Tools for Institutional, Political, and Social Analysis of Policy Reform

A Sourcebook for Development Practitioners

THE WORLD BANK

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Foreword

This *Sourcebook* helps readers to better understand the impact of policy reform by providing a framework and tools for focusing policy analysis on political economy, power relations, and social dynamics. It is increasingly recognized that failure to anticipate political and institutional challenges is often a chief cause of unsuccessful policy reform processes, with unintended social consequences for often vulnerable and poor groups.

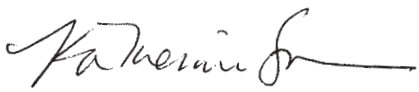
We are presenting, for the first time, an analytical framework for the assessment of policy reforms from a social development perspective. This is a major step forward for our work in the Social Development Department of the World Bank, linking social analysis from the "macro" level of policy making down to the "micro" level of policy impact. Weaving the policy and the institutional and the household levels analytically together helps in directing attention to inclusive, pro-poor, and evidence-based policy making that better serves poor and vulnerable groups in society.

Tools for Institutional, Political, and Social Analysis was initially launched as a Web-based resource in 2005. The objective was to provide guidance on tools and techniques to conduct distributional impact analysis of policy reforms and to complement existing, largely economic, guidance and good practice material, in particular the *User's Guide on Poverty and Social Impact Analysis* and the *Toolkit for Evaluating the Poverty and Distributional Impact of Economic Policies.* The prominence that is increasingly given to power relations in policy reform is reflected in the analytical innovation in this *Sourcebook* of a "transmission channel" for reform impacts dealing with issues of authority and power. Greater emphasis has also been placed on the *process* of conducting policy research, with attention given to encouraging a more consultative form of evidence-based policy making, offering more voice to often underrepresented and powerless stakeholders like smallholder farmers, women, or communities in remote areas. The *Sourcebook* tackles these subjects of power and of process directly and provides valuable guidance on how to address them in policy analysis in order to design more inclusive and equitable policies.

The *Sourcebook* is intended to help both development practitioners in donor and national organizations who commission policy analysis, and consultants,

researchers, and civil society groups who conduct such analysis and use the results. A major challenge ahead is to build capacity to conduct social analysis of policy reform, as well as to facilitate processes where results can effectively inform national policy dialogue. This *Sourcebook* contributes to awareness raising and capacity building for applying good quality social analysis as an integral element of policy reform design.

We are grateful to the Department for International Development (DFID) and the German Agency for Technical Cooperation (GTZ) for supporting this project with resources, creativity and ideas. We are particularly grateful to them for pushing us to move into the new areas outlined above. We hope that readers of this *Sourcebook* will use this book to better understand and apply institutional, political, and social analysis to policy reform contributing to more equitable and just development for all.



Katherine Sierra
Vice President
Sustainable Development

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Jeremy Holland is the chief author of the *Sourcebook,* who received guidance and support from the Social Analysis and Policy Team (Anis Dani, Andrew Norton, Renate Kirsch and Sabine Beddies) at the Social Development Department. The book introduces a framework for institutional, political and social analysis of policy reform (Part 1) and presents a wide range of tools, which have been developed and applied by various development agencies (including DFID, Sida, GTZ, USAID, and Save the Children Fund) in part 2. We would like to thank the people and organizations behind the acronyms and tool names for their willingness to share their work and experience with us and for making the material available, which constitutes the richness of this book. Special thanks go to Derick Brinkerhoff and Benjamin Crosby, David Booth, Philip Davies, Alex Duncan, Kirstan Hawkins, Jesko Hentschel, Steen Jorgensen and Julie van Domelen, Renate Kirsch and Chris Pain, Peter Lanjouw and Nick Stern, Hugh Macmillan and Neo Simutanyi, Jonathan Maack, Robert Nash, Alan Hudson and Cecelia Huttrell, Celia Petty and James Acidiri, Eva Schiffer, John Seaman, Sarah Vaughan and Kjetil Tronvoli, Jenny Yates and Ros Cooper, and John Young and Julius Court.

Wherever possible, country examples are presented to illustrate the application and use of the tools. This would have not been possible without the input from PSIA Task Team Leaders and other colleagues at the World Bank (Abebe Adugna, Meskerem Brhane, Anis Dani, Nora Dudwick, Hermine de Soto and Sabine Beddies, Kene Ezemenari and Barbara Verardo, Paul Francis, Andreas Groetschel, Steen

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Abbreviations

ADMARC	Agricultural Development and Marketing Corporation (Malawi)
AIDS	acquired immune deficiency syndrome
CAS	country assistance strategy (World Bank)
CBO	community-based organization
CDF	Comprehensive Development Framework (World Bank)
CEM	Country Economic Memorandum (World Bank)
CNH	Petrosani Hard Coal Company (Romania)
CoIMPact	Consultative Impact Monitoring of Policies (GTZ)
CRC	Citizen Report Card (India)
CSA	country social analysis
CSO	civil society organization
DAC	Development Assistance Committee (OECD)
DEC	Development Economics Department (World Bank)
DFID	Department for International Development (United Kingdom)
DOC	drivers of change [analysis] (DFID)
DPT	diptheria, pertussis, and tetanus (vaccine)
DRC	Democratic Republic of Congo
ESAF	Enhanced Structural Adjustment Facility (IMF)
ESMAP	Energy Sector Management Assistance Program
ESW	economic and sector work
EPRDF	Ethiopian People's Revolutionary Democratic Front
FAO	Food and Agriculture Organization (UN)
FGD	focus group discussion
GDP	gross domestic product
GoA	Government of Albania
GoG	Government of Guyana
GoZ	Government of Zambia
GPRS	Ghana Poverty Reduction Strategy

GTZ	German Agency for Technical Cooperation
GUYSUCO	Guyana Sugar Corporation
HEA	household economy approach
HES	household energy survey
HIPC Initiative	Heavily Indebted Poor Countries Initiative
HIV/AIDS	human immunodeficiency virus/ acquired immune deficiency syndrome
IHM	intra-household model
ILO	International Labour Organization
IMF	International Monetary Fund
KePIM	Kenya Participatory Impact Monitoring
MCDSD	Ministry of Community and Social Development (Zambia)
MFNP	Ministry of Finance and National Planning (Zambia)
MLSI	Ministry of Labor and Social Issues (Armenia)
MOE	Ministry of Economy (Albania)
MOF	Ministry of Finance
MOH	Ministry of Health
MOLDG	former Ministry of Local Government and Decentralization (Albania)
MOTAT	Ministry of Territory Adjustment and Tourism (Albania)
NGO	nongovernmental organization
NRS	National Regional States (Ethiopia)
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OP	Operational Guidance (World Bank)
PAMS	poverty analysis macro simulator
PEAP	Poverty Eradication Action Plan (Uganda)
PEER	participatory ethnographic evaluation and research
PER	participatory evaluator/researcher
PIA	poverty impact assessment
PMA	Plan for the Modernization of Agriculture (Uganda)
PMU	Poverty Monitoring Unit (in Zambia Ministry of Finance)
PPA	participatory poverty assessment
PPR	participatory poverty research
PRA	participatory rural appraisal
PRS	poverty reduction strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	poverty and social impact analysis
PVA	poverty and vulnerability assessment

QIM	Qualitative Impact Monitoring (Malawi)
RAPID	research and policy in development framework (ODI)
SAP	Structural Adjustment Program
SD Stats	social development statistics (World Bank)
SDIs	social development indicators
SEA	strategic environmental assessment
SEI	strategic exports initiative
Sida	Swedish International Development Cooperation Agency
SPA	Strategic Partnership with Africa
SRM	social risk management framework
TIPS	tools for institutional, political, and social analysis
TOR	terms of reference
UN	United Nations
UNICEF	United Nations Children's Fund
UNILU	University of Lubumbashi (DRC)
UPPAP	Uganda Participatory Poverty Assessment Process
USAID	U.S. Agency for International Development
WHO	World Health Organization
WRE	Water Regulatory Entity (Albania)
ZAMSIF	Zambia Social Investment Fund
ZCCM	Zambian national copper mines

Unless otherwise noted, all monetary denominations are U.S. dollars.

PART 1

Overview

Chapter 1

Introduction to the Sourcebook: Tools for Institutional, Political, and Social Analysis (TIPS) in PSIA

Objectives of the Sourcebook

Poverty and Social Impact Analysis (PSIA) refers to the analysis of the distributional impact of policy reforms[1] on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable. This *Sourcebook* introduces a framework as well as tools for institutional, political, and social analysis (TIPS) in PSIA. It is intended primarily for practitioners who undertake policy analysis in developing countries. The *Sourcebook* provides illustrative guidance on a range of tools and their application; it does not seek to prescribe it to this audience.

This *Sourcebook* is part of a growing and collaborative response by international agencies and national partners to encourage and provide more systematic poverty and social impact analysis; to build in-country capacity; and to shift the balance of PSIA experience from donors toward national stakeholders. More specifically, it is designed to fill a perceived gap in guidance on institutional, political, and social analyses and to complement the guidance provided in the World Bank's *User's Guide to PSIA* (2003), which advocates a multidisciplinary approach to PSIA and presents both economic and social tools and methods, along with the World Bank's *Economic Toolkit* (Bourguignon and da Silva 2003). The *Sourcebook* also complements the reform-by-reform notes on economic analysis in PSIA, produced by the World Bank.[2]

These tools, presented for use in PSIA, can be applied to policy analysis more broadly. The methods and approaches used in PSIA are not new, nor is the focus on addressing distributional issues of interventions. The PSIA experience breaks

ground, however, by applying social and economic analyses to the impacts of economywide reforms before those reforms are carried out (ex ante analysis) and in the context of systematic evidence-based policy dialogue (Coudouel, Dani, and Paternostro 2006, 2).

The first impact analysis that used the PSIA title was undertaken as a series of pilot projects by the World Bank and the U.K. Department for International Development (DFID), with financial support from the Finnish, German, and Norwegian governments, between 2002 and 2004. Subsequently, the World Bank earmarked funds for scaling up PSIA, so that by 2006, more than 150 PSIA studies had been completed or are under way. PSIA analysis has been integrated in the World Bank Operational Guidance (OP) 8.60 (2004), which requires due diligence on the part of the Bank in its operations. With respect to poverty and social impacts, OP 8.60 obliges the Bank to determine whether "specific country policies supported by its operations are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups" and if so, "to summarize relevant analytic knowledge of these effects and of the borrower's systems for reducing adverse effects and enhancing positive effects associated with specific policies being supported" (paragraph 10).

More recently, the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) has designed a methodology, *Ex Ante Poverty Impact Assessment* (PIA), a "light" version of PSIA, which, nonetheless, provides a sound basis for donors and their partners to understand and maximize the poverty-reducing impacts of their interventions, thus responding to the need for accountability to constituencies and for transparent evidence-based decision making (OECD 2006). The PIA group liaises closely with the PSIA network to ensure synergies and complementarities in the two approaches.

Scope of the Sourcebook

This *Sourcebook* deals with social analysis in policy reform, encompassing the transition from gaining a better understanding of the distributional impacts of proposed or continuing reform to influencing a more informed and locally embedded process of policy review and design.

In a generic sense, the term "social analysis" encompasses institutional, political, and social analyses. These three overlapping areas, derived from different disciplinary backgrounds, focus on the rules and relations that underpin and influence reform outcomes:

- **Institutional analysis** looks at the "rules" that people develop to govern group behavior and interaction in political, economic, and social spheres of life. Institutional analysis is based on an understanding that these rules—whether

formally constructed or informally embedded in cultural practice—mediate and distort, sometimes fundamentally, the expected impacts of policy reform.

- **Political analysis** looks at the structure of power relations and often-entrenched interests of different stakeholders that affect decision making and distributional outcomes. Political analysis is built on recognition that political interests underpin many areas of policy debate and economic reform, challenging assumptions about the technical nature of policy making.
- **Social analysis** looks at the social relationships that govern interaction at different organizational levels, including households, communities, and social groups. Social analysis is built on an understanding of the role of social and cultural norms in governing relationships within and between groups of social actors, with implications for the degree of inclusion and empowerment of specific social groups.

Tools from a range of disciplines are useful for policy analysis, particularly if they use robust data backed up by quality analysis and contextual understanding. Also, experience with policy analysis to date reinforces the effectiveness of combining methods and data, as illustrated by case study material presented in chapter 6 of this *Sourcebook.*

These overlapping areas of social analysis offer significant added value to the use of conventional economic analysis of distributional impacts of reform. Economic appraisal and evaluation use a variety of tools to estimate the costs and benefits of policy initiatives by predicting behavioral change in response to movements in price and other independent variables. Social analysis complements economic analysis by using largely qualitative and analytically robust tools to understand the nature of social, political, and institutional relations that underpin the design, implementation, and impact of policy and that has a less-predictable impact on individual and group behavior and relations. These insights can enhance economic analysis by clarifying the costs and benefits of policy reform (even when it might not be possible to place precise values on them). Social analysis can also reveal the social and political significance that such shifts in costs and benefits accruing to different groups have over time.

Getting Around the Sourcebook

This *Sourcebook* uses a simple analytical framework that highlights the significance and application of institutional, political, and social analyses at three levels of policy reform: macro-level analysis of the country and reform context, meso-level processes of policy implementation, and micro-level impact of policy reform. The *Sourcebook*

further describes the use of the analyses generated at these three levels to feed policy design through the consideration and comparison of different scenarios for policy reform.

Using this analytical framework, the *Sourcebook* presents a set of practical tools that can be applied to better understand the distributional impacts of policy reform and to improve policy design. These tools should be used selectively because a workable design for policy analysis requires that the scope of the study is kept manageable. The expanded case studies presented in chapter 6 of part 1, along with the set of shorter case studies presented in part 2, illustrate that a "fit-for-purpose" methodology for institutional, social, and political analyses generates new data selectively, sparingly, and on a need-to-know basis.

As indicated, this *Sourcebook* is presented in two parts. Part 1 provides an introduction and overview to TIPS for both commissioners and practitioners who seek to understand the purpose and function of institutional, political, and social analyses in policy-focused research. Part 1 is structured using an analytical framework that is linked to a summarized set of tools that can be used at different levels of policy analysis. Part 2 will be of particular value to practitioners who would like more in-depth understanding of those tools and their application. Part 2 describes and illustrates the tools in greater detail—using the same framework as in part 1—and provides further case study material on the use of institutional, political, and social analyses in different contexts. An accompanying CD-ROM contains selected key documents on PSIA and its application; it provides additional description and illustration of a range of participatory tools that can be used for micro-level impact analysis. An overview of the material available on the CD-ROM is presented in the appendix.

Part 1 is organized into five chapters following this introduction. Chapter 2 introduces PSIA and its main objectives, then briefly reviews the 10 elements of good practice introduced in the World Bank's *A User's Guide to PSIA* (2003). The remainder of the *Sourcebook* is guided by these elements and presents a framework for analysis and accompanying tools. Chapter 3 describes three levels for analyzing institutional, political, and social impacts of policy reform, each with a set of tools. Chapter 3 also shows how information from these three levels can be used to feed policy review and design. Chapter 4 discusses process elements to consider when seeking to maximize ownership and impact of PSIA. Chapter 5 presents some conclusions on the framework and application of TIPS. Chapter 6 presents three case studies that illustrate the difference that the application of institutional, political, and social analyses can make for PSIA methods, findings, and process.

Part 2 describes and illustrates in greater detail a range of tools that are available for conducting institutional, political, and social analysis of policy reform. Each tool is presented in summary table format, followed by a description of the procedure for

applying the tool and a case study illustration. Using the analytical framework laid out in part 1, chapter 7 presents tools for macro-level analysis, chapter 8 presents tools for meso-level analysis, and chapter 9 presents tools for micro-level analysis, including five case studies that illustrate the effective use of combined methods for PSIA. Finally, chapter 10 presents and illustrates tools that can apply the information generated to reviewing policy.

Notes

1. Although PSIA has focused on policies, the approach and tools documented here can be applied as well to the appraisal of plans, programs, and projects.
2. To view sector reform notes, click "Sector Guidance" at http://www.worldbank.org/psia.

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Chapter 2

An Introduction to PSIA

PSIA Objectives

Poverty and Social Impact Analysis (PSIA) seeks to support poverty reduction through better policy, particularly, but not exclusively, in low-income countries. It is increasingly recognized as an important element in both national poverty strategy processes and in IMF and World Bank lending programs (Robb 2003).

PSIA is an approach for assessing the distributional impacts of policy reform by analyzing impacts on the well-being of different social and livelihoods groups. The emergence of PSIA has been driven by concern about the slow pace of poverty reduction, reactions to the social impacts of structural adjustment programs, and by the recognition that poverty and distributional aspects are influenced by a very wide range of policies, even where these policies are not directly focused on poverty reduction. PSIA is one of several forms of impact analysis that considers the impact of policy or regulatory change.[1]

Policy analysis such as PSIA can generate evidence that can be integrated into policy cycles according to whether analysis is *prior to* (ex ante) the likely impact of specific reforms, *during* reform, or *after* (ex post) completed reforms. Policy analysis prior to policy reform can inform the choice, design, and sequencing of alternative policy options. During implementation, the monitoring of a reform and its impacts can lead to refinement; reconsideration of the pace, sequencing, or institutional arrangements of the reform; or the introduction or strengthening of mitigation measures. Finally, policy analysis after policy reform assesses the actual distributional impacts of a completed reform, which helps analysts understand the likely impacts of future reforms.

Policy analysis can be applied to policy reform across a range of areas and sectors (see table 2.1).[2] Some "nonmarket" types of reform, such as decentralization or

Table 2.1 Policy Issues That Might Be Appropriate for PSIA

	Policy issue	Example
➜	Macroeconomic and fiscal policy reform: monetary policy, broad external policy, broad fiscal policy	Monetary and exchange rate policy reforms, various countries (Conway 2005)
➜	Trade and exchange rate reform: tariff and non-tariff barriers, exchange rates	Trade policy reforms, various countries (Bussolo and Nicita 2005) Trade policy, Brazil (World Bank 2004b)
➜	Agricultural reform: eliminating administered prices, changing domestic subsidies and taxes, eliminating marketing boards	Coffee price liberalization, Tanzania (Temu and Winter-Nelson 2001) Cotton price liberalization in cotton, Benin and Ivory Coast (Makdissi and Wodon 2004)
➜	Land reform: distribution to the landless or passing laws governing the right to own, exchange, or inherit land	Land policy reforms, various countries (Deininger 2005) Land allocation, Vietnam (Ravallion and de Walle 2003)
➜	Labor market reform: minimum wage legislation, job security regulation, active labor market programs	Selected labor market reforms, various countries (Coudouel and Paci 2006)
➜	Utility reform: restructuring state-owned utilities, increased private participation in state-owned utility, full divestiture of utility	Electricity tariff reform, Rwanda (Angel-Urdinola, Cosrove-Davies, and Wodon 2006) Electricity tariff reform, Ghana (Keener and Banerjee 2006)
➜	Privatization: lease of assets, management contracts, full divestiture	Water sector privatization, Albania (Beddies and De Soto 2006)
➜	Civil service reform: results-based management, layoffs, reductions in wage bill	Public sector downsizing, various countries (Diaz 2006) Gender implications of public sector downsizing, Vietnam (Rama 2001)
➜	Decentralization of public services: resources, policy design and/or implementation, fiscal authority	Decentralization reforms, various countries (Kaiser 2006) Water sector decentralization, Albania (Beddies and De Soto 2006)
➜	Social sector reform (including health and education): delivery mechanisms, public spending allocations, fee abolition, cost recovery mechanisms	Education policy reform, various countries (Tiongson 2005)
➜	Social safety nets: targeted cash/in-kind transfers, categorical benefits, contribution-based social insurance benefits	Welfare reform, Sri Lanka (Narayan, Vishwanath, and Yoshida 2006)
➜	Pensions: scaling back public pension schemes, increasing private provision, introducing social pensions	Pension system reforms, various countries (Schwartz 2006)

Source: Author.

public sector reform, are more likely to have direct impacts that lend themselves most obviously to institutional, political and social analysis. Yet these tools can be applied to impacts that are both market and nonmarket in nature because of the nature of indirect (upstream and downstream) impacts of policy reform and because market reforms are mediated in their impact by behavioral responses among institutional actors and affected persons.

Policy analysis is based on the assumption that we are able to explain, understand, predict, and control our environment, which is not a simple task. We might not be sure of our precise current position and trends. We might not fully understand how alternative policies interact with everything else. We might lack the ability to implement the policies even when we are fairly sure of how they will work. And finally we might not be aware of our path or whether we have reached our destination. Part of the overall policy process, supported by impact analysis, is to strengthen our capacity to meet these assumptions.

PSIA uses a range of skills common to regular impact analysis; it focuses on the comparative well-being of different groups, particularly those most at risk from policy impacts. Successful PSIA tends to have four characteristics:

- It helps to promote the use of a wider range of evidence in policy making.
- Along with related analytical work, it increases the extent to which distributional equity is considered in the policy process by ensuring that policies are not judged purely on aggregate economic efficiency grounds, and by clarifying the assumptions or theories that underpin the links between poverty and policy reform decisions.
- It combines analysis with process to understand and manage the political economy of policy reform.
- It supports inclusive policy making by providing evidence with which policy makers and other stakeholders can inform their discussions with a wide range of actors through existing or emerging policy processes, such as Poverty Reduction Strategy Papers (PRSPs). Through good process, PSIA evidence becomes embedded in locally owned, transparent, and contested policy dialogue (World Bank 2006, 16).

Evidence-Based Policy Making: Challenging Interest Group–Based Policy

New approaches to policy management stress the importance of sound evidence, proper evaluation, and good analysis at the heart of policy making.[3] Robust evidence makes for better policy decisions and improved policy outcomes. At the national level, evidence-based policy is fueled by timely and relevant flows of information. Without that information, policy makers work in the dark.

Yet PSIA should not be promoted naively as automatically leading to neutral evidence-based policy making. "Evidence" quickly becomes politicized by policy makers and other interest groups. PSIA evidence can include transparent analysis of existing policies and power structures, helping to avoid interest group capture and leading to the formulation of more inclusive policies and more accountable institutions.

Poverty Reduction in Policy Making: The Role of Equity as Well as Efficiency

The shift away from universal policy reform prescriptions toward context-specific policy approaches strengthens continuing efforts to ensure that policy making and implementation are motivated by concerns with poverty reduction and distributional equity. Development partners increasingly rely on upstream analysis of poverty and social implications of policy reform. The World Bank, for example, expects program documents for development policy operations to specify which policies supported by the operation might have significant poverty and social consequences, to summarize the main impacts and the borrower's system to deal with those impacts, and to describe how analytical gaps or borrower shortcomings would be addressed before or during implementation (*OP8.60 Development Policy Lending*). Technical guidance on how to undertake this work is provided in the accompanying *Good Practice Note on PSIA*.

PSIA's concern with the distributional impacts of policy provides an analytical device to promote growth with equity by addressing any trade-offs and identifying winners and losers under policy reform.

To look at this relationship through PSIA, economic, institutional, political, and social analysis needs to be combined effectively to better understand the likely or actual distributional impacts of policy initiatives. Economic appraisal and evaluation use a variety of tools to estimate the costs and benefits of policy initiatives. Institutional, political, and social analysis complements economic analysis by using largely qualitative and analytically robust tools to shed greater light on the impacts of policy reform and likelihood of success, even though it is not always possible to place precise values on them.

Risk to Policy Making: Understanding and Managing the Political Economy of Policy Reform

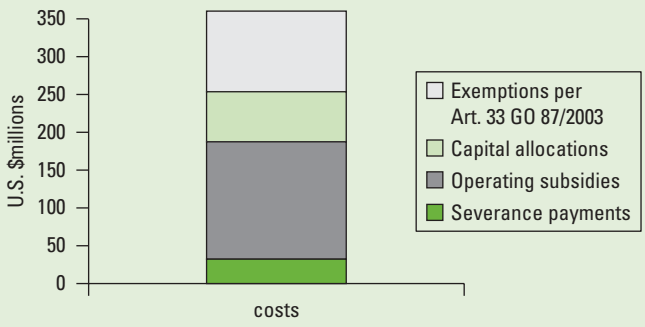
The lesson from the PSIA experience to date is that the process and impact of policy reform are rarely smooth and predictable. There is consequently a growing awareness that better understanding and managing of the political economy of reform can support the design and implementation of technically sound, country-owned, and sustainable reforms that lead to policy change.

Policy analysis can address the political economy of reform by assessing the impacts on, and the influence of, institutions and stakeholders in relation to policy design and implementation. Once these political economy risks *to* the reform process are identified, and if they are effectively managed, then they will be less likely to impede the policy reform process. As illustrated by the case of the PSIA on mining sector reform in Romania (see box 2.1), a political economy perspective in PSIA enables policy stakeholders to better understand the incentives and expectations at play and to manage these to promote policy reform.

Box 2.1 Political Economy of Reform: Mining Sector Restructuring in Romania

The mining sector has been plagued by political economy issues since the beginning of sector restructuring in 1997. In the mid-1990s, Romania had 464 mines, many of which were uneconomical. By 2004, only 120 were operational and workforce had been downsized to 50,000 from 171,000 in 1997. But subsidies to the mining sector did not decline; in 2004 they reached 0.5 percent of GDP. Periodic strikes by the trade unions led to frequent concessions and a perpetuation of subsidies. As part of the poverty and social impact analysis of the mining sector, the political economy impact was assessed by analyzing financial data for the mining sector to examine the impact on the budget as a whole and its distributional consequences within the mining sector.

Real transfers to the mining sector. The extent of subsidies to the mining sector was unclear due to evolving and ambiguous terminology. The Ministry of Energy overseeing the mining sector has lobbied for higher subsidies, ostensibly to make severance payments and to pay "social allocations" (transportation, worker meals, safety equipment, and uniforms), which should be classified as production costs. In reality, these two payments amount to one-sixth of total transfers. Despite the high severance payments in 2004, the main cost was for subsidies to keep the sector afloat (see graph). Half of the subsidies are for operating costs of mining companies, while one-third is for capital investments and exemptions under Article 33, GO 87/2003 from payment of current debts to the state budget, social insurance budget, health insurance, and the unemployment budget.



Box 2.1 **continued**

Distribution of benefits and costs within the mining sector. The second part of the political economy analysis explored the degree of inequity within the sector. While mines are widely dispersed over the country, hard coal mines are concentrated in the Jiu Valley, which has a history of active trade unionism and has received greater attention by successive governments. The sector consists of 10 mining companies, 9 of which incurred losses in 2004. To reach an objective assessment of the use of subsidies, data on budgets, wages, productivity, revenue, and downsizing were analyzed for these 9 companies. The data revealed the following:

- Wages at Petrosani Hard Coal Company (CNH), located in the Jiu Valley, are 50 percent higher than in other mining companies.
- Despite more efficient deep underground mines, the labor-to-capital cost ratio is highest at CNH, where the labor cost is more than 70 percent.
- While CNH has the largest amount of gross output, the output-to-salary ratio at CNH is significantly less than four of the other mining companies.

Through a close alignment of the study team with the policy team working on sector reform, the analytical insights went hand in hand with policy dialogue, with the following outcomes and agreements:

- Comparison of data obtained from the mining companies and different mining regions allowed relatively transparent analysis of *the political economy impact* on capture of subsidies and benefits.
- Careful monitoring of budget subsidies would enable the government to impose hard budget constraints on mining companies to eliminate unnecessary production subsidies and base downsizing decisions on real financial data and social impacts.
- Allocation of public investments for socioeconomic regeneration should be based on characteristics of mining towns—isolated, mono-industrial regions, market integration—rather than effectiveness of trade union and local government lobbying.

Source: Dani et al. 2006.

This *Sourcebook* emphasizes the significance of political economy context of reform. The tools in this *Sourcebook* can be used to help unpack the "black box" of political economy by applying a social analytical lens to examining stakeholder interests and incentives and to understanding the influence on the policy process of formal and informal institutions.

Inclusive Policy Making: Supporting Stakeholder Participation and Ownership

With the shift toward evidence-based policy reform there is an opportunity for policy-making frameworks—such as PRSPs—to improve inclusiveness and participation in the policy cycle by drawing on PSIA evidence when engaging transparently with a wide range of state and non-state actors. There is an ethical dimension to gathering information, interpreting information, and making policy. Mechanisms of transparency and accountability can preferentially include the poor to empower them with respect to competing interests and potential allies.

PSIA as a body of evidence will not be effective unless it feeds into a transparent policy process, as detailed in the World Bank's "Good Practice Notes" on supporting participation in development policy operations (World Bank 2004a) and in DFID's PSIA "Principles for Good Practice" (DFID 2005). Through good practice in PSIA, policy analysis can be anchored in the formulation and implementation of national poverty reduction strategies that build ownership by transparently including as many stakeholders as possible, including civil society and directly affected groups. (See chapter 4 of this *Sourcebook* for a discussion of the elements of the PSIA and the policy process.)

For national stakeholders and donors, PSIA provides the evidence and the possibility of a fundamental rethinking of reform, a decision to change the timing or sequencing of the policy, or the introduction of compensatory or complementary measures to mitigate negative impacts or strengthen positive impacts.

Often the process of generating PSIA evidence, by bringing stakeholders together at different levels to participate in stakeholder analysis workshops and other forms of group-based assessment, creates additional institutional spaces for discussion about policy change. In the case of the Armenia Social Sector PSIA, for example, group-based analysis generated a high level of joint understanding and consensus on policy change. Chapter 6 of this *Sourcebook* discusses methods including the *Think Tools* approach to policy analysis, also implemented in Armenia. When policy analysis prior to reform is very sensitive, emphasis on a highly inclusive process within PSIA will be less appropriate or will need to be carefully managed. This might be the case, for example, with sensitive monetary and exchange rate policy reforms.

Elements of PSIA Methodology

The *User's Guide to PSIA* (World Bank 2003) introduces 10 elements of good PSIA (see box 2.2). This *Sourcebook* draws on these elements by introducing tools for institutional, political, and social analysis. We focus here on three important areas for robust PSIA: establishing the counterfactual, identifying transmission channels, and identifying direct and indirect impacts of policy reform.

Box 2.2 Ten Elements of Good PSIA

1. **Asking the right questions:** The choice of questions for PSIA is influenced by the expected size and direction of poverty and social impacts, the prominence of the issue in the government's policy agenda, the timing and urgency of the underlying policy or reform, and the level of national debate surrounding the reform.
2. **Identifying stakeholders:** Stakeholder analysis identifies the people, groups, and organizations that are important to consider when looking at poverty and social impacts of reforms.
3. **Understanding transmission channels:** The expected impact of a policy change takes place through five main transmission channels: employment, prices (production, consumption, and wages), access to goods and services, assets, and transfers and taxes.
4. **Assessing institutions:** Institutions determine the framework in which policy reforms might affect stakeholders in government, private sector, and civil society and are the main arenas in which stakeholders interact with one another. Assessing institutions identifies how institutions are being affected by policy changes and how they, as carrier and transmitter of change, affect social relations and reform outcomes.
5. **Gathering data and information:** Assessing data needs and availability and planning the phasing of future data collection are an important part of PSIA, including ensuring data availability for future PSIA.
6. **Analyzing impacts:** Impact analysis involves organizing research questions to test critical links among the policy objectives, policy actions, and their impacts on key stakeholder groups, with a focus on winners and losers.
7. **Contemplating enhancement and compensation measures:** To the extent that there are losers from reform, PSIA can inform the identification of options to limit negative impacts through the design of appropriate compensation mechanisms. If the findings of PSIA suggest that the costs of reform—in terms of both poverty impacts and the cost of mitigation or compensation—outweigh the benefits, then consideration should be given to resequencing the reform or abandoning or suspending implementation of the policy.
8. **Assessing risks:** Some of the assumptions underlying the analysis might not be realized, including institutional risks, political risks, exogenous risks, and other country risks.
9. **Monitoring and evaluating impacts:** PSIA provides an opportunity to set up systems at an early stage for monitoring, social accountability, and evaluation of the impacts.
10. **Fostering policy debate and feeding back into policy choice:** Evidence-based policy making is able to draw on PSIA data and analysis. For low-income countries, for example, PSIA has been conceptualized as an integral part of the PRSP process and as an element of the dialogue on the country's poverty reduction strategy.

Source: Adapted from the *User's Guide to PSIA,* World Bank 2003.

Establishing the Counterfactual (or Base Case) Scenario

It is important to compare the impacts of a policy change with the likely trends that will occur *without* policy change, in order to assess the size and nature of the impact of an intervention relative to other policy scenarios, or compared with doing nothing at all (the counterfactual). Specifically, an assessment of the counterfactual can:

- provide a good estimate of the marginal impact of policy reform
- convince others of the distributional impact of a policy intervention
- help to establish, in the context of alternative policies or methods of implementation, which is preferable
- help to establish whether a policy has better impacts on some subgroups than on others (Purdon et al. 2001).

In many cases this comparison can be established through a literature search on the base case and trends in country or in similar contexts elsewhere. If, however, the comparative picture provided by secondary literature is not sufficiently clear, then primary research, built on sound sampling protocol and modeling, can be designed in a way that allows for a comparison of the impact with the base case scenario.

