize monitoring and evaluation data on distributive impacts? What are the lessons learned for enhancing PSIA's contribution to country capacity for policy analysis in the future?

III. Instruments and Methods

12. Assessing PSIA influence involves determining the changes in decisions and actions that may have resulted from the findings or the process of producing PSIA. Assessing influence is almost always somewhat speculative, since the assessment must start with a counter-factual—assumptions about how the government, the Bank itself, or other stakeholders would have behaved in the absence of PSIA. Sometimes, influence is quite clear: a government agency has proposed a particular policy; the PSIA shows that there could be possible adverse effects; the government agency decides to revise aspects of its proposal to avoid the adverse effects; and the government agency adopts a new or revised policy.

13. Often the causal chain is a good deal less clear. A Theory-Based Approach can be useful in such cases and will be used in this study. A Theory-Based Approach sets out the assumptions underlying an intervention in terms of a phased sequence of causes and effects (in this case, how the Bank expects PSIA to influence country policies), collects data to examine how well each step of the sequence is in fact borne out, assesses whether and at which points the posited sequence breaks down, and draws conclusions about likely impact based on that assessment. For PSIA, the general theory underlying influence on country policies could be as follows¹²: in-country stakeholders (e.g., policymakers, civil society) and donors debate policy reform options; they participate in the choice of reforms for which a PSIA is to be conducted; they are involved in the selection of topics, methods, and instruments to be used in the PSIA; the PSIA team conducts sound analysis based on relevant data; in-country stakeholders feel ownership of the analysis and recommendations of the PSIA; policymakers in the country adopt the recommendations; and ownership of PSIA recommendations by in-country stakeholders facilitates implementation of the recommendations. A Theory-Based Approach enables determining whether and at which points the causal chain breaks down and thereby clarifies the causal factors explaining PSIA influence or lack of it.

¹² Not all steps in this causal chain will be relevant to the same degree for every PSIA--the study will assess PSIA influence in light of the PSIA's objectives.

14. This study will use the Bank's own list of PSIAs as its population. It will employ five main instruments to test the theory underlying PSIAs and to assess their influence:

- literature review;
- portfolio review;
- country case studies;
- structured survey of country clients (government officials, NGO staff, academics/researchers), Bank staff, and other donor agency staff; and
- quantitative analysis (to the extent possible).

Literature Review

15. The literature review will examine key Bank and non-Bank literature relating to experiences with and lessons for the PSIA process and content.

Portfolio Review

16. For a random sample of PSIAs, the PSIA design and implementation process will be examined based on Bank files for PSIAs, DPLs, and other relevant operations. The portfolio review will also include an examination of Bank inputs (e.g., PSIA preparation time and budgets, PSIA team skills-mix, extent and timing of disclosure of PSIAs). The examination of Bank files will be supplemented with extensive semi-structured interviewing of Bank staff. In addition, existing internal reviews of PSIAs (e.g., by the Bank's Quality Assurance Group) will be examined. IEG's own evaluations, in particular, the ongoing Economic and Sector Work and Technical Assistance evaluation and PRSC evaluation as well as any relevant Country Assistance Evaluations will be mined.

Country Case Studies

17. Country case studies will be undertaken in six to ten countries in order to trace on-the-ground influence of PSIAs on Bank operations, their influence on country policies, and their contribution to country capacity for policy analysis. The country case studies will provide an in-depth understanding of PSIA design and implementation but will not be used to draw generalized conclusions about the Bank's entire PSIA portfolio. A tentative list of case study countries is: Bangladesh, Croatia, Ghana, Malawi, Mali, Morocco, Mozambique, Nicaragua, Vietnam, and Zambia. Some of these case studies will be conducted telephonically. The criteria used for selecting the case study countries were regional coverage and a mix of countries where PSIAs have had high- and low-influence.¹³ More emphasis will be given to Africa to reflect the concentration of PSIAs in this region (see Figure 1). The country case studies will involve extensive semi-structured interviewing of a wide variety of in-country stakeholders in addition to Bank staff.

