

Poverty and Social Impact Analysis: Principles for Good Practice

This paper is not intended to lay down a prescriptive framework for undertaking poverty and social impact analysis (PSIA), but rather to suggest key principles to guide practice. The focus is largely on process issues, but also acknowledges the importance of the thorough and rigorous application of suitable analytical tools. The guidance recognizes that PSIA will be undertaken in a wide range of conditions facing a variety of constraints and challenges. It is hoped that these principles will be useful to those undertaking or supporting PSIA exercises, both within DFID and in partner agencies and governments.

What is PSIA?

PSIA is best understood as an approach to impact analysis that intends to inform policy formulation and choice, rather than being any specific tool or method: it draws on a host of different tools from many disciplines depending on what is appropriate for the particular issue. PSIA specifically analyses the intended and unintended consequences of policy interventions on the well-being of different social groups, with a focus on poor and vulnerable people. Well-being includes both the income and non-income dimensions of poverty.

PSIA is not new. Impact assessments have been undertaken for many years and PSIA approaches are building on this existing knowledge and experience. However, there have been few previous efforts to identify the distributional impacts of policies and their affect on poor people. PSIA can be applied to any development policy¹, not only those with an explicit poverty reduction aim, in order to identify distributional and poverty consequences.

PSIA is intended to open up opportunities for more inclusive policy development processes, and awareness-raising among relevant people of the potential impacts of policy reforms. In particular, directly affected groups may have the opportunity to scrutinise and debate potential impacts of various policy options through a PSIA process.

PSIA aims to:

- make explicit links between policies and their impact on poor and vulnerable people
- ensure that social impacts are given as much weight as economic efficiency
- improve the evidence base and quality of debate over reforms.

Principles to Guide Good Practice

PSIA should:

1. play a central role in the policy process:
 - a. at the start (to inform policy choice)
 - b. during (to improve monitoring)
 - c. at the end (for lesson learning).
2. provide a multi-dimensional and disaggregated view of poverty (using qualitative and quantitative information from a range of disciplines).
3. be country-owned and lead.
4. facilitate broad stakeholder engagement.
5. foster greater transparency and accountability.
6. build on national processes and support capacity development.
7. be pragmatic and appropriate to purpose.

¹ The various methods applicable to PSIA can also be used to analysis the distributional impacts of plans, programs and mega-projects – all of which contain various degrees of explicit or implicit policy.

Principles of PSIA

1. PSIA should play a central role in the policy process: early (to inform policy choice), during (to improve monitoring) and at the end (for lesson learning)

In order to make a real impact on policy decisions PSIA should ideally 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 for the desired improvement. To date PSIA's have often only been undertaken in time for mitigating measures to be included in already identified policy measures – with limited options for influencing that policy. PSIA's can also make a useful contribution during policy implementation, in order to reflect on and evaluate actual impacts and adjust the policy accordingly; and at the end of implementation to provide lessons for future policy formulation. Analysis from the three stages should be cross-referenced and changes made to fine-tune an ongoing reform process.

2. PSIA should provide a multi-dimensional and disaggregated view of poverty

PSIA should provide a multi-dimensional view of the distributional impacts a policy has on various social groups. In order to provide a full view of these impacts a combination of quantitative and qualitative data will normally be required, and a range of social, economic, political and institutional approaches to analysis could be used. Special attention should be paid to relevant social exclusion, vulnerability, gender and power issues. In order to identify the impact on excluded groups, the population will need to be disaggregated by relevant categories, such as sex, age, ethnic group, geographical location and income. It is also important to identify the currently advantaged or privileged who stand to lose from a policy, as their behaviour may be critical to the policy's successful implementation

3. PSIA processes should be country-owned and lead

There is broad agreement that 'country ownership' is fundamental to a successful PSIA if it is to have a real influence on domestic policy debate and gain support for the decisions reached. However country ownership is a very broad term, which is rarely clearly defined. In DFID's view, country ownership can be ensured in a PSIA process in a number of ways. National actors should be involved in all discussions regarding potential PSIA's, and should take the lead in identifying policy issues to be analysed, drawing on domestic debates and national strategies (whether part of a PRSP or other national documents). Input should be sought from relevant non-governmental stakeholders and as part of the public debate. National actors should also lead the design and commissioning of the analysis. Wherever possible, local people should be involved in the actual data collection and analysis.

4. PSIA processes should facilitate broad stakeholder engagement

Country ownership of a PSIA process does not simply refer to involvement by central government, but also by a broad range of other stakeholders, such as informed actors from civil society, the private sector, and the communities affected by the policy. Proactive and carefully designed efforts will be needed to seek the views of these actors and to be as transparent as possible with information. Potentially, trust may be built between actors with

conflicting interests, as their understanding of the issues around the policy improves through their involvement in the PSIA. The process will have greater credibility, and the analysis more impact, if as many relevant constituencies as possible are involved. For stakeholder engagement to be carried out effectively, information will need to be proactively disseminated in languages, forms and styles that are appropriate to each audience. A dissemination strategy should be planned from the outset of the process and budgeted for as a key element of a PSIA process.

5. PSIA should be able to fosters greater transparency and accountability

PSIA can be used as a means for increasing transparency of policy processes and for stakeholders to demand greater accountability from policy-makers, both governmental and donor. The World Bank and IMF, for example, have committed to identifying the significant distributional consequences of their operations. The UK Government has also stated that it will ensure that funding is available for PSIA if significant distributional consequences are likely for any of the benchmarks contained in the programmes they support. Aid recipient governments or civil society groups should therefore feel confident in calling on international donors to demonstrate the distributional and poverty impact of their advice, conditions or benchmarks, even when agreed by the recipient.

6. PSIA should build on national processes and support capacity development

We need to move towards a situation where there is sufficient national capacity to undertake PSIA. PSIA processes will therefore need to include a proactive strategy and budget to develop in-country capacity among government departments, researchers and civil society, to commission, manage and undertake PSIA. Where possible local personnel should be used on PSIA teams, and proactive efforts may be needed to ensure that local women as well as men are included in capacity building efforts.

To enhance the impact on decision making, reduce additional costs to government and development government capacity, PSIA should, where possible, align with national policy cycles, timings and political processes. For example, existing consultative fora, such as those set-up for the PRS process, could be used, or the PSIA process could link with national poverty monitoring and statistical systems – so that appropriate information is collected systematically and feedback is provided to policy makers. However, it should be noted that care is needed not to overload government systems in the effort to instil country ownership and to support local capacity in this area, given the many other demands for local skills to manage and support the wide range of actions needed to pursue sustainable development and poverty reduction.

7. PSIA should be pragmatic and appropriate to purpose

While being guided by the principles outlined above, it should also be recognised that PSIA need to be appropriate to purpose and to use the information that can realistically be obtained. They should be based on the needs of stakeholders and the policy context rather than striving for unrealistic standards. Where information gaps are identified rapid additional research will need to be undertaken. PSIA do not necessarily require highly technical modelling exercises, but can use lighter approaches, utilising existing data sets and the available skills in country, as well as drawing on relevant experience from elsewhere.

Conclusion

This paper has focused on seven key principles to guide attempts to undertake PSIAs. These principles encourage PSIAs, that use tools and processes appropriate to the particular issues to be addressed and the available time and resources, to generate sound evidence to inform policymaking. It is hoped that by improving standards of transparency and participation in PSIA processes, they will become more country-owned and will improve accountability. These principles will need to be revisited as country experience develops and lesson learning improves.