In the context of *experimental research*, sampling for the counterfactual often involves *randomized control trial methods.* Clearly, this randomization process is often either not possible or is highly inappropriate, especially if it involves denying vital benefits to one portion of the population. In some cases it might be possible to identify geographical areas that are appropriate as control group populations but that will remain unaffected by the reform implementation (see box 2.3).

Identifying Transmission Channels

The *User's Guide to PSIA* (World Bank 2003) outlines a framework of transmission channels through which policies might cause distributional impacts. Delineating channels in this way makes transparent the assumptions that are built into PSIA of policy reform, that is, how a policy change is expected to deliver its impact. Five channels are identified in the *User's Guide.*

During the development of TIPS, and based on experience since the *User's Guide* was produced, further consideration has been given to these channels. Minor modifications have been added to the existing five channels, for example, expanding the understanding of employment to include other sources of income and broadening the understanding of prices beyond the cash price paid. Box 2.4 describes the characteristics of the five channels and introduces a sixth channel, authority.

Box 2.3 Considering the Counterfactual in the Albania Water Sector Reform PSIA

The Government of Albania (GoA) included water sector reform in its National Strategy for Socio-Economic Development (Albania's Poverty Reduction Strategy) to provide equitable access to safe water and affordable tariffs through a water sector reform that uses two parallel models: decentralization with private and with public management of water utilities.

The PSIA measures the actual impacts of reform implementation by comparing two different decentralization reform models in eight cities—four project cities featuring decentralized *privately* managed water utilities (Durres, Fier, Lezha, Saranda) and four comparable cities with decentralized *publicly* managed water utilities (Vlora, Korca, Lushnja, Gjirokaster)—across different points of time, *before* and *after* private sector participation. In the first instance, a baseline was set when the private operator started utility management in the four project cities, and it is foreseen that reform impacts, once visible, will be measured about one year later.

Source: Beddies and De Soto 2006.

Box 2.4 Six Transmission Channels for PSIA

1. **Employment:** To the extent that a policy change affects the structure of the labor market or the demand for labor, particularly in sectors that employ the poor (such as unskilled, rural off-farm, and agricultural labor), the welfare of low-income households will be affected. These welfare changes might trigger other effects such as changes in status, self-esteem, or access to social network, which in turn impact social exclusion and vulnerability. Transmission may be direct (for example, through public sector retrenchment or new employment opportunities) or indirect (for example, through macroeconomic growth, exchange rate depreciation, trade, or market liberalization) and may differently affect formal and informal sectors, including self-employment.
2. **Prices (production, consumption, and wages):** Prices determine real household income. Prices include both the actual monetary price paid as well as opportunity costs (for example, of queuing) and costs incurred through rent-seeking behavior. Price changes will affect both consumption and resource allocation decisions. On the consumption side, policies—such as raised import tariffs or inflationary monetary policy—that cause an increase in the prices of goods or services consumed by the household will have a direct negative effect on its welfare. Producers will also be affected by policies that cause relative changes to the prices of their outputs or

Box 2.4 continued

inputs. Wage changes will affect net buyers and sellers of labor differently; policies that change relative prices will induce shifts in both demand and supply.

3. **Access:** Well-being will be affected by access to goods and services, whether through access to markets and service outlets or through improvements in the quality and responsiveness of public or private service providers. Policy can affect access directly by enhancing the provision of infrastructure or services in question, or indirectly by removing constraints to access by particular households or groups. Structural or cultural norms or rules (such as restrictions on female mobility or female property rights) might also impose higher transaction costs or create barriers to access, some of which are more amenable to policy actions than others. These types of reforms will have the authority channel as the main channel and access channel as a supporting channel.
4. **Assets:** Changes in the value of assets will affect income and non-income dimensions of welfare. Changes in asset values can be due to changes in their levels or their returns. Asset endowments include physical (such as housing); natural (such as land, water); human (such as education, skills); financial (such as a savings account); and social (such as membership in social networks that increase access to information or resources) capital. Policy changes—such as land reform, reallocations of public spending, or macroeconomic policy—can have a direct or indirect impact on people's ability to invest in or draw down on their assets or to maintain returns to their assets.
5. **Transfers and taxes:** Welfare is affected by transfers that can take the form of private flows (such as gifts and remittances) or public flows (such as subsidies and taxes). Public finance has a direct impact on the welfare of specific groups through transfers—including subsidies, targeted income transfers, and social protection initiatives—and tax policy that can be more-or-less progressive in its distributional impact. Tax policy has direct distributional impacts to the extent that the resources or income of a household are taxed. Regressive tax regimes disproportionately burden less well-off households, and subsidies might be badly targeted or captured by the nonpoor. Private transfers also play a significant role between urban and rural areas and remittances from workers employed abroad. Illegitimate or illegal transfers, such as protection money, can also have significant distributional impacts.
6. **Authority:** This channel covers changes in power, structures, and processes that govern the formal and informal function of public institutions. It can operate at the macro level (such as public service reform), at the meso level (such as decentralization of administrative authority), and even the micro level (such as redirecting welfare payments from men to wormen). This channel encourages analysis of the likely impact on state actors and citizens of changes in decision-making behaviors and interaction that result from new alignments of rights, obligations, incentives, and sanctions. Second-round analysis through this channel might also explore, for

Box 2.4 **continued**

example, how individuals and groups react by expanding or diversifying their livelihood strategies or by changing their behavior on the understanding that there is greater responsiveness and accountability in the system. These changes in behavior will, in turn, affect absolute and relative changes in power and influence. Some groups might seek to undermine the new decision-making structures or sets of rights by limiting their implementation or by using other influences to stop others from making use of their new entitlements.

Source: Based on World Bank 2003 with authors' increments.

An important working principle behind the development of the *User's Guide* was that as experience with PSIA matured, any emerging first-round impacts of policy reform that could not be explained by one of the existing channels would necessitate adding transmission channel(s). Discussions with PSIA practitioners during the development of this *Sourcebook* confirmed that this was indeed the case for impacts such as those listed in box 2.5, relating to formal changes in public sector governance or power relations. Attempting to "squeeze" these reforms into existing channels was considered suboptimal; the channel became so broad that its analytical validity was undermined, and even then the fit was poor. While ex ante analysis is possible for some of these reforms, impacts of others, such as numbers 4 and 6 in box 2.5, lend themselves better to ex post analysis.

Based on these types of reform, a sixth transmission channel is introduced here for cases where *authority*—power, structures, and processes—is directly changed through policy reforms, notably through civil service reform, decentralization, and other similar institutional reforms. These types of reforms often result in changes in decision making and in new formulations of rights, obligations, incentives, and sanctions that, in turn, will influence the behavior of government actors and citizens. In the political sphere, for example, institutional reform in South Asia has guaranteed one-third of the seats in local government to women, while governance initatives in Brazil have encouraged participation in local budget design and execution. In the social sphere, power relations shift when women in Ethiopia are able to hold men accountable through reform of the justice system and when minority groups in Romania achieve greater access to information about their legal rights.

Civil service reform is a useful example of the operation of the sixth channel because it directly changes the rules under which staff operate. For example, the creation of a professional civil service will help to separate the personal from

Box 2.5 Policy Reforms Involving Changes in Authority

From the increasing experience with PSIA the need for an additional channel has been identified for a number of reforms being worked on by the World Bank:

1. **Reform:** Transfer of social assets from state-owned enterprises to municipalities in Russia and other transition economies

   Transmission channel: Municipalities are enabled to exercise authority over these services

2. **Reform:** The introduction of the 2 percent law on discretionary allocation of income tax in Hungary

   Transmission channel: Citizens gain the right to make decisions earmarking income tax to nonprofits selected by the taxpayer

3. **Reform:** Decentralization Act in Pakistan

   Transmission channel: Local governments are provided control over finances and authority over social services and local infrastructure

4. **Reform:** Reservation of seats for women and disadvantaged groups in local government bodies in India and Pakistan

   Transmission channel: The influence and authority of these social groups over decision-making is increased

5. **Reform:** Microcredit Ordinance and the Microfinance Law in Romania and Bosnia

   Transmission channel: Nonbank financial institutions are allowed to engage in microlending

6. **Reform:** Indigenous People's Policy—new requirement of free prior and informed consultation with indigenous people on all projects that affect them

   Transmission channel: Indigenous people gain stronger voice; accountability of government, donors, and other project proponents is strengthened

Source: Anis Dani pers. comm.

the political, creating incentives for rule-based governance and giving staff greater autonomy from politicians. Performance management systems can introduce sanctions on staff who deliver poor public services. This reform might create decision-making processes that improve performance (for example, to address the needs of poor or excluded groups) and lessen rent-seeking and other detrimental activities. The channel might be complemented by other channels by lowering the effective

cost for public services due to fewer bribes (price channel), or improving delivery and range of services (access channel).

Similarly, political reform; for example, extending the right to an identity card to Latin American indigenous and poor people changes authority by addressing an aspect of social exclusion. An ID card provides more than just access to goods and services. This political reform changes the whole structure of entitlements for this social group and is one means among others to reduce prejudice. As an ID cardholder, they gain status and recognition. They now have the right to apply for certain state assistance and credit, and they have the obligation to meet various report and taxation obligations (for example, if they start up a business). Additionally, one of the drivers of judicial reform is the recognition that independence of the judiciary (structures) and transparency (process) are essential both for functioning of markets and for access to justice by the poor.

It is important to stress that introducing a new channel does not suggest that the existing five channels are economic in nature and that the sixth channel is social. On the contrary, the sixth channel complements and enriches the current list of transmission mechanisms (see box 2.4). Although some of these channels lend themselves more to economic than social analysis, the impacts of these channels can be analyzed by drawing on various tools for institutional, political, and social analysis. The selection of which channels are most relevant for analyzing both first and subsequent round impacts will invariably be context-specific, depending on the nature of the reform and the social, economic, and institutional context within which the reform is taking place. Additional second-round effects through other transmission channels are also likely.

As further experience is gained in understanding the transmission channels, there will inevitably be further refinements. For now, this additional channel helps to fill both a theoretical gap and practical need faced by a variety of reforms. It is important to note that the addition of this transmission channel does not remove the need for second-round institutional, political, and social analysis that cuts across all six transmission channels.

Identifying First-Round and Second-Round Impacts

The impact of a policy is like a stone thrown into a pond. After an initial direct impact, the splash, the resulting ripples will cause less predictable consequences as they spread out. Similarly, the initial direct impact of a policy can set up a chain reaction of secondary and subsequent impacts that might enforce, distort, or lessen the original effect of the policy change.

As discussed, policy changes might have *first-round* and *second-round* impacts through the six transmission channels and on the final outcome. First-round impacts

are the immediate effects of a policy, for example, the increase in price-lowering purchasing power or expansion in coverage of a new service. These impacts tend to be easy to measure. There are no assumed behavioral changes, and the required data are knowable, if not always available. However, these direct impacts might alter entitlements through second-round, or further indirect, impacts. The loss of a job through public sector reform, for example, can have considerable indirect social impacts in contexts where job benefits function as a form of social security in the absence of strong state social provisioning and in the absence of a private insurance market. The loss of status can further increase poverty of those affected. The loss of public sector jobs, especially in mono-industrial towns, might also lead to contraction of the local economy, creating additional second-round effects.

In addition to changes in entitlement sets, most policy changes will also result in behavioral changes, which are often the very objective of the policy change. These changes will result in indirect, or second-round, impacts that are more difficult to estimate. The increase in the price of a good, for example, might cause consumers to consume less or to seek substitutes. Price increases might cause middle-income consumers to reduce consumption of less essential goods and services that make up the livelihood of poor groups. Similarly, producers might use less of an input or might try to pass the costs on to consumers at higher prices. Alternatively, they might cut back on the level of production, which will affect their employees and suppliers, and so on. These links are much more difficult to estimate and require more detailed data and modeling.

Experience to date with PSIA illustrates that specific reform areas—such as decentralization and some types of institutional reform—have direct, first-round impacts through the authority transmission channel. The above-mentioned PSIA of decentralization and water sector privatization in Albania, for example, illustrates that rule changes relating to the decentralized management and regulation of utility delivery lend themselves to a first-round transmission channel of changing authority that characterizes relationships both within the government and between the local government and citizens (Beddies and De Soto 2006). The second-round impact is seen in the response from those affected, both in their individual behavior and in their relations with others. The frameworks and tools presented in this *Sourcebook* are designed to help with the institutional, political, and social analysis of these second-round impacts. This analysis often cuts across the transmission channels demonstrating the need to look at the interplay of different first-round effects. Table 2.2 maps the transmission channels with first-round impacts to an indicative (but not exhaustive) list of policy reforms.

Table 2.3 maps the tools described in this *Sourcebook* to illustrate the use of impact analysis tools for different transmission channels.[4] This table is for guidance only. The exact choice of analytical frameworks and tools will depend on the country

Table 2.2 Examples of Transmission Channels Relevant to Specific Policy Reforms

Reform	Primary transmission channels and likely first-round impacts
Macroeconomic and fiscal reform	
Monetary policy reforms, such as reforms influencing inflation and interest rates	**Price:** effect from changes in inflation and interest rates **Access:** effect on credit can be negative following contractions in money supply (loanable funds decline and interest rates increase)
Broad fiscal policy reforms to address fiscal deficit (typically adjustment involves reducing expenditures and increasing taxes)	**Access:** access to public services might be affected if public spending is reduced; credit market might tighten for private investors if government relies on domestic borrowing **Employment:** government might cut public-sector jobs
Public finance	
Expenditure reform, such as changes in levels or allocation of sectoral spending	**Transfers:** change can be positive or negative depending on the beneficiary group in question and the direction of the changes **Access:** access to public services can expand or contract through increases or decreases in spending
Revenue policies: levels, composition, improvements in tax administration, cost recovery in public services	**Taxes:** change net income of taxpayers; will be positive (negative) with decreased (increased) taxation **Price:** from changes in indirect taxes
Trade and exchange rate reform	
Reforms of tariff and nontariff barriers	**Price:** lower prices will result from removal of barriers and duties **Access:** removal of barriers should expand access to goods **Assets:** returns to assets in protected sectors will fall **Employment:** there will be a negative impact on previously protected sectors
Exchange rate reforms	**Price:** terms of trade will change affecting both consumer and producer prices **Authority:** change to rights to engage in external transactions, decreases government's ability to allocate foreign exchange and benefits from bribes **Access:** access to foreign exchange
Agricultural reform	
Eliminating administered prices (price bands, floor and ceiling prices); ending buffer stock programs (used to maintain prices)	**Price:** will directly affect price of liberalized goods and thereby production and consumption behavior **Access:** access to food stocks might be affected
Changing domestic subsidies and taxes	**Taxes and transfers:** will change the net returns to different agricultural activities, so a degree of assets **Price:** will directly affect price of liberalized goods and thereby production and consumption behavior **Access:** access to services will be affected by changes in budget balance

Table 2.2 continued

Reform	Primary transmission channels and likely first-round impacts
Eliminating marketing boards	**Price:** will directly affect agricultural prices **Access:** access to supplies and services **Employment:** employees of the boards will be affected **Authority:** removes the authority of those running the boards, which might increase influence of private traders and the market
Land reform	
Distribution to the landless or passing of laws governing the right to own, exchange, or inherit land	**Assets:** the formerly landless will own a major asset post-land reform **Access:** secure title to land provides collateral for credit **Authority:** authority to make decisions on land use might change
Financial sector reform	
Financial liberalization (interest rates, allocation of credit, degree of regulation, ownership of financial institutions)	**Prices:** cost of financial services will change, probably decrease, and can increase growth due to improved efficiency in financial system **Access:** those who were discriminated against might now get access; however, those who received target funding will lose access **Authority:** government and government-controlled financial institutions will lose authority over the allocation of finance, while market-driven organizations will gain authority; possible changes in the level of supervision over financial institutions **Access:** expansion to poor might not occur in the short run
Labor market reform	
Minimum wage legislation, employment security, labor market liberalization	**Price:** changing wage rates will affect incidence of low pay and earnings dispersion **Employment:** direction hotly debated **Assets:** change return to human capital **Authority:** new forms of employer–employee contract introduced and enforced by the state changes balance of rights and obligations between employers and employees; rights to collective action, establishment of unions
Utility reform	
Restructuring state-owned utilities; increasing private participation in state-owned utilities to full privatization	**Employment:** layoffs as adjustment to staffing levels **Price:** tariff changes affecting fees and connection charges **Authority:** shift in authority from public sector management to new owners/management; depends on contractual arrangements and regulatory environment **Access:** might be changed by the nature of the change in ownership management
Civil service reform	
Management reform, staff/wage restructuring	**Authority:** changes in rights, obligations, sanctions, and incentives between politicians and public servants, and between different levels of the service

continued

Table 2.2 continued

Reform	Primary transmission channels and likely first-round impacts
	Employment: reduction in staff strength and changes in terms of employment including retirement age or nature of employment contract **Prices:** changes in wages might increase, or other long-term benefits such as pension obligations might decrease
Decentralization	
Fiscal decentralization, deconcentration of authority	**Authority:** changing rights, obligations, incentives, and sanctions between central and regional institutions and with consumers **Access:** making it easier for public to access services in more remote areas **Prices:** removing unnecessary levels of bureaucracy might lower costs
Social safety nets	
Targeted cash/in-kind transfers, to specific categories (AIDS, orphans, disabled, elderly), change financing arrangements	**Transfers and taxes:** nature of benefit payments, level of tax or charges to pay for increased services **Authority:** changes entitlements and obligations between private providers and publicly managed or publicly guaranteed schemes
Pension reform	
Changes in financing arrangements, contribution rates, retirement age, pension entitlements, including introduction of private pensions and noncontributory pension schemes	**Transfers and taxes:** contributory pension schemes might reduce tax burden; noncontributory schemes might serve as transfer mechanism to poor **Access:** redefinition of eligibility criteria might change access **Authority:** shift in responsibility for pension from employer to state or to individual might affect entitlements and responsibilities

Source: Author.

context, the nature of the reform, the relationship of the sector to the economy, available data and resources, and client capacity.

This chapter emphasizes that the sixth transmission channel, authority, does not replace the need for institutional analysis for reforms where other transmission channels might be generating first-round effects that might have an impact on institutions and practices, including sociocultural norms. A mixture of qualitative and quantitiative methods from a range of disciplines can be harnessed in order to understand these multiple indirect impacts. This *Sourcebook* aims to expand the understanding of the PSIA process and the range of methods that can be used. The following chapters will introduce a framework that allows for a systematic analysis of these issues and and will describe in greater detail various methods available for such analyses.

Table 2.3 Examples of TIPS Tools Relevant to Transmission Channels

Transmission Channels	Analytical frameworks and tools
Employment	• Vulnerability analysis • Gender analysis • Livelihoods analysis • Network analysis • Participatory methods
Prices (production, consumption, and wages)	• Vulnerability analysis • Gender analysis • Noncontextual methods
Access	• Vulnerability analysis • Contextual methods • Static and process mapping • Transaction cost analysis • Participatory methods
Assets	• Livelihoods analysis • Gender analysis • Empowerment analysis • Participatory methods
Transfers and Taxes	• Vulnerability analysis • Transaction cost analysis
Authority	• Political analysis • Static and process mapping • Transaction cost analysis • Empowerment analysis • Participatory methods

Source: Author.

Notes

1. Environmental impact assessment, in particular, has long been standard practice among donors and government agencies at the project level. Strategic environmental assessment moves the analysis to the strategic level (policies, plans, and programs), focusing first on the natural environment, but increasingly also the social and economic environments.
2. Project work also often involves elements of policy analysis, as illustrated by the PSIA components of a recent World Bank investment project in the mining sector in Romania (Dani et al. 2006).
3. For example, see the RAPID framework developed by Young and Court (2004) and described in chapter 7, p. 150.
4. As we gain experience, analysis might produce more specific guidance capturing how the combination of frameworks and tools works best for specific sets of reforms.

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Chapter 3

A Framework for Institutional, Political, and Social Analysis in PSIA: Macro-, Meso- and Micro-Level Analysis

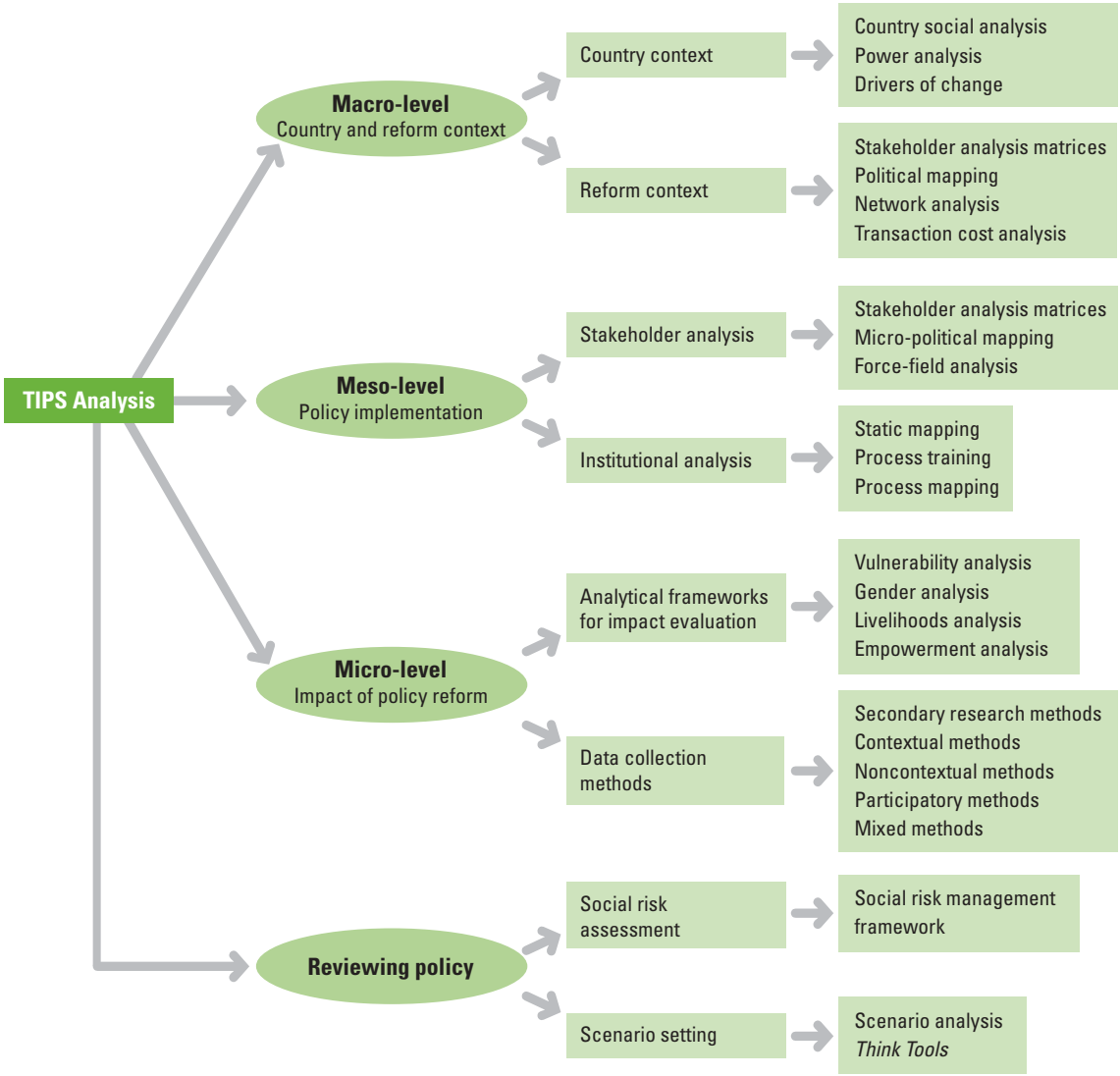
The framework for social analysis in PSIA addresses the institutional, political, and social dimensions of policy design and implementation that will affect poverty and distributional equity. The framework introduced in this chapter, and summarized in figure 3.1, highlights the significance of institutional, political, and social analysis at three levels of policy reform: macro-level analysis of the country and reform context, meso-level processes of policy implementation, and micro-level impact of policy reform.

Each level of analysis is applied with its own set of practical tools:

- Macro-level tools help us to understand the significance of the historical context, political-ideological climate, political-institutional culture, and economic and social makeup of countries engaging in policy reform.
- Meso-level tools aid our understanding of the rules and incentives that govern the implementation of policy reform, transmitted through price-based incentives and through less predictable organizational cultures and social norms.
- Meso- and micro-level tools help with analysis of the distributional impacts of policy reform, identifying winners and losers, and explaining the dynamics of poverty in local settings.

Risk assessment is an important end-of-exercise process of assessing the degree of uncertainty associated with different reform options that might influence predicted reform impacts.

Figure 3.1 Tools for Institutional, Political, and Social Analysis



Source: Author.

This chapter explains why TIPS analysis is important at these three levels and describes what types of information can be elicited using a range of tools. The chapter finishes by describing how information gathered at these three levels can be used to inform a risk assessment of policy reform.

Macro-Level Analysis: Understanding the Country and Reform Context

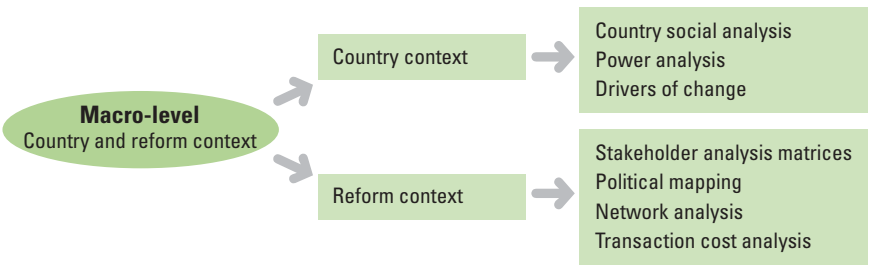
There is a growing awareness among international donor agencies and partners in government and civil society that policy reform should be based on a better understanding of country and reform contexts. At the macro-level of country and reform context, broad, upstream country analysis that examines the political landscape can be complemented by more specific analysis of the context for a particular type of reform.

Analysis of Country Context

Country context analysis is important because policy reform does not take place in an historical vacuum but takes place in a particular context. Understanding country context better means investigating the inherited and evolving mix of political, economic and social variables that influence policy agendas and change. Donors in particular now recognize that

- The experiences and "lessons of history" of other countries regarding development and poverty reduction can provide insights and learning for current international development.
- Governments of many countries remain unresponsive to the needs of the poor and uninterested in achieving development targets such as the Millennium Development Goals. Concepts such as "lack of political will" that are often used to describe these situations are inadequate because although they identify a problem, they fail to explain the reason for these failures or to identify viable solutions.
- Conditionality, associated with development assistance and intended to change the behavior of recipient governments, is a blunt instrument. Aid effectiveness increases when aid supports national efforts, making the local situation the point of departure rather than preconceived policies. This means giving greater attention to analysis of the country context and the ways in which it is changing.

Figure 3.2 Tools for Macro-Level Analysis



Source: Author.

Donors and country partners are now conducting and commissioning various forms of *country analysis* to understand the historical context and its implication for future change.[1] Country analysis such as this may be conducted using secondary literature, with perhaps some additional analysis provided through interviews with key informants and further analysis of existing survey data. Approaches to country analysis being adopted and funded by the donor community include the World Bank's country social analysis (CSA), Sida's power analysis, and DFID's drivers of change. These approaches are summarized in table 3.1.

Table 3.1 Tools for Analysis of Country Context

Tool	Objective
Country social analysis	Country social analysis is a diagnostic tool that integrates social, economic, political, and institutional analysis to understand the influence of country context on policy reform and development outcomes. CSA is primarily based on existing qualitative and quantitative data, supplemented with collection of new primary data on issues of particular concern in the specific case. CSA gives particular attention to • the distribution of assets, economic activity, and access to markets across different social groups • how local institutions and political systems affect policy making and implementation, and how they include or exclude the poor • the opportunities and constraints to the country's development that emerge from the current country social context.
Power analysis	Power analysis is a diagnostic tool developed by Sida that analyzes actors, interest groups, and structures to uncover where the real power in a society lies and how power is distributed geographically, institutionally and socially. It might also point to the kind of power being exercised, and how this power is perceived. Issues that should be covered could be summarized as actors, structures, processes, relations, and hierarchies. This analysis is based on an understanding that sustained poverty reduction requires poor people to have access to political power and resources.
Drivers of change	Drivers of change was developed by DFID and aims to improve the understanding of political, economic, social and cultural forces that inform change in a regional and country context and to link this understanding with an identification of the key policy and institutional "drivers" of change that provide the context for poverty reduction. Six elements form part of a drivers of change analysis (DFID 2003b): • basic country analysis • medium-term dynamics • role of external forces • impacts on poverty • operational implications • incentives.

Source: Author; see chapter 7 in part 2 for a more detailed introduction to the tools.

Box 3.1 Country Social Analysis of the Republic of Yemen

The objective of the Yemeni CSA was to examine factors that contribute to inclusion/exclusion of specific socioeconomic groups, the processes that enhance or weaken cohesion within and among groups, and the modalities by which people can hold institutions accountable.

The focus of the CSA was identified from the major trends and issues that were shaping Yemeni society, most notably the transition from an agricultural economy, rising population and rapid urbanization. Knowledge gaps were identified with respect to livelihood strategies and their link to migration, especially to secondary towns and the following areas of analysis pursued (1) an analysis of how livelihood patterns are changing in secondary towns and how this affected different social groups' access to assets and services; (2) an analysis of livelihood strategies in rural areas; (3) an analysis of rural people's access to assets, on institutions encountered by the rural poor, and on rural coping strategies; and (4) an analysis of the alignment of government policies and investments with people's livelihood strategies.

The methodology combined secondary literature research, primary data gathering through participatory research methods among key target groups (asset-poor farmers and migrants), targeted in-depth interviews, and analysis of quantitative data already available.

The CSA found that inequality is becoming more marked in the Republic of Yemen, with rural populations increasingly marginalized from the economy as traditional livelihood systems decline and productive land becomes concentrated in the hands of a small number of powerful families. Social cohesion in the Republic of Yemen is being eroded, with current systems of social solidarity at the household and communal levels stressed as a result of deepening poverty. There are, however, new opportunities for socioeconomic inclusion, with the cash economy and state education providing the means for social advancement of historically marginalized groups. Furthermore, decentralization, if appropriately resourced, provides citizens with an opportunity for more equity and voice because it supports the power of local community institutions.

The Yemen CSA was used to inform broad policy documents, including the government's Poverty Reduction Strategy Paper (PRSP) and the World Bank's country assistance strategy (CAS), which identified strategic priorities for future country engagement as well as additional analytical work.

Source: World Bank 2006.

Box 3.1 summarizes the CSA conducted in the Republic of Yemen. This CSA is described in greater detail in part 2 of this *Sourcebook*.

Analysis of Reform Context

Policy reform is, of course, highly political and should not be treated as a technical exercise. When a policy reform process is initiated without an in-depth understanding of the political, economic, and social context of the reform in question, the

danger is that policies are designed as a one-size-fits-all-solution that ignores country-specific factors that can be crucial for the success or failure of reform. These factors are diverse and can include the country's history, characteristics of the constitutional framework, the distribution of domestic political power (such as power struggles between political factions), interests and incentives of political actors, and the influence exerted by different socioeconomic groups.

Analysis of the reform context aims to understand the interests of the stakeholders affected by the reform and with influence at the macro-level. The great challenge when trying to assess the reform context is that often many different stakeholders with interests and interactions shift and evolve over time (Brinkerhoff and Crosby 2002, 164). Understanding the interests of political actors and economic or social influential groups and the incentives under which they operate is crucial because stakeholders can either act as drivers of reform movements or use their influence to block or reverse change. Analyzing the reform context also aims to examine the significance of the institutions that govern the relations between stakeholders in the reform context. The formal and informal "rules of the game" shape the interactions between different agents and thus determine policy outcomes (North 1990, 3).

A stakeholder is an individual, community, group, or organization with an interest in the outcome of an intervention, either as a result of being affected by it positively or negatively, or by being able to influence the intervention positively or negatively (DFID 2003a, 2.1). Stakeholder analysis aims to identify stakeholder characteristics, their interests, and the nature and degree of their influence on existing or future policies, reforms, or interventions. Macro-level stakeholder analysis focuses particularly on the key stakeholders, who are able to significantly influence the design, implementation, and outcome of policy reform.

Institutions are the societal "rules of the game" that shape and constrain human interaction and individual choices. Institutions can be a set of rules, such as a constitution, a political regime, executive-judicial relations, elections, or the habitual ways of doing things. These types of informal institutions represent cultural practices that frame social behavior and interaction and that encompass social hierarchies, patron-client relations, and various forms of rent-seeking.

Macro-level institutional analysis examines the rules that govern the identification of and negotiation over policy reform themes and sectors. It allows us to understand the motivation for reform and the institutional "architecture" that will frame the design of policy reform. Institutional analysis of this type is essentially a narrative form of analysis. When applying methods for assessing political institutions, the challenge is how to organize the information to make it useful and to inform the narrative analysis.

Table 3.2 summarizes the tools that can be used to analyze macro-level stakeholders and institutions in a given reform context. Box 3.2 summarizes of a macro-level stakeholder analysis conducted for a Zambia land reform PSIA.

