

Open on impact?



Slow progress in World Bank
and IMF poverty analysis

by Lucy Hayes

September 2005

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Further comments are welcome at any time. We may post selected comments (with permission) on the Eurodad website. Send to psia@eurodad.org. In late 2005 Eurodad will run an electronic conference on this issue for a structured exchange of views. More information will be made available on the Eurodad website: www.eurodad.org

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List of Acronyms

ADMARC	Agricultural Development and Marketing Corporation
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Ministry for Economic Cooperation and Development)
CAFTA	Central American Free Trade Agreement
CSO	Civil Society Organization
DFID	Department for International Development – UK
ESRC	Economic Social and Research Council
ESW	Economic and Sector Work
GPRS	Ghana Poverty Reduction Strategy
GTZ	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
IEO	Independent Evaluation Office (IMF)
IFI	International Financial Institution
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
ISODEC	Integrated Social Development Centre (Ghana)
MDGs	Millennium Development Goals
NDPC	National Development Planning Commission (Ghana)
NORAD	Norwegian Agency for Development Cooperation
OED	Operations Evaluation Department (World Bank)
PRGF	Poverty Reduction Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty Social Impact Analysis
SAPRIN	Structural Adjustment Participatory Review International Network
SCFUK	Save the Children Fund UK
SOE	State owned enterprise
UNAT	Presidential Technical Support Unit (Honduras)
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization

1 Executive summary

“(We need to) end the analytic near-monopoly of the World Bank (and the other multilaterals) on the details of pension reform, privatisation of water systems, the ideal bank deposit insurance system, and so many of the other nitty-gritty issues of economic and social reforms. Bank staff should take much more of a hands-off approach to policy design”

Nancy Birdsall, Director of Center for Global Development

For too long the policies of developing countries have been based on the priorities of external donors. Many studies have confirmed that these have often been misguided or inoperable. The structural adjustment years at the World Bank and IMF pushed policies that left the poor and vulnerable even more poor and vulnerable. But times have supposedly changed.

The Bank and the Fund have acknowledged that policy should be based on evidence and are developing tools and methods to analyse which policies are needed to reduce poverty. Poverty and social impact analysis (PSIA), introduced in the last four years, is one such approach. It is important because it can contribute to reforms being better designed, strengthen national institutions, and make policies more likely to be implemented. Yet, a number of these results depend on whether the analysis is carried out in an open and inclusive manner.

Both the Bank and the Fund have made strong commitments to principles of participation and country ownership in their dealings with developing countries. Both have also made strong commitments to making sure that their policy advice is informed by analysis of the potential impacts of reforms.

But these commitments are not translating to action.

The evidence that Eurodad has gathered for this report questions whether the Bank and the Fund really are stepping away from ideology-based policy influence to evidence-based policy advice. We have found that PSIA to date has been wrongly focussed, inadequately disseminated and without clear effects on decision-making. There is a danger of PSIA being used to justify the reform decisions the IFIs have already made in their lending programmes.

This report is based on both primary research and an extensive literature review, as follows:

- 4 case studies of World Bank¹ funded PSIA in Ghana (electricity reform), Nicaragua (education, fiscal and trade reform), Mali (cotton reform) and Vietnam (state-owned enterprise and WTO accession).²

- A targeted survey of sixty-five civil society policy and advocacy organisations from twenty developing countries.³

- Interviews with approximately 25 staff members from the World Bank, IMF and bilateral donors.

This report finds that:

- The World Bank has invested considerable resources into PSIA but much improvement is needed in the way research is done if it is to be useful and effective.
- The IMF has failed to take the PSIA approach seriously. The small PSIA team established in September 2004 is poorly resourced and has produced extremely limited research.
- A large majority of civil society groups involved in Poverty Reduction Strategy debates have not heard of PSIA, let alone had an opportunity to engage with it. Of the sixty-five targeted policy and advocacy CSOs worldwide surveyed by Eurodad, only one quarter had even heard of PSIA and only two had any knowledge of how the PSIAs in their country were selected. This was also seen clearly in each of the Eurodad case studies.
- Many developing country governments are beginning to see PSIA as a donor imposition, rather than something that can assist them to consider, implement and monitor their own policies.
- Most PSIAs only examine minor policy variations or mitigating measures, rather than different policy options. An example is in Ghana’s electricity sector where the study only focused on lifeline electricity tariffs for poor households.
- The World Bank and the IMF continue to choose the topics for the majority of PSIAs. This was the case in Vietnam, Nicaragua and Mali, but in Ghana progress has been made in using national structures to select which issues to study.
- Macroeconomic frameworks continue to be off the agenda for PSIA despite the increasing debate around the impacts of stringent IMF policies on growth and poverty reduction. The IMF has limited its analysis to date primarily to examining electricity and petroleum pricing without questioning the defined parameters of fiscal space.

¹ None of the case studies selected were IMF led because of the minimal amount of PSIA work the Fund has completed to date.

- In many cases research has been carried out too late to inform decisions. Examples include the study on WTO accession in Vietnam and the PSIA on fiscal reform in Nicaragua.
- PSIA studies have been weak on social, political and institutional aspects of reforms, with an over-emphasis on economic aspects. The PSIA on electricity reform in Ghana was the only World Bank funded study that was led by a social development specialist.
- PSIA studies are almost always carried out by external researchers. This overlooks local knowledge and experience and misses opportunities to build the capacity of local researchers and institutions. Of seven Bank-funded PSIA studies in our four case-study countries, only one in Nicaragua had one national consultant as part of the primary research team. And in Mali although a local research was contracted to collect primary data, the data was extracted from the country for analysis in Washington. The IMF has no facility for using national researchers for PSIA.
- PSIA studies have not been transparently disseminated. Only 10 of the over 100 PSIA studies that have been funded by the World Bank are currently publicly available on their website. Where documents have been disseminated, it is often been after the research had been finished and policy decisions taken. There is little or no effort to undertake proactive (non web-based) dissemination in local languages.

Recommendations:

If done in a manner that alienates its clients, policy research reports may gather dust rather than get implemented. To increase its chances of being taken up by policymakers, researchers need to focus not only on the quality of the analysis, but also the process by which it is carried out. PSIA should be carried out through national structures and institutions in a transparent manner that encourages political debate and creates momentum for change. The principles that official development agencies have committed to for Poverty Reduction Strategies and PSIA recognise this, but are currently not being implemented. Currently therefore PSIA and other in-country research are not realising their potential.

The World Bank, the IMF and other donor agencies need to make many changes in how they contribute to decisions around policy reform; these include a clear commitment from the World Bank and IMF to:

1. A transparent PSIA process, which facilitates national ownership and policy dialogue;

2. Ensure that different policy options for reform design are taken into account;

3. Increasing analytical capacity, and shorter-term strategies to optimise local knowledge and local research resources.

The IMF must also commit to undertake PSIA studies of macroeconomic frameworks, especially in the context of a growth in aid resources and the urgent need to increase financing to meet the MDGs.

The remainder of this report is divided as follows:

- Section two contextualises PSIA and describes what has been achieved by donors to date.
- Section three examines whether the analysis facilitates policy making that is informed by different policy alternatives, in a timely manner and based on multidisciplinary analysis.
- Section four focuses on how open the process has been including issues of who is setting the agenda, who is doing PSIA and whether capacity building and dissemination are integral to the process.
- Section five takes a forward look at prospects for policy analysis
- Section six concludes and provides detailed recommendations.

² Criteria used in selection of the case studies were: Geographical spread, stage of PSIA, level of debate around issue and Eurodad member capacity in country. Eurodad case studies examined the PSIA process in terms of agenda setting, participation and dissemination, whether it informed policy makers with different policy options, in time for decisions to be taken and the impact on policy dialogue and the reform design. Case study reports are printed separately and are also available on www.eurodad.org/psia

³ This survey targeted policy and advocacy organisations. Organisations were contacted using a snowball approach and using multiple entry points. The list of organisations that responded and an example of the questionnaire – that was adapted for each country - can be found at the above web address.

2 Opening the aid process

Power, poverty and policy making

Widespread frustration with the results of aid resulted in a 1999 announcement that the approach would change. In that year the Poverty Reduction Strategy (PRS) process was announced to exemplify a change in the relationship between official development agencies and recipient countries. Decisions under this framework should be **“country driven [with] national ownership of strategies by involving broad-based participation by civil society”** (IMF, 2002). The intention was to place developing countries in charge of their own destiny and to emphasise open discussions on poverty to yield improved policy formulation, implementation and monitoring, and reduce poverty more rapidly than before.

A combination of pressure from civil society organisations and bilateral donors coupled with official studies of the negative impacts of structural adjustment loans led to an increased recognition of the importance of examining the social and poverty impacts of reform processes before they are decided upon and implemented. This demand for more context-specific analysis led to the development of Poverty Social Impact Analysis (PSIA) to assist in the design of policy reforms, many of which are conditions of donor lending and aid programmes. In line with the PRS process, national governments were to have the power to choose their reform paths based on informed policy options.

“A set of policies called structural adjustment has been forced on developing countries for more than 20 years by the World Bank, the IMF and western aid agencies”
SAPRIN 2004

Donors pledged to integrate PSIA into their programmes.

- In 2000 the IMF and the World Bank agreed to work together on PSIA of major macroeconomic and structural policies (Bird et al, 2005).
- In 2001 the World Bank stated that it would **“introduce social and environmental analysis into a systematic review undertaken as part of PRSP preparatory work”** (World Bank, 2001b: 11).
- In 2002 the IMF pledged that **“the distributional impacts of major macroeconomic or structural reforms should be considered and reported on together with any countervailing measures to offset the impact of these reforms on the poor”** (IMF, 2002: 39).