¹³ High- and low-influence countries were identified based on discussions with Bank, other donor, and NGO staff. This classification provides a starting point, but further analysis which will be undertaken for this evaluation may alter the status of countries as high- or low-influence countries.

Structured Survey

18. A structured survey of country clients (government officials, NGO staff, academics/researchers), Bank staff, and other donor agency staff will gather the perceptions of PSIA producers and consumers on various aspects of PSIA content, process, and influence. The structured survey will be administered on a random sample of PSIAs. In addition, the structured survey will also be administered in the case study countries in order to enrich the case study analysis. However, the results from the two sets of structured surveys will not be merged so as to preserve the randomness of the PSIA sample. The respondents for the structured survey will be identified through multiple sources, including Bank staff, donor agency networks, NGO networks, etc. The survey will be conducted by email and will be administered by a specialized external survey firm.

Quantitative Analysis

19. This study will undertake some quantitative analysis, mainly, testing the correlation between the degree of PSIA influence (as measured by the rank assigned by stakeholders in the structured survey to the overall influence of the PSIA on Bank operations and on country policies) and Bank inputs (such as PSIA preparation time and budgets, PSIA team skills-mix, extent of PSIA dissemination, etc.). The analysis will also consider the extent to which PSIA influence is determined by country conditions, for example, quality of the policy and institutional environment (as measured by the Country Policy and Institutional Assessment rating), priority accorded by the government to equity concerns (as assessed by the country case studies), or the general degree to which policy-makers are accustomed to using empirical evidence as a basis for policy choice and design (as also assessed by the country case studies).

20. Table 1 provides a summary view of the evaluation methods to be applied under each instrument. Annex 1 presents a summary view of the specific instruments that will be used to answer each of the three evaluation questions. Four Peer-Reviewers from within and outside the Bank will advise the PSIA review team.

IV. Dissemination

21. The two Bank units responsible for PSIAs—the Poverty Anchor in the Bank’s Poverty Reduction and Economic Management Network and the Social Development Department in the Sustainable Development Network—will be consulted during the course of the study. Relevant external audiences will also be consulted. In either case, the purpose will be to ensure that the study stays abreast of current thinking on poverty analysis within the development community and to tap into any Bank and non-Bank events on PSIAs at which the design and emerging findings of IEG’s PSIA study can be shared and discussed. Following discussion of the study by CODE, IEG will disseminate the study findings widely both within the Bank and outside through a variety of means, including IEG’s internal and external websites and presentations to relevant government officials, NGO staff, Bank staff, and other donor agency staff.

Table 1: Summary View of Evaluation Methods for Each Instrument

<i>Literature Review</i>	<i>Portfolio Review</i>	<i>Country Case Studies</i>	<i>Structured Survey</i>	<i>Quantitative Analysis</i>
The literature review will examine key Bank and non-Bank literature relating to experiences with and lessons for the PSIA process and content.	For a random sample of PSIA's, the PSIA design and implementation process will be examined based on Bank files for PSIA's, DPLs, and other relevant operations. The portfolio review will also include an examination of Bank inputs (e.g., PSIA preparation time and budgets, PSIA team skills-mix, extent and timing of disclosure of PSIA's). Examination of Bank documents will be supplemented with extensive semi-structured interviewing of Bank staff.	Country case studies will be undertaken in a purposively selected sample of six to ten countries (some including field visits and others based on telephonic interviews). A tentative list of case study countries is: Bangladesh, Croatia, Ghana, Malawi, Mali, Morocco, Mozambique, Nicaragua, Vietnam, and Zambia. The criteria used for selecting the case study countries were regional coverage and a mix of high- and low-influence PSIA countries.	The structured survey will gather the perceptions of PSIA producers and consumers (including government officials, NGO staff, academics & researchers, Bank staff, and other donor agency staff) on various aspects of PSIA quality and influence. The structured survey will be administered on a random sample of PSIA's. The structured survey will also be administered in the case study countries in order to enrich them. The results from the two sets of structured surveys will not be merged.	The quantitative analysis will test the correlation between the degree of PSIA influence (as measured by the rank assigned by stakeholders in the structured survey to the overall influence of the PSIA on Bank operations and on country policies) and Bank inputs (such as PSIA preparation time and budgets, PSIA team skills-mix, etc.). It will be based on the same random sample of PSIA's as the structured survey.