Table 3.2 Tools for Analysis of Reform Context

Tool	Objective
Stakeholder analysis matrices	At the macro-level, stakeholder analysis is usually a combination of a review of secondary literature and additional brainstorming sessions or workshops with a small number of knowledgeable key informants. Analysts use stakeholder analysis matrices to list and plot the stakeholders and their relationship to the policy process. These matrices can be used to plot two or more of the following variables: • the degree to which the policy reform will impact stakeholders • the level of interest in a specific policy reform • the level of importance attached to satisfying the needs and interests of each stakeholder • the level of influence that the stakeholder has to facilitate or impede policy design and implementation • the level of resources that stakeholders possess and are able to bring to bear in the policy process.
Political mapping	While stakeholder analysis matrices focus on the power, influence, and proximity of individuals and interest groups to a particular policy reform, political mapping focuses more directly on the political landscape of policy reform by identifying the strength and nature of political-ideological opinion on a reform issue. Political mapping identifies the most important political actors and spatially illustrates their relationships to one another with respect to policy design and delivery. By so doing, political mapping can • provide a graphic representation of the political viability of a regime • offer clues about the vulnerabilities of the regime • detect the existence of opposing alliances and potential support coalitions • indicate the level of authority possessed by the regime • help indicate implementation capacity of various actors • detect new directions in policy.
Network analysis	Network analysis is a tool that helps analysts to think strategically about the strength and nature of institutional connections in the political landscape. It is a visual method of mapping that "measures" the relationships and interaction between a set of actors/entities (people, groups, organizations) in a community sector, industry and so on. It focuses on the structure of relationships rather than on their attributes. Network analysis can be used for • understanding organizational structure and functioning of systems • understanding organizational behavior, inter-organizational relations, social support, and the flow of information/knowledge/resources • understanding potential impacts of policy changes or implementation on relationships between a set of actors.
Transaction cost analysis	Transaction cost analysis is a tool for political economy analysis that focuses on the uneven distribution of information. This tool is most relevant in public sector or privatization reforms where it identifies potential constraints in the design and implementation phase of the reforms based on transaction costs.

continued

Table 3.2 continued

Tool	Objective
	Transaction cost analysis starts from the premise that uncertainty and information are unevenly distributed among agents and actors. The incentive-structure underlying all decision-making processes (in private firms, governments, NGOs, and so on) is determined by this distribution of uncertainty and information. Thus, power relations are explained in terms of the "transaction costs" that are imposed on less-powerful actors by their lack of access to information.

Source: Author; see chapter 8 in part 2 for a more detailed introduction to the tools.

Box 3.2 Stakeholder Analysis of Zambia Land Reform

The Zambia land reform PSIA assessed the poverty and social impacts of the controversial land reform proposed by the Ministry of Land. In its Draft Land Policy, the government proposed the titling and conversion of some of the land under customary tenure (94 percent of the land is under customary tenure in Zambia) into state-owned land. This measure was seen to encourage investment, development, and productivity through increased security of, improved access to, and incentives for better management of land, including increased rents and fees.

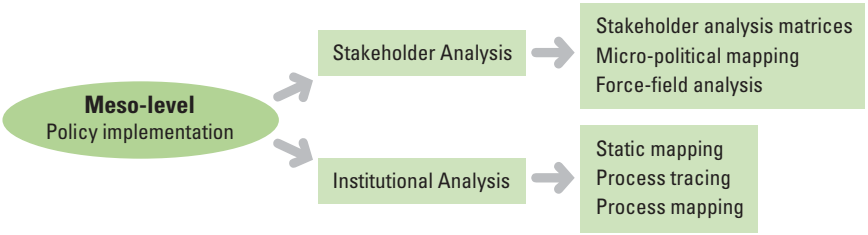
A stakeholder analysis matrix was developed that mapped stakeholders from government, private sector, and civil society according to their influence over the proposed reform (high or low) and according to the effect on them of the proposed reform (beneficial or harmful). The chiefs were revealed to have a strong influence over the reform and also to be most harmed by the policy change. The Ministry of Agriculture also had a strong influence on the process, but was perceived to benefit from the reform and so was a potential driver of the reform process. The landless and minority ethnic groups had little influence over the process and were predicted to be harmed by the outcomes of the reform.

Source: Jorgensen and Loudjeva 2005. See also chapter 6 for the complete case study of the Zambia PSIA, and chapter 8, p. 161 for details about the stakeholder analysis matrices.

Meso-Level Analysis: Understanding the Policy Implementation Process

The second level where TIPS is applied is at the meso-level of policy implementation. Analysis of the process of implementation allows us to explore how, why, and under what conditions a policy intervention might work—or fail to work—through a greater understanding of the contextual factors, mechanisms and processes

Figure 3.3 Tools for Meso-Level Analysis



Source: Author.

underlying a policy's implementation. Contextual factors that might contribute to a reform's failure vary from case to case, but might include a group's opposition to a reform, a lack of capacity or political will of the implementing agency, or a lack of influence over implementation by the potential winners under the reform.

The tools presented in table 3.3 help us to understand the rules and incentives that govern stakeholder behavior and institutional relationships during the implementation of policy reform. This understanding puts us in a better position to be able to predict or explain how meso-level activity can change and sometimes distort the expected impact of policy reform.

Policy process analysis is heavily contextual because it is framed by a specific policy focus that brings into play particular sets of actors and institutions. For this reason, qualitative methods are particularly important because they permit the researcher to study selected issues in depth and detail.

Here we discuss tools for understanding the policy implementation process to allow us to test assumptions about the stakeholders and institutions involved in implementing policy:

- **meso-stakeholder analysis** to test assumptions about the *interests* of social actors, and
- **meso-institutional analysis** to test assumptions about the *social rules* governing the implementation of policy.

Meso-Level Stakeholder Analysis

While macro-level stakeholder analysis focuses on the key stakeholders (those most able to influence the outcome of an intervention), stakeholder analysis at the meso-level focuses additionally on secondary stakeholders, meaning all other individuals or groups with a stake, interest, or intermediary role in the activity. At this level of policy implementation, stakeholder analysis helps to build an understanding of the

Table 3.3 Tools for Analysis of the Policy Implementation Process

Tool	Objective
Stakeholder analysis matrices	As discussed at the macro-level, stakeholder analysis matrices follow a series of steps and can be conducted in individual or group settings. Additional group-based stakeholder analysis can introduce strategic bias due to the group dynamic, but can triangulate individual interviews and is useful as a process of bringing together actors in the policy process in a workshop context and strengthening policy dialogue and ownership. In this way the stakeholder workshop functions both to generate information on the influence of stakeholders over the policy implementation and as a step in the process of negotiating and agreeing on the best path for policy reform.
Micro-political mapping	Micro-political mapping provides more disaggregated insights into the meso- and micro-level political landscape and the dynamics that could potentially affect the design or implementation of reform. Micro-political mapping can be used to illustrate concentrations of support for the government by various actors and indicate how certain sectors will react to particular policies. The actors and groups in a micro-political map are disaggregated in order to identify different competing factions within government ministries and departments or other public agencies (such as military institutions, courts, chambers of commerce). Micro-political maps will usually depict two dimensions of degree of support to and power over a given reform process.
Force-field analysis	Force-field analysis is an illustrative method that presents an overview of key stakeholders' support and opposition to particular reforms. It is capable of providing an overview of the pressures for and against change. The method of placing stakeholders on a continuum according to their opinion of the reform provides a quick overview of the political climate surrounding the reform. With the identification of key stakeholders and an assessment of their potential impact on the direction of reform design and implementation, it can be used as an initial step in a more comprehensive political economy analysis.
Static mapping	Static mapping provides a snapshot of the organizational context for policy reform implementation by illustrating the resources and responsibilities of the agencies and organizations that are implementing policy change. Through analysis of existing case study material and through interviews with key informants, the incentives that operate and the information available to the players can be identified.
Process tracing	Process tracing is a qualitative method for tracing, or following, the cause-effect flow of resources and decision making from a policy change through the implementation process as a means of testing assumptions about the expected impact of a particular policy reform. Process tracing can follow the path of services, products, money, decisions, and information, identifying actual or ideal paths, revealing problem areas of risk and potential solutions. When used carefully, it can illustrate often intricate connections and sequences clearly. The tool's focus on the intervening processes between cause and effect makes it an indispensable tool in a political economy analysis of reform processes and their impacts.
Process mapping	Process mapping is a tool that "zooms out" from the detail of process tracing to illustrate in map form the broader network of flows of decision making, resources, and information in policy implementation. It is a comprehensive flow diagram created by the many individual threads of process tracing. Once these flows have been mapped, the tool can be used to identify bottlenecks and constraints and to analyze opportunities for changing processes to make them more efficient and effective.

Source: Author; see chapter 9 for a more detailed introduction to the tools.

relative importance and influence of different interests groups and actors and the role each might play in the implementation process.

Meso-Level Institutional Analysis

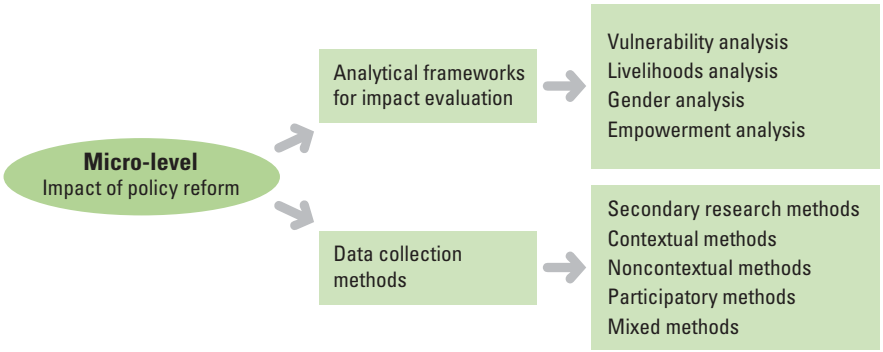
We know that institutions are sets of rules that govern individual and collective behavior. Institutions may be formal or informal and will include organizational procedures and social norms. Institutions operate and influence behavior in different domains of daily life: the state, the market, and societal domains.

The aim of institutional analysis at the meso-level is to understand these "rules of the game" that mediate the implementation of policy reforms. Several tools can be used to support institutional analysis of policy implementation. Organizational mapping involves three analytical steps that can be used sequentially or independently: static (institutional) mapping, process tracing, and process mapping.

Micro-Level Analysis: Understanding the Impacts of Policy Reform

This section introduces frameworks and tools for examining the likely or actual impact of policy reform at the meso- and micro-levels. The micro-level is characterized by processes of poverty that are complex and often non-quantifiable. Social analysis at the meso- and micro-levels takes us beyond the sometimes mechanical view of transmission mechanisms that measures changed incentives in

Figure 3.4 Tools for Micro-Level Analysis



Source: Author.

the market-to-producer responses and enhanced producer incomes to general improvements in consumption and other dimensions of well-being. The frameworks and tools introduced here allow us to differentiate between winners and losers and to apply theories on how policy change is likely to affect poverty dynamics at the local level.

Analytical Frameworks for Impact Evaluation

Due to the work of the *User's Guide to PSIA* (World Bank 2003), greater progress has been made in the application of economic-based models and tools in PSIA to describe the direct and indirect impacts of policies on the ways people are able to make a living (see also Bourgignon and da Silva 2003).

Social analytical frameworks, summarized in table 3.4, are now widely used to try to understand and explain poverty outcomes and impacts. The frameworks share a conceptualization of poverty as multidimensional and complex and introduce a more dynamic and entitlements-focused analytical approach to poverty assessment.[2] The social frameworks introduced here employ concepts—such as vulnerability, assets, livelihoods, and empowerment—that allow for analysis of different dimensions of poverty and go beyond simple monetary notions of poverty. Moreover, they look at the dynamic nature of poverty and try to explain why people move in and out of poverty.

Social analytical frameworks allow us to distinguish impacts among different social groups. It is key to rigorous impact analysis to differentiate between the social characteristics of individuals and groups and to analyze the implications of social difference for poverty dynamics and outcomes. Different social groups have different levels of power, choice, influence, and entitlement, with implications for their welfare under policy reform. Table 3.5 provides a checklist of social variables or categories that can distinguish individuals and groups. These are presented on a continuum from ascribed to achieved. All social and geographical communities are to some degree divided and unequal.

Gender is a key variable for understanding the differential impacts of policy reform and should be fully integrated into the conceptual framework for PSIA. Gender inequality remains pervasive and is a barrier to growth and poverty reduction. Levels of asset-entitlements differ hugely between men and women in different contexts. Even where women have *access* to assets they are less likely to have decision-making control over the use of those assets. Because women are more likely to be marginalized by or excluded from the state, market, and societal institutions that govern their lives, gender disparities tend to be greater in low-income countries, communities, and households.

Table 3.4 Social Analytical Frameworks for Impact Analysis

Tool	Objective
Vulnerability analysis	Vulnerability analysis looks at how people act when faced with events, or shocks, that affect their lives. Vulnerability is increased when people, faced with shocks, are unable to manage their assets and prevent a decline in welfare or a slide into poverty. The concept of vulnerability, rather than poverty, can capture processes of change, where people become more or less vulnerable as a result of the range of shocks they face and how the shocks are managed. A vulnerability analysis within a PSIA seeks to identify: • what shocks people face and their capacity to respond • whether a policy has lessened or increased existing shocks, or introduced new ones, and whether it has changed people's capacity to respond • the types of responses to policy-induced shocks that are evident among different social groups.
Sustainable livelihoods analysis[a]	The sustainable livelihoods approach is a useful framework for analyzing people's livelihood strategies—based on their investment in and use of assets—in the face of the policies, institutions, and processes that affect their lives and in the broader vulnerability context. It recognizes that the poor draw on a range of material and nonmaterial assets to pursue multiple strategies to ensure individual and household well-being. According to the framework, people's ability strategically to draw down on or invest in these assets in the face of external (exogenous) and internal (endogenous) events will determine their livelihood outcomes. Methods have been developed to use the framework to explore macro-, meso-, and micro-dynamics more explicitly. Khanya (2000) for example, developed and applied a "vertical transect" research method as part of a sustainable rural livelihoods study in which researchers move from community-level participatory research upwards through successive layers of government service and support using a combination of workshops, semi-structured interviews, and key informants to look at the difference between policy on paper and policy in implementation.
Gender analysis[b]	Most gender analysis tools are primarily designed for planning purposes but also provide an additional set of conceptual tools for generating empirical data and for analyzing the likely or actual differential impact of policy reform on men and women, with a focus on their relative access to and control over resources, their workloads, and on the broader social rules that govern gender roles and relations.
Empowerment analysis[c]	If a person or group is empowered, they possess the capacity to make effective choices. Empowerment analysis examines the extent to which policy change will increase or decrease individual or group capacity for making effective choices. This analysis involves examining the dynamic relationship between agency and opportunity structure. Agency is defined as an actor's ability to make meaningful choices, that is, the actor is able to envisage and purposively choose options. Agency is built up by the assets that individuals or groups possess. People can have material assets (such as financial and productive capital) and nonmaterial assets (such as skills, knowledge, social networks, and the psychological capacity to aspire and imagine change). The opportunity structure is the context in which people live and make choices. It is made up of the institutions (both formal and informal) that govern people's behavior and influence the success or failure of the choices that they make.

Source: Author.

a. Scoones 1998.

b. Moser 1993; March, Smyth, and Mukhopadhyay 1999.

c. Alsop, Bertelsen, and Holland 2006.

Table 3.5 Diversity Continuum Checklist

Ascribed	Mixed	Achieved
Age	Citizen	Language
Caste	Native/immigrant	Education
Ethnicity	Religion	Ideology
Sex	Disability	Occupation/livelihood
	Gender	Political affiliation
	Land ownership	Unionization
		Urban/rural

Source: Adapted from World Bank 2003b.

Of course it is essential to consider other social fault lines that cut across and complicate gender-based differences. Social variables such as race, ethnicity, caste, or age might be powerful additional predictors of vulnerability than gender alone. The crucial point, however, is that gender crosscuts all other social variables and should therefore remain a central focus of any PSIA.

Gender analysis in the PSIA of the Uganda strategic exports initiative, for example, provided a critique of gender-neutral policy and emphasized the need to examine the "time and effort economy" at the meso- and micro-levels in both coffee and fish sectors. The researchers used existing qualitative studies to hypothesize about "sub-micro" (intra-household) gender impacts of policy change. They argued that a lower-than-expected output response ("perverse" decision making and outcomes) would be linked to women's rational decision making, influenced by labor rigidities, and resulting in allocative inefficiency. They concluded that women will likely sabotage more efficient allocation of labor if they cannot control outcomes (see box 4.3).

Social analysis can benefit from research questions that guide the researcher in probing the transmission channels that have the strongest distributional impact. These social analytical frameworks help frame questions regarding the impact of policy changes through the six transmission channels and how these impacts will affect different social groups, whose relationships with each other may be unequal. The following list might help research teams formulate relevant research questions to be assessed by the PSIA to help design policy actions.

Employment and Other Income Sources. If policy changes are expected to affect employment, then it is likely that the impact will not be uniform across all segments of the economy.

- Are the entitlements and obligations of different stakeholders likely to be affected?
- Which forms of employment are likely to be in greater demand after the policy change?

- Which forms of livelihoods (for example, unskilled wage labor, civil service employment, self-employment, employment in state-owned enterprises, and so on) are likely to be at risk?
- Are the people who are likely to gain employment and those who lose their livelihoods distributed equally across all social groups, or will some groups win or lose more than others?
- Is the economy growing at a pace that is likely to create sufficient jobs within the time frame for which social protection measures have been designed?
- Do the likely losers have the resilience, (that is relevant skills and resources) to adapt to the changing labor market?

Price (Production, Consumption, and Wages). Prices (actual monetary price and opportunity costs) determine real household income. Price changes will affect consumption and resource allocation decisions.

- If and to what extent will reforms result in price changes that can both affect consumption and resource allocation decisions of households?
- Will policies cause an increase in the prices of goods consumed by the poor?
- Are tariffs potentially being affected by the policy change?
- Will producers be affected through relative price changes, particularly changes to the prices of their outputs or inputs?

Assets. If policy changes are likely to affect asset endowments or the returns on assets, then the changes are likely to generate winners and losers.

- What will be the impact of policy changes on productive assets (such as land titling, divestiture of state lands, land reform, resettlement, or closure of commons for conservation purposes)?
- Will the process of asset change result in uneven transaction costs for different groups?
- Given the nature of governance mechanisms and the status of power relations among social groups, are the policy changes of the kind that could result in elite capture?
- Will the asset value or returns on those assets be modified by the policy reform, such as through changing land use regulations, reclassification of land regimes, tariff changes on key inputs, reform of marketing channels, or licenses and concessions given to investors?

- Based on the current distribution of affected assets, will the impacts transmitted through asset change lead to significantly differentiated impacts, especially on the poor and vulnerable?
- Are adequate institutional mechanisms in place to manage the asset change, that is,
  - Do the responsible organizations have the capacity to manage those processes in an equitable and transparent manner?
  - Will the process of asset change result in uneven transaction costs for different groups?
  - Are adequate systems in place to address the adverse impacts?

Transfers and Taxes. Welfare is affected by transfers that can take the form of private flows (such as remittances) and public flows (such as subsidies and taxes).

- Which groups are the winners and which are the losers of policy that results in changes to taxation and benefits?
- Are social protection measures well targeted or in danger to be captured by the non-poor?
- Which transaction costs (administrative costs) are linked to social benefits?
- Will women suffer disproportionately from increased taxes?

Access to Public Goods and Services. If policy changes are expected to improve, restrict, or modify the conditions of access, the impacts on different social groups may be unevenly distributed.

- If the rules of access are being modified, will it lead to a significant increase in access to unserved or underserved segments of the population?
- Will there be improvements in quality of service, such as ease of obtaining a service, expansion of the service network, regularity or reliability of service, or greater transparency in billing?
- Will reforms lead to a significant decrease in access by some people due to more stringent eligibility criteria, higher tariffs and fees, unequal availability of information, or any other transaction costs?
- Are special arrangements being considered for the poor, such as those living in informal slums or remote villages, who would not otherwise be able to afford or access these services?

Authority. Changes in authority structures, decision-making processes, and power relations often lead to differential impacts.

- How will service providers obtain feedback on service quality from intended beneficiaries and for monitoring performance?
- Are the entitlements and obligations of different stakeholders likely to be affected?
- Will decision-making processes be more transparent?
- If authority structures are being modified, will it modify influence of different stakeholders?

Data Collection Methods for Impact Evaluation

This section discusses options for a TIPS research methodology for impact evaluation in PSIA. An important principle guiding the research process is that of a *fit for purpose methodology*. Research design should identify an exercise that has the strongest potential effects to generate evidence that fuels poverty-reducing policy debate and that fosters ownership of policy reform, that is, a methodology that is "fit for purpose."

There is much confusion over the difference between qualitative and quantitative research. Box 3.3 provides a summary of the five dimensions of qualitative and quantitative PSIA research. Those characteristics to the left of each spectrum are more qualitative in nature; those to the right are more quantitative (Kanbur 2003, 1–2).

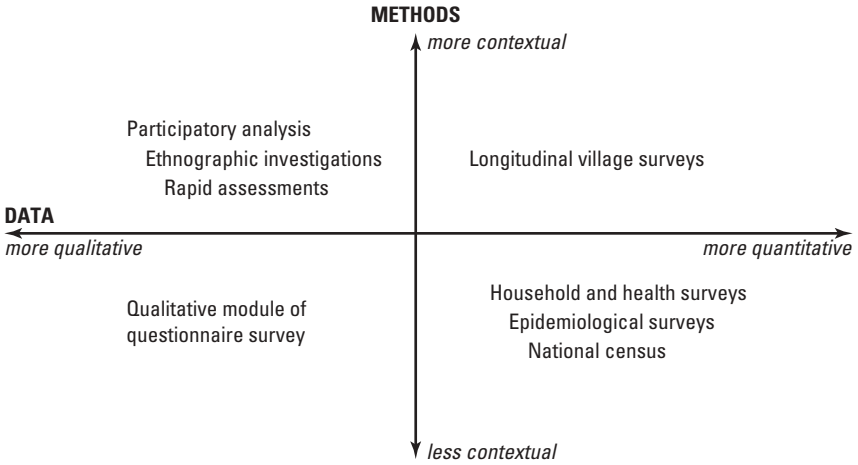
For the purposes of this *Sourcebook*, we follow Hentschel's (1999) method-data framework (see figure 3.5) and focus more narrowly on the first dimension from box 3.3

Box 3.3 Qualitative and Quantitative Dimensions of Poverty and Social Impact Analysis

More "qualitative" research	More "quantitative" research
Nonnumerical information	Numerical information
Specific (contextual) population coverage	General (noncontextual) population coverage
Active population involvement	Passive population involvement
Inductive inference methodology	Deductive inference methodology
Broad social sciences disciplinary framework	Neoclassical economics (and natural sciences) disciplinary framework

Source: Adapted from Kanbur (2003).

Figure 3.5 The Method Data Framework



Source: Adapted from Hentschel (1999).

by stating that the terms *quantitative* and *qualitative* should refer specifically to the type of *data* that are being generated in the research process. Quantitative research produces data in the form of numbers, while qualitative research tends to produce data that are stated in prose or textual forms. Both can produce data that can be shown in charts or pictorial form.

In order to produce different types of data, qualitative and quantitative research tends to employ different *methods*. This is the second spectrum in Hentschel's framework. Those methods that are applied across the population "universe"—often a country or region of a country—he labels *noncontextual*. In contrast, those methods that are applied to a specific locality, case, or social setting might be described as *contextual*. Table 3.6 summarizes these different methods. Part 2 of this *Sourcebook* describes and illustrates the different methods in detail.

Integrating qualitative and quantitative approaches to development research can help yield insights that neither approach would produce on its own (Rao and Woolcock 2003). Contextual and noncontextual methods can be combined effectively to add value to PSIA (see box 3.4). Quantitative research, underpinned by survey data feeding statistical analysis, has the comparative advantage of being able to establish or refute simple general propositions regarding causal impact and covariant change for large populations and with a high degree of confidence. Qualitative research is noted, above all, for its explanatory power and for the richness and depth of information it generates. Rather than standardizing to describe the norm, qualitative research seeks to explain difference.

Table 3.6 Data Collection Methods for Impact Analysis

Method	Objective
Secondary literature review	A secondary literature review is an essential methodological step in establishing what we already know from existing social, economic, and political research about the distributional impacts of similar policy decisions. The aim of a *systematic review method* of secondary literature review is to develop an answerable question, search for relevant research (and other evidence), and/or produce a summary of what the existing evidence tells us. This is particularly important in a PSIA context where discussions take place in advance of a policy decision, and might help save on time and need for primary research.
Noncontextual methods	Noncontextual methods are usually applied across the population universe, often a country or region of a country. Noncontextual methods typically use *random sample surveys*, such as household surveys, employment surveys, or population censuses.
Contextual methods[a]	Contextual methods are applied to a specific locality, case, or social setting. Contextual research employs a range of *interactive methods*, including ethnographic techniques, such as direct and participant observation and interviews, to generate qualitative data relating to complex and often non-quantifiable cause-and-effect processes, and to informal social institutions and cultural practices.
Participatory methods	Participatory research, such as qualitative research, tends to use more contextual methods and elicit more qualitative and interpretive information. However, participatory methods bring with them an important additional philosophical commitment to respect local knowledge and facilitate local ownership and control of data generation and analysis.[b] In this way, participatory research can be empowering for different groups of stakeholders. Participatory methods are by no means restricted to qualitative data output. People map, count, estimate, compare, and value using numbers during participatory research, often producing empirical insights that are difficult to capture through conventional methods.[c] Participatory methods are often quick and efficient, producing data in a timely fashion for evidence-based analysis and action. Through robust sampling and triangulation, participatory research can generate numerical data that are representative, comparable, and generalizable.[d] The *Consultative Impact Monitoring of Policies (CoIMPact)* was developed by German Agency for Technical Cooperation (GTZ) and generates participatory data to feed an ongoing policy dialogue with a range of stakeholders.
Mixed method tools	Mixed-method tools have been developed to describe and analyze poverty at the local level, some of which have been applied specifically to PSIA-type studies. The *Household Economy Approach* was developed by Save the Children Fund and uses quantitative and qualitative methods to model the rural economy and generate information and analysis regarding the economic lives and livelihoods of poor people. The *Consumer Assessment* method has been used to analyze ex ante the impact of utility reform in several African countries. It combines socio-spatial mapping with willingness to pay data in order to better understand the distributional impact of price changes.

Source: Compiled by Author; see chapter 9 for a more detailed introduction to these data collection methods.

a. Booth et al. 1998.

b. Chambers 1994.

c. Chambers 2003.

d. For a fuller discussion see Holland and Campbell 2005; Barahona and Levy 2002; and Wilson 2000.

Box 3.4 Ways of Combining Qualitative and Quantitative Approaches

We can distinguish three major ways of combining quantitative and qualitative data in the measurement and analysis of poverty:

Integrating the methodologies:

- using survey data to construct purposive samples for Participatory Poverty Assessments (PPAs)[a]
- using survey findings to construct the interview guide of the qualitative research
- using qualitative data to determine appropriate stratification of samples for surveys
- using results of qualitative work to prepare survey questionnaires
- pre-testing new questionnaires as part of a contextual study
- using qualitative research findings to refine the poverty indices used in survey analysis.

Examining, explaining, confirming or refuting, and enriching information from one approach with that from the other:

- "examining" refers to using data from one tradition to enrich the research agenda of the other
- "explaining" entails the use of qualitative research to identify dynamics responsible for survey findings
- "confirming or refuting" entails the use of qualitative research to ascertain the validity of survey-based findings (or vice-versa)
- "enriching" means the use of qualitative research to obtain information and understanding about variables and processes not covered by surveys.

Merging the findings into one set of policy recommendations:
This refers to the kind of joint reporting of results drawing on both quantitative and qualitative data that were features of some World Bank country poverty assessments in the 1990s.

Sources: Carvalho and White 1997; Appleton and Booth 2001; Rao and Woolcock 2003.

a. A PPA is an instrument for including poor people's views in the analysis of poverty and the formulation of strategies to reduce it through public policy (Norton et al. 2001).

The category "participatory methods" encompasses a wide range of tools that are often collectively referred to as Participatory Rural Appraisal (PRA) or Participatory Learning and Action (PLA) (Chambers 1994). These tools have been developed and applied over the past 30 years, achieving widespread recognition and application in both developing and developed countries. Many of these tools are well known and used by applied social analysts, so we do not present them as part of this *Sourcebook*. However, as they are indispensable for micro-level impact analysis, we summarize them in table 3.7 and provide a more detailed description of each tool in folder 1 on the CD-ROM. The tools are categorized into three broad groups: tools for describing poverty characteristics, incidence and distribution; tools for understanding poverty dynamics, assets, vulnerability, and livelihood strategies; tools for identifying the institutional constraints and opportunities for poverty reduction.

Table 3.7. Participatory Tools for Micro-Level Poverty and Social Impact Analysis

Method	Summary Description
1. Poverty characteristics, incidence and distribution	
Transect walk	A tool for describing and showing the location and distribution of resources, features, the landscape and main land uses along a given transect.
Community profile	An overview of a community containing information on a broad range of factors (eg, environmental/natural features and management, sociodemographic characteristics, political, and economic structures, local institutions, economic activities and livelihoods, basic household and community facilities, and social organization).
Social mapping	A visual method of showing the relative location of households and the distribution of people of different types (eg, male, female, adult, child, landed, landless, literate, illiterate) together with the social structure and institutions of an area.
Community resource mapping	A method of showing information regarding the occurrence, distribution, access to and use of resources; topography; human settlements; and activities of a community from the perspective of community members. Enabling people to picture resources and features and to show graphically the significance attached to them.
Wealth ranking	Involves the ranking of different individuals, households or communities according to locally-developed criteria of wellbeing. Performing such exercises for communities as well as households or individuals illustrates the significance of factors and assets which affect poverty at the community, group or household level.
Time Line Life Histories	Good for identifying trends and changes to poverty over time. Very important to triangulate information with secondary review, interviews, survey data.
2. Understanding poverty dynamics: Assets, vulnerability, and livelihood strategies	
Risk mapping	Good for understanding the vulnerability context, delineating perceptions of risk at different levels and examining the multiple risk and vulnerabilities (the most vulnerable will experience multiple risks) and concomitant vulnerabilities as a result of a policy change; Risk mapping helps to identify the covariance of risk and the coincidence of (multiple) vulnerabilities that impact most severely on the poorest.
Risk indexing	A systematic approach to identify, classify and order sources of risk and examine differences in risk perception.

continued

Table 3.7. continued

Method	Summary Description
Seasonal calendar	A visual method of showing the distribution of seasonally varying phenomena (eg, economic activities, resources, production activities, problems, illness/disease, migration, natural events/phenomena, climate) over time. Nuances analysis of impact of policy change by revealing the seasonal variations in vulnerability and access to assets and resources. Useful for understanding the relationship between seasonally-varying phenomena and livelihood strategies.
24-hour calendar	A visual method of showing the way people allocate their time between different activities over a 24-hour period. Enables understanding of the impact of policy changes/ implementation on daily schedules/workloads/time use. Reveals differences in schedules and workloads between people from different social groups and at different times of year and can be used to look at the social impacts (eg, on health and education) of different workloads.
Asset Wheel	A visual method of showing the different assets/resources and the linkages between them. It is useful for understanding differences in the asset bases of different social groups; establishing an asset baseline, which can be used to explore livelihood strategies/ diversification and opportunities for and constraints to increasing asset holdings; and examining potential impacts of a policy change on the asset bases of different social groups.
Livelihood matrix scoring	A method of investigating preferred and prioritized livelihood options of population sub-groups against specified criteria (rather than a description of current livelihood strategies). Contributes to an understanding of possible impacts of policy reform on livelihood options and preferences.
Entitlements matrix	A method of representing socially differentiated perceptions of and actual rights and entitlements, and understanding differences in the way they are applied to different groups of people (e.g. women and men, poorer households, different ethnic groups etc). Useful for identifying possible linkages between capacity and resources to claim rights and people's capacity to deal with risk and vulnerability; and potential impacts of policy reform on rights and entitlements.
Causal flow diagram	A method of showing diagrammatically the causes, effects and relationships between variables associated with policy change and poverty and social change. Traces differences in cause-effect relationships by different social groups. Reveals relationships between economic, political, social and environmental factors.
3. Institutional analysis	
Institutional mapping/Venn diagramming	A visual method of identifying and representing perceptions of key institutions (formal and informal) and individuals inside and outside a community and their relationships and importance. Enables understanding how different community members perceive institutions both within the community (in terms of decision-making, accessibility and services) and outside the community (in terms of participation, accessibility and services).
Institutional perception mapping	A visual method of identifying and representing perceptions of key institutions (formal and informal) and individuals inside and outside a community and their relationships and importance to different social groups. Good for understanding the sets of social relations that mediate the transmission of a policy change.
Mobility mapping	A visual representation of people's movements within and outside their community. Identifying issues and problems related to socially differentiated mobility and access to resources (eg, land, water, health and education services, information, capital, decision-making). Socially differentiated mobility within and outside a community can indicate differing levels of freedom, wealth, empowerment, and rights. Consequences of socially differentiated mobility for different social groups, their households and livelihoods.