→ In 2004 the World Bank committed to **carrying out PSIA on all policy reforms included in loan agreements where ‘significant distributional impacts’ are likely** (World Bank, 2004b)

Eurodad and many other civil society groups have deep concerns about whether donor practices on the ground have changed significantly to remain in line with the headquarters announcements of PRSPs, PSIA and similar approaches. This document examines the reality of what has been done on PSIA in the context of the principles of national ownership and civil society participation agreed in recent years.

What is PSIA?

PSIA involves examining the likely poverty and social consequences of a reform on different groups in society, particularly focusing on the poorest and most vulnerable. PSIA should be carried out before a reform is agreed and can also be used to monitor and evaluate impacts during and after reform implementation. In a nutshell PSIA should clarify the likely outcomes of different policy choices to enable more open and informed decision-making that is driven and controlled by national policy-makers.

The tools that underpin this approach are not in themselves anything new, having been much used for poverty analysis of projects and programmes for many years. What is new is how this approach is applied to looking at the **potential impacts of policy reforms** rather than static snapshots of poverty situations. What is also new is the expressed commitment for analysis to support the principles of country ownership and participation surrounding the PRS process.

PSIA and other Analytic Work at the World Bank

Economic and Sector Work (ESW) at the World Bank is “an activity that involves analytic effort, is undertaken with the purpose of influencing an external client’s policies, and is owned by a Bank unit.”⁴ Core diagnostic ESW is the work that is considered essential in providing the analytical basis for Bank operations in any country, and includes Poverty Assessments, Public Expenditure Reviews and Country Economic Memoranda. Additional, or other, ESW includes work such as Institutional Reviews, Rural Development Assessments and Social Analyses.

Clearly, a good deal of PSIA would be considered ESW. In some cases, PSIA might feed into a larger piece of ESW. For example, the PSIA on agriculture in Zambia was reproduced as a chapter in Zambia’s Country Economic Memorandum. The PSIA on primary education reform in Mozambique itself was an ESW product.

Given the lack of public disclosure of PSIA at the World Bank to date there is a value for CSOs in PSIA being a formal ESW product, or a building block of one, as formal ESW is sent to the Executive Board and publicly disclosed. In many cases though, PSIA may only be considered a supporting piece of analysis for loan preparation or policy dialogue and thus may appear only as an annex to a programme document. An example of this would be the cotton PSIA for Mali.

⁴ Quality Assurance Group (QAG), World Bank “Quality of ESW in FY02, A QAG Assessment” (1 April 2003) pg. 1.

“PSIA should clarify the likely outcomes of different policy choices to enable more open and informed decision-making that is driven and controlled by national policymakers.”

What are donors doing to promote PSIA?⁵

“The World Bank funded 110 PSIA studies”

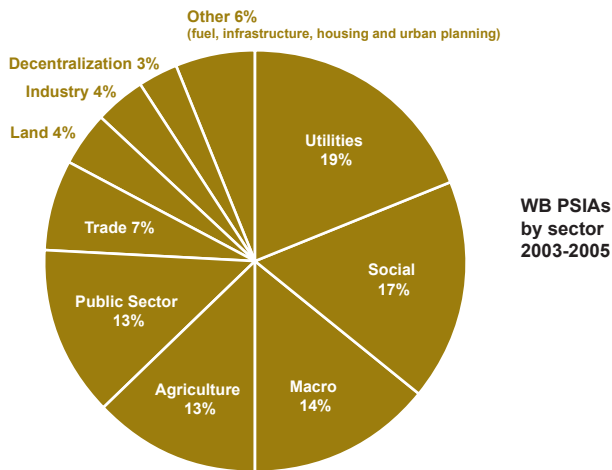
The World Bank has been the primary actor in carrying out PSIA. There is some difficulty in tracking how many PSIA have been done. This is because of the difficulties of distinguishing between PSIA and some other analysis carried out by the World Bank and because some studies that have been funded as PSIA in reality are not analyses of reform policies but rather are background sectoral studies. However the more conservative figures suggest that the World Bank funded 110 PSIA studies between 2003 and 2005 and will fund 29 studies in the 2006 financial year (July 2005-June 2006). Some of these studies have

been partially funded by bilaterals, chief amongst them the German Development Cooperation (BMZ) but also including the Norwegian and Belgian governments. The bill to date for these studies amounts to some US\$11million. PSIA within the World Bank is managed jointly by Poverty Reduction and Economic Management Network and the Social Development Group, which have been particularly active in developing methodological tools and resources for commissioners and practitioners of PSIA.⁶

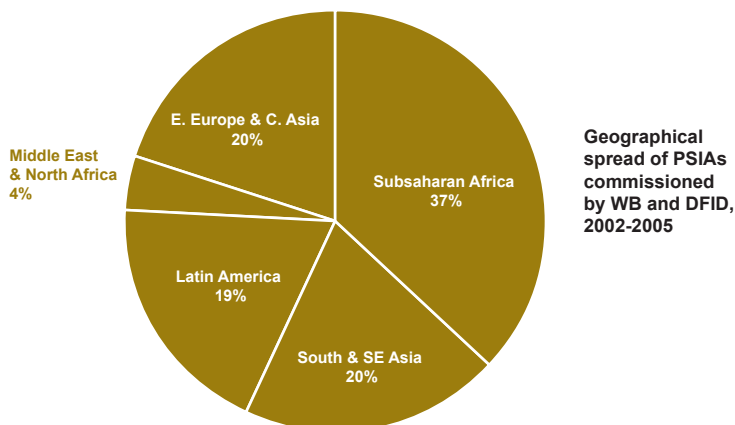
The IMF set up a PSIA team in September 2004. Its main purpose is to mainstream the use of PSIA across IMF area departments. They have not funded any PSIA studies per se but have selected 10 countries on which to focus their work in an attempt to mainstream PSIA within the IMF. These countries are: Bolivia, Ghana, Jordan, Tajikistan, Senegal, Mali, Bosnia, Uganda and Djibouti.

The UK Department for International Development (DFID) and the German Development Cooperation (BMZ- GTZ) are the two bilateral donors most actively involved in carrying out PSIA directly. DFID funded and commissioned seven pilot PSIA studies between 2002 and 2003⁷ and have funded and co-produced the recently launched Tools for Institutional, Social and Political Analysis with the World Bank⁸. In addition they plan to fund a political economist to support the IMF PSIA team. BMZ- GTZ have set up a PSIA trust fund within the World Bank that finances selected studies, two secondments to the Social Development Group of the Bank and some dissemination activities.

Graph 1: Sector focus of World Bank PSIA



Graph 2: Where have PSIA been done?



What principles have donors committed to?

In November 2003, the World Bank, IMF and bilateral donors held a conference in the Netherlands and agreed a framework of good principles for carrying out PSIA (The North Sea Manifesto, 2003). In addition the World Bank has laid out principles in its PSIA User's Guide and developed a **Good Practice Note**. DFID in turn has produced its own **Principles for Good practice** note which focuses on ensuring that PSIA contributes to "open(ing) up opportunities for more inclusive policy development processes" (DFID, 2005). In all of these instances there are some core issues to which donors have committed themselves. These include:

- PSIA should be **country-owned and led**
- There should be broad **stakeholder** engagement and **transparency**
- **Capacity building** should be an integral aspect
- There should be proactive **dissemination** of results
- Analysis should be carried out **prior** to any course of reform being decided
- Analysis should consider **policy alternatives**
- Analysis should be **multidimensional** and **multidisciplinary**

3 Policy reforms – informed by what?

"In order to make a real impact on policy decisions PSIA should be undertaken as early as possible prior to policy formulation. The potential policy options and trade-offs should then be considered on the basis of evidence, and the best solution identified." (DFID, 2005)

"Country ownership is the guiding principle. The process and content (of PRSPs) must be designed nationally to suit local circumstances and capacities, and should be useful to the country, not only external donors." (Klugman, quoted in Stewart and Wang, 2003: 2)

'One-size-fits-all' blueprint policies that focus on macroeconomic benefits without considering how poor people will be affected by reforms, have largely been discredited. It has been recognised that policymaking is more likely to be successful in attacking poverty if it is informed by county-specific evidence. On this basis different policy alternatives that take into account the social, political and

In the following sections this report will examine how well the World Bank and the IMF have lived up to these principles by looking at the process of how PSIA has been carried out and its impact on broadening evidence and public debate around policy options.

"Opportunities for more inclusive policy development processes"

institutional consequences of reforms may be explored prior to reform implementation. This approach to policy-making requires a more multidisciplinary method. And to be useful for policymakers, analysis needs to be done in a timely manner. This section will examine to what extent alternative policy options have been considered in the cases that we have examined; whether research has been carried out in time to feed into policy discussions; and to what extent research has contributed to a more multidimensional understanding of reform, taking into account the social and political context.

Policy options or predetermined reforms

Policy options or predetermined reforms
"They (the IFIs) seldom link analysis with conclusions regarding policy alternatives and proposals" (OED Annual Review of Development Effectiveness, 2004)

“Yet the majority of PSIA’s examined that have been carried out to date do not look at different reform options”

PRSPs have been criticised for their similarity and for being insufficiently drawn from country contexts. “If programmes were truly nationally controlled, we would expect at least some PRSPs to exhibit strategies that differ from the standard policy prescriptions in the past. However, a striking feature of nearly all PRSPs is the consistency of their approaches to poverty reduction” (Stewart and Wang, 2003: 19). PSIA’s should increase the context-specific analysis of different policy options for reform design. Yet they are in danger of becoming yet another hoop for countries to jump through in order to access donor financing, with analysis being more useful for donors to justify their lending programmes than for facilitating national policymaking processes where good policies are chosen and implemented.