V. Budget, Schedule, and Task Management

22. The total budget for the review is estimated at US \$350,000 to be supplemented by trust funds. The final report will be submitted to CODE in March 2009 (Table 2 presents the schedule). The review will be prepared by a team of IEG staff and consultants under the task management of Soniya Carvalho (IEGSG).

Table 2: Schedule

Activity	Date
Approach Paper to CODE	February 2008
Draft Report to OPCS	January 2009
Final Report to CODE	March 2009

Summary View of Evaluation Questions and Corresponding Instruments

LR: Literature Review; PR: Portfolio Review; CC: Country Case Studies; SC: Structured Survey of Country Clients (government officials, NGO staff, academics/researchers), Bank staff, and other Donor agency staff; QA: Quantitative Analysis.

Evaluation Questions	LR	PR	CC	SC	QA
<p>(i) What has been the influence of PSIAs on <i>Bank operations</i> and what lessons have been learned? To what extent have the ten key elements of the Bank's PSIA approach as stated in the Bank's Users' Guide to Poverty and Social Impact Analysis and the Good Practice Note on Poverty and Social Impact Analysis been followed? How effective have the Bank's peer review and quality control mechanisms for preparing PSIAs been? What was the timing of the launch and completion of individual PSIAs relative to specific Bank operations, viz., PRSCs, other DPLs, and investment operations? To what extent did Bank staff designing PRSCs, other DPLs, and investment operations participate in determining the overall themes of PSIAs? What was the nature and depth of participation of these staff in preparing PSIAs? When, in what form, and to whom within the Bank were PSIA findings disseminated? Were the time and budget allotted to PSIAs sufficient for the purpose for which they were undertaken? Was the skills-mix of the PSIA team appropriate to purpose? Overall, to what extent did PSIAs influence Bank PRSCs, other DPLs, and investment operations? What were the causal factors explaining influence or lack thereof? What are the lessons learned for enhancing PSIA influence on Bank operations in the future?</p>		X	X	X	X
<p>(ii) What has been the influence of PSIAs on <i>country policies</i> and what lessons have been learned? What was the timing of the launch and completion of individual PSIAs relative to the PRSP process in the country? To what extent did the PSIA process foster debate on policy reform options? How valid is the criticism that the Bank's PSIAs focus too much on mitigating the impacts of a pre-determined reform and not enough on analyzing alternative policy options? What role did the government play in identifying the need for and themes of PSIAs and in conducting PSIAs? When, in what form, and to whom were PSIA findings disseminated within the country? To what extent were the poverty and social impacts of PSIA-supported policy reforms monitored during implementation, to what extent was this monitoring data used to make mid-course policy modifications, and to what extent were PSIA-supported policy reforms evaluated ex-post? To what extent did the Bank's disclosure procedure and timing aid/hinder the discussion of policy reform options with civil society? Overall, to what extent did PSIAs influence government poverty reduction policies? What are the causal factors explaining influence or lack thereof? What are the lessons learned for enhancing PSIA influence on country policies in the future?</p>	X	X	X	X	X

<p>(iii) What has been the contribution of PSIAs to <i>country capacity for policy analysis</i> and what lessons have been learned? To what extent did PSIAs contribute to country capacity to collect, analyze, and utilize monitoring and evaluation data on distributive impacts? What are the lessons learned for enhancing PSIA's contribution to country capacity for policy analysis in the future?</p>	X	X	X	X	X
---	---	---	---	---	---