By seeking to understand social diversity and social interaction within population groups, including intra-household differences,[3] qualitative research attempts to explore the complexity and "multiple realities" of societies and communities. Qualitative research provides insights into highly contextual social and economic processes and relations that are poorly understood, ambiguous, or sensitive in nature. Without these insights, deductive researchers and policy analysts run the risk of making interpretive leaps from bivariate or multivariate description of the "average" situation to poorly considered social analysis. The danger here is that what is not quantifiable becomes unimportant, while "what is measurable and measured then becomes what is real and what matters" (Chambers 1995, 8).

In short, while quantitative methods produce data that can be aggregated and analyzed to describe and predict relationships, qualitative research can help to probe and explain those relationships and to explain contextual differences in the quality of those relationships. Conversely, if qualitative research inductively reveals interesting, often surprising, and sometimes counterintuitive relationships and patterns, quantitative research is then able to ask "how much?" and establish how confident we can be in these "working hypotheses." This iterative relationship between describing and explaining provides the key to effective and robust impact analysis.

By promoting various forms of mixing methods in this *Sourcebook* we are strengthening the contribution of research approaches, with qualitative research playing a more rigorous role in identifying errors or puzzles, reshaping working hypotheses and continually testing normative views (Booth et al. 1998, 12). When applying the method data framework introduced earlier to the use of mixed methods in PSIA—as in any form of research—it is important to distinguish *observation* from *analysis* in different research traditions. In quantitative data collection, we look for measurable indicators of case scores on variables (data points) and then use these statistics to describe central tendencies, variances, and correlations that can be generalized from samples to populations. In qualitative positivist data collection, we look for measurable indicators of causal processes in a given context, then use those observations to identify patterns of causal relations that can be generalized within small groups or similar cases. Finally, in qualitative interpretive data collection, we make interpretive observations in which the researcher tries to understand the relationship between systems of meaning and their impacts in a given context. We should acknowledge these differences and take advantage of the different strengths of research traditions. While mixing methods through iterative or combined strategies is useful, we need to remain aware of the differences across methodologies and what this means when we try to use observations in one tradition as inputs to analysis in another.

Methods and data have been combined effectively in PSIAs and similar studies. The following case studies presented in part 2 (chapter 9) of this *Sourcebook*

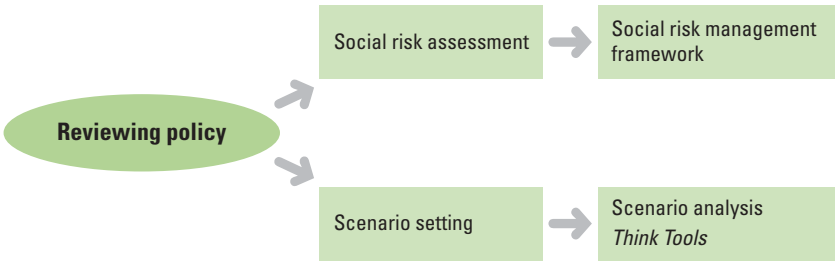
demonstrate the descriptive and analytical added value of mixed methods:

- **Albania.** This PSIA analyzed the likely impacts of water sector reform implementation in Albania, which aims to improve efficiency and effectiveness of service provision, ensure access to basic infrastructure services by the poor, and improve targeting of low-income populations. The study combined socio-economic household surveys, key informant interviews, focus group discussions, and city profiles.
- **Malawi.** The policy context for this PSIA was the proposed privatization of the Agricultural Development and Marketing Corporation (ADMARC). The study combined econometric assessments of the impact of ADMARC on household welfare with an ex post qualitative study on the combined effect of closing markets and a decline of ADMARC's marketing activities.
- **Rwanda.** This PSIA analyzed tea sector reform in Rwanda, with its two key components of liberalization through privatization of 9 of the 10 government-owned tea estates and reorganization of the tea parastatal (OCIRTHE) as a regulatory board for the sector. The study sequenced methods by using qualitative tools to generate data that informed the design of the baseline survey for the quantitative analysis.
- **Uganda.** This study looked at the impact of the abolition of user fees in the primary health care sector in Uganda by focusing on access and health outcomes. The study combined time series data on outpatient attendance and immunization rates with participatory research to confirm that outpatient attendance was progressively weighted toward poorer households.
- **Republic of Yemen.** The policy context for the Yemen PSIA was that the prevailing level of diesel subsidy was not considered fiscally sustainable. With the adoption of the PRSP, some policy reform on reducing subsidies is being considered. The PSIA adopted a sequenced mixed-method approach in which participatory assessment informed the design of a household survey and complemented the quantitative analysis.

Reviewing Policy

With policy-focused research, it is particularly important that the analysis of likely or actual poverty impacts of policy reform is used to feed a robust review of policy. This analysis occurs through a two-step process of risk assessment and scenario setting. Risk assessment is an end-of-exercise reflection on the uncertainties and risks that surround policy reform, while scenario setting generates a set of policy scenarios that make transparent the assumptions we are making about policy reform and its impacts. Once we have done a PSIA, how confident are we in our subsequent choice of policy that the predicted impacts will occur, and on what assumptions are our impact predictions based?

Figure 3.6 Tools for Reviewing Policy



Source: Author.

The institutional, political, and social tools introduced in this *Sourcebook* are useful not just because of their ability to explore the dynamics of poverty, but also because they help to identify these risks at the macro-, meso- and micro-levels and provide important guidance on how policy can be designed and modified to tackle them. This section discusses the role that risk assessment can play in using PSIA data and analysis to identify and map the risks to policy reform. Then we discuss how scenario analysis can help us choose the policy option that is most likely to result in our desired outcome. The importance of a good communications strategy is also noted, to ensure wide understanding and support for the chosen policy.

Social Risk Assessment

The earlier discussion on social models described the concept of vulnerability as an effective basis for understanding the poverty impacts of policy change in terms of risk *from* reform. We can also apply the concept of risk when looking at the threats to the successful implementation of policy, or the risks *for* reform. These are risks that we cannot control but should acknowledge transparently. Once we have identified these risks, then the process takes us beyond PSIA to risk management strategies that form part of the policy dialogue process.

The *User's Guide to PSIA* (World Bank 2003) categorizes risk into four types:

- Institutional risks: relating to both market and nonmarket institutions where no failure was assumed
- Political economy risks: including the risks that powerful interest groups might undermine reform objectives by blocking implementation, capturing benefits, or reversing reform action
- Exogenous risks: including risks of shocks to the external environment, such as natural shocks or regional economic crisis
- Other country risks: including the threat of an increase in political instability or social tension.

Social risk assessment involves testing the likelihood of an assumption about policy reform to be invalid and it is made up of three steps:

- Identify assumptions about what should and should not happen in order for a policy to achieve its goals.
- Make a judgment as to the likelihood that each assumption will hold, and its importance to policy.
- Adjust policy in light of the risks identified. The more likely it is that an important assumption will be invalid the greater will be the need to alter the policy.

The s*ocial risk management* framework (Jorgensen and Van Domelen 2000), described in chapter 10 (p. 241) is particularly useful for policy analysis because it introduces the time dimension, showing how interventions can be designed to mitigate or even reduce the threat of risk, rather than simply helping people to cope in the aftermath of a damaging event. Through social risk management, individuals, households or (social/geographical) communities manage their assets to reduce the likelihood of risk, mitigate the impact of a particular event (often by diversifying strategies or through insurance), or cope in the aftermath of a shock (often by disinvestment, sales of assets, or by borrowing).

The social risk management framework also allows for insights into the interaction of formal and informal strategies for poverty reduction so that policy makers can design interventions that complement rather than undermine local strategies. Understanding vulnerability in terms of social risk management allows policy makers and practitioners to design market and nonmarket interventions to support and enhance informal risk management. This framework is applied to the case study of sugar restructuring in Guyana (see chapter 6).

Scenario Setting

Within PSIA, there may be more than one possible counterfactual and there is usually more than one possible mix of interventions that we may wish to consider to achieve our desired outcome. This will depend on what is being studied or proposed. Some policy reforms lend themselves to looking at multiple scenarios; in other cases this would be inappropriate. A proposed restructuring of the cotton sector in Chad, for example, could be played out through a number of mixes of policies within the broad agenda of privatization (Verardo and Ezemenari 2003). In contrast, the removal of fuel subsidy proposed in the Republic of Yemen presented a discrete policy trigger for PSIA, albeit with options on timing of the phasing out of the subsidy (World Bank 2006).

In addition to various policy options, there are likely to be a number of different *assumptions* within any particular option that we need to make in testing the possible

outcomes from the policy. To compare different policies and different assumptions around a policy, it is useful to develop alternative scenarios. Analysis of the scenarios also helps us to test the robustness of our forecasted impacts from the policy change.

In many cases, particularly in ex ante PSIA, it is difficult to make an accurate estimate of an intervention's impact when compared with doing nothing. Furthermore, even if the goals of a particular policy have been achieved, it is difficult after the reform to establish whether the policy in question has been responsible for this achievement; other factors, including other policy initiatives, might have been responsible. To establish causality we must measure what would happen if the intervention were not in place, the counterfactual (or base case). Analytical frameworks can therefore be applied to *both* the counterfactual scenario and the (before, during, or after) policy change scenario(s). Only in this way can we begin to evaluate the size and nature of the marginal effect of the policy change.

Scenario setting can be framed by a realistic assessment of the options open to a government in any particular context. Creating and reviewing options helps decision makers to understand the potential range of action that they may take. This process of considering scenarios is informed by the data generated through the PSIA research process. The steps for considering scenarios are discussed below.

Identify the Counterfactual or Base Case Scenario. The first step is to identify and analyze by relevant categories (such as sector, region, income cohort, gender) for relevant variables (such as income distribution, consumption, access to goods and services, employment, types of business activity, social exclusion and ability to participate, and level of voice or influence):

- How the current system actually operates and any trends under way (that is, the counterfactual)—this is a practical exercise, based on existing secondary data (administrative data, household and business surveys, reports, and so on) and primary data collection (surveys, participatory data collection, rapid assessments, and so on). It analyzes what is actually happening. Qualitative data helps to give context to quantitative data. It can often be very useful to encompass issues that are not covered in the "official" data and also guide survey design.
- The influence of different (actual and potential) stakeholders and how this influence explains the nature of the current system (what should happen) with what actually happens.

Identify Scenarios for Policy Reform. More than one policy might meet our desired outcomes and different ways of implementing each policy could have the desired results. The second step of identifying scenarios theorizes the intended impact of the various options for policy reform. Scenarios allow for comparisons

between these different options and the counterfactual. They can take account of tradeoffs between the various objectives. Sources for scenarios might include:

- ideas currently circulating in country
- experience with similar types of policies or reforms elsewhere
- areas identified as under- or over-influenced by the current policy.

Specific techniques can be used to facilitate this process of identifying scenarios for assessing risk and uncertainty in policy reform. They include *scenario analysis* and *Think Tools,* both described in more detail in chapter 10 (pp. 248, 252). *Scenario analysis* is a participatory exercise based on a facilitated process of brainstorming, rigorous data gathering to explore the issues raised in brainstorming, and the creation of three to four plausible future situations (scenarios) in which a reform will play out. Scenario analysis lets policy makers: (1) "pre-test" the performance of a policy reform in different plausible situations, allowing for the creation of alternate plans; (2) assess the level of ownership for a reform agenda among key stakeholders; and (3) get support for a reform agenda by including relevant stakeholders in discussions around scenarios to build a shared understanding of key issues in a reform.

Think Tools is a software-based planning system that GTZ has used to help policy reform stakeholders jointly understand the structure and dynamics with a reform sector, define reform goals and priorities, evaluate alternative scenarios, choose a feasible reform strategy, and assess risks to its implementation. As with scenario analysis, the tool enables participants to pool their knowledge with the additional advantage of using visual graphics in a way that furthers a common understanding of a complex situation and moves participants toward a joint understanding of the scope and options for reform. The application of this tool to a social sector PSIA process in Armenia is described in chapter 6.

Analyze Impact of Each Scenario against the Counterfactual. Using the categories in the step for the counterfactual and aiming for the best balance between the possible conflicting objectives, for each scenario identify the following:

- the advantages and disadvantages of this scenario
- how the intended and actual impacts of the policy scenarios are likely to compare, explaining significant divergences that might be caused by problems with implementation (including lack of resources and unclear rules), deviation from "rational choice" behavior, and the related influence of political and cultural practices among different groups
- actions required (administrative, institutional, and so on) to address negative reactions to the changes by those able to respond, taking particular note of obstructing and rent-seeking activities or other distortions

- other mitigations necessary to address any short-term negative impacts on the welfare of poor and vulnerable groups
- monitoring and evaluation mechanisms that might be deployed to facilitate and guide the policy implementation.

Compare and Choose the Preferred Scenario. Based on the analysis for each scenario, decide which one(s) best meet(s) the required objectives for the least cost. This process might entail ranking of options or more detailed cost-benefit analysis. Provide a recommended prioritized list to policy makers and clearly state the criteria against which the priorities were made.

Notes

1. Recent examples include a study of political economy factors in postindependence Ukraine (Mueller 2002) and in Gabon (Mueller 1999) that are influencing policy reform efforts.
2. These frameworks have evolved from work by Sen (1981, 1985, 1997) on entitlements and capabilities and from the food security literature of the 1980s (Devereux and Maxwell 2001) and later work on vulnerability (Swift 1989, Moser 1998).
3. This is a particularly important comparative advantage as many household surveys take the household as a single unit of analysis.

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Chapter 4

PSIA and the Policy Process

Earlier we introduced the principle of inclusive policy making, making the point that PSIA as a body of evidence will not be effective unless it feeds into a transparent policy process. Getting the PSIA process right is as important as improving the quality of the analysis. The World Bank's "Good Practice Notes for Development Policy Lending" (World Bank 2004) and in DFID's PSIA note on "Principles for Good Practice" (DFID 2005), both provided in the CD-ROM that accompanies this volume, reflect the increasing recognition of this link among the donor community.

A PSIA that is conducted with due concern to national policy processes and stakeholders interests can strengthen ownership for reforms and expand the evidence basis of policy. Increasing the use of such evidence is a complex process, which strongly depends on political and historical circumstances. Understanding and addressing issues related to political economy improves the likelihood that the results of the PSIA will influence decisions and enables successful policy implementation.

Box 4.1 summarizes the principles that should inform good PSIA process. These principles are discussed and illustrated in the remainder of this chapter.[1]

Understanding PSIA in Policy Processes

PSIA is an integral part of the policy process. Reforms suitable for PSIA can be derived from the national policy agenda, which is articulated through development strategies and policy frameworks, such as poverty reduction strategies (PRS). This integration applies to any reform, whether or not it is focused on poverty reduction.

The *User's Guide* (World Bank 2003) recommends the identification of reforms in the government's agenda that are likely to have significant distributional impacts

Box 4.1 The Key Principles of Good PSIA Process

- **PSIA can be built on an understanding of policies and policy processes.** Policy processes are not technical procedures that respond in a neutral fashion to emerging evidence.
- **PSIA can be embedded in local policy cycles and be a transparent part of the policy process.**
- **The choice of topic for PSIA can be transparent and consultative.**
- **The key actors leading the PSIA process can understand their complementary roles:** these are commissioners, practitioners, and facilitators.
- **The appraisal of PSIA proposals can take good process into account.** Where it is evident that PSIAs are likely to be extractive, with weak local engagement and ownership, PSIAs are unlikely to be effective.
- **Communication and dialogue can be promoted to encourage broadened participation from a wide range of stakeholders.** Existing or new sets of relationships that are inclusive and empowering can be further institutionalized through the PSIA process.
- **Wherever possible, PSIA can build the capacity of local partners,** including research practitioners, policy makers, and civil society organizations.

Source: Schnell et al. 2005.

on different stakeholder groups, with a special focus on the poor and vulnerable. But even if the expected distributional impact is small, the national debate surrounding the reform might be such that PSIA would enhance the policy dialogue. Box 4.2 provides a checklist of criteria that might guide selection of reforms for PSIA.

Box 4.2 Selecting Policy Reforms for PSIA

- What is the expected size and direction of the poverty and social impacts?
- How likely is the policy reform to impact on the poorest and most marginal social groups?
- How prominent are the issues in the government's policy agenda?
- What is the level of national debate surrounding the reform?
- What is the timing and urgency of the underlying policy reform?

Source: World Bank 2003.

Policy reform, however, rarely follows the type of stylized cycle that is common in project management handbooks. Policy design and implementation, unlike some projects, are nonlinear, fragmented, multisectoral, and they rarely come with budgets (Brinkerhoff and Crosby 2002, 23; Grindle and Thomas 1991). The policy process is highly politicized so that PSIAs will usually be implemented in a policy environment that is factional and contested. Lessons learned from PSIAs conducted to date, as in the case of the Uganda strategic exports initiative (see box 4.3), confirm that policy evaluation rarely fits neatly into an apolitical, instrumental policy cycle. Different

Box 4.3 PSIA Selection and Process in Uganda: The Strategic Exports Initiative

The decision to undertake a PSIA on the strategic exports initiative (SEI) in 2002 arose from the close working relationship between the Ministry of Finance, Planning, and Economic Development and DFID social development advisers in Uganda. The PSIA proposal was well received by the same group of ministry officials who had previously supported public expenditure tracking surveys, participatory poverty assessments, and other efforts to bring evidence to bear on policy design. At the time, the government was concerned that Uganda had become overdependent on donor-provided foreign exchange. However, the SEI was a source of policy incoherence. It was out of line with the government's own Plan for the Modernization of Agriculture (PMA) and was widely criticized by donor advisers as old-fashioned in approach. Although the SEI was already being implemented, there was still considered to be scope for influencing implementation.

The PSIA report recommended, unsurprisingly, greater harmonization of the SEI with the demand-driven approach of the PMA, and this recommendation was taken up. There were also other, less predictable, results. The PSIA proved to be an opportunity to draw attention to the abundant but neglected modeling work on household-level obstacles to market-oriented agricultural growth. Gender inequalities emerged strongly from the PSIA's rapid survey of the evidence as likely both to blunt the growth effects of export stimulation and to weaken the poverty-reduction impacts of any income growth that was achieved.

These arguments came to the fore at a good time for Uganda. They helped to stimulate several further efforts to document the growth-reducing effects of gender inequality, which, in turn, fed into the revision of the Poverty Eradication Action Plan of 2003/04, resulting in a more sustained treatment of gender issues in poverty reduction.

From both technical and process points of view, the Uganda PSIA demonstration had some serious limitations. It was hampered by terms of reference that required it to serve too many different purposes and stakeholders, and by an overcomplicated design. But in the more limited ways indicated above, it showed that opportunities for pushing policies in more productive and pro-poor directions by means of evidence-based arguments do exist and can be exploited to good effect in some circumstances.

Source: David Booth, personal communication.

stakeholders in government will be motivated in different ways and at different times, with diverse and often competing incentives operating on individuals and groups. The challenge is to work to maximize the inclusiveness and transparency of the PSIA process, while promoting the added value of evidence-based policy discussions. PSIA will, as far as possible, need to be fine-tuned with the timetable of the planned policy process to be timely enough to inform decision making. Therefore, policy milestones need to be clarified with key stakeholders and the PSIA steps, and outputs need to be adapted to them. Such milestones can include budget negotiations, parliamentary hearings, PRS consultations, and working group meetings or negotiations between government and key donors.

Stakeholders pursue different interests and the policy-making process is not linear but iterative, with changes and adaptations in the policy during the process. This means that the PSIA process should be organized to allow for policy adjustments through ongoing learning-by-doing. Such a dynamic approach would also ensure better understanding—and thus participation—of national stakeholders. One way for supporting a PSIA as an iterative process is summarized in box 4.4 and discussed in more detail in chapter 6.[3]

Considering PSIA as a process, more than as an isolated product, is challenging, because it requires taking a longer-term perspective. PSIAs have sometimes been inspired by previous analytical work (such as poverty assessments) and more often have identified further need for research and thus generated follow-up studies.

The integration of PSIA into policy processes strongly depends on its institutional anchoring. These institutions can be key policy, planning, or analysis units within the Ministries of Finance, Planning, and such or within the Sector Ministry in Charge. In "advanced" PRS countries, efforts to set up comprehensive and inclusive PRS monitoring systems have already led to a creation of multistakeholder structures that offer good entry points, such as sector, monitoring, or research and analysis working groups. However, even here, it is important to secure technical and political support for PSIAs.

Yet, an exclusive concentration on one institution can run the risk of constraining transparency, withholding results or—in a worst-case scenario—even falsifying them. Two contrasting approaches to PSIA illustrate the need for flexibility:

> **Approach 1:** Mainstream the PSIA process within the policy framework and the official decision-making process from the beginning. In Ghana, donor activity is supporting the National Development Planning Commission to coordinate the identification, commissioning, and dissemination of PSIAs on a range of themes (Keener and Banerjee, 2006).
>
> **Approach 2:** Retain some independence from the official policy monitoring and evaluation process to broaden involvement, avoid sending signals, and prevent capture, as in Zambia (see box 4.5).

Box 4.4 Case Study: A Process- and Moderation-Oriented PSIA in Armenia

The Armenian PRS entailed a precise set of policy reform proposals for the social sector. The Ministry of Labor and Social Issues (MLSI) challenged some of them, especially the planned phasing out of unemployment insurance and the cancellation of the one-time family benefit.

A PRS working group recommended a PSIA on the social sector, which was carried out by the MLSI with support from GTZ. Armenian specialists carried out the bulk of the studies, with support from Polish experts who had experience with similar reforms in Poland.

The aim of the approach was to improve decision making by facilitating joint learning. The consultation and negotiation mechanisms were the central part of the undertaking. During various presentations, workshops, and bilateral meetings, Armenian officials in the coordinating and implementing ministries became better informed as they discussed the implications of the analytical studies and models. The debate was framed in more technical and less politically sensitive terms (for example, through the joint definition of performance indicators) and thereby contributed to a better understanding of reform alternatives.

During the PSIA process, some new elements were immediately incorporated into the policy design. For example, following one of the first presentations by the international team, the officials decided to earmark funds for a wage subsidy program. In the same period, the ministry developed a new draft law on social assistance. For the first time, the law has tried to address complex strategic policy implications, and was presented to civil society and independent experts in a public hearing.

The process-oriented approach of the PSIA emphasized and implied an open-ended policy process. The university experts involved still work on data from the quantitative survey to answer other questions from the working group, and the Poverty Analysis Macroeconomic Simulator macro-model will be used in the Ministry of Finance and Economy to elaborate projections and develop scenarios for the PRS update.

Source: Schnell et al. 2005.

Box 4.5 The PSIA Process in Zambia

The World Bank's Zambia country assistance strategy prioritized a strengthened pro-poor focus, with the Poverty Reduction Strategy Paper (PRSP) as the policy vehicle for a PSIA. The World Bank team initiated a broad consultative process with government and other national stakeholders. There was no main government counterpart at this stage. The PRSP Poverty Monitoring Unit (PMU), located in the Ministry of Finance, was poorly resourced. More

Box 4.5 **continued**

significantly, the World Bank team wanted to start with a more "independent" process of consulting stakeholders and identifying themes and *then* approaching the relevant ministries.

This approach was informed by the political sensitivity of the policy agenda, with the MOF and Ministry of Agriculture at loggerheads over fertilizer subsidies. Given that individuals and ministries had positions and agendas, the team felt that to go straight to the PMU (in MOF) would have sent political-ideological signals early on. The PSIA process built on the earlier very rich process of stakeholder participation in the PRSP, which had included union bodies and commercial farmers associations, and had generated a civil society organization umbrella group. The process involved one year of close and active engagement, although this relied rather heavily on coordination from the Bank in Washington, DC to keep it broad and inclusive, with local support provided by DFID and GTZ.

Source: Zlatina Loudjeva, personal communication.

Stakeholder Participation in the Policy Process

PSIA is not a value-free piece of technical analysis; it is more fundamentally a process of promoting dialogue among a broad range of stakeholders with different interests on policy debates that are often ideologically charged and politically motivated. Experience to date with poverty reduction strategies (PRSs), for example, has encouraged the World Bank, IMF, and others to view civil society participation in poverty reduction strategies as essential for their sustainability and effectiveness (McGee and Norton 2000). Additionally, political participation is a component of democratic checks and balances and thus a developmental end in itself.

While much has been written about participation in development projects (especially during the 1990s) particular issues and challenges relate to participation at a policy level. Participation is the process through which stakeholders are involved in decisions that affect their lives. The German Agency for Technical Cooperation (GTZ) for example, differentiates between three types of participation:

- ***Process participation:*** the direct involvement of people in the analysis, design, and choice of specific interventions, projects, or programs.
- ***Democratic participation:*** the influence that citizens exercise over decisions made by the state bodies and organizations that represent them and/or control the territory in which they reside.
- ***Systemic participation:*** the creation of institutions and conditions that foster and promote participation broadly in society.

Participation in the context of PSIA refers mainly to process participation, but it should build on the other two types of participation to ensure sustainability and compatibility with country and policy circumstances.

In relation to the policy process, we differentiate between two categories of stakeholders, according to their involvement in or with the PSIA:

- First are stakeholders who are directly involved and play a major role in designing, managing, and carrying out a PSIA, whom we refer to as *commissioners*, *practitioners*, and *facilitators*. The commissioners and practitioners have more influence over the process and outcome of the PSIA and tend to be part of the elite in most countries and contexts. They have varying degrees of interest in ensuring the thorough and effective participation of other stakeholders, which is one of the reasons why facilitators can play such an important role with the involvement of less powerful stakeholders.
- Second are other stakeholders who have a stake in the reform outcomes. They might also be interested in the PSIA process and its results; however, some might have no interest in participating, either through lack of information or disaffection with the political process. The challenge is to consider whether and how these groups might be brought in or at least consulted.

Fostering Stakeholder Participation

Development practitioners who favor stakeholder participation do not always anticipate the possible pitfalls and challenges of participation. At a small project level, it may be easier to manage a participatory process than at a national policy level. Commissioners, facilitators, and even practitioners of PSIA need to be aware of the potential and challenges, and need to take great care in managing expectations of all stakeholders involved.

Potential:

- promoting consensus around specific, sometimes even contentious issues
- strengthening the information base and pooling expertise and insider knowledge increasing transparency and accountability
- empowering otherwise neglected stakeholders

Challenges:

- risk of bypassing or even undermining "official" structures of representation and democratic participation
- risk of bringing in parties without a legitimate mandate
- risk of increasing conflicts because it is rarely possible to satisfy all interests
- risk of not being clear about whether the aim is to achieve a "lighter" level of consultation or more binding participation

Even so, consensus is not always necessary or possible. An inevitable and important by-product of transparent and inclusive dialogue is the uncovering of conflicts based on differences of opinion and competing interest groups. It is important to understand the incentives and constraints different stakeholders face, to recognize the reasons behind their opinions, and to avoid simplistic or romanticized notions of "country ownership." Here, tools for conflict assessment and resolution become important for helping to facilitate the clarification and articulation of different positions and to resolve these emerging conflicts. Box 4.6 lists tips for organizing meetings to reduce conflict.

Box 4.6 Organizing and Managing Meetings and Participatory Assessments

Planning is necessary for successful meetings. Before a meeting takes place, careful consideration should be given to venue, timing, organization, and likely participants. The venue and timing can influence who is able and willing to attend. An exclusive venue far from where people live will discourage poorer, more vulnerable groups from attending. Assistance with transportation, provision of food during the meeting, and the use of appropriate levels of literacy and presentation methods should be given careful consideration when planning the meeting.

The composition of the meeting is also important. In some cultures men and women need to be consulted separately. In other situations some people from certain clans, casts, or classes will not attend or participate with people from other clans, casts, or classes. Yet, bringing people together in a neutral environment can give an opportunity for those who would not normally communicate with each other to find out that they have more in common than assumed.

Once the participants are gathered, the size and composition of break-out groups should also be considered: for example, do we want similar people to work together to clarify their position, or are we seeking mixed groups to encourage dialogue and discussion among people from different backgrounds?

The meeting facilitators should remain vigilant to the dynamics of the meetings, so it is preferable that they understand the language(s) and social/cultural background of the participants.

The facilitators need to manage the levels of participation to ensure that a few strong individuals do not dominate the process. Facilitators might need to create a space to encourage quieter participants to feel comfortable to participate. Skills at conflict resolution might sometimes be required.

Consideration should be given to follow up after the meeting. It is important to explain the next stages and to give participants opportunities to follow up with further information or questions. Participants might decide to organize further gatherings to carry forward issues from the meeting.

Source: Schnell et al. 2005.

Establish a **communication strategy** early on to ensure effective participation throughout the process. Good communication requires clarity regarding the message, the audience, mechanisms for stakeholders to see how they can feed their views into policy options, and carefully designed products for different audiences. Nevertheless, it is important to guard against the risk of a communication strategy becoming a political exercise in manipulation, in which supposed "evidence" supports predetermined policy decisions.

The PSIA process has various entry points for wider participation:

- selecting the topic for the PSIA
- refining the specific questions to be analyzed
- drawing up the terms of reference (TORs) and selecting the research team
- participating in the actual analysis (for example, being part of the research team)
- using participatory techniques for data collection and analysis
- discussing draft reports
- being informed about the results of the PSIA (dissemination)
- giving views or preferences for the policy options to be recommended by PSIA
- monitoring the implementation of PSIA recommendations.

PSIA also has various vehicles for stakeholder participation:

- **Committees and working groups:** These can be focused on uniting middle- and high-level decision makers to secure political ownership and leadership, pool specialized expertise, secure a high technical standard, or combine decision makers, experts, and civil servants in a change management team.
- **Stakeholder workshops:** While working groups will often have to be restricted to a small number of participants to be effective, workshops can expand the dialogue to additional relevant stakeholders. Box 4.7 presents an example of how a series of workshops can help to define questions, refine the methodology, and derive policy recommendations from the actual analysis.
- **Public information:** In some cases, just presenting objective information to the public can help to demystify misconceptions, improve accountability, and act as an incentive to key actors to pursue their interests within the democratic policy-making processes. It is important that information is presented in a manner that can be easily understood, including in relevant local language(s). Where literacy is low, other forms of communication, such as public meetings, should be considered.

Box 4.7 Potential Poverty and Social Impacts of Cambodia's Social Land Concession Program

This PSIA used an open, transparent, and inclusive approach to look at the Cambodia's proposed land distribution program. Various government institutions, NGOs, and donors were involved in the process through a series of focused and iterative workshops and consultations.

The final research concept was discussed during a widely attended workshop in Phnom Penh to obtain final feedback to fine-tune the approach. Research subtopics were covered by the different partners according to their technical expertise and experience. Field research teams also included a large number of government staff from different line ministries who would be involved in a potential land distribution program. Much emphasis was put on broad participation in the process and on ensuring a scientifically sound research process.

Research results from the different subtopics were shared among the partners for comments and then distributed for wider discussion. In May 2004, a one-day workshop was conducted to share findings and recommendations from the PSIA. Nearly 100 workshop participants came from different national and decentralized government institutions, donors, and NGOs. The lively debate during the workshop provided useful advice for finalizing the PSIA report. Follow-up workshops were planned to continue dissemination and discussion in the provinces.

The participatory process helped to build alliances for moving the land distribution agenda ahead. The findings have informed the government and other stakeholders about required actions. Implementation of the recommendations, however, still depends foremost on the political commitment to release suitable land. Nevertheless, by bringing these issues into the public debate, the likelihood of the reform proceeding has increased significantly.

Source: Schnell et al. 2005.

Capacity Building

Capacity building is a key issue in an ongoing process of promoting in-country policy dialogue to build on sound and reliable policy analysis Countries might require substantial support from development partners to carry out PSIA. There is a responsibility among donors and others facilitating policy research to encourage sustainable policy information systems fueled by good quality, local, applied research capacity.

The PSIA Donor Network has recently prioritized investment in capacity building around evidence.[2] The network is emphasizing the need to strengthen both the *supply* of policy-focused evidence among practitioners and the *demand* for this evidence among policy makers and technocrats. Without this emphasis, PSIA will

simply remain a process that engages policy analysts in offices in Washington, DC and European capitals.

Building an in-country constituency and capacity for PSIA will strengthen ownership and increase the prospects for mainstreaming PSIA work. When PSIA is initiated by donors, capacity building should be built into the PSIA process, but it may also be supported through technical assistance linked to the development policy operation. Good practice involves three levels of capacity building (World Bank 2004):

- strengthening the capacity of research organizations and government agencies to undertake PSIA data collection and analysis: This implies that the tools and methods used should be realistic, understandable, and replicable[3]
- enhancing the ability of government policy makers to review the results and recommendations and consider policy alternatives based on the findings: This implies that the findings have to be shared with policy makers in a transparent and credible manner, and easy to understand and communicate
- providing key stakeholders and opinion makers with evidence to consider during their internal policy debates and to build ownership for the reform.

Notes

1. This chapter is adapted from Schnell et al. 2005.
2. To contact the PSIA Donor Network, please email psianetwork@dgroups.org.
3. Currently, there is a huge imbalance in resources and expertise in favor of the donor community and a small number of large, urban research outfits. Capacity building includes these relatively elite outfits, as well as smaller, more remote organizations.