A recent World Bank report indicated that “the PSIA process should involve as many key stakeholders in the reform as possible. The choice of the reform issue should emerge from broad discussion of the national poverty reduction strategy” (World Bank, 2004: 8). Yet the majority of PSIA’s examined that have been carried out to date do not look at different reform options but instead examine the mitigating effects of predetermined policies. Of the 18 PSIA summary reports that Eurodad received from the World Bank, only three appear to examine various policy options.⁹ The IMF’s approach is primarily to look at mitigating measures. The Fund’s PSIA Terms of Reference stipulates that the team will work with area departments to “assess the likely impact of programme measures on vulnerable groups and, where appropriate, craft compensating measures.” The study on the implications of currency devaluation in Djibouti is an example of this type of approach - the research just looks at one scenario and identifies winners, losers and possible mitigation measures.

None of the four World Bank PSIA’s selected by Eurodad for detailed analysis took into account real policy alternatives (although differing preferences within a narrow agenda were considered in some instances). The WB PSIA on Ghanaian electricity reform examined the impacts of the tariff increases on poor people as well as the effectiveness of the lifeline tariff system in subsidising poor households. It considered various ways of approaching this lifeline system but “did not outline the different policy options for reforming the general electricity supply system” (Azeem, 2005).

The PSIA on cotton reform in Mali does not look at alternative policy options for restructuring the cotton sector. It had originally intended to look at different forms of privatisation but the PSIA was narrowed, when the political situation in the country changed. The initial concept note for the Mali PSIA on cotton stated that “the specific objective of this PSIA is to assess the poverty and social impact of cotton sector reforms, specifically concerning the impact of policies aimed at liberalizing the critical functions of the sector on Malian farmers”. At this stage cotton privatisation was a World Bank condition - the Malian government had agreed to liberalise the cotton sector in its 2001 **Letter of Cotton Sector Development** signed with the Bank. During 2004, however, given the experiences of cotton restructuring elsewhere in West Africa, the Malian government decided to postpone any major reform until 2008. The Bank’s PSIA is now focused on the impact of different pricing scenarios on the revenues of cotton farmers rather than at liberalisation options. The World Bank has continually advocated for the Malian government not to set prices artificially high, partly because of the government revenue required to prop up the sector. However, the PSIA at present does not look at different policy options that might support the Malian government’s plans for following the model of its neighbour, Burkina Faso.

In Vietnam, the state-owned enterprise PSIA designed a mitigating package for retrenched workers as a result of privatisation, and did not examine options for reform of the sector. In this case, however, it is not clear to what extent the SOE restructuring programme itself - rather than the compensation package alone - should have been the focus of a PSIA. This reform programme had been laid out in the Government of Vietnam’s agenda for some time in order to address the SOE’s low efficiency (Hague, 2005, 8).

There has been a tendency to only examine predetermined reform policies. Whilst reform of the particular sector may well be widely recognised as necessary, this taken-as-given approach does not allow for examining alternative reform designs in order to select the best pro-poor reform option.

⁹ These are: PSIA of Crop boards in Tanzania which examines different public-private combinations; the energy study in Yemen which analyses different policies that determine the consumption prices for electricity and petroleum products; and the study on social protection reform in Indonesia which looks at different subsidies, grants and work-plan programmes.

Box 1. Conditioning choice

Many reforms being analysed are already World Bank conditions for loan agreements. In **Tanzania** reform of the Crop Boards was a trigger condition for Bank lending. The Program Document for the second Poverty Reduction Support Credit (PRSC 2) stated clearly that a trigger for PRSC 3 would be "government approval of a strategy to reform two crop boards" (World Bank, 2004c: 3). The World Bank carried out a PSIA on crop board reform but the weak process of this PSIA did not contribute to ownership or pressure for change. Tanzania will now receive US\$25 million less than expected in its new Bank loan agreement due to the fact that the PSIA recommendations are have not been implemented.

In **Ghana**, public-private partnership in the electricity supply system was a prior action condition for the World Bank PRSC. The PSIA was thus more narrowly focused on the lifeline tariff system.

Privatisation of the cotton sector in **Mali** had previously been a World Bank condition. While this is no longer officially the case, according to a World Bank staffer, Mali will not move towards a PRSC until it moves forward with its cotton reform. Mali still only receives a Development Policy Loan from the Bank rather than a Poverty Reduction Support Credit – which would be larger and multi-annual – despite meeting the basic criteria for the latter.

Keeping pace with reform?

A further limitation to PSIA feeding into policy debate is the tendency of analysis to be carried out or presented after the decisions have taken place. Eurodad's own research has shown that:

- some PSIAs have been carried out too late to influence policy reforms; and
- other studies that have been funded using World Bank designated PSIA funds have turned out not to be linked to any policy reform.

In 2004, the World Bank's **Vietnam** office reported to the central PSIA team within the Bank in Washington that in addition to the PSIA on state-owned enterprise (SOE) reform, they had embarked on three PSIAs on WTO accession, land reform and the coffee sector, and were planning a further one on VAT reform. However Eurodad-commissioned research has shown that of these five, three have been abandoned and only one has had any impact on reform design. The WTO PSIA was not completed due to weaknesses in the initial research methodology; the coffee analysis was a sector status study not linked to a reform; the land analysis is yet to be started and is not linked to any reform; and the VAT analysis is not going ahead and again is not based on any reform agenda (Hague, 2005, 4). The WTO accession in Vietnam is a clear example of where more analysis would have

been extremely useful, (especially for considering the much-feared negative impacts on the rural economy), yet, unfortunately, this PSIA study was not completed. Other analysis being supported by the Bank on trade is too late to feed into the negotiation process.

In **Nicaragua** only one of the three PSIAs were carried out before reforms were decided upon. The PSIA on agriculture and CAFTA was produced too late to feed into CAFTA negotiations. Incidentally, it is still not a public document. The PSIA on fiscal reform was carried out several months after the reform had been implemented. A PSIA on water reform is underway in Nicaragua but despite the fact that discussion of a new water law was to start under the Bank's first PRSC loan "it is not until PRSC2, when the management of water facilities has already been handed over to the private sectors, that PSIA is to be undertaken on the tariff regime" (Wood, 2005).

The PSIA in **Mali** on cotton reform was initiated in early 2004 when the Malian government was still planning to privatise the sector (see Box 1). The PSIA is now focused on different impacts of various pricing scenarios. However, it is not yet clear how this study will feed into decisions about cotton reform¹⁰, particularly as the cotton prices for the next three years were set by the government in February 2005. The **Malawi** example of the PSIA on the reform of the agricultural marketing boards is a well-debated example of analysis being presented after reform decisions have been taken (see Box 4), with the results of the study only being disseminated in the country after the parliament had been called for a rushed session to approve a law that would pave the way for privatisation.

Where are the politics?

"It is time that the WB got real about understanding the political economy of change"¹¹
Ian Johnson, World Bank Vice President

The PSIA approach recognises the importance of considering the multidimensional factors that influence and are influenced by reform. A certain amount of stakeholder analysis to assess winners and losers of reform has been done in many PSIAs, but it has tended to be narrowly focused. The broader political system, informal and formal institutions, incentives and power structures are still not being seriously considered. Despite the insufficient consideration of social, political and institutional aspects, there is recognition that PSIA research methodology has often been sophisticated.

¹⁰ The Mali PSIA on cotton as of August 2005 was still not available from the World Bank.

¹¹ Speech at launch of PSIA TIPS Sourcebook, Paris, June 15th 2005

"I know two of the studies, which I consider to be very technical, lacking in participatory focus and lacking in a deeper analysis of the relationship between poverty and politics"
Maite Matheu, Oxfam GB, Honduras

The Centre for Analysis and Forecast, Vietnam remarked that PSIA is "done quite rigorously," and in Ghana the methodology was seen to be an improvement on previous studies: "the methodology was new, (...) comprehensive and evidence-based and went beyond the literature review and desk studies that have been conducted in the past by including views of beneficiaries of service provision" (Azeem, 2005).

The lack of multidisciplinary teams has surely contributed to weak social, institutional and political analysis in the studies themselves. No social analysis was carried out in the Vietnam SOE PSIA which was based predominantly on economic analysis and quantitative data. Additionally there has not been enough attention paid to social and poverty issues in the PSIA on WTO accession. Other ongoing analysis on WTO accession in Vietnam is "concerned with the possible impact on sector production levels and does not extend to considering the potentially large poverty and social impacts on producers and consumers (Hague, 2005). In Nicaragua the study on the impact of CAFTA on agriculture also has a strong economic focus that does not take into account the "interrelationship between commercial policies, the agrarian structure, actors' strategies, markets, institutions and agrarian policies, particularly important when examining the complexities of rural development" (Acevedo and Peralta, 2005).

The Malian study on cotton reform focuses primarily on the trade-offs between government subsidies of cotton versus spending on education. This includes an analysis of the

viability for different groups of cotton producers to continue to produce cotton based on various pricing scenarios. While there would seem to be good analysis of the differences that exist between groups of cotton farmers, the study does not appear to consider the institutional and social factors surrounding cotton farming in Mali. An example of such is the incentive to start or continue cotton production as it is one of the few means of accessing credit for other activities. Nor does the study seem to take into account the effect of the artificially low world cotton prices in its analysis of the viability of Malians continuing activity in this sector.

Conclusion

The recognition of the need to go beyond economic blueprints has led to more context-specific country analysis by the IFIs. However donors still need to do much more to ensure that their lending programmes are informed by alternative policy options and not just minor changes or mitigating measures for predetermined policy designs. Linking research to policy also requires that PSIA commissioners better consider timing issues surrounding the reform agenda in order for analysis to be useful to policymakers. Finally the political, social and institutional factors that influence and are influenced by policy reforms need to be better taken into account. A new DFID-World Bank sourcebook on institutional, social and political analysis could help ensure that these factors take a more central position in PSIA research.

4 PSIA's and policymaking – an open process?

"We have always believed around here that if you really want to encourage reform it is the way you do the studies that makes a big difference"

Professor Haidari Amani, Economic and Social Research Foundation, Tanzania

"Governments are being urged, in effect, to adopt, 'as their own' policies introduced by outside agencies – without real policy autonomy in designing home-grown strategies. If there is reluctance to do so, or a lack of enthusiasm in the process, donors should not be surprised"

Terry McKinley, UNDP

It is widely accepted that policymaking is a messy procedure and that there is no linear relationship between the generation of

evidence and its use in policy processes. The uptake of evidence in policymaking is not straightforward and depends partly on the trust shown by the various players. However a consensus seems to exist on the importance of involving stakeholders in the creation of research, the importance of linkages between researchers and policymakers, and the need for clear communication strategies to improve impact.¹² Evidence is much more likely to be utilised in policymaking if it is created through national structures and institutions in a participative and transparent manner that encourages public debate and the mobilisation of different groups for change.

¹² See research from the ESRC Network for Evidence Based Policy and Practice at: www.evidencenetwork.org and ODI's Research in Policy and Development programme at: www.odi.org.uk/RAPID/

If PSIA were to be carried out in a transparent and participative manner and public debate actively promoted, it would contribute to a more open policy process and the improved implementation of policy changes. Thus the process of how evidence is created and fed into

the policy process is as important as the quality of that analysis itself. The way in which PSIA topics get selected, how the research is carried out (and by whom), and how PSIA is disseminated are all influential factors which will be discussed in this section.

4a Who sets the agenda?

“National actors should be involved in all discussion regarding potential PSIAs and should take the lead in identifying policy issues to be analysed, drawing on domestic debates and national strategies” (DFID, 2005)

Donors have repeatedly emphasised that Southern countries should be “in the driving seat” of development and reform programmes. Yet the World Bank continues to set the agenda for much PSIA, undermining the potential for it to become a part of national policy processes. Indeed, PSIA is in danger of becoming viewed as yet another donor requirement for accessing donor finance, according to the SEND Foundation in Ghana and other respondents to a Eurodad survey. In the recent World Bank conditionality review¹³, PSIA was named by 58% of governments as more burdensome than fiduciary conditions. This is not an argument against assessing the likely impacts of policies but rather a challenge to the World Bank and others to improve their approach to how PSIA is done so that it is more relevant to national stakeholders. A fundamental change needs to occur in how PSIA topics are selected.

The locus of initiative for PSIA is undoubtedly firmly housed in donor offices. Yet although in certain situations this may be inevitable, national actors should still take the lead in setting the agenda. Some interesting initiatives exist whereby national actors are playing or beginning to play a more active role in controlling the process of selection of topics for PSIA. Examples exist in Ghana (see Box 2) and more recently in Tanzania, where following very limited national involvement in selection of topics to date, the Research and Analysis Task Working Group, a state – society consultative body has now been tasked with identifying areas for research for the next five years.¹⁴ Also, in Honduras, the government has taken on increased responsibility for selecting topics and guiding the process with the technical PRSP unit within the government (UNAT) playing a key role in the process.

Nonetheless the selection process of PSIA topics continues to be largely donor-led with limited transparency, participation or public debate. Only two of the 65 civil society organisations surveyed by Eurodad had any knowledge of how the topics were selected for study in their country.¹⁵ One respondent from Ghana was aware of meetings that had been convened by the National Development Planning Commission (see Box 2), and one respondent from Honduras had hearsay knowledge of the selection process.

At the beginning I think that they were decisions between the government and the donors, but the UNAT (technical PRSP unit within government) said in November 2004 that the priority topics were selected based on the PRS consultations with civil society. - (Sarah Hunt, Trócaire)

In the Fund, the PSIA team together with the IMF area departments selected the ten countries and reforms for PSIA. In addition, the PSIA team is also providing technical assistance work to Ghana and Jordan on petroleum pricing reform at the request of the government. However, the government was asked by the Fund Mission Chiefs to make the request for analysis to be done in this area.

The following table illustrates the selection process of PSIA topics in our case study countries:

Table 1: Selection process of PSIA topics

Country	Funder	PSIA	Selection process
Ghana	GTZ	Decentralisation	National development planning commission facilitated a series of workshops with government, donors, consultants and some civil society organisations to identify priority areas
Ghana	DFID	Tackling vulnerability and exclusion	
Ghana	DFID	Agriculture reform	
Ghana	UNDP	Petroleum prices	
Ghana	World Bank	Electricity reform	Controversy over selection process - not amongst list of initial priority areas but included latterly as reform was a PRSC condition
Mali	World Bank	Cotton	Chosen by World Bank
Nicaragua	World Bank	Education for All	Chosen by World Bank
Nicaragua	World Bank	Fiscal reform	Chosen by World Bank
Nicaragua	World Bank	CAFTA	Chosen by World Bank
Vietnam	World Bank	State-owned enterprise reform	Requested by Ministry of Finance, reform also an IMF PRGF condition
Vietnam	World Bank	WTO (not completed)	Chosen by World Bank
Vietnam	World Bank	Coffee (officially not a PSIA)	Chosen by World Bank
Vietnam	World Bank	Land (not started)	Chosen by World Bank

“Only two civil society organisations had any knowledge of how the topics were selected for study in their country.”

¹³ Review of World Bank Conditionality, June 2005, 25

¹⁴ Telephone interview with Prof. Haidari Amani, ESRF, Tanzania. The Research and Analysis group is a sub-group of the Poverty Monitoring System, set up as part of the PRSP and Public Expenditure Review process.

¹⁵ Of the 69 questionnaires completed, four came from government representatives.

In Vietnam the Bank carried out the PSIA on state-owned enterprise reform at the request of the Ministry of Finance. It was arguably one of Vietnam’s most significant policy changes, with the issue having been on the government’s agenda since the late 1990s, and it was also a condition for the IMF Poverty Reduction Growth Facility (PRGF).

“Privatisation is one of the most important issues initiated by the WB, carried out by the Vietnamese government with the main part “state-owned enterprise equitization” (Do Kim Toan, Microfinance Institute, Vietnam)

However, PSIA in Vietnam has been mainly driven by the World Bank country office, with the debate around the topic selection being contained within the World Bank.

An overlooked issue: macroeconomic frameworks

Macroeconomic frameworks remain off the agenda for discussion when it comes to doing PSIA. This is despite the issue being repeatedly flagged both inside and outside the IMF. In September 2002 the International Monetary and Financial Committee of the Board of Governors of the IMF stressed “the importance of using poverty and social impact analysis more systematically, and building country capacity” in this area. And in 2004, the Independent Evaluation Office in its review of the IMF stated that: “PSIAs of key macroeconomic policy proposals are rarely undertaken and do not represent a significant ex ante input into policy formulation” (IEO, 2004: 4).

Of the ten countries and reform issues that the IMF’s PSIA team has selected for its first year, none look specifically at fiscal and monetary targets. The majority look at structural issues. Only one (Djibouti) examines the impact of devaluation, and two (Bosnia and Uganda) look at tax reform. The head of the PSIA team at the Fund defended this focus on the grounds that the analysis of macroeconomic targets is not possible due to its complexity, that these structural issues “are essentially components of a macroeconomic framework” and that “no matter what policies you are going to follow, you want efficient spending and efficient revenue raising.”¹⁶ This argument does not, however, address the issue of whether the selected inflation and deficit targets are optimal for growth and poverty reduction. Although macro frameworks and their elements are complex to analyse, it is expected that the IMF carries out some analysis in order to set macro targets and, therefore, that expanding this analysis to cover poverty impacts of targets is feasible. One ex-Fund staff member indicated that questioning these

Box 2. A positive precedent in Ghana

The process for carrying out PSIA studies in Ghana (including selection of topics) has largely been managed by the National Development Planning Commission (NDPC), a government body also responsible for overseeing the PRS process. Housing PSIA within this structure has enabled much more national control of the process than is evident in other countries.

In early 2003, the Government of Ghana hosted a series of national workshops to discuss PSIA opportunities in Ghana. This process was managed by the NDPC and funded by DFID. Relevant government ministries and departments, together with representatives from DFID and the WB attended these workshops. They examined the five thematic areas of the Ghana Poverty Reduction Strategy (GPRS) and selected an initial list of 16 potential topics for analysis.

A final list of five topics were selected which included Decentralisation, Vulnerability and Exclusion, Agriculture, Petroleum Pricing and Electricity Tariffs. Initially, the latter two were not among the priority areas identified, but were then included at donors’ requests. The government of Ghana complained that the study on electricity tariffs was donor-led and was reluctant to include it until “DFID Ghana stepped in and struck a compromise by getting the government to treat this PSIA as the Bank’s own study” (Azeem, 2005).

The selection process in Ghana was the most public and open of the cases that Eurodad has examined, using the GPRS as its starting point and involving relevant Ghanaian ministries and departments. Nonetheless, that process was partially undermined by the World Bank’s insistence on including a topic which had not been part of the original prioritised list. Furthermore weak involvement of and communication to parliamentarians, civil society organisations and the media limited the possibility for mobilisation of citizens to push the Ghanaian government to implement pro-poor policy designs that arose from the analysis. Some Ghanaian CSOs for example have been attempting to increase the focus on vulnerability in the second GPRS which is currently under discussion. However they were not aware of the DFID funded PSIA on this topic, nor once informed by Eurodad were they able to access the document for their advocacy efforts.

issues would of course be a challenge to the fundamentals of the monetarist model as pushed by the Fund and to the belief in “definitive research” held by some at the top of the institution.¹⁷

The World Bank has done some studies on macro issues. In Nicaragua, a PSIA examined the fiscal reform that had already been passed. It concluded that the fiscal reform has been marginally progressive overall, but that a large part of the potential for redistribution of the fiscal equality law would come from the

¹⁶ Conversation with Robert Gillingham, 9th August 2005

¹⁷ Conversation with ex-Fund staff member, 8th August 2005

increase in revenue that could be directed to social public spending in the neediest sectors of the population. This conclusion is surprising since from the time it was agreed with the IMF

to carry out this reform, it was clear that the priority of the reform was not to increase public spending but to help to clear part of the large internal public debt.