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Chapter 5

Conclusions

This *Sourcebook* introduces a range of institutional, political, and social tools for understanding the dynamics of policy reform at the macro-, meso-, and micro-levels and for assessing uncertainties and risks to policy reform. Although the tools presented here can be chosen selectively, ensuring analysis at each level is vital for effective PSIA. At the macro-level, these tools help us to understand the significance of the historical context, political-ideological climate, political-institutional culture, and economic and social make-up of countries engaging in policy reform. The *Sourcebook* provides guidance also on reform contexts, presenting tools that analyze the motivation for reform, the nature and strength of opposition, and the differences in power and interest at play.

At the meso-level, these tools add value in understanding the rules and incentives that govern the implementation of policy reform, expressed both in price-based incentives and in less predictable organizational cultures and social norms. At the meso- and micro-levels, the frameworks and tools provide added value in helping with analysis of the distributional impacts of policy reform, identifying winners and losers, and explaining the dynamics of poverty in local settings. Finally, the *Sourcebook* provides guidance on risk assessment, an important end-of-exercise process of identifying the risks and uncertainties that might influence the nature and direction of reform predictions.

The *Sourcebook* emphasizes that these tools are most effective when integrated into multidisciplinary methodologies for poverty and social impact assessment. These tools are based on methodological and analytical frameworks that are different from standard economic tools but that add empirical value and analytical depth to economic analysis. This *Sourcebook* supports the argument that policy analysis can

move beyond the privileging of specific methods, approaches, or forms of data. Careful attention to theoretical issues and a rigorous yet fit-for-purpose methodology are the keys to evidence-based policy for poverty reduction. The PSIA approach provides an opportunity to strengthen and make the most of this theoretical and methodological pluralism.

Finally, it is important to restate that the success of any PSIA can be measured according to whether it is achieving its objectives of supporting poverty-reducing, evidence-based, and inclusive policy making. PSIA as a body of evidence is unlikely to influence policy reform unless it is a vehicle for strengthening ownership of reform and improving policy design by linking policy analysis to the policy process. PSIA research can be undertaken perfectly, but unless it is embedded in a transparent and inclusive policy process, it is unlikely to contribute effectively to evidence-based policy dialogue and policy choice.

Chapter 6

Case Studies

This *Sourcebook* emphasizes case studies to illustrate how institutional, political, and social analysis and processes can be effectively built into policy analysis in different contexts and sectors. This chapter summarizes three recently conducted PSIAs to emphasize three aspects of good practice in policy analysis. The first case study—mining sector reform in the Democratic Republic of Congo—illustrates how robust evidence from PSIA (in this case highlighting the potentially extreme social costs of reform) can have a tangible impact on policy discussions, design, and implementation. The second case study—land and fertilizer reform in Zambia—demonstrates how the careful sequencing of research methods and data, that recognizes the comparative advantage that different research methods can bring, can add to the usefulness and impact of policy research. The third case study—social sector reform in Armenia—illustrates the potential benefits of embedding policy analysis in a sustainable and locally owned process of policy dialogue.

PSIA Policy Impact: Mining Sector Reform in the Democratic Republic of Congo

This case study summarizes the World Bank 2006 publication and includes inputs from the Task Team Leader Sarah Keener.

Background and Origins of the DRC PSIA

The Democratic Republic of Congo (DRC) is one of the largest countries in Africa, with a total land area of 2.3 million square kilometers. The country experienced

32 years of autocratic rule under Mobuto Sese Seko between 1965 and 1997. With the end of the Mobutu regime came civil war, the intervention of multiple foreign armies (Angola, Rwanda, Uganda, Zimbabwe), and the loss of at least 3.3 million lives.

The Katanga Copperbelt, because of its southernmost location, was largely spared the direct devastation of war, but suffered from the general disruption associated with being part of a failed state. The national mining company in the DRC, *Générale des Carrières et des Mines* (*Gecamines*), produced nearly half a million tons of copper metal in 1989 but today barely produces 12,000 tons a year. Yet Gecamines is sitting on considerable copper deposits and holds the world's largest share of cobalt reserves (36 percent of global reserves). At 1989 production levels, these reserves could have carried the company well into the next century. By 2003, however, the company had gone bankrupt by accumulating more than $1.6 billion in debt and had not been able to pay a majority of employees for more than two years.

Gecamines' collapse can be largely traced to institutional factors, rather than an exhaustion of its deposits or a downturn in international markets. The incentives as a public enterprise with a politically nominated management served to minimize the company's focus on its core commercial priorities in favor of meeting the interests of political actors to maximize short-term interests and rents, particularly under the Mobutu regime. This incentive structure, combined with the turbulent political environment, led to massive declines in investment, declines in productivity, and the loss of a predominant role in world copper markets.

The lack of a commercially oriented strategy also permitted, until recently, the provision of a high level of social services (high quality health, education, social infrastructure) to Gecamines' employees and their extended families at an unsustainable level by accumulating debt instead of reducing its staff size or social charges. In 2003 the government of the DRC decided that recovery of the mining sector could only be achieved with the restructuring of

1. Gecamines itself, including a downsizing (voluntary departures) program of about half of Gecamines' employees
2. Gecamines' welfare role in relation to the communities in which it operated.

The proposed restructuring of Gecamines was intended to serve an essential role in decreasing Gecamines' contribution to overall national debt and to revive this national source of income, which still held such high potential.

Such restructuring and retrenchment operations were also expected, however, to carry significant direct and indirect social costs. In this context, the government requested external assistance to look at the poverty and social impact of this proposed reform. A team was assembled from the University of Lubumbashi (UNILU), with international consultant support. Initially the PSIA was designed to assess the social impact of the government's voluntary departures program (including a

reinsertion project for generating alternative employment opportunities) but the PSIA was subsequently broadened to include an examination of the poverty and social implications of local dependence on ancillary social services provided by the mine company (World Bank 2006).

PSIA Methodology

In a context where war and instability had limited the scope of data sources available, the PSIA team used and adapted existing surveys and data sources to provide timely advice to the team managing the voluntary departures program. The team used and added questions to the following data sources:

- Quantitative data was collected from a UNILU baseline socioeconomic survey of Gecamines and non-Gecamines households (482 Gecamines staff members, including those slated to leave, and 118 households outside of Gecamines), which used the non-Gecamines staff members and the remaining Gecamines staff members as control groups for those who would leave Gecamines. This survey was to serve as a baseline for monitoring the impact of the reform.
- Questions were added to an ongoing exit survey of all those volunteering for redundancy (*partants volontaires*). The selected questions were administered to a sizeable subsample (more than one-third) of the partants, covering access to a range of assets, including human and social capital, "reinsertion" plans, and other issues relevant to the potential impact of reform.
- Focus group discussions and interviews were held with a wide range of stakeholders in each mining center, including partants; employees staying at Gecamines; widows, wives, and children of partants; Gecamines retirees; representatives of parent-teacher committees and the electricity and water utilities; delegates of FAO, Pact-Congo, UNICEF, OMS, and World Vision; political and administrative authorities; sectoral provincial authorities for health and education; and staff of various departments within Gecamines, including those in health and education services.

In addition, the PSIA team collaborated with UNILU to build methodological capacity for monitoring the impact of mine reform. A database and ex post analysis of a similar retrenchment operation that had taken place just across from Katanga in the Zambian national copper mines (ZCCM) was used to illustrate the concepts of isolating cause and effect, establishing baselines, and assessing the impact of interventions such as job training programs.

PSIA Findings

Impact of the Voluntary Departures Program. The initial analysis of transmission channels (see table 6.1) identified both short- and medium-term potential impacts

Table 6.1 Transmission Channels and Mine Sector Reforms in DRC

Context	Prices			Employment	Access to goods and services	Assets	Transfers and taxes
	Production	Consumption	Wages				
Departures program	Production levels had already fallen; this was unlikely to be further affected. If downsizing allowed reform to occur, production would be expected to increase. However, this downsizing would require a transparent institutional framework and political stability to attract investors.	Changes in consumption were to be monitored after the baseline survey. Lower level workers and those without family support who were older were identified as being at greater risk for lower consumption. A key question was the degree to which consumption had already dropped. An initial concern was that influx of $43 million into a regional economy would result in inflation and exchange rate fluctuations and lead to higher prices for the overall population (about 2.18 million people in the basin). However, interventions by the governor and central bank meant that price increases were short-term and limited.	In the short term, workers would benefit from packages, though this would require savings mechanisms. In the medium term there would be little change in wages because a majority of workers had not been paid for about 30 months. However, workers did not receive full back pay when they received departures package.	Formal employment would decrease and small-scale employment in agriculture would increase, particularly if mine reform did not start up. This change has implications for public services because employment and public/social services were traditionally provided as a package to the miner's extended family.	Access to social services was eliminated for those who were most at risk: former miners as well as current miners and their dependents. This cut is particularly acute in certain towns that are identified in the PSIA.[a] The decline in the number of teachers and medical staff led to closure and consolidation of some schools (the impact was greater in Kolwesi/Likasi) and less access to medical care. The prices of these social services increased substantially for miners and former miners.	Qualitative information pointed to a marked decrease in miners' assets prior to the departures program. In the short term, there was anecdotal evidence of increased asset accumulation (sales of bicycles and mattresses were reported to have increased after payment of departure packages), but in the long term, asset accumulation would depend in part on the overall economy in the region because the average age is 56; their future will depend, in large part, on their children.	Miners were not paid, so retrenchment did not affect transfers and taxes.

Failure of Gecamines	Production levels dropped from 465,000 tons in 1990 to 9,105 tons in 2003. External revenues generated prior to decline were estimated at $1 billion per year.	It is not clear whether prices of consumer goods were affected by Gecamines' failure.	Wages of a significant proportion of the population (in 2002 about 190,000 workers and their dependents, or 9% of the population in the mining basin) dropped to nothing. This drop affected other services and increased inter-household debt within the region.	Unemployment eventually led to the need for the departures program because production was not sufficient to sustain staff. There was an increase in small-scale informal mining—particularly for youth and women—but working conditions were poor and lacked security.	Social Services:[a] The budget and quality of social services declined in recent years. If the future of social services was not determined, education levels might drop; health indicators might deteriorate because Gecamines provided secondary health services to a significant proportion of general population (through Sendwe Hospital). Water: Gecamines' mines provided one-half of the water distributed. There was no piped water in Luilu (Kolwezi) town for 3 years because the mine was not pumping.	Because of no wages, miners drew down assets over last several years. This included social capital as the level of divorce was said to have increased and the level of conflict between women and children who had supported miners grew.	Municipal level: Gecamines' decline led to a drastic reduction in local-level revenues, though some localities have started to compensate for this through nuisance taxes and taxes on informal mining. National/macro level: Gecamines historically generated one-quarter of GDP, one-quarter of total budgetary revenues, and three-quarters of export revenues, so the impact on public services was potentially substantial (to the degree that those resources were actually channeled by the central government into services outside Kinshasa).

Source: World Bank 2006.

a. World Bank 2006, chapter 1.

on partants volontaires and on others. A comparative analysis of the impact of Gecamines decline (the failure to reform) pointed to the much larger impact that no reform would have. Over the short-term, some of the identified risks of the voluntary departures program included the risk of inflation within the province from the influx of payments, exchange rate fluctuations, and abrupt cessation of access to social services. In terms of the medium-term impacts, the PSIA found that the situation of the miners had deteriorated so substantially during the decline of Gecamines that the direct impact on wages and employment would be insignificant compared to traditional downsizing programs. Data on current consumption revealed that the Gecamines workers were a vulnerable group—both locally and nationally—and would likely remain so if they stayed with the company and if the insolvency of Gecamines was not addressed.

The identified impact and risks included the following:

- Partants would disperse, but would not have a central place to go to for information on reinsertion activities that might emerge later, or to seek assistance for problems they were experiencing. After a lifetime of working in a large organization, this sense of having no community could have a substantial psychological impact given the lack of social networks outside of the mine.
- The reinsertion project for the overwhelming majority of partants was in subsistence agriculture. Because that region has traditionally focused on mining, the PSIA identified several factors that would constrain the potential income from farming, including the partants' lack of capital, poor roads, distortions in input markets, and a low level of agricultural extension.
- Among the partants, those of relatively advanced age (on average, 56 years old) and those who had worked at Gecamines most of their lives (on average, 32 years) were more vulnerable than others.
- The extreme dependence on Gecamines, combined with several years of economic strain on family networks, left a legacy of low social capital that would be likely to inhibit the partants' livelihood strategies.

Impact on Ancillary Services. Gecamines represented not only the largest formal employer in the province but also, given the weak presence of the state, played a quasi-municipal role in the provision of social services, with perhaps the greatest role in health, education, water supply, and electricity. Its decline, therefore, had repercussion not only on employees, but also indirectly on all of those who had benefited from Gecamines' presence. The impact both of its voluntary departures program and its financial insolvency was particularly acute in secondary towns and in

towns that were physically isolated, which tended to have the fewest alternatives to Gecamines for health care, education, water supply, and employment.

The decline in Gecamines' revenues translated into decreased budgets for its ancillary services and a serious decline in terms of quality and access of services. Perhaps the greatest impact was a decreased enrollment of children and lower quality in schools with a concentration of children of blue-collar workers. In terms of health care, anecdotal reports from Gecamines' doctors referred to rising rates of malaria and tuberculosis following the decline in Gecamines' budget and discontinuation of its community health programs. Absenteeism and a shortage of drugs and supplies also contributed to diminished health quality. The departure of between 30 and 40 percent of the staff in these schools, clinics, and hospitals also contributed to a decline in service quality and, eventually, to increases in prices of these services. As a result, for example, the number of working beds in the Sendwe Hospital declined by almost 30 percent between 2000 and 2004 and consultations dropped by 61 percent between 2000 and 2003.

The Policy Impact of the PSIA Findings

The generation of data was embedded in a consultative process at local and national levels.[1] At the local level, workshops were held in each mining center to discuss preliminary results. A multistakeholder working group based in Lubumbashi used the available data to complete a logical framework focused on how to adapt programs and policies to minimize the social impact from Gecamines' failure and from the proposed restructuring program. These stakeholders included political and administrative authorities (governor's office, provincial health and education authorities, central bank); service departments (such as the electricity and water utilities); groups of vulnerable stakeholders; members of cooperatives, NGOs, unions, churches, private sector, and banks; police; and tax authorities. This consultative process led to the integration of recommendations—both from the very early PSIA discussions and from the ongoing work by UNILU—into ongoing operations.

Several of the short-term risks identified in the initial PSIA discussions were fed directly into actions undertaken by the program office that was managing the departures and reinsertion support, or had been anticipated in the design of the departures program. These actions included the following:

- One of the first initiatives was to recognize that the nature of both the departures and reinsertion programs would require the actions of a broad range of stakeholders. Therefore the program office created a multistakeholder consultative committee (*comité consultatif*) to monitor areas of reform that had been identified as holding risk in the short term. The comité consultatif facilitated the

identification and mitigation of the risks as they arose. For example, the governor intervened in public communications to discourage predatory pricing practices to minimize inflation.

- Staffed information centers were created for former employees in each major mine town, based on lessons learned during a similar retrenchment operation in the neighboring Zambian copper mines.
- After the analysis showed the potential for an abrupt decline in school attendance in Gecamines schools, a program was designed to provide interim subsidies directly to teachers. Meetings were held with local partners (donors, sectoral ministries, NGOs) to raise awareness on the situation, particularly of Gecamines' schools.

The sudden launching of the departures program because of the desperate state of Gecamines' finances did not give sufficient time for the local project office to set in place reinsertion activities. However, the project office's ability to set up an effective monitoring system, to form a multistakeholder committee at the local level, to devise subsidy schemes, and to be proactive in addressing problems as they arose, had a mitigating effect on some of the negative impacts of the reform.

At the national level, consultations with those directly affected were organized on the options for the future of Gecamines' social services. These stakeholder consultations were initiated through the formation of sectoral working groups (on health, education, reinsertion, and other ancillary services including electricity and water) both in Katanga and Kinshasa to comment on the PSIA report, to develop operational policy recommendations based on the results of UNILU's analysis, and to gain national attention for these issues. Subsequently, in June 2005, a two-day national-level workshop allowed stakeholders to discuss policy options directly with national-level stakeholders. Participants included union members; parents committees; retrenched workers; regional health and education authorities; Gecamines social services representatives; numerous sectoral ministries (Health, Education, Portfolio, Finance, Mining, Energy, and so on); those responsible for the PRSP; and donors. Box 6.1 summarizes the recommendations that emerged from the workshop.

Conclusion

The experience of the PSIA of mining sector reform in the DRC illustrates how timely social analysis that is carefully inserted into ongoing policy debates at local and national level can have a real and tangible impact of policy design and implementation. The social costs for reform in this case were potentially extreme, with immediate negative impacts felt keenly across social services in the affected areas. In the medium to long term, alternative employment strategies required cross-sectoral

Box 6.1 Recommendations from the Final Report on the Workshop on Gecamines' Reorganization

- Apply audit committee recommendations to separate management of the mining activities from the social services in Gecamines. Allow a transition period for Gecamines to provide social services, while waiting for the government or the companies concerned (water and electricity) to restart effectively.
- Integrate externally supported government programs focused on Gecamines social sector recovery. Integrate government resources with Gecamines social services in order to access government and donor financing.
- Explore the possibilities of setting up specific social protection measures for the most vulnerable communities and groups in the reorganization process of Gecamines.
- Learn lessons from the implementation of Gecamines' *partants volontaires* reintegration program for more effective action in the future. Create social funds for reintegration of the partants volontaires and support a participatory approach to reintegration.
- Accelerate the expansion of the regional development plan of Katanga aligned with economic diversification of the province and the promotion of the entrepreneurship in the mining field.
- Support the agricultural development of Katanga by applying the regional agricultural conference recommendations, including developing rural centers, rehabilitating agricultural support and discounts on agricultural productivity, and providing technical assistance to farmers.
- Create agencies to support alternative employment or microenterprise development in the province.
- Set up new systems for participatory management of water and electricity in the Gecamines communities.
- Consider the local needs in the education sector for sport, recreation, and social centers.
- Establish a committee (composed of representatives of the national and provincial stakeholders in the Gecamines social services) to steer the implementation of the adopted measures.
- Ensure government responsiveness to new mining companies in Katanga, including support for long-term job creation and respect for social legislation to protect employees. Enforce compliance by new mining companies with the provisions of the Mining Code in the establishment of their contribution to the social services.

Source: World Bank 2006, annex 4.

thinking and program responses. Engagement with a broad range of stakeholders generates demand and ownership, while timely information flows enable program administrators and sector officials to consider and respond to the evidence generated by the PSIA.

Combining Methods in PSIA: Land and Fertilizer Reform in Zambia

This case study is based on Jorgensen and Loudjeva (2005).

Background and Origins of the Zambia PSIA

This study assessed the poverty and social impacts of controversial land and fertilizer reforms proposed by the Ministry of Land. In its draft land policy, the government proposed the titling and conversion of some of the land under customary tenure (94 percent of the land in Zambia is under customary tenure) into state-owned land. As part of fertilizer reform, the study focused on the impact of two government-run programs: the Food Security Pack Program and the 50/50 subsidy scheme for hybrid maize production. A crosscutting objective of the fertilizer analysis was also to understand the performance of the private distribution system.

The land reform measure was predicted by Government of Zambia (GoZ) to encourage investment, development, and productivity through increased access to—and security of—land tenure, an associated increase in access to credit, and improved incentives for better management of land—including increased rents and fees. Traditional land allocation rules were thought to slow (efficient) accumulation of land by large-holders, and to restrict investment in lands by foreigners. Uncertainty created by sometimes capricious actions by traditional authority was thought to represent an additional risk. Distributional impacts of traditional rules were also a concern; women and some disadvantaged groups were believed to have only limited access under existing rules. All these priors needed to be juxtaposed against a widely accepted truism: access to land was considered to be the most important determinant of well-being in rural Zambia.

Fertilizer policy has been a focus of the GoZ since the early 1990s when major fertilizer subsidies began to be drastically reduced. Since the reductions in fertilizer subsidies, prices have increased and availability has declined, especially in remote areas. Maize and other food production declined markedly during the 1990s and fertilizer availability is viewed by stakeholders as a major determinant of food security. Fertilizer policy was known to be a budgetary problem, but conflicting impressions existed of the impacts of reductions in subsidies on stakeholders. Some thought that the private sector would do an adequate job in providing fertilizer access and that prices would eventually fall and access rise as the private sector began to fill the

formerly held role of the state. Almost everyone recognized problems with the private sector: high-cost and remote areas are not being served, the poor have little access, problems in supply often mean that fertilizers are not available (whether publicly or privately supplied) at key points in the growing season, and little coordination occurs between the public and private sector. With respect to the programs under consideration, the key questions that caused uncertainty were access by vulnerable groups,[2] whether the programs were having a real impact on welfare, what were the impacts of the programs on group formation, and whether the administrative structure of the programs were effective. Both programs put significant responsibility for design and enforcement[3] on community committees and questions emerged about capacity, and issues of exclusion and empowerment. The processes of group formation and local power dynamics were recognized as potentially being affected by the land reform and fertilizer programs.

The Zambia PRSP identified problems with the current land and fertilizer arrangements, which echoed these debates. Also, many donors had argued that through more market-driven processes, including access to land and fertilizer, many of the problems facing the Zambian agricultural sector would be cured. Examples of market-driven processes include increased access to credit (due to secure land tenure), better and more timely access to purchased inputs, and the proliferation of out-grower schemes (particularly in cotton and paprika) whereby commercial entities contract with smallholder producers who receive inputs and technical assistance in exchange for a secure market outlet at a contracted price. Both the land reform and better fertilizer policies were viewed as a means of moving toward more market-driven processes in agriculture.

Land reform and fertilizer policy reform were selected for a PSIA in consultation with stakeholders for several reasons: (1) they had clear potential for strong and immediate social impacts, (2) they were prominent in the government's policy agenda, and (3) there was substantial national debate surrounding each. The reforms were a part of a broader package of reforms proposed in the PRSP. In all cases, the impacts of the reform would be felt throughout the country and not restricted to limited geographic areas, and stakeholders were geographically disperse and ethnically diverse. Past reforms have not, however, been implemented as originally designed due to controversies and resistance. Thus, it was expected that these reform proposals would follow a similar path of political conflict and resistance.

PSIA Methodology

The land and fertilizer PSIAs employed a similar methodology that sequenced and combined economic and social research methods to generate a mix of qualitative and quantitative data. The study involved a review of literature, analysis of household and other survey data, and interviews with key stakeholders and

informants. It also included a participatory poverty research (PPR) activity conducted by a Zambian research team in 10 communities, an update of a longitudinal anthropological study in an Eastern Province village, and a fertilizer roadmap study. Each reform was analyzed using an updated household model combining census, time use, input and output price, and crop budget data to examine the "shadow" price of different reform efforts on household income.

The PSIA commissioned an update of an ongoing PPR process being carried out by Zambian academics and NGO representatives. This update provided new information about the current status in rural areas and built confidence in the study results. It also helped focus attention on the influence of social processes and authority relations on the transmission of reform impacts. The study identified traditional authorities as a major stakeholder who would lose influence and power as a result of the reform. Subsequent analysis revealed this to be a substantial problem.

An updating of a 25-year ethnographic study in Kefa village also helped provide a detailed update of historic knowledge. The Kefa study examined in-depth questions of access to information and markets, access to fertilizer, access to public and private productive services (including market services), access to infrastructure and productive assets, and the likely impact of land reform proposals on access to land and tenure security. The study also examined the role of local organizations and committees and their relationship to traditional power structures. The results from this analysis were compared with findings from the PPR and stakeholder assessments.

The fertilizer road map involved a participatory process that mapped stakeholders, institutional structures, and infrastructure and followed the distribution of fertilizer to examine the process of price formation in the fertilizer market. A major innovation of the PSIA methodology was that the household model incorporated information from these various studies and secondary data sources to help quantify the impact of policy changes on household income.

As part of the stakeholder analysis, the team also asked key stakeholders to place themselves and other stakeholders on a map indicating their relationship to the reform. This exercise allowed the team to learn interesting and fairly unpredictable perceptions and extreme opinions based on complex historic relationships beyond the particular reform affecting it.

The study components were timed to build confidence in the process. The qualitative efforts (the PPR and stakeholder analyses) were undertaken first and findings from these efforts were combined with other data to allow a progressive updating of knowledge. The combination of quantitative and qualitative data also helped create a dialogue among different members of the team and the stakeholders who guided and participated in the analysis and who reviewed the findings.

PSIA Analysis and Findings

Land Reform. Several findings from the PSIA changed perceptions about land markets and their impacts on poor and vulnerable groups. Land markets were found to be emerging in areas of Zambia where pressures for institutional change are found. A major revision of existing land policy might not be needed; marginal changes might instead stimulate the growth of private markets. Existing traditional allocation procedures exhibit some problems, such as chiefs chasing people off lands, nontransparent rules of access, insecurity, and problems of uncertain intergenerational transfer.

Findings also demonstrated that for most households access to land alone is only a weak determinant of well-being. Access to other assets, such as livestock, land quality, farm capital, input and output markets, and agricultural services are also important. Labor and other productivity-increasing capital were more important to typical smallholder farmers (in a land-abundant country); given available labor and existing technologies, smallholders were not able to efficiently farm the land they had. While tenure security (proposed under the reform) is recognized as beneficial to investors, stakeholders were skeptical of central government's ability to guarantee security.

Rural Zambians are skeptical of private land markets and many think that the markets will eventually lead to increased landlessness and rural poverty, not more agricultural investment and employment. Women expressed concern about rights to hunt and gather on privately held land and whether a formal legal system would be as strong as traditional systems in protecting their rights. Although title to land might be an effective form of collateral for agricultural loans, stakeholders had evidence of alternatives (such as group liability and contractual arrangements) and questioned whether credit would be widely available even with title.

Many stakeholders expressed concern about the excessive power of tribal chiefs in allocating land, but noted that even in the case of abusive chiefs, traditional "markets" were working. Because the traditional system has numerous chiefs allocating land, people who felt abused by a chief were free to "vote with their feet," creating a Tiebout-like market for traditional tenure. Such markets also put pressure on chiefs to behave in transparent fashions.

One of the most compelling arguments against reform of the traditional tenure system was related to power balances in rural areas. Stakeholders felt that by removing the power to allocate land from traditional authorities, a power vacuum would be created in rural areas, possibly undermining peace and cohesion in the community. Most stakeholders recognized the limited capacity of formal government structures and other institutions. Mechanisms for land allocation and dispute resolution

are needed. This mechanism was identified through the stakeholder and ethnographic analyses and, even though it was a priori not recognized as a major problem, it had a major impact on policy debates.

Although the PSIA focuses on impacts of proposed reforms on vulnerable groups, the policy recommendations for land reform did not focus specifically on outcomes for vulnerable groups. Key recommendations for land reform included

- accessible, affordable, and well-functioning dispute resolution systems
- extended reach of the Ministry of Lands
- better means of information dissemination
- recognition of traditional land rights, while improving transparency and representation on such bodies.

These changes would be accompanied by broader reforms in support of the land programs, including

- improved road access, especially in remote areas
- greater access to fertilizer
- functioning agricultural extension services.

While these recommendations seem generic, they mask the underlying complexity and completeness of the analysis. The PSIA seems to have had a major impact on rethinking the need for and speed of a land reform of the kind proposed by the government. Enough evidence was produced through the PSIA analysis to lead policy makers to rethink the necessity of such a comprehensive reform. The objections to fast-track titling were identified early and the subsequent analysis reinforced these initial opinions. The different components of the PSIA analysis built a substantial case for re-examining the underlying logic of privatization and certainly the need to enter into it in a comprehensive fashion.

Fertilizer Price Reform. The PSIA analysis of the two existing fertilizer distribution programs helped confirm suspicions that the programs suffered from deficiencies. The programs did not seem to improve access to or affordability of fertilizers, particularly in remote areas and for poor and vulnerable groups. The requirement for a 50 percent co-pay was an obstacle for participation among the poorest and the 50/50 program was judged to be a disadvantage for women. Both programs encouraged adoption of new crop varieties, and participants were skeptical about the new risks associated with these varieties.

The PPA and the ethnographic analysis in Kefa village both highlighted the importance of group formation and dynamics for successful implementation of the

programs. Both programs require local community-based organizations (CBOs) to identify participants and for monitoring and administration. This requirement has had spillovers; CBOs have helped empower stakeholders and stimulated participation in other community activities, and concern emerged that these groups would disappear without encouragement and help in organization from the fertilizer programs. The CBOs, because they help enforce repayment, have stimulated group dynamics that might eventually spill over into other areas (such as marketing cooperatives, loan committees, and community action committees). While stakeholders do not claim that such group dynamics are perfect (some committees, for example, have been accused of corruption and side selling of fertilizer), they note that better administration and regulation would be preferable to abandonment of the group concept.

The PSIA confirmed the suspicion that private markets for fertilizers have not formed on a consistent basis and complete reliance on private market sources will lead to underservice for a number of reasons. Rural Zambia suffers from a poor transportation and communication infrastructure, resulting in high costs for physical inputs (such as fertilizer) and information. The latter condition is associated with market power on the part of fertilizer sellers and output purchasers. While none of the findings of the PSIA led to new insights, all components confirmed these suspicions.

The major policy recommendations following the PSIA for the fertilizer programs are

- Provide a clearly stated fertilizer policy statement.
- Promote increased competition in fertilizer markets.
- Facilitate recently formed out-grower schemes.
- Improve targeting of subsidy schemes.
- Improve research and extension.
- Promote community organizations.
- Continue and expand public dialogue.

These recommendations also appear generic and some are not well supported by the underlying analysis. The recommendations, for example, relative to support for out-grower schemes, do not seem to be based on a comprehensive analysis of the welfare effects of these schemes, but rather on anecdotal evidence that the schemes are in danger of failure due to lack of contract enforcement. A valuable component of the analysis might have been to look at power structures within the contract-farming sector to understand the relationships between participants. Continued

state involvement (subsidy) in fertilizer markets might pose a threat to contract-farming entities (because it provides similar inputs at a subsidized cost), but the analysis of the contract-farming sector lacked depth and rigor. It would benefit from a more comprehensive (both quantitative and qualitative) assessment.

Conclusion

The PSIA of land and fertilizer reform in Zambia attempted to embed a mixed-method approach to policy analysis in a transparent process of stakeholder participation in policy dialogue. There were certainly weaknesses in the process, which may have lessened the study and its impact. There was, for example, a lack of participation of local government stakeholders in the stakeholder analysis of the land reform, while local (nontraditional) authorities, who had the most to lose from efforts to remove their powers, did not participate substantially in the stakeholder discussion process. Similarly, Ministry of Agriculture authorities should have been more fully engaged in the process. In addition, findings showed evidence of a potential power vacuum following reform of the land policy, so that more attention might have been devoted to understanding different alternative institutional outcomes (based on different models of authority) and how they might affect well-being in rural Zambia. In this way, the study fell into the classic trap of concluding that because things are one way and a reform will change them, the ex post world would be worse than the "business-as-usual" scenario. Issues of power vacuums and plausible post-reform scenarios might have led to better understanding of outcomes.

The PSIA did demonstrate however, that a thoughtful combination of methods and data can improve the depth, scope, and rigor of analysis. The economic analysis provided by the household model, whose design was informed by qualitative and participatory research, provided quantitative estimates of the benefits and costs of stylized changes in policies, investments, technologies, and cultivation practices on rural household incomes, labor allocation, input use, and land cultivated. A focus on qualitative assessments to confirm or elaborate on quantitative findings led to insights that would not traditionally be examined. The social analysis generated from qualitative data provided a detailed understanding of the situation in different parts of rural Zambia. This included detailed analyses of social structures and authority relationships within these contexts. The success of land reform and changes in fertilizer policy will hinge on how rural power structures adapt to the new institutional framework; evidence from the PSIA indicated that risks to these structures (together with other costs) outweighed the potential benefits of the reforms.

Furthermore, this analysis led to substantial revisions to prior beliefs about conditions in the land and fertilizer markets and how the proposed policy would affect different social groups. The contribution to the policy dialogue was significant, as the

data were accessible for all stakeholders. The process of data collection itself increased awareness and public debate. The participation of NGO representatives and civil servants in the PPR increased ownership and credibility. The key stakeholders were revisited and provided with opportunities to comment and participate in formulating the policy recommendations. Subsequent steps should be taken, however, to ensure that the PSIA provides continuous input into the policy formulation process. In the Zambian context, the PSIA was conducted as a one-off process, and, while it had substantial impact on policy, its impact will degrade over time. Resources to continuously update and monitor the social processes and impacts are not currently available.

The PSIA impacted World Bank operations, as its results fed into the Country Economic Memorandum, country assistance strategy, agriculture sector development strategy, and poverty assessments. The findings were also used by the IMF and DFID in their policy dialogue with the government. The decision to inform the overall policy framework of the Bank (through the CEM and CAS) and not to work directly with operations (country team staff) compromised the ongoing impact of the PSIA on operations. This tradeoff was somewhat mitigated by the political climate in Zambia. Zambia has a strong civil society with interests in following up on the PRSP; because many segments of civil society were engaged in the PSIA process, they will likely ensure that subsequent operations will consider findings from the study.

PSIA and the Policy Process: The Armenia Social Sector PSIA

This case study summarizes the text of GTZ Armenia (2005) and included inputs from the GTZ Economic Policy Advisor Christopher Mallmann.