Box 3: PSIA on fiscal space in Rwanda

Rwanda: DFID study shows viability of increased public spending

One of the few PSIAs that have been carried out on fiscal and monetary frameworks was the one funded by DFID in Rwanda on increases in the public deficit. This study challenged the low IMF expenditure ceilings and recommended a significantly higher level of grant-funded expenditure. However the IMF did not change its policy, arguing that the study was not sufficiently robust. Nonetheless, DFID believes that the study probably did give the Rwandan government some scope to challenge IMF assumptions and for both sides to have a more nuanced debate (Bird et al. 2005).

Clearly robust analysis is important if it is to be influential and national governments and researchers need support in shoring up macroeconomic research capacity. At the same time however policymakers need "access to a wider range of assistance with more heterodox views" (Martin and Bargawi, 2004: 46) if they are to be able to challenge some of the orthodoxies of Fund advice (much challenged in academic literature) in their negotiations with the Fund in practice.

4b Who is carrying out PSIA? Who is participating?

Broad participation and stakeholder engagement is a key principle of the PRS process and its importance is again echoed in both the World Bank and DFID principles for carrying out PSIA. The Bank's PSIA Good Practice Note, for example, states that "the PSIA process should involve as many key stakeholders in the reform as possible, including civil society" (World Bank, 2004a: 8). Inclusion of national actors in doing the research and participation in the process would contribute to a more sustainable process and increase the usefulness of evidence-based research for policymakers.

Making the most of local knowledge and local capacity?

One of the stated objectives of PSIA according to both the World Bank's Good Practice Note and DFID's Principles for Good Practice is that PSIA should contribute to in-country capacity-

-building. In general this objective is being insufficiently considered. There is also an untapped potential for using more national researchers in analysis. While the World Bank and IMF say they would be happy for others to be doing this kind of analysis, there are few examples to date of practical steps to encourage more nationally executed research or to develop the capacity of national policymakers and researchers to do so.¹⁸

As was seen in Section 4a, PSIA continues to be largely an externally-led agenda. This is further reflected by the weak participation of national actors in the carrying out of the research. In the case of the IMF, the PSIA team has no facility through which it can hire local consultants to do PSIA work. And the table below shows that the majority of PSIA commissioned by the World Bank continues to be carried out by World Bank economists with limited use of national researchers or multidisciplinary teams.

Policymakers need "access to a wider range of assistance with more heterodox views"
(Martin and Bargawi, 2004: 46)

Table 3: Who did the research?

Country	PSIA	Primary researcher(s)	Secondary researchers
Ghana	Electricity reform	World Bank staff, RAMBOLL (external consultancy company)	KITE (Ghanaian research institute)
Mali	Cotton reform	World Bank consultant (economist) and World Bank staff economist	Malian research institute (data collection only)
Nicaragua	Education reform	World Bank consultant (economist)	N/A
Nicaragua	Fiscal reform	2 external consultants (economists)	N/A
Nicaragua	CAFTA	World Bank country economist, Costa Rican trade expert, Nicaraguan political economist	N/A
Vietnam	SOE reform	World Bank economist, PSIA was a series of three studies carried out by the Bank	N/A
Vietnam	WTO accession	Two economists from University of California at Berkeley (commissioned by WB Vietnam)	Following WTO negotiation, some analysis is being continued by the Vietnamese Academy of Social Sciences

¹⁸ However, NORAD, DFID and the World Bank are now working on developing a strategy for capacity building in PSIA for institutions in the south to be implemented in 2006

“The process should be home-driven and use local understanding of poverty and social issues. Local researchers would be much better at this”
Bilateral donor, Malawi

Maximising the opportunity for national capacity building in developing countries can be facilitated both by ensuring national actors are involved in doing the research and that PSIAs are linked into existing national structures, and that training is an explicit element of the methodology.

As can be seen from Table 3, the use of national researchers in the case study countries that Eurodad examined has been weak. One of the arguments frequently heard for not using national researchers is the lack of capacity in-country for analysis. However as one World Bank official has highlighted, frequently the capacity to complete many aspects of the research does exist, but national researchers (especially social scientists) sometimes need some guidance in how to pitch their research and make it relevant and effective for policy makers.¹⁹

Weak participation of national researchers in doing the analysis also undermines the potential for good analysis of political economy issues which logically require local knowledge and understanding of political realities. As one former World Bank staff member has written “when the reforms are institutionally and politically complex (...), the knowledge and analytical skills brought to bear by Bank staff may be less relevant and in the worst case, may crowd out more relevant local knowledge” (Morrow, 2004, 19).

In **Mali**, a national research institute was contracted to collect primary data for the World Bank cotton study. The research institute was initially instructed by the World Bank consultant to collect the data but specifically not to analyse it. This data was then taken to Washington for analysis by the World Bank staff member who had taken over the study from a World Bank external consultant. This data is currently ‘owned’ by the Bank but once the PSIA is finished and the data is presented with Bank analysis it will be made available to others for analysis if they so wish.²⁰ It would appear that an opportunity for enabling or even developing local analytical capacity was lost, as the data was extracted from the country for analysis elsewhere.²¹ The Bank’s reluctance to share this data until its own research has been published is also highly questionable, especially if it has some concerns about the quality of the data.

¹⁹ Kvam, Paris PSIA network meeting, June 2005

²⁰ Interview with Quentin Wodon, World Bank economist, July 2005

²¹ An area where some capacity building has been incorporated into analytical work in Mali is in the collaboration between the Bank and the National Statistics Institute on poverty mapping

²² See <http://www.oecd.org/dataoecd/0/27/34504737.pdf> for Paris Declaration on Aid Effectiveness

In **Nicaragua**, there is no evidence of any capacity-building being integrated into the research and no use of national researchers; whilst in **Vietnam** the SCFUK/Eurodad research expressed concern about “the lack of capacity-building within the analytical process, which is seen by many as a priority. Those countries that can effectively engage in PSIA and benefit from direct or indirect capacity-building will have less capacity needs in the future and be more capable of filling analytical gaps themselves” (Hague, 2005, 8).

However in **Ghana**, the World Bank study on electricity reform did include both national researchers and a small element of training. The PSIA began with “a training of the consultants on research on utility tariffs facilitated by experts, including a World Bank consultant and officials from the Electricity Company of Ghana who explained their enumeration system to enable them to select the households for interviews” (Azeem, 2005).

There is a common recognition that aid negotiations can put excessive strain on the administrative capacity of developing countries, and can undermine institutional development rather than strengthening it. Donors have committed to avoid creating parallel governance and management structures under the Paris Aid Effectiveness agenda.²² The PSIAs reviewed indicate a wide variety of situations; from relatively effective integration into existing national structures, to use of donor parallel structures that are poorly linked to national processes to research that is removed entirely from any national dialogue.

In **Ghana** PSIA is housed within the National Development Planning Commission (see Box 2). This is the Ghanaian government agency “that is responsible for planning, monitoring, evaluating and coordinating policies and programmes” (Azeem, 2005) and which played a key role in undertaking the five PSIAs that were implemented in Ghana. It coordinated the setting up of temporary steering and technical committees for each study. Although the PSIAs are still viewed by many as ‘donor-led’ this structure provides better opportunity for evidence produced to be linked into national political processes and policymakers.

However, in **Nicaragua**, an opportunity to support the national dialogue around fiscal reform was lost due to the lateness of the PSIA study. In preparation for this reform, a voluntary and consultative ad-hoc committee was established to make recommendations to the government. One of the requests of the committee at the time was to have more information about the social and economic impacts of the reform.

This ad-hoc committee would have been an opportune structure around which to carry out the PSIA, had it been done on time. It is not clear why this study was carried out by the Bank at such a late stage.

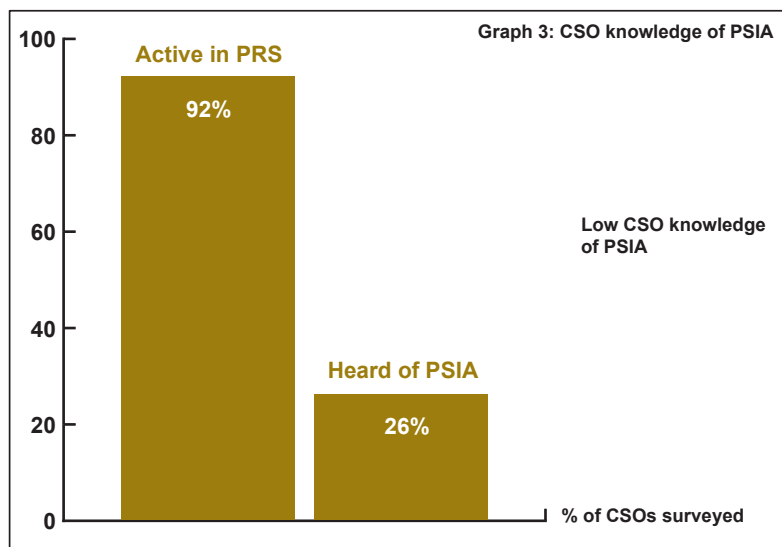
Broad stakeholder inclusion?