Background

Armenia is a post-Soviet country that faces many problems related to its transition from a centrally planned economy to a competitive market economy. Economic growth in recent years has had little impact on employment and incomes; just under half of the population is still living below the poverty line. The informal economy is estimated as equivalent to half of the GDP, probably employing around 30 percent of the labor force. The population relies heavily on remittances from the Armenian diaspora. There has been no significant change over the last few years in the income gap between rich and poor.

Origins of the Armenia Social Sector PSIA

With the adoption of the Armenian poverty reduction strategy (PRS), technical discussions about implementation decisions were held within and among ministries.

While some of the reform projects in the ministries were well understood and prepared (often within donor-funded projects), other initiatives created dissent within the PRS-coordinating Ministry of Finance and Economy and among those line ministries responsible for their implementation.

The Armenian PRS entailed a precise set of policy reform proposals for the social sector. The Ministry of Labor and Social Issues (MLSI) challenged some of them, especially the planned phasing out of unemployment insurance and the cancellation of the one-time family benefit. Both these activities were supposed to free up resources for other, more proactive, labor market policies.

A PRS working group recommended a PSIA on the social sector, where many of the reform projects were supposed to have real and immediate bearing on poverty levels among pensioners, families, the unemployed, and special-needs groups. This PSIA was carried out by the MLSI with support from the GTZ. Armenian specialists carried out the bulk of the studies, with support from Polish experts who had experience of similar reforms in Poland (GTZ Armenia 2005; Schnell et al. 2005).

The PSIA Methodology

The social sector PSIA was initiated in spring 2004 and was designed to run for 12 to 18 months. It was planned as an innovative mix of process-oriented policy design advice, macro-modeling, and a case study on the social situation in two small towns where unemployment and poverty incidence were extremely high. So as not to duplicate other reform analysis, a desk study of existing material on the sector was carried out and active coordination with other donor agencies was sought.

Several instruments were to be combined to help answer seemingly simple questions: Which set of policies is more likely to have better effects with regard to poverty reduction in the Armenian context? Is the policy designed at the center producing the expected results on the ground? Could there be a social sector strategy within PRS that optimizes effects on the unemployed and vulnerable through the existing mix of policies, or should policies be radically changed and institutions altered, as was proposed in the PRS itself?

Given the scarcity of time and resources, and the very specific reform proposals, a working group was set up between two departments of the Social Ministry and the Labor Agency, supported by independent national and international consultants.

Following a concise desk study on social sector analysis and reform evidence available in and on Armenia and a very brief institutional analysis, including financial and legal analysis, the PSIA generated data and analysis using the following methods:

- **A Poverty Analysis Macro Simulator (PAMS) macro model:** PAMS is an econometric model that can be used to address the impact of macroeconomic policies

and exogenous shocks (such as an exogenous rise or fall in output growth, or a change in the sectoral composition of output) on individual households. For the Armenia PSIA the international team constructed a PAMS using national household survey data. The main question behind the exercise concerns the Armenian paradox of high GDP growth and low impact on poverty.

- **A case study on social and labor market relations in two different priority areas, consisting of two qualitative surveys and one quantitative survey:** The qualitative surveys generated contextual data and analysis through focus group discussions with groups of unemployed, family benefit recipients, or social assistance registered. These were combined with in-depth interviews with officials from those labor agency offices administering benefits in the local areas. The qualitative part elicited responses to questions such as, "do you feel the benefit rate contributes significantly to your family income?" and "how do you intend to make up for the shortfall, if the insurance part is canceled?" Benefit recipients gave opinions on design flaws and delivery problems from their perspectives, while administration officials diagnosed process issues—both relevant for decision making and for designing the policies in question.

The quantitative part of the case study was designed after the qualitative results were in and tested, so as to test statistically some of the qualitative findings. From the total sample drawn from the two small cities, several subsamples were stratified to isolate social assistance recipients. In this way, the results of the qualitative survey were strengthened by the quantitative study.

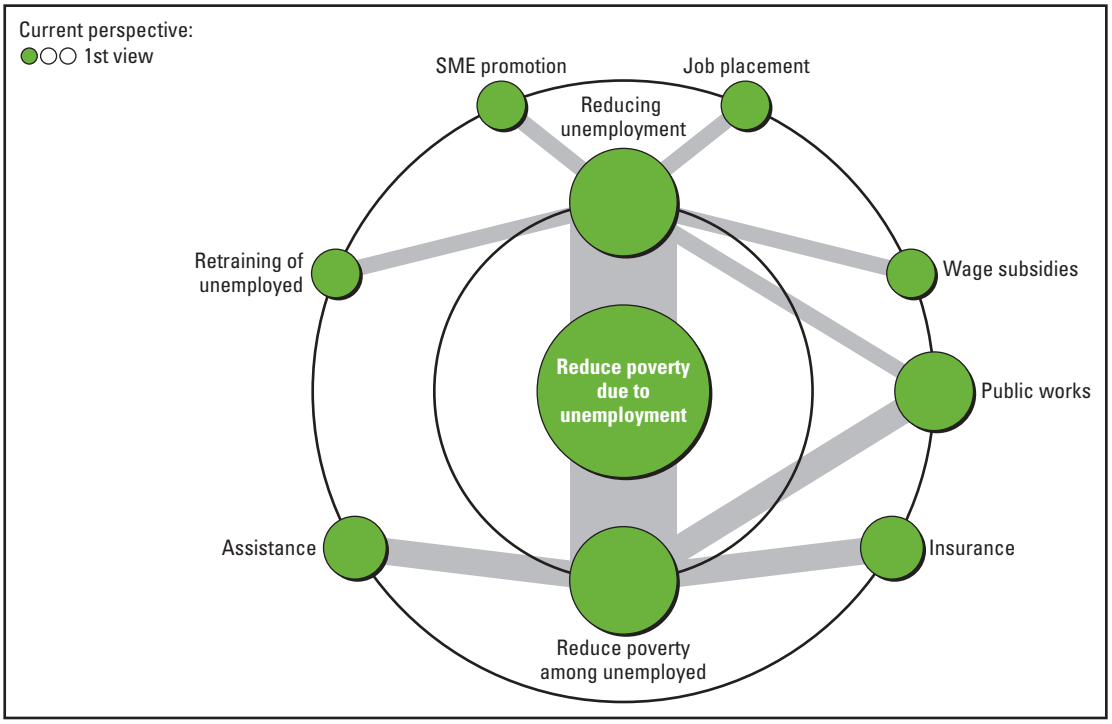
The PSIA Process: Tool-Based Facilitation

Instead of having a small group of outside experts produce yet another study on the subject, the motivation behind the PSIA could be described as an attempt to generate better knowledge for decision making within the ministry concerned, using mainly Armenian expertise and facilitating better process learning through joint knowledge creation among the policy stakeholders.

The aim of the approach was to improve decision making by facilitating joint learning. The consultation and negotiation mechanisms were the central part of the undertaking. During various presentations, workshops, and bilateral meetings, Armenian officials in the coordinating and implementing ministries became better informed as they discussed the implications of the analytical studies and models.

To support the PSIA process approach, the PSIA team used a software moderation tool called *Think Tools* to integrate the PSIA analytical process with the policy process. The *Think Tools* method is designed to feed information into a facilitated discussion on policy alternatives (such as between active and passive labor market

Figure 6.1 Concentric Distribution System

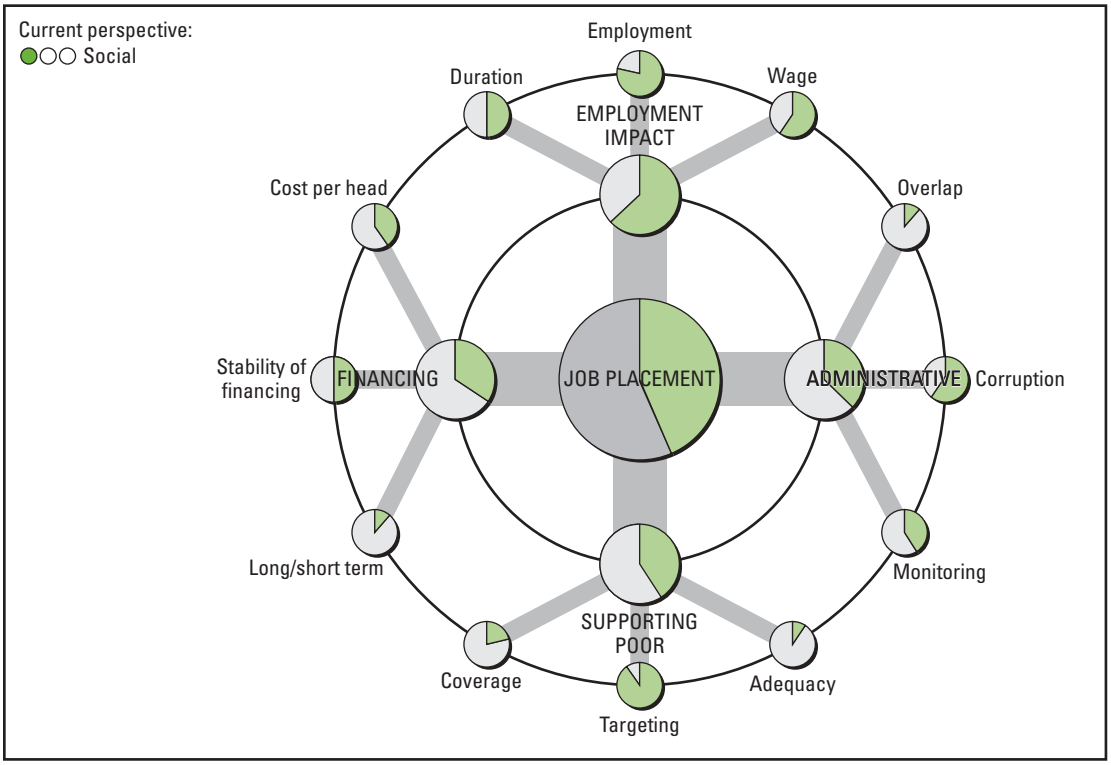


Source: GTZ Armenia 2005, 101.

policies) and to help establish consensus on the respective merits, costs, and implications of various policy options and mixes.

In a first step, policy alternatives are mapped within one "concentric contribution system," as shown in figure 6.1. To increase the level of differentiating detail and at the same time to depoliticize discussions, the options were made comparable through the application of specific measurable criteria that should apply to all policies screened in the sector, including efficiency, redistribution, financial, and administrative features. By breaking down the evaluation of proposed policies into a set of measurable indicators, the stakeholders were able to score different aspects of the poverty reduction impact of each policy alternative. If one policy criterion, for example, equality, was given a high score while another, such as administrative efficiency, was given a low score, these differences could then be traced and their implications discussed.

Figure 6.2 Job Placement Performance



Source: GTZ Armenia 2005, 102.

In the example for job placement performance (see figure 6.2), job placement is high regarding the employment impact of reform (efficiency criteria), but low for the redistributive impact (although targeting receives very high scoring) and financing, thus giving a relatively low overall score. These scores and the risks they represented to policy reform were also used for social risk assessment and to assist in the identification of strategies to manage those risks more effectively.

Each criterion, substantiated through a set of indicators or variables, visibly contributes to the overall score for the policy reform, while also showing evaluations for specific elements of a policy reform. Significantly, however, the relative weights of the individual policy variables can be changed in the tool according to political or other strategic considerations and thus mirror differing priorities and objectives of the officials present. Hence, while Ministry of Finance officials tended to stress sound

financing, for example, social sector line ministry staff might have had a greater interest in the distributional aspects of the same policy.

PSIA Analyses and Findings

In the Armenian process, the PRS working group introduced a proposal to phase out some "passive" labor market measures and use the resources for alternative proactive employment generating policies—to be eventually carried out by private sector agencies. Not surprisingly, the proposal met with objections within the ministry. In the ensuing bilateral negotiation process, both sides invariably argued that their preferred policy option would have a more progressive impact, backing up their positions with their own assessments or projections. Once both ministries had sent delegates to facilitated consultations and decision meetings, however, the policies in question were discussed in greater detail using agreed criteria, so that the comparisons became visible and the arguments understandable.

During the implementation of PRS reform activities in key areas of social protection, the coordinating and implementing ministries entered into a more learned discussion process on the benefits, adequacy, and impacts of specific reform measures. While the PSIA was especially designed to deliver a framework or method for creating decision-supporting evidence in the short run, this evidence, in turn, can support a longer-term mode of more technical and less politically biased dialogue. The elaboration of valuations/indicators can thus lead to a better understanding within the ministry on how to measure impact of reform initiatives and to compare options. This, in turn, allows them to defend more carefully and coherently their preferred options in the face of opponents, and possibly in the presence of involved civil society representatives. Above all, it becomes obvious that the evaluation of policy alternatives is not solely a matter of political standpoint or an immediate function of line ministry loyalties. Achieving compromises can be greatly enhanced, if choices are made comparable through criteria and variables that are understandable and acceptable to the parties involved. Bias toward one or the other criteria in different ministries can be visualized to show trade-offs and make implications clearer.

The approach thus is hoped to facilitate

- consensus on overall applicable criteria for comparison
- their substantiation through measurable expected outcomes
- links to a future monitoring discussion between the participants on the same basis
- organization of group thinking and decision making in complex situations.

Conclusion

The process-oriented approach of the Armenian PSIA emphasized and implied an open-ended policy process built on standardizable indicators of performance and impact. The debate was framed in more technical and less politically sensitive terms—notably through the joint definition of performance indicators using the *Think Tools* method—and thereby contributed to a better understanding of reform alternatives. This process is ongoing: the university experts involved still work on data from the quantitative survey to answer other questions from the working group, and the PAMS macro model will be used in the Ministry of Finance and Economy to elaborate projections and develop scenarios for the PRS update.

During the PSIA process, some new elements were immediately incorporated into the policy design. For example, following one of the first presentations by the international team, the officials decided to earmark funds for a wage subsidy program. In the same period, the ministry developed a new draft law on social assistance. For the first time, the law has tried to address complex strategic policy implications and was presented to civil society and independent experts in a public hearing.

While the PSIA in itself was mostly designed to produce decision-supporting evidence in the short run, the transformation to a more technical and less politically biased longer-term dialogue should result in a better understanding and handling of impact analysis. The elaboration of valuations/indicators thus led to a better understanding within the ministry of how to measure the impact of reform projects and to build a fit-for-purpose monitoring instrument for the PRS.

One important lesson of this PSIA was that even a solidly mandated and a sufficiently specific reform initiative under PRS implementation is of no help in depoliticizing the discussions. The well-focused comparative approach described in this case study takes a lot of time and is very communication intensive, bringing with it the need for a clear and communicated exit strategy. But the prize is the potential for a sustainable policy discussion in which ideological positions are mediated by measurable and comparable indicators of performance and impact.

Notes

1. Because the Gecamines staff were not paid, there was pressure at the beginning of the voluntary departures program to accelerate their release. This proved challenging for the local project office responsible for implementing the reinsertion project, which was having to catch up with planning reinsertion activities, and also meant that the PSIA team prioritized feeding ongoing results into a dynamic planning process and building local capacity to monitor the reform.
2. For example, in the 50/50 distribution scheme, participants are expected to pay a 50 percent down payment on the value of the fertilizer. Some poor people, and even entire poor villages, do not have access to these funds and are thus prohibited from participation.

3. For example, the Food Security Pack Program requires that participants repay, in kind, 50 percent of the value of the fertilizer they received. The community committee is expected to monitor and administer the repayment scheme.
4. The PPR, for example, used a mix of research methods to maximize local involvement. This mix included focus group discussions, semi-structured interviews, and participatory mapping. The participatory mapping included social mapping, resource and wealth mapping, flow charts, institutional analysis, trend analysis, gender analysis, and daily time use calendars. They were led by a Zambian sociologist, and used local teams in 10 different sites. The sample sites were stratified to represent the different ethnic traditions, agrozones, and proximity to road.
5. The household model used farm budgets, census and other survey data, price and time-use information. Some of these data were available from prior studies, others had to be updated. In addition to data, the model simulations could include various scenarios representing different household objective functions and different mechanisms for transmission of the policy. Local researchers helped identify these scenarios.

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PART 2

Tools and Case Studies

Introduction

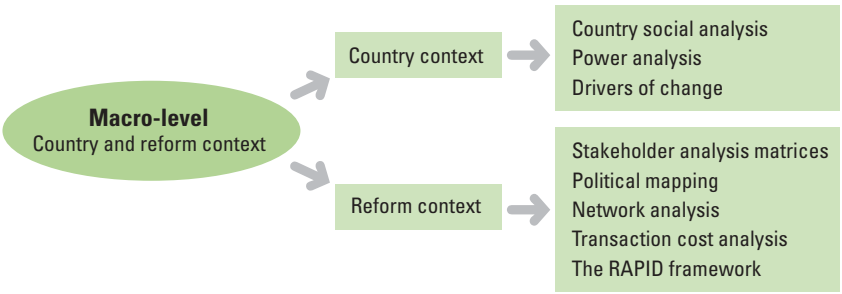
In part 2 of this *Sourcebook* we describe and illustrate in greater detail a range of tools that are available for conducting institutional, political, and social analysis of policy reform. We follow the analytical framework laid out in part 1 by discussing tools at three levels of analysis: the macro-level of country and reform context, the meso-level of reform implementation, and the micro-level of reform impact.

For each tool a one-page table summarizes its key elements and application, followed by a description of the procedure for applying the tool and a case study illustration. The micro-level is further illustrated with case studies of combined methods used to analyze the distributional impacts of policy reform in different contexts.

Chapter 7

Macro-Level Analysis: Understanding the Country and Reform Context

Figure 7.1 Macro-Level Analysis



This chapter elaborates on the discussion in part 1, chapter 3, of this volume by describing in greater detail eight tools that can be used for macro-level analysis of reform context and country context.

Country Context Tools

Country Social Analysis

Country Social Analysis (CSA) is a diagnostic tool that integrates social, economic, political, and institutional analysis to understand the influence of country context on policy reform and development outcomes. CSA is primarily based on existing qualitative and quantitative data, supplemented with collection of new primary data on issues of particular concern in the specific case.

Power Analysis

This diagnostic tool, developed by the Swedish International Development Cooperation Authority (Sida), analyzes actors, interest groups, and structures to uncover where the real power in a society lies and how power is distributed geographically, institutionally, and socially. It might also point to what kind of power is being exercised and how, in addition to how this power is perceived by others. Issues that should be covered are summarized as actors, structures, processes, relations, and hierarchies. Power analysis is based on an understanding that sustained poverty reduction requires that poor people have access to political power and resources.

Drivers of Change

The U.K. Department for International Development (DFID) developed this tool to improve the understanding of political, economic, social, and cultural forces that inform change in a regional and country context and to link this understanding with an identification of the key policy and institutional "drivers" of change that will impact poverty reduction.

Reform Context Tools

Stakeholder Analysis Matrices

At the macro-level, stakeholder analysis is usually a combination of a review of secondary literature and additional brainstorming sessions or workshops with a small number of knowledgeable key informants. Analysts use stakeholder analysis matrices to list and plot the stakeholders and their relationship to the policy process. These matrices can be used to plot two or more of the following variables:

- the degree to which the policy reform will impact stakeholders
- their level of interest in a specific policy reform
- the level of importance attached to satisfying the needs and interests of each stakeholder
- the level of influence that each stakeholder has to facilitate or impede policy design and implementation
- the level of resources that stakeholders possess and are able to bring to bear on the policy process.

Political Mapping

While stakeholder analysis matrices focus on the power, influence, and proximity of individuals and interest groups to a particular policy reform, political mapping focuses more directly on the political landscape of policy reform by identifying the strength and nature of political-ideological opinion on a reform issue. Political mapping identifies the most important political actors and spatially illustrates their relationships to one another with respect to policy design and delivery.

By so doing it can

- provide a graphic representation of the political viability of a regime
- offer clues about the vulnerabilities of the regime
- detect the existence of opposing alliances and potential support coalitions
- give an indication of the level of authority possessed by the regime
- help indicate the implementation capacity of various actors
- detect new directions in policy.

Network Analysis

Network analysis is a tool that helps analysts to think strategically about the strength and nature of institutional connections in the political landscape. It is a visual method of mapping that "measures" the relationships and interaction among a set of actors/entities (such as people, groups, and organizations) in a community, sector, or industry. It focuses on the structure of relationships rather than on their attributes. It can be used for

- understanding organizational structure and functioning of systems
- understanding organizational behavior, inter-organizational relations, social support, and the flow of information, knowledge, and resources
- understanding potential impacts of policy changes or implementation on relationships among a set of actors.

Transaction Cost Analysis

Transaction cost analysis is a tool for political economy analysis that focuses on the uneven distribution of information. This tool is most relevant in public sector or

privatization reforms where it identifies potential constraints on the design and implementation phase of the reforms based on transaction costs. Transaction Cost Analysis starts from the premise that uncertainty and information are unevenly distributed among agents/actors. The incentive structure underlying all decision-making processes (in private firms, governments, NGOs, and so on) is determined by this distribution of uncertainty and information. Thus, power relations are explained in terms of the "transaction costs" that are imposed on less powerful actors because of their lack of access to information.

The Research and Policy in Development (RAPID) Framework

This framework, developed by the Overseas Development Institute (ODI), covers a set of areas to help understand if research-based evidence in development policy and practice influences policy making and can thus have an impact on poverty reduction. ODI's theoretical, case study, and practical work has identified a wide range of interrelated factors, which determine whether research-based and other forms of evidence are likely to be adopted by policy makers and practitioners. These factors can broadly be divided into three overlapping areas:

1. the political context
2. the evidence
3. the links between policy and research communities within a fourth set of factors: the external context.

The framework can provide in-depth information regarding policy windows, key policy actors and networks, gaps in existing evidence, alternative means of communication, and trends and changes in the external environment using a range of tools. The RAPID framework is useful in identifying factors affecting policy adoption and implementation, for establishing whether decision making is likely to be influenced by evidence from research and, hence, possible impacts of policies in different scenarios.

Tool Name: Country Social Analysis

What is it?	Country social analysis (CSA) is a diagnostic tool that integrates social, economic, political, and institutional analysis to understand the influence of country context on policy reform and development outcomes.
What can it be used for?	CSA can be used for understanding the context for reform as the basis for analyzing the likely risks to the predicted impact of policy reform.
What does it tell you?	CSA makes use of existing comparative data bases such as the World Bank's *Social Development Statistics (SD Stats)*. CSA gives particular attention to • the distribution of assets, economic activity, and access to markets across different social groups • how local institutions and political systems affect policy making and implementation, and how they include or exclude the poor • the opportunities and constraints to the country's development that emerge from the current country social context. Within this framework, country-specific issues are selected for in-depth analysis as determined by identified social and political trends and Bank assistance.
Complementary tools	Social development statistics (SD Stats)
Key elements	CSA is primarily based on existing qualitative and quantitative data, supplemented with collection of new primary data on issues of particular concern in the specific case.
Requirements	
Data/information	Access to literature on political-economic, political-science, sociological, and other analysis; key informant interviews
Time	2 to 6 months
Skills	In-depth country knowledge
Supporting software	No software needed
Financial cost	Approximately $50,000
Limitations	CSA needs to be sufficiently focused to provide in-depth analysis and to be operationally useful.
References and applications	World Bank 2006a, 2006b, 2006c, Country Social Analysis Web site.

Country Social Analysis Procedure

Defining a precise "step-by-step" procedure for doing a CSA is difficult because much will depend on country context and the existing and planned policy interventions. However, a set of key elements can be described as follows:

Establishing Definitions and Scope

First, it is important to understand the context and objectives of the analysis to set the scope for the study. The starting point is therefore an analysis of the country's social development indicators (SDIs) and other development indicators to assess the country's performance on different dimensions, and to identify trends, changes, differences within and between countries in the same region and/or income level, as well as potential data gaps. Where possible, data from other sources should also be used and indicators disaggregated by gender, ethnic, religious, and geographic/spatially based groups at the subnational level.

The scoping will lead to the identification of the main issues and questions that need to be emphasized in the subsequent analysis. Once the scope of the study has been determined, more specific in-depth issues can be identified if appropriate and the relative emphasis to be placed on each can be determined, along with a set of key questions to be answered. While CSA is primarily based on the analysis of existing data, it might also involve gathering additional primary data (quantitative and qualitative) on issues of particular relevance.

Research Methods

After the scoping, a review of relevant literature should be done to help fill any gaps identified. The literature review helps summarize current knowledge and informs a more in-depth understanding of key social issues. The process for conducting a literature review is discussed in more depth in the first section of chapter 3.

The findings that emerge from the analysis of the available literature can be triangulated with information from key informants. Key informants are people with in-depth knowledge of particular issues and can be consulted to probe, confirm, or refute findings that emerge from other analysis and methods.

Contribution to Policy Analysis and Policy Reform Process

The outputs of a CSA can include specific policy recommendations in three general areas: removing institutional and group-based constraints on access to assets, services, and public goods; increasing accountability of institutions and participation in decision making; and reducing structural and development-induced risks. For these recommendations to be used in decision making, it is important that the CSA should

be embedded wherever possible and appropriate within a process of policy discussion, dialogue, and consultation.

Country Social Analysis Case Study 1: Republic of Yemen

The Republic of Yemen has experienced dramatic change since the 1980s. The shift to a market economy from the former subsistence agriculture of the north and command economy of the south has transformed livelihood systems. Changes in the economy have coincided with the emergence of a new governance system through the creation of the modern unified state in 1990. Consolidation of the state has significantly expanded public access to services such as education and health. The extension of government has also had intended and unintended consequences for local institutions. Formal and informal "rules of the game," ranging from management of communal and individual resources (such as water and land) to conflict mediation, have been altered. These changes have had significant implications for equity (including asset distribution and access to justice and voice) as well as poverty.

In the Republic of Yemen, a country social analysis (World Bank 2006b) was conducted with the broad objective of examining

- the factors that contributed to inclusion/exclusion of specific socioeconomic groups
- the processes that enhanced or weakened cohesion within and among groups
- the means by which people could hold institutions accountable.

These themes were pursued through a detailed analysis of changing livelihoods in the Republic of Yemen, including

- an analysis of how livelihood patterns were changing in secondary towns and how this affected different social groups' access to assets and services
- an analysis of livelihood strategies in rural areas; given that most poverty is in rural areas where the primary basis of livelihoods is farming, the analysis focused on rural people's access to assets, their relationships with institutions, and their coping strategies
- an analysis of the alignment of government policies and investments with people's strategies, which involved examining how government policies and programs related to asset accumulation of poor rural and urban inhabitants and ways in which these policies promoted or hindered asset accumulation.

These three areas of analysis were identified from the major trends and issues that were shaping Yemeni society, most notably the transition from an agricultural

economy, rising population, and rapid urbanization. Knowledge gaps were identified with respect to livelihood strategies and their link to migration, especially to secondary towns.

The CSA methodology combined a secondary literature review, primary data gathering using participatory research methods among key target groups (asset-poor farmers and migrants), targeted in-depth interviews, and analysis of existing quantitative data. The CSA also drew heavily on ongoing social assessment work that was synthesized with the livelihood findings. The methodological steps for the CSA are detailed below:

- a scoping mission to identify key social issues
- literature review to identify research gaps
- quantitative analysis to trace patterns of urban growth, economic opportunities, poverty dynamics, rural–urban migration, availability/quality of services, and so on to establish criteria to select research sites for in-depth field research
- secondary research on state policies and programs in agriculture, rural development, urban development, and basic service provision
- in-depth interviews with key policy makers to understand government assumptions behind stated policies, opportunities, and constraints in implementing policies and their outcomes
- in-depth interviews with program implementers to understand government assumptions in designing programs, opportunities, and constraints in implementing programs and their outcomes
- quantitative analysis of resource flows from the center to secondary towns—based on statistical data already available—to better understand government service delivery
- qualitative research in six secondary towns, using a livelihoods analysis framework, to obtain information on people's livelihood strategies, patterns of social cohesion, gender relations, youth, and people's expectations of the state.

The CSA generated the following findings:

- Inequality is increasingly becoming an issue in the Republic of Yemen. Youth, women, and rural people are becoming marginalized from the economy as traditional livelihood systems decline but are not replaced with new opportunities.
- Insufficient integration of modern and customary norms is rapidly changing the rules for managing communal resources such as land and water. This change of

rules is resulting in the concentration of productive land in the hands of a small number of powerful families, while the poor have diminishing access to either rural or urban land.

- Poverty, inequality, and patronage also threaten social cohesion in the Republic of Yemen. Current systems of social solidarity at the household and communal levels are stressed as a result of deepening poverty.
- There are also new opportunities for socioeconomic inclusion. Where social mobility in the Republic of Yemen used to be based on social status, the cash economy and state education are providing the means for social advancement of historically marginalized groups.
- Yemeni society is still largely sensitive to religious and cultural values reinforcing traditional mechanisms of solidarity and conflict resolution mechanisms that recall principles of generosity, support to the weak, fairness, reconciliation, and integrity.
- Decentralization, if appropriately resourced, provides citizens with an opportunity for more equity and voice because it supports the power of local community institutions.

In contrast to other CSAs (such as the Haiti case study that follows), the resulting policy recommendations from the Yemen CSA did not directly address a particular program or operation. However, the CSA was used to inform broad policy documents through being timed to feed into the government's Poverty Reduction Strategy Paper (PRSP) and the World Bank's Country Assistance Strategy (CAS), which identified strategic priorities for future country engagement as well as additional analytical work.

Country Social Analysis Case Study 2: Haiti

Haiti is a resilient society whose rural communities in particular have developed coping mechanisms in response to a long history of underdevelopment and political instability. Like other fragile states, however, Haiti is also beset by widespread poverty and inequality, economic decline and unemployment, poor governance, and violence.

A country social analysis was conducted in Haiti (World Bank 2006c) to examine the country's conflict-poverty trap from the perspective of the "triangle" of factors that have been identified as its main components:

1. Demographic and socioeconomic factors at the individual and household levels

- Haiti's rapidly growing population is increasing competition for scarce resources in a poor country where such resources are limited.
- Since the 1980s there has been a very rapid rate of urbanization in Haiti, especially in metropolitan areas.
- In 2001, 49 percent of all Haitian households lived in extreme poverty, with wide differences among localities and regions.
- Social indicators such as literacy, life expectancy, infant mortality, and child malnutrition also reveal that poverty is widespread.
- Livelihoods in Haiti are determined by three key factors:
  (a) assets, which can be sold to smooth out consumption when the household is adversely affected by a natural disaster or economic slump
  (b) access to labor markets, infrastructure, and services that can improve the opportunities for income generation
  (c) migration.
- While rural Haiti remains relatively peaceful and has a tradition of strong social cohesion, urban residents live in fear of crime and violence, despite higher material living conditions than in rural areas.

2. The state's institutional capacity to provide public goods and manage social risks

- The Haitian state has only a limited capacity to establish law and order, or to create conditions for economic growth and poverty reduction. Reasons include financial constraints (low gross domestic product and fluctuating expenditure due to volatile external assistance).
- In response to the extremely limited public sector provision of infrastructures and basic services throughout the country, the nonstate sector has expanded rapidly to attend to unmet needs, especially for health and education services.
- Haiti's institutions responsible for establishing security and the rule of law—the police, judiciary, and prisons—have largely collapsed, and to some degree they have become a source of insecurity themselves.
- Haiti's judiciary is similarly weakened by corruption and frequent political interference, which have undermined the institution's independence and constrained the success of previous reform efforts.

3. The agendas and strategies of political actors

   - Although the Constitution provides for a clear separation of executive, judicial, and legislative powers, as well as decentralized governance structures, in practice, Haiti lacks a predictable system of rules.
   - Haitian politics swings between two key dangers: capture by privileged elites who harness government to protect their dominant position in society and populism that neglects the country's long-term institutional and economic development.
   - The 2006 electoral process, however, has created new opportunities for reform, reconciliation, and partnerships.

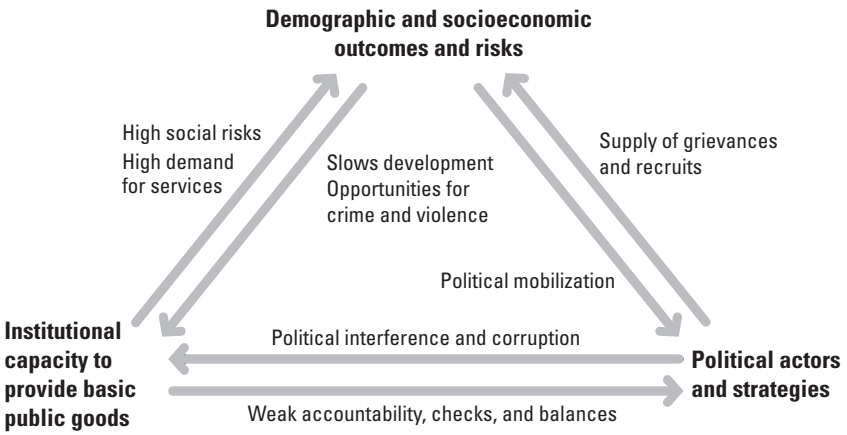
Figure 7.2 presents a simplified illustration of interactions in the triangle of interdependent risk factors that perpetuate the conflict-poverty cycle in Haiti.

The CSA asked the following questions under three risk factors:

1. Demographic and socioeconomic factors at the individual and household levels

   - Are there significant differences between rural and urban areas in terms of poverty and inequality (income poverty and social indicators, such as literacy or life expectancy)?
   - Is unemployment a major problem? If yes, what are the socioeconomic factors that determine unemployment?