PSIAs have overall failed to live up to the principles of broad stakeholder participation and inclusion. Weak participation in the PSIA process is hindering the potential of this kind of analysis to create public debate around alternative policies and generate citizen support for pro-poor change. Participation of civil society organisations and parliamentarians has been particularly weak.

Eurodad’s survey of 69 organisations in 20 countries targeted civil society policy and advocacy organisations, the overwhelming majority of which are actively involved in the PRS process. The results of this survey illustrate the tremendous lack of knowledge about PSIA being carried out in their countries.

Civil society organisations cited lack of transparency and weak consultative processes of both donors and governments as potential reasons for not being informed. All organisations believed that participation in and information about PSIAs would be useful in their efforts to influence policy reform processes. Joseph Asunka from the Ghana Center for Democratic Development said “my organisation aims at improving the democratic content of public policy and to enhance the good governance component of the PRSP. The information would thus be relevant as we can use our lobbying skills to influence policy reform.” If the media and the public are aware of pro-poor analysis they can use this to hold their governments to account. People affected by the reform in question can also more effectively push their governments to implement policies. One Tanzanian respondent insisted that greater participation in the Tanzania Crop Board study from an early stage would have increased the likelihood of the reform being implemented:

“Our thinking is – let’s make these things participatory all the way from the beginning. You involve the media, the different stakeholders and people become aware of what is being studied. People can contribute to the design of the instruments, the design of the issues to be studied and then people are interested in what are the issues that are coming out of that study” (Professor Haidari Amani, Economic and Social Research Foundation, Tanzania).



A closer look at the case studies illustrates some of the shortcomings of participation in PSIAs. This can be seen in examining who has participated in discussions around the PSIA, the quality of that dialogue and how coordinated the process has been with other donors.

“The PSIAs have had limited consultation with civil society and the general public.”
(Ugandan Debt Network)

In only some cases does there appear to have been good linkages with policy makers and in the majority participation has been limited to a narrow band of stakeholders. In Vietnam there was good dialogue with the staff in the Ministry of Finance and some consultations with affected stakeholders, although it is not clear whether workers’ voices were effectively heard in the two workshops held. In Nicaragua the PSIA on education reform was by the World Bank representative’s admission a very “closed” process and the Bank itself recognises that the study did not “feed into any open and transparent dialogue with other actors in order to discuss its focus and methodology, the selection of the technical team to do the research, nor the results” (Acevedo and Peralta, 2005). Furthermore the Nicaraguan ‘Forum for Education and Human Development’ which brings together the majority of organisations and many individuals that work in the education field in the country was not consulted.

Nonetheless in Ghana, the government was much more involved in both drawing up the terms of reference and commissioning the studies. Civil society groups were also represented in some of the steering committees that were set up for each PSIA that was carried out (Azeem, 2005). That said the fact that several Ghanaian policy and advocacy NGOs that Eurodad surveyed had never even heard of PSIA suggests that this participation was somewhat limited.

“The manner in which workshops are conducted is important if participation is to be meaningful and useful for all concerned.”

Box 4: Quality of inclusion?

Mali: Meeting process matters for participation

In May 2005 the World Bank held an event in Bamako, Mali entitled “Poverty in Mali: Situation and perspectives.” This event was attended by approximately 40 people from a variety of Malian CSOs, donors, researchers and a few government representatives. One two-hour session of this day-long event was set aside for presenting the initial results of the PSIA on cotton reform with a second 45 minute session reserved for input into ideas for World Bank research around the PRSP process.

This event clearly illustrated why the manner in which workshops are conducted is important if participation is to be meaningful and useful for all concerned.

In the session on feedback of PSIA results, participants heard a technical power-point presentation, important sections of which were not intelligible to non-economists. The presentation was made extremely quickly and participants were not given any printed document to consult before, during or afterwards. It was also not clear from the presentation what were the intentions of the research and how it was linked to the cotton reform agenda. These factors limited participants’ input.

Coordination with other donors?

There was relatively good dialogue between donors in **Ghana** in coordination with the Ghanaian National Development Planning Commission. In **Nicaragua** the results of the PSIA of the already implemented fiscal reform law were presented at a workshop at which the Ministry of Finance and some donors were present. However, no other donors were involved in either the education, agriculture or cotton studies respectively. It is concerning

that in **Nicaragua**, the European Union was not involved in any way in the PSIA on education reform, whilst it is the biggest donor to this sector in the country. And in **Mali** there was no coordination with other donors in the country. In **Vietnam** the PSIA on SOE reform did not involve any other donor organisations, although it was loosely coordinated with the IMF’s programming since SOE reform was also a condition of the PRGF (Hague, 2005).

4c Limited dissemination

“For stakeholder engagement to be carried out more effectively, information will need to be proactively disseminated in languages, forms and styles that are appropriate to each audience” (DFID,2005)

“The policy of the World Bank, like that of many IFIs has always been not very transparent. Normally access to documents happens very late and not by formal means” (Plataforma contra la Pobreza, Bolivia)

Why dissemination?

An open policy making process that facilitates public debate requires transparent sharing of information at all possible stages. Whilst information about poverty impacts of reform programmes may be required for donor lending procedures, it is crucial to recognise that this information needs to be primarily useful to national stakeholders and policy makers. Citizens have the right to know and participate in the policies that affect their lives. Research is also far more likely to get used in policy making if “there has been a clear

communication strategy throughout the research process” (Bridging Research and Policy, 2005). Furthermore if good analytic reports are publicly available, citizens can use that information to push governments to implement pro-poor policies. Access to information can give poorer people the resources necessary to challenge more powerful and vested political interests.

Previous sections have illustrated some of the shortcomings of information sharing in the agenda setting and participation in research. Proactive dissemination of information involves much more than making reports publicly available at the end of the research process. Solesbury has argued that dialogue is much more fruitful than mere publication in influencing policy and practice. This means using a wide variety of communication media such as briefings, workshops and the press (2003). Unfortunately our experience shows that even this minimum requirement of publication has not even been followed in many cases and there are few examples of communication strategies and the use of different media to consider.

Making documents publicly available and accessible has been particularly weak both as regards the World Bank and the IMF publicising the analysis and in terms of analysis being disseminated in-country. The form and style of how this information is disseminated has also been criticised.

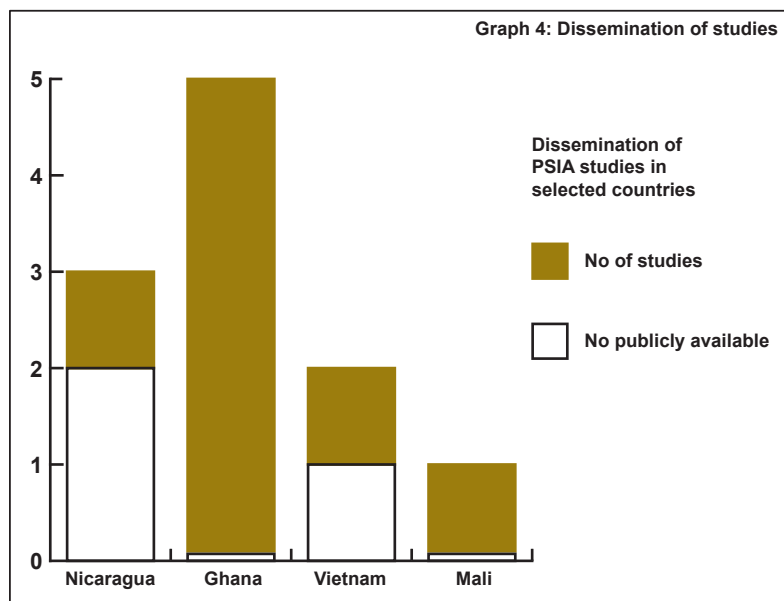
Availability of reports

None of the five PSIA's carried out in Ghana are as yet publicly available. The National Development Planning Commission has copies of the five studies and is planning to disseminate them in mid- 2005. However at the time of this report going to print, no such dissemination had occurred. In the case of the electricity PSIA, the World Bank staff members who were involved are keen for this report to be disseminated in the country, yet they themselves have not yet published it on their website. Nor have the other donors (DFID, UNDP, GTZ) who funded the other studies in the country taken any steps to disseminate their analysis.

In Mali, the changing nature of the cotton reform and the lack of pressing deadlines for finishing the research mean that the Mali report has not yet been completed. No draft has yet been shared with the Malian government. It was due to be presented by the end of August, 2005 but this was postponed.

Of the three PSIA studies funded by the World Bank in Nicaragua that were examined, none have yet been published on the World Bank website. The studies on Education for All and on fiscal reform can be found on a government website although they are remarkable well hidden. One would have to know in advance where they were in order to find them as they cannot be directly accessed through any search of the main public portal. The study on CAFTA and agriculture reform is not publicly available and is still marked "please do not distribute". In Vietnam, the three studies that make up the PSIA on State-owned enterprise reform are available on the World Bank's website and the study fed into the debate on the SOE reform in the Ministry of Finance and directly informed the programme design (Hague, 2005). The PSIA on WTO accession was deemed not to have been based on sufficiently robust assumptions and so will not be shared.

Dissemination of information at a central level within the World Bank and the IMF is also lacking. The World Bank has carried out at least 100 PSIA studies since it allocated designated funding for this work in 2003. Yet there are currently only reports of ten of the one hundred odd studies on their PSIA website²³ and one-page summary sheets of an additional seven studies. The other six reports



that are on this website are studies that were funded by DFID as part of their PSIA pilot studies programme carried out in 2002.

It is all but impossible to find information about what the IMF has done on PSIA by entering its website. Some information on the setting up of a PSIA team within the Fund was published in an IMF newsletter in May 2004 with a further update on PSIA activities in the August 2005 newsletter, but unless on this mailing list one would have to know where to look on the website to find the information. The IMF PSIA team has done reports to date on eight countries and information about their work in Tajikistan and Senegal can be found in selected issues papers. Apparently it is the Fund's intention that the reports will be published but it "essentially a question of them getting approval of the country and the (IMF) area department".²⁴

Form and style of reports

The usefulness of analysis is undoubtedly connected to the form and style in which it is presented. Unfortunately studies continue to be produced in formats that are more useful to the donor commissioning the study than to country policymakers or to other stakeholders. In Mozambique the World Bank PSIA on education was produced in English and discussed with the government before they had access to a version in Portuguese! According to the Bank "Budget constraints limit the dissemination activities of the PSIA, but the results have been discussed with the Government and the report will be translated into Portuguese to make it accessible to the general public in Mozambique".

²³ See www.worldbank.org/psia

²⁴ Telephone conversation with Robert Gillingham, 9th August 2005

"I think sponsors or donors of PSIA must insist that the agencies in charge of PSIA must make public their findings"

(Nicholas Adamtey, ISODEC, Ghana)

In addition to this glaring need for donors to become more multi-lingual in their analytical work, more needs to be done to ensure that analysis is produced in a manner that is both useful to policy makers and conducive to public debate. According to one Vietnamese commentator, "(PSIA) needs to be disseminated in more simple language and less technical jargon so that ordinary readers and policy makers can understand" (Vietnam Centre for Analysis and Forecast). This issue is intrinsically linked to the question of who this analysis is aimed at. Researchers will tend to present analysis in a style which they believe to be most suitable to those they believe will use it, usually the commissioner. If PSIA is only to be a product

that is useful for the World Bank in justifying its lending programmes then this is not an issue. But if the IFIs are genuine in trying to ensure that more pro-poor policies get implemented in developing countries then there is a real need for shift in approach to ensure that IFI staff researchers or consultants are focused on producing information that is primarily of value to the country in question regardless of whether the IFI needs to inform or justify its policy advice or conditionality linked to its lending programmes.

Proactive dissemination

Dissemination of results is about more than publishing reports on websites. Ideally PSIAs should be shared through various media and to different audiences. Indeed as Marie Schaba, Chair of the Tanzanian Association of NGOs (TANGO) has said "If they say being transparent is putting something on the internet – that is a myth – at least for us." That minimum has not been achieved as illustrated above and very little has been done to proactively share information about PSIA processes or findings. Some initial findings were shared at a seminar in Mali in May 2005, the limitations of which are discussed in Box 3. In the final week of August 2005, the Ghanaian government issued invitations to a number of organisations inviting them to discuss the results of the PSIA on decentralisation. Regrettably copies of the documents to be discussed were not circulated to those invited. This echoes the need to ensure that dissemination events such as these as useful to participants.

Conclusion

This section has focused on the importance of how Poverty and Social Impact Analysis gets done. Contrary to the belief of some Bank researchers that PSIAs should be judged simply by the output, not the process, this report has demonstrated the importance of process if PSIA is to contribute to strengthening national policy making processes. Who sets the agenda for research, who carries out the research and participates in it and how open and transparent the process is from the outset all affect the likelihood of PSIA both contributing to an open and informed policy process and resulting in the implementation of pro-poor policies.

Box 5: Malawi controversy

Is the World Bank learning from its mistakes?

The PSIA carried out in Malawi on agricultural market reform in 2003 was particularly controversial. This controversy centred on the fact that the report of the PSIA was only released after parliament had been called for an emergency session to pave the way for the privatisation of the agricultural marketing boards (ADMARC).

According to one World Bank staff member, "In order not to postpone negotiations for a new World Bank credit, the Government took the decision to repeal the ADMARC Act prior to wide dissemination of the findings of the PSIA. The President called the Parliament for an emergency session between Christmas and New Year to discuss and approve conversion of ADMARC into a limited company, in spite of strong opposition within Parliament and across the country, and prior to the dissemination workshop in January 2004"

Oxfam had undertaken a parallel report at the same time which came to very similar findings to that of the Bank, which recognised the social role of ADMARC in certain parts of the country. This was itself a positive outcome of the PSIA as it represented a shift in the Bank's position. Nonetheless the process of the PSIA was extremely non-transparent and law was passed to privatise ADMARC before there was any clear plan of how the "social function" of ADMARC was to be addressed.

In a recent paper by a World Bank staff member entitled "Lessons in Managing Policy Dialogue in Malawi: Reforming the Agricultural Development and Marketing Corporation (ADMARC)", the author comes to the conclusion that transparency and access to information should be an inherent part of carrying out PSIA.

"It is crucial to ensure that the consultations are as wide as possible since the beginning of the process, and that transparency and information is maintained throughout the process. This was not done adequately in the ADMARC PSIA and it has been a cause of significant misunderstandings" (Nucifora, 2005).

The Bank commented that it has learned lessons from the ADMARC study when planning its new PSIA study in Malawi on tobacco marketing and sales liberalisation.

"It is crucial to ensure that transparency and information is maintained throughout the process. This was not done adequately in the ADMARC PSIA and it has been a cause of significant misunderstandings."

Antonio Nucifora

5 Channels of Change?

“IFIs are able to influence, if not dictate, the development paradigm and the associated philosophical underpinnings of development policy. Their monopoly of these two important markets for policy research creates a ‘no alternative’ syndrome as no organization in Africa is in a position to produce similar research outputs which may or may not confirm the findings of the studies by these IFIs”
Olu Ajakaiye, African Economic Research Consortium

This year most aid-giving governments have signed up to a series of targets for increasing aid and for making it more effective in terms of reducing poverty. Civil society groups have already been monitoring impact of aid towards the Millennium Development Goals and other pledges, and will now gear up their plans to examine the new aid. Technical assistance and policy advice are increasingly a part of such scrutiny. Whilst it is generally accepted that much could be done to harmonise donor analytic work – indeed donors have agreed to a target of 66% of country analytic work to be jointly executed by 2010 – little is really understood about how current analysis overall feeds into different donor policy making across different countries, nor how much of it is useful to addressing the complex problems of developing countries.

Shifting influence

The World Bank and other donors have invested a significant amount of energy and resources into PSIA, as well as similar in-country analysis going under other names. Many of these studies are not being made public yet they are being used to inform donor policy advice which is being used to influence countries’ development strategies. “Traditional conditionality may be reducing, in recognition that the attempt by donors to buy reforms in developing countries through the use of blunt conditions on aid and loan agreements has been largely ineffective; yet upstream influence through policy advice, which is less coercive, is becoming more important.

Harmonization and policy space

The move away from earmarking funds for specific projects and programmes towards general budget support should free up administrative time in overstretched bureaucracies to respond more to citizens needs than to donors’ demands. Nonetheless, overall budget financing potentially allows donors to have a far wider engagement on government policy than they have had before. The benefits

²⁵ Actionaid USA, 2004, Collier and Gunning, 1999, Gottshalk, 2005, Martin and Bargawi, 2004

of harmonization need to be monitored against the risks of policy space actually being reduced if donors group together around the same framework. ‘Partnerships’ between donor and recipient governments could contribute to more shared learning and cooperation. Nonetheless the distortion of power relationships in this ‘partnership’ caused by the bundling of lending and policy advice still needs to be taken into account.

Macro frameworks and MDGs

The challenge of increasing financing in order to meet the Millennium Development Goals is another area of growing interest and debate. Many countries have no chance of meeting the MDGs by 2015. More financing for development has been urgently called for. Yet there has been increasing criticism that economic growth in developing countries and their ability to reach the MDGs is being undermined by excessively low inflation and fiscal deficit targeting, imposed by overly stringent IMF macroeconomic frameworks.²⁵ The IMF defends its policies on the grounds of macroeconomic stability. Recent research however by the Institute of Development Studies in the UK and by UNDP (2004) shows that the potential for growth is being strangled by the lack of room for manoeuvre. Furthermore crucial targets to reduce HIV/AIDS and increase access to basic education are being hampered by the IMF’s spending limitations as illustrated by a recent report by Actionaid USA (2004). Yet nothing has been done so far in the Fund to promote country-led PSIA that examines alternative macroeconomic policies in relation to achieving the MDGs and the PSIA team within the Fund seems reluctant to engage in this debate. Without a shift in the team’s focus to consider the broader issues of macroeconomic frameworks, the Fund will have failed in its pledge to consider the impact of PRGF loans on the world’s poor.

Conclusion

There is still much to be done to ensure that the principles of “country ownership”, “participation” and “partnership” that are so often used in development discourse result in any change in the power relationships between donor and recipient countries. These are principles that do not just underscore how PSIA is carried out but also the supposed “partnership” between donors and recipients in general. If international development agencies are serious about changing the way they do business, there is a strong case for all in-country analytical work to be done in an open manner which empowers the host government and its citizens.

“The current knowledge gap approach, which assumes that donors have the knowledge and countries need to receive it, doesn’t accommodate iterative two-way policy dialogue, which is what we need”
(Watt, 2005:2)

6 Conclusions and Recommendations

Official development communiqués and speeches all stress that aid must produce results and that developing country governments and civil society groups must take the lead in formulating policies and spending priorities for their countries. International Financial Institutions have introduced a number of new processes to improve opportunities which claim to put national political actors in control of their own policy-making. But are countries really gaining control, and if so, are they free to choose their own direction? The IFIs' financial strength, and their roles in giving signals to other funders, means that many countries fear to go off the tracks recommended by Washington. The World Bank and IMF boast an army of well-educated and –resourced employees who wield a strong influence over countries' policy paths.