Figure 7.2 Conflict-Poverty Cycle in Haiti



Source: World Bank 2006c.

- How do people cope with shocks, such as natural disasters or loss of employment?
- To what extent are crime and violence a major problem of Haiti's society today?

2. State's institutional capacity to provide public goods and manage social risks
   - What are the major barriers for the poor to use public services, such as schools and health facilities?
   - Are there any alternatives to services provided by the public sector? What are the main differences between public and private service providers?
   - Do most people trust in state institutions, such as the judiciary, the security forces, or the government?
3. Agendas and strategies of political actors
   - Who are the most powerful political actors in Haiti?
   - What are the sources of political power?
   - To what extent can ordinary citizens hold state institutions to account?
   - Are there any recent political events that might provide a window of opportunity to change the political landscape?

The following factors where identified as crucial to breaking the conflict-poverty trap:

- Haiti's deep and widespread poverty results from a long history of failure to establish even basic enabling conditions for broad-based social and economic development.
- A reduction in violence and an improvement in security conditions are of paramount importance in fostering sustainable development in Haiti.
- The most important factor for breaking out of Haiti's conflict-poverty trap cannot be provided by donors, but only by Haitians themselves through good leadership.
- Haiti's development crisis is so multifaceted, and the country's needs are so many, that prioritizing reconstruction efforts and development assistance has proven difficult. The restoration of core state functions—the provision of the public goods, security and the rule of law, infrastructure, and basic services—were identified as priorities.

The Haiti CSA was implemented in several phases, allowing it to inform a series of policy discussions related to the urban and rural sectors as well as the overall country

strategy. In the first phase, the CSA provided inputs on rural institutions and livelihood strategies for an economic and sector work (ESW) analysis of the Bank's rural development strategy. This analysis helped frame the overall strategy and ensure that planned interventions are socially inclusive. Following the rural sector analysis, the Country Management Unit requested an analysis of the urban social context with a particular focus on conflict, community-level institutions, and coping strategies. This study informed dialogue with the UN peacekeeping mission on security issues and provided general guidance on planning interventions in the Port-au-Prince metropolitan area.

Finally, the rural and urban components were combined with additional analysis of macro-level socioeconomic trends and governance issues. The resulting report conceptualizes Haiti's current social and political challenges as a conflict-poverty trap determined by three mutually enforcing variables: (1) demographic and socioeconomic factors at the individual and household levels, (2) the capacity of core state institutions to provide basic services, including security and rule of law, and (3) the agendas and strategies of political actors. From this analysis, several messages have emerged, which have informed both the Interim Strategy Note and the World Bank's Country Economic Memorandum. In the short term, the CSA suggests multisectoral interventions in key urban areas that combine security and poverty reduction objectives and an emphasis on restoring core state functions for the provision of basic services (health, education, water, roads) and strengthening public sector transparency and accountability. These interventions are considered a prerequisite for the longer-term goal of improving Haiti's socioeconomic outcomes.

Tool Name: Power Analysis

What is it?	Power analysis is a narrative tool for analyzing power relations at the macro-level.
What can it be used for?	Power analysis can be used to • gain a nuanced understanding of *formal and informal* power relations and structures, and understand how these factors affect and are affected by development cooperation • acquire a deeper knowledge and understanding of political contexts and conditions • understand institutional and structural factors affecting "the lack of political will" • make country strategies more strategic and realistic with more realistic time frames and indicators for judging progress, improving risk analysis, and challenging donor assumptions about conditions for pro-poor reform • think strategically about how change—or retardation—occurs ("how" rather than "what") and how these changes will affect the poor.
What does it tell you?	Power analysis provides information on actors, structures, processes, relations, and hierarchies. • The analysis of actors, interest groups, and structures attempts to uncover where the real power in a society lies and how power is distributed geographically, institutionally, and socially. It might also point to what kind of power is exercised and how, as well as how this power is perceived, and by whom. • Other key areas of understanding that could be addressed include basic country analysis (such as social, political, economic, and institutional factors affecting dynamics and possibilities for change); medium-term dynamics of change (such as incentives and capacities of agents operating within particular institutional domains, that is, policy processes); the role of external forces (such as donor actions, aid modalities, and influencing strategies on these processes); links between change and poverty reduction (such as how expected changes will affect poverty, on what time-scale, and the implications); operational implications (such as how to translate understanding into strategies/actions); and how donors or funding institutions work (such as organizational incentives for staff to acquire and retain a deeper knowledge of country context).
Complementary tools	Country social analysis, drivers of change
Key elements	An in-depth narrative analysis based on secondary literature review and interviews with key informants
Requirements	
Data/information	Access to literature on political-economic, political-science, sociological, and other analysis; key informant interviews
Time	2 to 6 months
Skills	In-depth country knowledge
Supporting software	No software needed
Financial cost	Approximately $50,000
Limitations	Power analysis needs to be sufficiently focused to provide in-depth analysis and to be operationally useful.
References and applications	Sida 2005; Vaughan and Tronvoll 2003; Hyden 2005.

Power Analysis Procedure[1]

Power analysis starts from the premise that issues of power asymmetries, access to resources, and influence over politics must be addressed if poverty is to be reduced. The power analysis approach is informed by a commitment to working toward "justice, equity, and organized redistribution of access to the welfare among the world's people" (Sida 2005, 30). Beyond this premise, however, power analysis is a flexible framework that allows the definitions used, approach, research focus, and research methods to be adapted to the specific needs of the user.

Establishing Definitions and Scope

Power analysis seeks to map the informal political landscape, including its rules and structures. It seeks to understand how development cooperation and donor activities are influenced by this landscape, and how the landscape of power shapes their activities. While it is a flexible framework, it is important that those using it clearly establish their own working definitions and scope of the research.

This approach is based on understanding power. It does not work to a fixed definition of power: each power analysis study works with its own understanding of the concept. In a power analysis of Tanzania, for example, the focus was on three questions (Hyden 2005). First, who sets the policy agenda; whose ideas and values dominate policy? Second, who gets what, when, and how; and how do formal institutions shape the distribution of costs and benefits? Third, who knows whom, why, and where; how do informal social networks shape the policy process? In a power analysis of Ethiopia (summarized in the following case study), knowledge-as-power was the central organizing theme (Vaughan and Tronvoll 2003). In short, there is much scope for the user to adapt power analysis to his/her own purposes.

Research Methods

Power analysis studies are initiated by country offices and carried out by country experts. There is much scope for the analysts to adapt the approach and define the areas of focus. The analysis is centered on desk reviews and secondary research, but it is often complemented by key informant interviews, questionnaires, and focus group discussions. The level of resources and time required varies, but with an emphasis on desk research, interviews, and qualitative analysis, the costs are limited largely to person-time.

Most of the information produced is likely to be contextual, qualitative data. For this reason it does not lend itself to cross-country comparison, but rather to comparison over time in a single country (Hyden 2005).

Contribution to Policy Analysis and Policy Reform Process

Perhaps the most significant contribution of power analysis is that it can inform the way in which donors and other external actors engage with different groups of stakeholders in any given country context. Strategic and policy approaches that are informed by this type of analysis can include better political economy risk assessment and risk management, and are often characterized by a more flexible and realistic set of objectives and timeframes.

Power Analysis Case Study: Ethiopia[2]

In 2003, a power analysis was undertaken to contribute to the strategic development of Sida's bilateral engagement with Ethiopia. Some of the findings are summarized below.

The study found that dominant sociopolitical culture in much of Ethiopia has historically been vertically stratified and rigidly hierarchical. Socialization instills an understanding of the roles and statuses that are assigned to different individuals, marking them as either marginal and disenfranchised or privileged and empowered, usually on the basis of ethnicity, clan, class, gender, wealth, or age. This socialization contributes to a nonegalitarian distribution of power, which is deeply entrenched and resistant to change. Given that the state in Ethiopia continues to exercise extensive control over major resources, the question of expansion and equity of access to resources and decision-making powers of the state is more than usually critical. This question is of some urgency because inequality of access had been the primary root of conflict for many decades prior to 1991. The current government sees the creation of an educated population as a prerequisite for the democratization of a hierarchical sociopolitical culture.

The Ethiopian People's Revolutionary Democratic Front (EPRDF) came to power in 1991 with a commitment to democratize and decentralize access to the resources of the state through three inter-related major processes of reform: moving to a deconcentrated federation structure subject to multiparty elections, addressing the culture and capacity of the civil service, and liberalizing the command economy with the gradual introduction of privatization and plural systems in many areas. These processes were revived in the wake of the political and economic crisis caused by the Ethio-Eritrean war in late 1990s. In 2003, the government was in the midst of a second five-year development plan designed to enhance agricultural productivity, improve rural infrastructure, encourage private investment, and pursue "appropriate" macroeconomic sectoral policies.

On paper, Ethiopia is a radically devolved "confederation," with all residual powers and sovereignty resting with the National Regional States (NRS). In practice,

however, three centripetal influences counteract this degree of devolution: the constitutional requirement that NRS policy making develop in line with federal norms; the combination of centralized policy making and a lack of regional capacity; and the concentration of financial control in the center, which controls the flow of federal subsidy (the overwhelming majority of their budgets) to each NRS.

The EPRDF grew out of Marxist student movements of the late 1960s and early 1970s. Its preferred conception of democracy is based on communal collective participation, based on consensus forged through discussion led "from above" by the vanguard organization. The EPRDF has never appeared committed to pluralism for its own sake, but has long understood the greater political potential of a coincidence of interest between peasant populations benefiting from socioeconomic development, and the party/government winning support by being seen as responsible for such benefits. It has thus been equally resistant to the emergence of competitors, whether for the allocative power of government office (opposition parties) or over the distribution of other resources and services (such as NGOs and churches). There is a continuing unwillingness to engage in dialogue with alternative political perspectives, fostering exclusion and conflict rather than healthy competition. Given the weakness of the opposition parties and the strong central dominance of the state, it seems likely that the major agents of change will continue for the foreseeable future to be the leadership of the ruling party.

Tool Name: Drivers of Change Analysis

What is it?	Drivers of change (DOC) analysis, developed by DFID, aims to (1) improve understanding of political, economic, social, and cultural forces that inform change in a regional and country context and (2) link this understanding with an identification of the key policy and institutional "drivers" of change that provide the context for poverty reduction.
What can it be used for?	Donors can use DOC analysis to acquire a better understanding of how change occurs in countries, including the likely relationships between political, economic, and social changes, to identify potential risks to the predicted impact of policy reform.
What does it tell you?	DOC analysis directs attention to the structural and institutional factors likely to "drive" change in the medium term, and to the underlying interests and incentives that affect the environment for reform. DOC examines • structural and institutional contexts, policy processes, and the long-term constraints to poverty reduction • the ability and legitimacy of states to enforce rights • the nature of incentives and disincentives to growth and development • the influence of external forces, including donors as political actors themselves.
Complementary tools	Country social analysis, power analysis
Key elements	Six elements form part of a DOC analysis: basic country analysis, medium-term dynamics, role of external forces, effects on poverty, operational implications, and incentives. DOC analysis does not necessarily cover these elements either simultaneously or consecutively. However, for the analysis to explore the national context (rather than preconceived policies) as the point of departure for development assistance, then all six lines of inquiry and analysis should be followed at some point.
Requirements	
Data/information	Access to literature on political-economic, political-science, sociological, and other analysis; key informant interviews
Time	2 to 6 months
Skills	In-depth country knowledge
Supporting software	No software needed
Financial cost	The cost can vary significantly depending on the scope of the study and methods used. An average cost could be $50,000.
Limitations	If insufficiently focused, or if too academic in tone, DOC analysis can be perceived to be not useful for operational purposes
References and applications	DFID 2005a, 2005b; Duncan, Macmillan and Simutanyi 2003; Warrener 2004.

Drivers of Change Analysis Procedure[3]

Establishing Definitions and Scope

Drivers of change (DOC) analysis is based on an adaptable framework rather than a standard approach and procedure. However, broad guidelines are set out based on a conceptual model of structures, individual agents, and mediating institutions together with a focus on how to effect change.

An analytical framework developed by Oxford Policy Management (see figure 7.3) explores interactions between three factors—structural features, institutions, and agents—as well as between political, economic, and social changes.

Drivers of change analysis is designed to be led at country level, which means that research scope can be focused on country-specific needs and context. Observers have noted the need for the DOC program to bring analysis closer to the ground and sharpen its focus on day-to-day programs and policy processes.

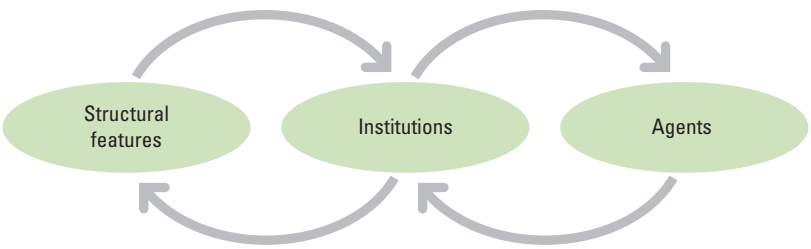
Six main areas of investigation are included within DOC analysis: basic country analysis, medium-term dynamics, role of external forces, links between changes and poverty reduction, operational implications, and DFID incentives—but these areas of investigation do not all have to be undertaken and/or done in sequence. The basic country analysis, for example, has its own analytical framework with three levels of analysis (box 7.1).

Each DOC report identifies specific drivers, with some themes recurring frequently. These include corruption and elite capture, the role of civil society, the role of the media, and the importance of political opposition and the middle classes.

Data Collection and Analysis

The main research methods for DOC analysis are literature and secondary evidence together with key informant interviews. However, a range of other tools

Figure 7.3 Drivers of Change Analytical Framework



Source: Oxford Policy Management 2003.

Box 7.1 Framework for Basic Country Analysis

Foundational factors

- Is there a political community?
- Does government control the territory?
- How have the history of state formation, political geography, geo-strategic position, and embedded social and economic structures shaped the basic characteristics of the political system?
- Is government dependent on taxpayers?

Medium term, institutional factors

- How "institutionalized" are the bureaucracy, policy mechanisms, political parties, and civil society organizations?
- How embedded is the constitution?
- What is the basis of political competition and the composition of the political elite?
- How important is ethnicity?
- How is power shared between the political, executive, military, legislature, judiciary, and other levels of government; the private sector; and religious organizations?

Short-term factors

- What is government's bureaucratic and financial capacity?
- What are the key mechanisms for vertical and horizontal accountability?
- What are the political resources (including point in the electoral cycle)?

Source: Moore 2001.

could be used depending on the context and the research questions being asked. Generally DOC research produces qualitative data, which needs particular skills and knowledge—notably in political science, political economy, and sociology—to analyze.

Contribution to Policy Analysis and Policy Reform Process

As with other forms of country analysis described in this *Sourcebook*, the effectiveness of the DOC analysis is for donor thinking and practice to be guided by a more

nuanced understanding of the political-institutional context in which reform takes place. The DOC program was based on a recognition that DFID needed to understand better and respond more effectively to the underlying incentive structures that govern policy in a country.

> "In sum, donors have become too ahistorical, apolitical, and technocratic in their approach to poverty reduction. This is one of the reasons they are not being effective." [4]

Drivers of Change Analysis Case Study: Zambia[5]

In early 2003, a DOC analysis was undertaken in Zambia to contribute, with other analyses, to the preparation of the DFID country assistance plan that would guide DFID's activities in Zambia over the next few years. In the short time available, the explicit priority was to identify the main features of a broad and complex set of political, social, and economic topics, rather than to investigate any one of these in detail. Some of the findings of the analysis are summarized below.

The analysis showed that while Zambia had been successful in avoiding civil conflict and repression over the previous 20 to 30 years, it had performed badly in terms of growth of poverty, declines in key indicators of human well-being, and falling per capita incomes. While the analysis recognized potential for reversing these trends, much of the potential of individuals (acting singly or collectively) and the private sector to lead economic recovery was being neutralized by wider constraints, many of which centered on government performance. Those with power and influence could not be relied on to meet the challenges of pro-poor change (such as enhancing broad-based economic growth; improving access to markets services and assets; empowering citizens; and strengthening safety nets).

While patrimonial politics might have helped hold a complex society together, it had generated heavy costs in terms both of missed opportunities and of current economic and political problems. Economic growth had stagnated and the economy had barely diversified; safety nets had lapsed; publicly provided health services had deteriorated; widespread corruption had harmful political and economic effects; structural problems in public finances (mainly related to the civil service wage bill), through government borrowing, resulted in real interest rates that were crippling business; and the government faced a crisis of legitimacy as a result of alleged fraud in the 2001 election.

Development and poverty reduction would be achieved more effectively through changes in the incentives and restraints that governed the behavior of those with power and influence. The necessary changes would occur only if effective pressure could be applied by citizens through (among others) Parliament, the

media, or civil society organizations. Zambia's aid dependence meant that the donor agencies were highly influential in the political and economic spheres and in civil society. However, the prospects for such pressure being applied and sustained were problematic.

On the positive side, civil society (although still limited) had grown in reach and effectiveness over the past 15 years; the multiparty Parliament was showing signs of vigor; open public debate had increased; the anticorruption campaign had a degree of popular support; some of the state-owned enterprises that served as instruments of patronage had been privatized; there was a larger (if fragile) independent press and radio; and the Supreme Court had the opportunity to set precedents for future accountability.

However, some potential drivers of change were weak and/or getting weaker. Patrimonialism continued to dominate politics and it was hard to avoid being co-opted; the formal private sector (especially manufacturing) had contracted, weakening any potential role as a source of pressure on government for improved public goods provision; the middle class had shrunk; HIV/AIDS and poverty contributed to the despair of many people, reducing their ability to engage in wider issues and promoting short-termism; and much of the rural population was disempowered by weak urban and industrial links and by an institutional vacuum due to the virtual disappearance (in the late 1960s and 1970s) of trading networks, the closure (in the early 1990s) of most cooperatives, and the limitations of local government.

Despite these problems and the uncertainty about outcomes, many entry points were identified for strengthening the forces that could support pro-poor change. First, there were measures to strengthen the social, political, and economic context (for example, through supporting education and literacy, improving the functioning of markets so that they were more inclusive and less constrained, enhancing people's health status, and reversing the decline in living standards). Second, there were measures to support particular agents of change, including the media, civil society, reform-minded elements of the political system and civil service, associations of professionals and of large and small businesses, the churches, and perhaps traditional leaders. However, not all members of such groups were favorable to pro-poor change and so careful judgments were needed regarding how to work with them.

Some of these measures, especially those affecting the wider environment for change, were likely to have longer-term impacts (for example, over 10 to 20 years) while others, particularly those affecting agents of change, could have impacts in a much shorter period. Donor agencies were particularly potent drivers of change because they influenced Zambia's political system, economy, and civil society. Aid programs provided substantial resources that inevitably formed part of patronage systems, creating both possibilities and responsibilities for the agencies. At a minimum, agencies needed to recognize the full range of political, social, and economic

impacts of their actions. The development effectiveness of supported programs would be enhanced through a better understanding of the incentives that affected the behavior of public officials with whom they engaged. To the extent that aid management was moving from discrete projects toward sector programs and budget support that are at the center of the functioning of government, such an understanding would be essential to raise the effectiveness, and minimize the abuse, of aid resources.

Tool Name: Stakeholder Analysis Matrices

What is it?	Stakeholder analysis is a systematic methodology that uses qualitative data to determine the interests and influence of different groups in relation to a reform.
What can it be used for?	While stakeholder analysis can be carried out for any type of reform, it is particularly amenable to structural and sectoral reforms. Basic stakeholder analysis should precede reform design and should be consistently deepened as reform elements are finalized. Stakeholder analysis is also critical for informing an end-of-exercise assessment of the risks to policy reform.
What does it tell you?	Once different types of stakeholders have been identified and listed, matrices and other illustrative devices can be developed that map (1) the nature of their interest in policy reform (whether positive or negative), (2) the extent to which stakeholder interests converge or overlap, (3) their importance to the reform, and (4) their influence over the reform onto four quadrants.
Complementary tools	Political mapping, network analysis, transaction cost analysis, and *Think Tools*. Qualitative stakeholder analysis can also be combined with mathematical models of stakeholder preferences, such as the Expected Utility Stakeholder Model, which uses scaled quantification of stakeholder preferences (Nunberg and Green 2004).
Key elements	Stakeholder analysis is iterative and usually proceeds through the following sources of data to reach final conclusions: (1) background information on constraints to effective government policy making; (2) key informant interviews and group workshops that identify specific stakeholders relevant to the sustainability of policy reform—when working with groups, participants should be drawn from diverse groups of interest to limit bias; and (3) verification of assumptions about stakeholder influence and interest through survey work and quantitative analysis of secondary data.
Requirements	
Data/information	Stakeholder interests are seldom explicitly spelled out in existing sources. The main sources of information are (1) key informant interviews and group workshops and (2) secondary political economy analysis in the academic and journalistic media.
Time	If integrated with ongoing key informant interviews, stakeholder analysis can be conducted in a single week. In cases where there is no significant qualitative work planned, a thorough exercise would involve two to three weeks of research. However, analysis that is meant to predict the positions and influence of stakeholders in different reform scenarios is not a one-off piece of work and should emerge from the findings of other analytic work. Ensuring a complete and updated picture might require that specialists conduct the analysis over several months.
Skills	Sociological or anthropological training is helpful, as is a background in political science. Local knowledge, including contacts with local experts, is crucial. Those carrying out the analysis must also thoroughly understand the reform and the recent history in the sector.
Supporting software	No software needed.
Financial cost	When combined with other qualitative work, the incremental cost of stakeholder analysis can be as low as $10,000. When no qualitative work is planned, costs can be up to $25,000.
Limitations	Stakeholder analysis relies on qualitative data and perceptions and preferences. The absence of statistical representativeness places greater onus on careful selection and triangulation of data and key informants.
References and applications	Brinkerhoff and Crosby 2002; DFID 2002; Nunberg and Green 2004; World Bank 2003.

Stakeholder Analysis Matrices Procedure

Time, Materials, and Skills Needed

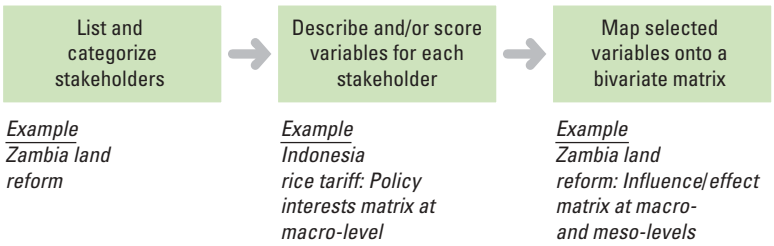
Interviews with key informants can take up to an hour. Stakeholder analysis conducted in a group workshop requires half a day to one day of time. These methods can be triangulated to increase the robustness of the analysis. Working with both methods, the interviewer/facilitator can combine prepared questions with flip chart-based matrix building. Interviews and workshops should be conducted by a skilled interviewer/facilitator with in an in-depth knowledge of the country and reform context.

Possible Approach

The following approach is a general example that can be adapted to suit the local context, views of local analysts, and the research objectives. The emphasis of this approach is on group-based work as part of an ongoing process of reform dialogue. If concerns about sensitivity are an issue, or if there is a high likelihood that a group setting will introduce strategic bias into the analysis, then this procedure can be conducted independently with key informants on a one-to-one basis. Bias can be reduced through careful attention to group composition in each stakeholder workshop.

Participants are divided into working groups of 4 to 6 people and are informed of their role in the workshop and the purpose of the analysis, using examples of policy reform to illustrate the importance of stakeholder analysis. It is important that the aspects of the policy reform being discussed, both in terms of content and in any phasing of introduction, are sufficiently specified so that the stakeholder analysis can be nuanced. To introduce and discuss, for example, utility reform, is far less helpful than a more disaggregated discussion of specific policy options within this broad reform area. The following steps are summarized in figure 7.4.

Figure 7.4 Stakeholder Analysis Sequencing, with Examples



Source: Author.

Step 1: List and Categorize Stakeholders. Once the small groups have been formed and the purpose of the exercise explained, groups can use flipcharts to compile an initial categorized list of stakeholders. The small groups brainstorm, list, and categorize stakeholders in the policy reform before attempting to reach agreement on a single list.

These stakeholders can be listed on a stakeholder table, such as that shown in box 7.2, on which participants comparatively score each stakeholder according to a selection of variables that might include

- **Influence:** the power a stakeholder has to facilitate or impede policy reform design and implementation
- **Importance:** the priority given to satisfying the needs and interests of each stakeholder (DFID 2002, 2.3)

Box 7.2 Sample Stakeholder Analysis Table

Stakeholder categories	**Relevant stakeholders**	**Characteristics** (social, geographical, organizational)	**Influence** (power to facilitate or impede reform)	**Importance** (degree of priority needs and interests)	**Interest** (from commitment to status quo to openness to change)
Government policy makers					
Implementing agency staff					
Intended beneficiaries					
Adversely affected persons					
Organized interest groups					
Civil society organizations					
Donors					
Other external stakeholders					

Source: Adapted from World Bank 2003b; DFID 2002.

- **Interest:** the perceived level of interest that each stakeholder has in the policy reform, along a continuum from commitment to status quo to openness to change
- **Impact:** the degree to which the policy reform will impact on each stakeholder
- **Power:** the level of coercive power that the stakeholder has to command compliance in the policy process
- **Resources:** the level of resources that stakeholders possess and are able to bring to bear on the policy process
- **Legitimacy:** the degree of legitimacy of each stakeholder's interest, meaning the extent to which the stakeholder's claims are seen as appropriate by other stakeholders
- **Urgency:** the urgency that should be attached to the competing claims of each stakeholder.

Step 2: Map Stakeholders onto a Matrix. After the categorized stakeholder table has been developed, participants can map their relationship with the reform process onto matrices drawn from the listed and scored variables.

Using an importance/influence matrix (see box 7.3), the group or key informant can identify those stakeholders in boxes A and B as the *key stakeholders* in the process.

Box 7.3 Sample Importance/Influence Matrix

High importance/ Low influence	High importance/ High influence
A	B
C	D
Low importance/ Low influence	Low importance/ High influence

Source: DFID 2002.

- **Box A** shows stakeholders of high importance to the activity but with low influence: they require particular attention in the policy design and implementation to ensure that their participation is ensured and interests protected.
- **Box B** shows stakeholders of high importance to the policy intervention who can also significantly influence its impact. Where possible, policy makers should develop good working relationships with these stakeholders to reduce risk for the reform.
- **Box C** shows stakeholders who are of low priority and low influence. Although they might need some limited involvement and monitoring, they are unlikely to be the focus of the policy reform process.
- **Box D** shows stakeholders with high influence, who can affect the outcome of the policy reform process, but whose interests are not the target of the intervention. These stakeholders might be able to block, undermine, or skew policy design or implementation and therefore could constitute a "killer risk."

Stakeholder Analysis Case Study: The Indonesia Rice Tariff PSIA

This PSIA conducted prior analysis of the poverty impacts of an increase in rice tariffs in Indonesia (Leith et al. 2003). The context for the policy reform was broadly characterized by two opposing arguments:

- Supporters of a high rice tariff policy argued that higher prices were associated with higher incomes for farmers and rural workers.
- Supporters of rice tariff abolition argued that poor people are net rice consumers, who will suffer due to high rice prices.

In the Indonesia PSIA, computable general equilibrium (CGE) modeling provided the economic evidence for policy making. To assess the poverty effects of the proposed policy, the model focused on short-run and medium-run effects of the proposed tariff increase across the economy using 10 categories of consumers and producers of rice.

However, in the highly political environment in Indonesia in 2002, with its fragile democracy, evidence was often not the primary factor in government decision making. In addition to the economic evidence, a matrix of key stakeholders was created to identify their policy positions, why those positions were held, sets of interests that those positions represented, and the degree of influence over the decisions (see table 7.1). This matrix helped to identify natural coalitions with similar perspectives, as well as the most powerful and influential interest groups, and to create a clearer, more transparent policy environment at a time when many people spoke out with contradictory views.

Table 7.1 Key Actors Policy Interest Matrix, Indonesia Rice Tariff PSIA

Key players	Policy objective		Argument rationale	Benefits			Constraints		Transmission channel	Interests	Degree of influence
	Explicit	Informal		Short-term	Medium-term	Long-term	Short-term	Medium-term			
Bulog (the state commodities logistical agency)	high tariff, regulate imports	source of finance	protect local farmers from import dumping	stable rice market, domestic production	increase rice production, increase farmers' profitability	self-sufficiency, control of rice economy	don't have control of policy, smuggling	tariff less binding, creation of black market	high price means higher wages for labor, benefit to farmers	source of income	high, linked to ruling party fund raising
Ministry of Agriculture	high tariff, encourage domestic prod. of rice, self-sufficiency	it is their job, perform. based on agri. prod.	higher returns to rice farmers	maintain high income of farmers	more rice availability		none stated, unsure if it would encourage high wages			political, high tariff, local rice prod.	high (less than Bulog)
Bappenas/ DAI (consultants)	no tariff, to maintain low rice prices	none, DAI represents U.S. interests	Java should diversify out of rice	low price benefits poor	stable economy, food available	efficient resource allocation removes distortion, farmers will plant high-yield crop	sustainability of diversity		low price for rice	Pro free market, allied with intl. community and World Bank	high, but declining
Ministry of Finance and Ministry of Economy	no tariff, to maintain low rice prices	no	Not having a rice tariff will help poor people	increase purchase power	flexibility to plant high-price crops, less dependent on govt.	better resource allocation	farmers will suffer in short term, employment problems	shortage of rice, no self-sufficiency	prices and wages	stabilized, lower price of basic needs	Ministry of Economy high, Finance high but less so, lower than Bulog
Ministry of Trade and Industry	no tariff, more open trade	lower direct/ indirect costs to indust., less politics	efficient resource allocation	low price eases pressure on wage demands	macro economic benefit		no power to enforce		low price for rice	industry prices, clean govt.	medium (less than Ministry of Agriculture) and declining

continued

Table 7.1 continued

Key players	Policy objective		Argument rationale	Benefits			Constraints		Transmission channel	Interests	Degree of influence
	Explicit	Informal		Short-term	Medium-term	Long-term	Short-term	Medium-term			
Ministry for Peoples Welfare and Poverty Alleviation	Contradictory statements	none	low food price for poor	low price benefits poor			.			less burden on them	high (more than Bappenas); some say no influence on tariff setting
Poverty Reduction Coordination Board	high tariff	none	protect agri. prod., increase productivity before industrialize	higher rural wage lowers poverty		high productivity in agricultural sector			price rise increase wages	maybe political ambition	no (has no allies)
Ikhsan (University Researcher)	low tariff	economic principles	high price bad for poor who are net rice consumers	low price helps poor	increased consumption					academic based on theory and data	medium (some access to key ministries and media)
USAID, World Bank, IMF, ADB	no tariff	trade liberalization	increase welfare of world, high price leads to black market	cheap price helps poor	stabilize price	market efficiency, better resource allocation	not policy makers		like Bappenas	free trade	high (can block), usually informal
Producers, NGOs	high tariff	business interest	higher prices protects farmers	benefit farmers		higher productivity	not part of government		high price means higher wages for labor, benefit to farmers		low but vocal
Governor of East Java	ban imports	populist rent seeking	protect farmer interests	greater sales of domestic rice	higher incomes for farmers	expansion of rice production	not enforceable		blockages at ports, customs	election 2004	access to media and politicians

Source: Leith et al. 2003.

The matrix was generated through content analysis of published policy statements (official documents, newspapers, secondary data studies, and other data sources), key informant interviews, and focus group discussions. This information was triangulated and cross-checked during focus group discussions, using flip charts and draft matrices.

The key players identified in the first column (in this case) were government departments, influential government officials, external donors (such as USAID and the World Bank), academics, influential policy advocates, citizen's groups, and NGOs. The top row categorized the policy position of each key player (by the explicit and implicit objectives of the position), followed by the rationale of the position held. The next columns on the matrix identified the benefits and constraints of the position held in the short-, medium-, and long-terms. The following columns listed how the policy position would be implemented, sets of interests or beliefs the position represented, and finally, the degree of influence of the policy actor.

The matrix was able to show how the pro-tariff and anti-tariff positions were not as polarized as many believed by explaining the rationale behind the positions, which helped to identify room for maneuver. The informal policy objectives, sets of beliefs, and the official rationale for the position helped to provide insight into why agencies, institutions, and individuals held certain positions, in addition to identifying their vested interests. Unexpectedly, many NGO positions were shown to be very similar to positions held by large landowners who would benefit from a protectionist environment of high tariffs and higher costs for imported rice, making rice in fact more expensive. Finally, the transparency that resulted from the matrix meant that institutions and individuals could be held accountable for their positions.