The coupling of policy advice and finance from the same institutions is undoubtedly powerful. While the consensus on what constitutes the "right policies" for successful development is slightly less strict than previously, there is still very little room for countries to chart their own policy direction. A continuous debate rages over whether the vast amount of past policy failures are due to bad advice or bad policies themselves. There is, however, a broad realisation that there is a need to go beyond economic blueprints and focus on context specific evidence and the social, political and institutional factors that influence policy reform processes. Indeed there is recognition of the importance of the process of policy-making itself.

PSIA has been introduced in the light of this recognition and enough studies have been done or started to assess how successful it has been. The World Bank and IMF have committed to carrying out PSIA on all policy reforms included in loan agreements where "significant distributional impacts" are likely and the central PSIA team has made progress in promoting the use of PSIA across country offices. Yet the involvement of national stakeholders in choosing topics, defining research approaches and debating conclusions has been far too little. One reason for this may be that international financial institution staff see PSIA as a question of doing due diligence to guard their backs, rather than as a question of strengthening national policy processes. These are not, however, mutually exclusive aims and much can be done by the Bank (and other institutions) to improve the process of the PSIA (and other country-level research) they support. Progress on this will partly depend on how well civil society groups organise themselves to demand involvement and partly on whether the IFI boards act to change budgetary and other incentives in the institutions.

The IMF's PSIA work started later than that of the Bank and has delivered few visible results to date. Nothing has been done so far in the Fund to promote country-led PSIA that examines alternative macroeconomic policies in relation to achieving the MDGs.²⁶ Robert Gillingham, the head of the IMF's PSIA team, said recently, however, that "we are trying to look at the prospects of doing more of that."²⁷ The Fund PSIA team aims to work itself out of a job within two years²⁸ by encouraging Fund Mission Teams to set up their own systems for doing this work. The integration of PSIA across Fund departments within this time will be a tough agenda. And without a shift in the team's focus to consider the broader issues of macroeconomic frameworks, the Fund will have failed in its pledge to consider the impact of PRGF loans on the world's poor.

"National structures need to be given the space to select topics for PSIA"

²⁶ The Bank and the Fund are also collaborating on a study on Ethiopia that looks at costing the MDGs and fitting the needed spending into a macro framework. Nevertheless there would appear to be a certain disconnect between the PSIA team, which is located in the Fiscal Affairs department, and PDR.

²⁷ Conversation with Robert Gillingham, 9th August 2005

²⁸ Interview with David Coady, 1st September 2005

Recommendations

Unbundling lending and policy advice

Policy advice is inherently political – an explicit recognition of such would be a more honest approach for donor “partnership” with governments of developing countries. The World Bank and the IMF should de-link their lending from policy advice. There is an inherent conflict between the two. Lenders would then draw on heterodox advice from a diversity of national and international institutions. This is all the more important given the failures of development finance to date and the reality that there is no one “right path” to take to eradicate poverty across different countries.

Facilitation and ownership

Donors need to take an increasingly facilitatory rather than leading role in undertaking policy analysis. The long-term vision whereby countries present their funding requests to lenders for policy reform, having undertaken their own poverty social impact analysis and arrived at a necessary political consensus for reform must be kept in mind. This ideal situation is evidently closer to some countries’ realities than others and so will require differing strategies in the short-term. In all situations however there should be a long-term commitment to devolving control and strengthening research capacity and information sharing.

Immediate improvements:

- All reforms selected for PSIA must be embedded with a country-owned plan, such as a PRS, and should be the result of a country-driven prioritisation process.
- Donors should involve national researchers in all PSIAs that they fund. Both the Fund and the Bank should draw on the expertise of other international agencies to ensure more multidisciplinary approaches.
- Improvements should be made to the tendering and funding processes of in-country analysis to ensure that more national knowledge and capacity can be used and developed.
- Donors must also review and integrate the results of independently or nationally executed PSIA into their relevant sector analytic work.

Short-term changes:

- Bilateral donors should commit (untied) funds to address training needs as identified in-country by a participatory needs analysis of research capacity.
- The Bank and the Fund must demonstrate the credibility of their claim that they are willing

to accept independent research to inform their lending programmes. One way to do this would be to invest in independently managed competitive research funds.

Transparency, participation and fostering debate

Donors and recipient governments hide behind each other to explain non-disclosure of information. This is not acceptable and it severely limits participation and debate. Whilst citizens can hold their governments to account through national legal and political processes, there is no direct accountability mechanism for holding donors to account.

- There should be a presumption of disclosure of all in-country analysis that is carried out unless there is a clearly stated and justifiable reason for not doing so.
- Policy research processes should be transparent from the beginning of the process and clear communication strategies should be designed and budgeted for from the outset. This includes circulation of concept notes, terms of reference, presentations and draft reports. All PSIA concept notes must outline the proposed dissemination and feedback process.
- Draft documents should be shared with relevant national stakeholders in time for research to be properly scrutinised. Internal sign-off procedures within the World Bank and the IMF aimed at quality control should be relaxed so as not to delay document release.
- The media – newspapers, FM radio stations, local television stations etc – should be used to ensure that study conclusions are disseminated and debated. Internet posting is not sufficient.
- The Bank and the Fund should both make their work plans for PSIA publicly available.

Funding

The World Bank has made no commitment to specific funds for PSIA beyond 2006 and bilateral donors such as DFID and BMZ have not stated how they plan to continue to support this agenda. The Fund has only allocated funds for its PSIA team for two years.

- The World Bank and the Fund must ensure that funds continue to be allocated for carrying out PSIA. Policy reforms, likely to have distributional impacts, that are part of loan agreements must be accompanied by PSIA

“Inclusion and transparency in the selection process of PSIA topics is crucial to facilitate buy-in from governments and citizens alike.”

- The Fund should make resources available to do systematic poverty impact analysis on macroeconomic frameworks in PRGF countries
- There should be clearer allocation of responsibility and budgets for this work within the Bank and the Fund.
- The IFIs and bilateral donors should provide more funds for Southern research institutions to do PSIA.

If the public is to be convinced that aid is generating real progress towards Millennium Development Goals open evidence-based planning via PSIA will be vital. Civil society groups will continue to press for change on this important agenda, and to monitor whether the World Bank, IMF and other donors allow national actors to be involved in surveying, mapping and choosing their own policy routes to implement.

Opportunities for CSOs to proactively engage in poverty analysis of reforms

CSOs based in Southern countries may want to do the following:

- Demand from their government and from international agencies operating in their country to know what in-country analytical work has been started or is being planned.
- Participate in all aspects of the process: deciding what are priority issues for PSIA, commenting on Terms of Reference, organising stakeholder discussions, providing advice about or assistance with pro-active dissemination (via the media, CSO networks and publications, etc).
- Helping with evidence collection, more synthesising and documentation of learning/ local knowledge around issues (e.g. water, land, cotton) to contribute to debate.
- Bidding to carry out PSIA research – possibly in collaboration with national research institutions or Northern CSOs. This can feed into reform discussions, and other (donor) PSIA being done
- Use access to information laws to push for document disclosure.

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Annex 1: Summary of main donor activity on PSIA to date

	World Bank	IMF	DFID	GTZ
Primary Aims	Help countries undertake PSIA to inform their national poverty reduction strategies, specific reform programmes and the Bank operations that support them Systematic integration of analysis of potential distributional impacts of policy reforms in the Bank's operational work	Understand the effect of program measures on vulnerable groups—in particular the poor—and design measures to mitigate any negative effects. Mainstream use of PSIA across Fund area departments	Support evidence-based policy and poverty focused policies Support development of national systems which use PSIA as an integral part of their planning	Contribute to the systematic application of PSIA in a transparent and effective manner Promote collaboration between WB and German Development Cooperation Support informed debate and decision-taking in partner countries
Policy	Operational Policy 8.6 (10). PSIA should be carried out on all policies likely to have "significant distributional impacts"			
PSIA Studies	+/- 110 PSIA studies to date (Financial Year 2002-2005) Funding for 28 PSIA studies for 2006 financial year	10 priority countries and reforms selected (primarily structural issues)	7 pilot studies Other PSIA since have been done in Ghana, Iraq, Pakistan, Russia, Tajikistan, Vietnam and Yemen.	WB-German Poverty and Social Analysis Fund <ul style="list-style-type: none"> ▪ 6 PSIA studies in FY 2005 ▪ 9 PSIA studies selected for funding for FY 2006
Guidance notes	PSIA User Guide, Good practice note, Sector Reform Notes		Principles for PSIA Producing guidance notes for DFID country staff	Producing Guidance notes for German Development Cooperation staff
Tools	Tools for analysing impacts of Economic policies, Tools for Institutional, Political and Social Analysis (TIPS)		Tools for Institutional, Political and Social Analysis	Contribution to TIPS (instruments, comments)
Training	PSIA e-learning course	Some in-house training for IMF staff		Conference on PSIA and agricultural policy together with WB and IFAD
Staff	Centrally: Poverty reduction group (within Poverty Reduction and Economic Management Network) and Social analysis and policy team (within Social Development Group)	4 position PSIA team	1 ½ people centrally Negotiating secondment of political economist to IMF PSIA team	1 ½ people centrally 2 people funded for WB social development team
Resources	US\$11million to date (2002-2005)	Budget to cover personnel and travel costs of PSIA team from September 2004		c. US\$2 million

The World Bank and the IMF have acknowledged that policy should be based on evidence, not blueprints, and are developing tools and methods to analyse which policies are needed to reduce poverty. Poverty and social impact analysis, introduced in the last four years, is one such approach. It is important because it can contribute to reforms being better designed, strengthen national institutions, and make policies more likely to be implemented. Yet, a number of these results depend on whether the analysis is carried out in an open and inclusive manner.

This report scrutinises the reality of poverty social impact analysis in developing countries. Eurodad commissioned four case-studies in Ghana, Mali, Nicaragua and Vietnam and carried out a survey of civil society organisations in twenty developing countries to inform this work.