Tool Name: Political Mapping

What is it?	Political mapping is a tool for organizing information about the political landscape in an illustrative way. Political mapping provides analysis of political alliances at the macro (national or sector) level. The tool can provide an entry point to a more in-depth analysis of the political economy.
What can it be used for?	Political mapping identifies the most important political actors and spatially illustrates their relationships to one another with respect to policy design and delivery. By so doing it can provide a graphic representation of the political viability of a regime, offer clues about the vulnerabilities of the regime, detect the existence of opposing alliances and potential support coalitions, give an indication of the level of authority possessed by the regime, help indicate implementation capacity of various actors, and detect new directions in policy.
What does it tell you?	The tool can illustrate the distribution and nature of support or opposition to government with respect to a given reform.
Complementary tools	Micro-political mapping, stakeholder analysis, network analysis; transaction cost analysis
Key elements	For purposes of making sense of a complex political landscape, a political map simplifies the real world into two dimensions: horizontal and vertical, with the actors listed on the first column and the degree of their support for the government listed on the top row. Because the government is the primary focus of decision making regarding how the benefits to society will be distributed, it is always placed at the map center.
Requirements	
Data/information	Analysis compiled from key informant interviews, literature reviews (including government documents and newspaper articles), and stakeholder workshops
Time	If integrated with ongoing key informant interviews, political mapping can be conducted in a single week. In cases where there is no significant qualitative work planned, a thorough exercise would involve two to three weeks of research. However, analysis that is meant to map political positions in different reform scenarios is not a one-off piece of work and should emerge from the findings of other analytic work.
Skills	Sociological or anthropological training and a background in political science. Local knowledge, including contacts with local experts, is crucial. Analysts must also thoroughly understand the reform and the recent history in the sector.
Supporting software	Specialized software is not necessary to conduct a robust and informative mapping exercise. Software does exist, however, such as *PolicyMaker 2.3*, for analyzing support for reform and mapping out the results. (A limited version can be downloaded at http://www.polimap.com/.)
Financial cost	When combined with other qualitative work, the incremental cost of political mapping can be as low as $10,000. When no qualitative work is planned, costs can be up to $25,000.
Limitations	• In political mapping, actors are depicted as homogeneous unities at the macro-level but the government, for example, consists of multiple fractions at many different levels. Micro-political mapping is necessary to gain an understanding of lower level analysis. • Political mapping is static, yet the political process is highly dynamic; a political map can therefore quickly become outdated.
References and applications	Brinkerhoff and Crosby 2002.

Political Mapping Procedure

The basic purpose of a political map is to reduce complex reality to a two-dimensional chart. The political system is characterized by multiple processes, hidden agendas, and power struggles among a myriad of different actors operating at different levels.

Time, Materials, and Skills Needed

Political mapping is based on the analysis generated by other qualitative tools such as literature reviews, key informant interviews, and focus group discussions. These tools are necessary to identify the main actors of a given reform and to gather enough information to allow for the creation of a map where actors are placed relative to each other. Researchers should be experienced in using qualitative techniques and in analyzing political relations. Once the information has been obtained, the mapping exercise in itself takes very little time. Researchers involved in the data gathering process should preferably be involved in the mapping exercise as well.

Possible Approach

Step 1: Identify Dimensions. The dimensions of the mapping need to be adapted to the analytical purpose. The most applied dimensions are power and support of reform (as in the following case study), but other dimensions could also be of included. In some cases, it might be beneficial to have integration in society on one axis to determine how the different actors channel their opposition or support. Low societal integration would indicate that opposition or support need not take place through formal political institutions, but instead, through violence, corruption, or the establishment of counterproductive informal institutions. Such activities that are external to the narrowly defined political process could have significant impacts on the intended outcome of the reform. Determining the stages in which the opposition to reform would be most severe might also be of interest. In such cases, the dimension could reflect when the different actors are most capable of posing a risk to reform: in the design phase, in the political negotiation phase, or in the implementation phase. The usual power dimension might also conceal a great deal of internal disparities that can only be uncovered by including the aspect of internal cohesion. The government, for example, is the most powerful actor in reform implementation, but further studies (such as a micro-political mapping) could reveal a strong degree of heterogeneity and internal conflict within the government, which could pose a

serious risk to the reform. Sometimes an extra dimension can be obtained by changing the size of the observation according to, for example, power.

Step 2: Identify Stakeholders. The initial identification of stakeholders will often be based on secondary literature and similar empirical cases. The identification of actors, however, is an iterative process where stakeholder interviews of the initially identified actors might lead the researcher to include other actors or groups that were overlooked in the preparatory stages. The actors that might influence or be influenced by the proposed reform should be categorized into different groups. Brinkerhoff and Crosby (2002) suggest grouping stakeholders according to the following five categories: government actors, external actors (multinationals, international donors/NGOs, foreign embassies, and such), social sectors (urban workers, indigenous people, women, small farmers, and such), political parties, and pressure groups (labor unions, business associations, churches, and such), but other categories can be applied based on the data available and the analytical purpose. In the following case study, an extra category of media has been included.

The next step is to place the identified actors on the map containing the chosen dimensions. The value of political maps lies not in the numeric coordinates of each actor on the map, but in their placement in relation to each other for a spatial illustration of their relationship. It often helps, therefore, to give each stakeholder a one-page description and then spread the pages out on the floor to move them freely around among the chosen dimensions. This exercise could be conducted independently by all team members that participate in the social analysis to uncover overlaps and to discuss the reasons for divergence. The most important actors should be placed first to act as focal points for the mapping exercise. In the policy reform context, the government will often be the most important actor with respect to reform implementation. The next actors should then be placed with respect to the government and each other. It will often be necessary to adjust positions as the organization and population of the political map progresses.

The exact format of the mapping will depend on the analytical purpose and the initial mapping process. If the process reveals a large demand for additional qualitative information to supplement the mapping exercise, a table format might be preferred over a graphical illustration.

Points to Remember

Political mapping is static, yet the political process is highly dynamic; a political map can therefore become outdated overnight (with a sudden change of government). To include some dynamics, one approach would be to conduct mappings

each year and then track them over time. Another would be to complement the mapping with other tools that are better at catching dynamic effects, such as process tracing.

Attention should also be given to the fact that mapping often contains sensitive information, especially if the mapping uncovers informal alliances and networks.

Political Mapping Case Study: Decentralization and Water Sector Privatization in Albania

The objective of the Albania PSIA was to measure the distributional impact of a water and wastewater sector reform that aimed to provide equitable access to safe water and affordable tariffs using two parallel decentralization models—private and public—of management of water utilities (Beddies and De Soto 2006).

Political mapping was used as an entry point into an understanding of the political economy behind the sector reform. The findings were that the reform had made slow progress, owing partly to incomplete information about new roles and responsibilities, diverging interests, and central government resistance.

A dozen or so stakeholder groups were identified as being important to the reform context in Albania. To situate stakeholders on a two-dimensional graph, analysts needed to gain insights into stakeholders' ideological positions with respect to the reform:

- The former **Ministry of Local Government and Decentralization (MOLDG)** had a strong commitment to reform from within central government and secured a council of ministers' approval for the Water Decentralization Policy Paper.
- The **Ministry of Economy (MOE)** exhibited ideological support for the reform although it had not given proper attention to the policy recommendations of the government's approved Water Decentralization Policy Paper.
- The **international donors** had exhibited robust support for the package of policy reforms.
- The **Water Regulatory Entity (WRE)**, although not opposed to decentralization, was reluctant to relinquish its tariff-setting authority to local government or to accept reduced responsibilities for setting policies and enforcing standards.
- The **Ministry of Territory Adjustment and Tourism (MOTAT)** was the line ministry for the reform, but faced potential loss of authority as a direct (first-order) impact of the reform. It expressed its opposition by not advancing the decentralized asset transfer as scheduled.

- **Unauthorized consumers** faced exclusion from access to the water supply through disconnection of illegal water supply connections and were therefore strongly opposed to the water sector reform; they were powerless and had limited channels for opposition.
- **Minority ethnic groups** (Roma and Egyptians) were often not connected because they lived outside of water supply and sanitation networks, or were unable to afford bills in serviced urban centers. They supported the reform in cities with lifeline tariffs, but opposed it in cities without lifelines through unauthorized access. They were powerless and had limited channels for opposition.
- **Local governments** supported the reform because it directly affected positively on their decision-making authority (such as setting water supply tariffs) and they received capacity building through respective programs. They had set conditions, including the rehabilitation of water networks, the write-off of central government debts prior to decentralized service provision, and asset transfer.
- **Very poor households** were unable to afford unsubsidized water bills and they opposed reform (involving tariff increases) in cities without lifeline tariffs through unauthorized access. They supported the reform in cities with lifelines. They were powerless and had limited channels for opposition.
- **Customers** (public, private businesses, households) supported the reform because it directly impacted positively on their improved access and availability of high-quality water.
- **Water utilities** had been transformed into shareholder companies and received better-trained utility staff as a result of the reform. They strongly supported the reform because it directly affected positively on their increased financial viability and cost recovery.

In the visual map (box 7.4), the different types of political actors are located in the first column organized in three sectors: political parties (seeking to influence public policy directly through instruments of power), external actors (including donors and international NGOs), and social actors (including class or industry-based interest groups). The purpose of the top row is to assess the degree and nature of each group's relationship with government on this reform issue.

The analysis uncovered that the position and actions of key stakeholders on the reform issue through the authority transmission mechanism created obstacles to the effective implementation of the decentralization and water sector privatization process. Political economy issues are seen to be key aspects of PSIA analysis when the first order impact of the reform is on changing authority structures and relations.

Box 7.4 Visual Map of Political Actors and Their Degree of Support for Government

	Support			Opposition			
	Robust	**Fragile**	**Ideological**	**Public mobilization**	**Political channels**	**Disobedience or conflict**	**Limited channels**
Political Actors	MOLDG, local governments		MOE			MOTAT WRE	
Social Actors	customers, water utilities, very poor households (metered and lifeline), water utilities (private)	ethnic minorities (cities with meters/ lifeline outside network)				unauthorized consumers, ethnic minorities (w/o meters and/or lifeline), very poor households (w/o meters and/or lifeline)	ethnic minorities (w/o meters and/or lifeline)
External Actors	international donors						

Source: Beddies and De Soto 2006.

Note: MOE = Ministry of Economy, MOLDG = former Ministry of Local Government and Decentralization, MOTAT = Ministry of Territory Adjustment and Tourism, WRE = Water Regulatory Entity.

Tool Name: Network Analysis

What is it?	Network analysis is a tool that helps analysts to think strategically about the strength and nature of institutional connections in the political landscape. It is a visual method of mapping that "measures" the relationships and interaction between a set of actors/entities (people, groups or organizations) in a community, sector, or industry.
What can it be used for?	Network analysis can be used to understand • organizational structure and functioning of systems • organizational behavior, interorganizational relations, and social support; and the flow of information, knowledge, and resources. • potential impacts of policy changes or implementation on relationships between a set of actors.
What does it tell you?	Network analysis tells you about • the structure of relationships between actors/entities and • current relationships before any policy change or intervention.
Complementary tools	Stakeholder analysis, political mapping, transaction cost analysis
Key elements	Network analysis focuses on the structure of relationships between actors/entities, rather than their attributes.
Requirements	
Data/information	The network is built on an understanding of the frequency of flows of information, knowledge, and resources between "nodes" (representing actors or organizations) in any given context.
Time	If integrated with ongoing key informant interviews, network analysis can be conducted in a single week. In cases where there is no significant qualitative work planned, a thorough exercise would involve two to three weeks of research.
Skills	Sociological or anthropological training is helpful, as is a background in political science. Local knowledge, including contacts with local experts, is crucial. Those carrying out the analysis must also thoroughly understand the reform and the recent history in the sector.
Supporting software	• UCINET http://www.analytictech.com/ucinet_5_description.htm • SociometryPro 2.3 http://www.sociometry.ru/eng/index.php • NetMiner http://www.netminer.com/NetMiner/home_01.jsp • InFlow http://www.orgnet.com/
Financial cost	When combined with other qualitative work, the incremental cost of network analysis can be as low as $10,000. When no qualitative work is planned, costs can be up to $25,000.
Limitations	Large data sets need computer software for analysis. Testing hypotheses statistically is difficult because data are auto-correlated, although permutation tests now address this.
References and applications	Borgatti n.d.; Davies 2003; International Network for Social Network Analysis n.d.; Krebs 2005; NHS 2001.

Network Analysis Procedure[6]

A network consists of "nodes" and "links." The nodes in a network could be people, groups, or organizations. The links in a network are the relationships or flows between the nodes; these links could be social contacts, information and knowledge, influence, money, membership of organizations, participation in specific events, or many other aspects of human relationships.

Actors (the nodes) do not behave or make decisions as individuals outside a social context. Their behavior, decisions, and actions are embedded in ongoing systems of social relations. Development interventions are enmeshed in both formal and informal social networks of individuals and organizations, and their aim is to have an effect on the lives of people within, and marginal to, those networks. A network representation of a development program enables a quick focus on who is influencing whom (directly and indirectly) up to whatever level of complexity is required. Network representations are very scalable, from very local to global developments, and can include both formal and informal structures.

Possible Approach

The following approach is a general example that can be adapted to suit the local context, views of local analysts, and the research objectives.

Step 1: Identify the Network and Set Objectives. The first step is to identify the network to be analyzed. At the macro-level, for example, this might comprise a network of governmental and nongovernmental departments and agencies that are linked together in a specific way in relation to a given area of policy reform.

Collect background information from key informants and secondary data to get an understanding of specific needs or problems. Clarify the objectives, scope of analysis, and the level of reporting required. A large dataset from a large network will require more resources for processing and analysis (time, adequate computing resources, and so on) so it might be appropriate, depending on the subject of analysis, to limit a network by setting a boundary (for example, a village, urban district, or city). This limit, however, will distort the data to some degree but might be necessary to process it and gain a useful analysis.

Step 2: Gather Data. Data gathering for the network analysis in a development context can draw on questionnaires, but relies heavily on key informant interviews to identify the relationships, links, and flows among actors and organizations in the network. Ensure that all the respondents understand what is being studied and why.

Network analysis can give both a visual and a mathematical analysis of human relationships. Matrices can be used to represent network structure by showing links

among actors/entities. They are compact and give detailed descriptions of network relationships. The matrices can also be used to collate detailed textual descriptions of large sets of individual relationships, cell by cell. Computer mapping tools can also be used to visually map out the network. These tools are especially useful in situations of complex, large-scale networks and make connection patterns easier to see and understand.

Mathematical measures of the attributes of networks have also been developed and range from the simple and intuitive to quite complex measures. However, they might not add to the analysis in every context and should be evaluated early in the process.

Step 3: Analyze the Network. It is important to assess the location or "centrality" of the actors/entities within the networks. This location can help establish the importance, or prominence, of actors/entities in the network and can be different from the location in a hierarchy or organizational chart. Three important network measures are "degree centrality," "betweenness centrality," and "closeness centrality."

Degree centrality measures network activity through the number of direct connections a node has. Nodes with the most direct connections to others are "connectors" or "hubs." It is important to examine where those connections lead and how they connect nodes that would otherwise be unconnected in addition to the number of direct connections. *Betweenness centrality* assesses where nodes are in terms of others. Nodes with high "betweenness" have a high level of influence over what flows in a network. They might have a powerful role in the network but could also be an important weakness if they fail, cutting off flows between other nodes. *Closeness centrality* measures the degree to which the pattern of direct and indirect links enables a node to access all the other nodes in a network quickly. Nodes with high "closeness" have short paths to all others and can often be in good positions to monitor flows within networks and to know what is happening within networks.

The following questions are also useful for a network analysis:

- To what degree does a node connect its immediate group/cluster to other groups/clusters within the network? These nodes might be in good positions to combine new influences and flows that span the boundaries of groups within networks.
- To what degree does a node on the edge of a network connect to other unmapped networks?
- What does the relationship between the centralities of all nodes mean for the overall network structure? Is the network dominated by a few very central nodes? What would happen if these nodes were removed or damaged? How can a network be made less centralized or less susceptible to single points of failure?
- Which nodes play similar roles in a network?

- Where are there densely connected clusters, or "cliques"? Which groups in the network are open or closed to others?
- Where are areas with no connections among nodes that could present opportunities?

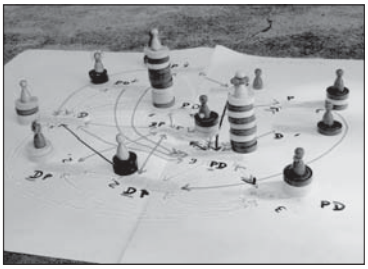
Step 4: Use the Analysis. The network map that is produced and the problems and opportunities that are highlighted during the analysis can be reviewed in further interviews and workshops. The analysis provides a baseline. The potential effects of proposed changes can be evaluated against this baseline; appropriate changes and interventions to improve network connections and flows can be designed and prioritized. The network can be mapped again in the future to evaluate changes.

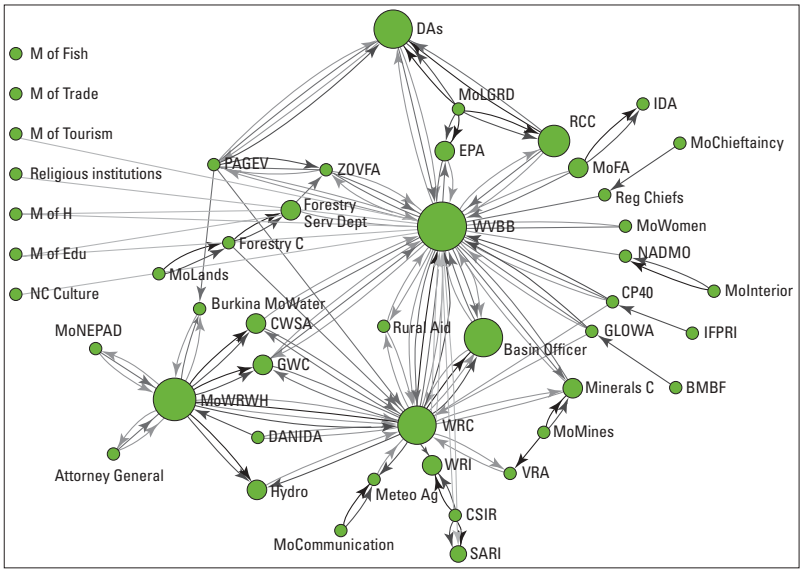
Network Analysis Case Study: Multistakeholder Water Governance in Ghana

The goal of this study was to analyze the ways in which a new multistakeholder governance body with low formal decision-making capacity can influence a complex governance field. The White Volta Basin Board was instituted as a river basin coordination body in northern Ghana in 2006. It comprises 17 representatives from different regional and district level government organizations and other groups such as traditional authorities and NGOs. Because it operates outside the formal hierarchy, the main way that the board can influence policy making and implementation is through understanding and activating its networks. For this research the network analysis method was developed further into influence network mapping (Schiffer 2006, http://www.uni-hohenheim.de/igm). This approach incorporates some attributes of the actors into the analysis, namely their influence/power and their goal orientation. This adaptation was deemed necessary because the questions could only be answered with a clear understanding of power and motivation of the network actors. The board members were asked the following questions:

- Who are the actors that can influence the achievement of the basin board's goals?
- How are these actors linked concerning
  1. formal lines of command?
  2. flows of material resources?
  3. giving support, advice, and direction?
  4. flows of information?
- How much influence do these actors have on the achievement of the basin board's goals?

Figure 7.5 Individual Influence Network Maps of Different Members of the White Volta Basin Board, Ghana, 2006





—— – line of command
—— – flow of money
—— – support, advice, direction
—— – information
—— – future links
Size of node – height of influence tower
D – development orientation
P – protection/environment orientation

Source: Schiffer 2006.

- What is the orientation of these actors; are they development or environment oriented, or both?
- What links should be developed or strengthened in the future to help the board achieve its goals?

The different links were represented by arrows of different color (see figure 7.5). The influence/power of actors was shown by "influence towers" (piles of checkers). Abbreviations for the orientation of the actors were written next to the towers on the map.

In a first step, the board members were interviewed individually; then the whole group worked together on a common influence network map. The individual interviews revealed strongly differing views between the board members concerning

- network members
- kind and direction of links
- network structure and
- influence and reasons for influence of actors.

Board members tended to present dense networks for their own levels (district, regional, national), their own kind of organization (government, NGO, traditional authorities), and their own orientation (environmental, developmental).

These results led to structural recommendations for setting up multistakeholder organizations. It makes sense to choose members not only according to their own organizational mandate, but also according to the network that they can provide. In the case of the basin board this diversity of networks was achieved concerning the different relevant *levels* (mainly regional, district, and community). However, when it comes to the inclusion of different *kinds* of organizations, the networks were strongly biased toward government actors so that actor groups that had no board member (for example, the private sector) were strongly underrepresented. Hence the district assemblies were mentioned by all interviewees and regional departments of the Ministry of Food and Agriculture or Environmental Protection Agency and were scored relatively high for their degree of influence, while the private sector was only mentioned by two interviewees and did not make it into a common map, despite the fact that in discussions private contractors were seen as contributing severely to water-related problems (for example, low quality of water infrastructure, depletion of the resource) and to their solution.

The influence network maps drawn by board members featured two distinct structures. They were either star-shaped with one to three central nodes that were linked to most of the network actors who were not linked with each other, or were web-shaped with many redundant links. In the process of developing a common network map, board members understood the importance of redundant links for the stability of networks: If one link or actor does not work, there are alternative ways of reaching the rest of the network. Here the method showed its potential to lead to strategic network planning.

The discussion about a common influence network map revealed different reasons why actors were seen as influential toward the achievement of the basin board's goals:

- resources
- formal lines of command
- the goal could not be achieved without this actor
- formative power (the actor formulates goals)
- legislating power
- actor is the implementer on the ground.

Despite this diversity, by making these reasons explicit, board members managed to agree on a common understanding of the influence of actors concerning their common work. In many countries, informal networks are a crucial aspect of governance. By applying a network approach one can derive a more realistic picture about political processes and analyze a social reality, instead of labeling it as a deviation from the norm.

Tool Name: Transaction Cost Analysis

What is it?	Transaction cost analysis is a tool for political economy analysis that focuses on the existence of asymmetric information in contractual relationships. Transaction cost analysis starts from the premise that uncertainty and information are unevenly distributed among agents/actors. The incentive structure underlying all decision-making processes (in private firms, governments, NGOs, and so on) is determined by this distribution of uncertainty and information. Thus, power relations are explained in terms of the "transaction costs" that are imposed on less powerful actors by their lack of access to information.
What can it be used for?	The tool is most relevant in public-sector reform or privatization initiatives where it can help identify potential transaction cost-based constraints upstream in the design and implementation phase of these reforms.
What does it tell you?	Transaction cost analysis examines the likely impact of an unequal distribution of information on the efficiency and effectiveness of contractual relationships.
Complementary tools	Institutional mapping, stakeholder analysis, political mapping, network analysis
Key elements	Key elements that are addressed in a transaction cost analysis include 1. *The principal-agent problem:* The principal (often government) hires the agent (a private company) to undertake a specific task (such as utility provision) but unequal access to information could undermine the reform. 2. *The adverse selection problem:* The actor (the government) with inferior information is forced to move first to set up a contractual relationship. In the context of reform, adverse selection could occur when private companies bid for contracts at prices that are unsustainable.
Requirements	
Data/information	Analysis compiled from key informant interviews and literature reviews (including government documents and newspaper articles)
Time	A thorough exercise would involve two to three weeks of research.
Skills	Sociological training is helpful, combined with an understanding of institutional economics. Those carrying out the analysis must also thoroughly understand the reform and the recent history in the sector.
Supporting software	No software needed
Financial cost	When combined with network analysis and organizational mapping methods, the incremental cost of transaction cost analysis can be as low as $10,000. When no institutional analysis is planned, costs can be up to $25,000.
Limitations	The weight given to asymmetric information, although relevant, is too dominating to deal effectively with traditional social issues by itself. Transaction cost is an important factor in determining existing power relations but is only one of many.
References and applications	Powers 2003.

Transaction Cost Analysis Procedure

Time, Materials, and Skills Needed

As the following case study indicates, a transaction cost analysis involves a considerable amount of disaggregated information and contextual insights. These come from secondary sources and are often supplemented by interviews with key informants. One of the most cost-effective ways of conducting a transaction cost analysis is to build on an existing institutional mapping, thus minimizing the time required. The analyst must be familiar with key concepts in institutional economics and have an in-depth knowledge of the reform sector.

Possible Approach

Step 1: Assess Transaction Costs and Contractual Arrangements. The first step is to contemplate whether transaction costs stemming from asymmetric information can be expected to be substantial in the particular reform setting, and to identify the potential contractual arrangements that might exacerbate these costs. If an institutional analysis or mapping exercise is being conducted, the transaction cost analysis could build on these exercises.

Step 2: Examine Existing Relationships. The second step is to study the existing relationships in terms of the key analytical concepts of the principal-agent problem and the adverse selection problem, and more generally, the risks arising from asymmetric information. The following case study illustrates how this analysis might look.

Transaction Cost Analysis Case Study: Chad Cotton Sector PSIA

This PSIA set out to analyze the distributional impacts of a proposed policy reform to privatize and liberalize the cotton sector in Chad (Verardo and Ezemenari 2003). The cotton sector in Chad is organized primarily around a vertically integrated state-owned enterprise, CotonChad, which has become an increasingly loss-making concern because it has been exposed to negative terms of trade, with declining world commodity prices for cotton fiber. Transaction costs arise within the hierarchical production structure where informational and incentive shortcomings persist. The following transaction cost analysis illustrates how to begin to structure thinking about transaction costs associated with contractual relationships; it begins by placing the actors in two basic categories: macro and micro institutional actors.

Macro-Level Concerns

Macro-level actors are sectoral agencies and organizations—including CotonChad—such as agricultural extension agencies, research outfits, and regulatory bodies. The transaction cost analysis informs the PSIA on the macro-level by highlighting the following two issues:

Privatization: Maximization Versus Equity Concerns. Because one of the objectives of privatization is to shift risk from the public sector to the private sector, PSIA must be attuned to variants of the adverse selection problem here. Bidding documents need to be structured in a way that does not offset perceived contractor risk. Under a management contract scenario, fixed payments need to be linked to variable payments to help the agent meet the principal's objectives of higher revenues for cotton producers. Under a concession arrangement, PSIA needs to consider how to structure the bid package to award points not simply on the basis of price—which would represent a rational maximization strategy of the transaction for the government—but also for technical approaches to pursuing the government's medium- to long-term objectives.

Privatization: Contract Negotiation with an Experienced Seller. Considering one of the basic notions of competitive markets—that buyers enjoy competition while sellers try to diminish it—PSIA must be conducted with a view to the future structure of the sector. For some time to come, privatization of the cotton sector in Chad will most likely mean the operation of a private monopoly (or monopsony). The international tender process is of principal concern as well as the resulting contract between the government and CotonChad on one side, and a private investor on the other. Considering the government's principal stated reform objective of raising revenues for cotton producers, the PSIA process must guard against potential investors being able to use their experience to disproportionately strengthen their negotiating position in relation to the government of Chad in order to structure a contract that will allow too much risk to be passed on to cotton producers in the form of lower producer prices.

Micro-Level Concerns

The micro-level actors include cotton farmers, farmers' organizations, transporters, and a particular institution called *Interface*, made up of agents employed by CotonChad. The transaction cost analysis informs the PSIA on the micro-level by highlighting the following two issues:

Payments and Quality Assurance: The Role of the Middlemen. CotonChad set up an intermediary structure, Interface, which is charged with distributing

lump-sum payments to the delegates of cotton-producing villages at the time of harvest, as well as selling and distributing inputs (such as seed, fertilizer, and farming implements) for the coming season. Interface is also represented on the five-person teams in the villages when cotton quality is rated for the different villages, because payment from CotonChad is based on three grades of cotton: high, medium, and low. CotonChad reports that 98 percent of the cotton it receives is of "high quality" and pays Interface accordingly (to distribute payments to the producers themselves). However, villages complain that their outputs are downgraded by Interface on the basis of poor sampling techniques and that they consequently receive lower payment from Interface. This complaint focused the PSIA on a potential *principal-agent problem* associated with two factors. First, the quasi-public composition of Interface, which is basically an extension of CotonChad, would have to be reviewed in terms of the internal incentive structures associated with its role as the conveyor of critical information about input prices and in its capacity to monitor the quality of output and payment to delegates of cotton-producing villages. Second, direct channels of communication would have to be considered between CotonChad, its successor, and community-based organizations in cotton-producing areas because producers seem to be chronically deprived of critical information to be able to make adequate production decisions, particularly on the input-side.

Coordination and Collective Action Problems. These problems include (1) systematically poor access to key information, particularly on the prices of inputs; (2) a lump-sum payment structure that lacks transparency; (3) a seemingly poor mismatch of governance and incentive structures; and (4) poor access to sources of rural/microcredit. These problems cumulatively explain village-level collective action problems and threats to social cohesion. Poor cotton farmers are purchasing inputs from Interface at the beginning of the season on credit extended to the village, producing nothing during the season, while actually re-selling their inputs elsewhere simply to alleviate critical cash-flow needs. At the end of the season when the individual is not able to repay, the village is held responsible. The PSIA therefore focused on these and other community-level dynamics to propose critical accompanying measures to the reform process.

Tool Name: Research and Policy Development (RAPID) Framework

What is it?	The RAPID framework covers a set of areas to help understand if research-based evidence in development policy and practice can influence policy making and thus have an impact on poverty reduction.
What can it be used for?	The RAPID framework can develop a better understanding of how academic research can realistically be translated into policy advice.
What does it tell you?	It can be used to develop a detailed understanding of • the policy-making process: What are the key influencing factors, and how do they relate to each other? • the nature of the evidence policy makers have or hope to get: Is it credible, practical and operationally useful? • the other stakeholders involved in the policy area: Who else can help to get policy messages across?
Complementary tools	Power analysis, drivers of change analysis, political mapping, stakeholder analysis
Key elements	The RAPID framework identifies factors that determine whether research-based and other forms of evidence are likely to be adopted by policy makers and practitioners. These factors can broadly be divided into three overlapping areas: • the political context • the evidence • the links between policy and research communities within a fourth set of factors: the external context.
Requirements	
Data/information	Access to literature on prevailing and latest theories; political context; political-science, sociological, and other analysis; key informant interviews
Time	2 to 6 months, depending on scope and depth of research
Skills	In-depth country knowledge, research skills
Supporting software	No software needed
Financial cost	Dependent on scope and depth of research
Limitations	The framework will only be effective if it is applied using high quality and focused analysis.
References and applications	Young and Court 2004.

RAPID Framework Procedure

The Overseas Development Institute's (ODI) theoretical, case study, and practical work has identified a wide range of interrelated factors that determine whether research-based and other forms of evidence are likely to be adopted by policy makers and practitioners.

These factors can broadly be divided into three overlapping areas:

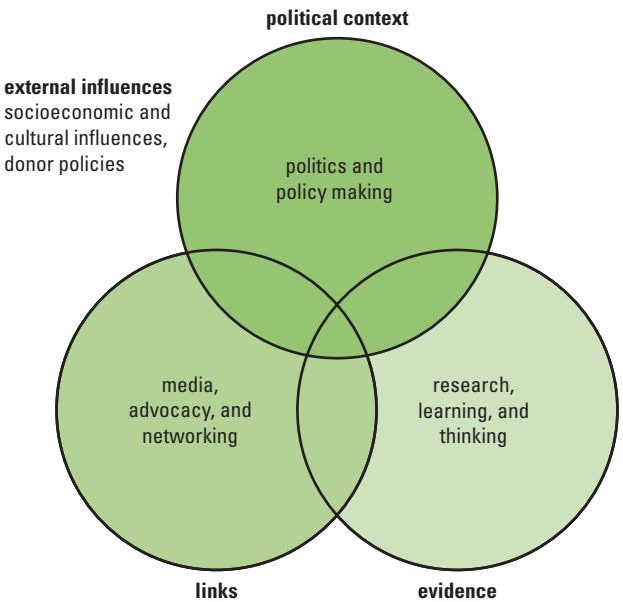
1. the political context
2. the evidence
3. the links between policy and research communities within a fourth set of factors: the external context.

The interplay of these three areas is laid out in figure 7.6. The framework should be seen as a generic, perhaps ideal, model. In some cases there will not be much overlap between the different spheres; in others the overlap might vary considerably.

1. Political Context: Politics and Institutions

Research–policy links are dramatically shaped by the political context. The policy process and the production of research are in themselves political processes from start to finish.

Figure 7.6 The RAPID Framework



Source: Young and Court 2004.

Key influencing factors include

- the extent of civil and political freedoms in a country
- political contestation, institutional pressures, and vested interests
- the attitudes and incentives among officials, their room for maneuver, local history, and power relations.

2. Evidence: Credibility and Communication

RAPID's findings and experience suggest that the quality of the research is important for policy uptake. Policy influence is affected by topical relevance and, as important, the operational usefulness of an idea; it helps if a new approach has been piloted and the document can clearly demonstrate the value of a new option. A critical issue-affecting uptake is whether research has provided a solution to a problem.

3. Links: Influence and Legitimacy

Third, RAPID's work emphasizes the importance of links—of communities, networks, and intermediaries (for example, the media and campaigning groups)—in affecting policy change.

4. External Influences

Finally, a synthesis of the RAPID experience emphasizes the impact of external forces and donors' actions on research-policy interactions. While many questions remain, key issues include the impact of international politics and processes, as well as the impact of general donor policies and specific research-funding instruments. Broad incentives, such as European Union Accession or the Poverty Reduction Strategy Paper (PRSP) process, can have a substantial impact on the demand for research by policy makers.

Table 7.2 summarizes recommendations on the role researchers can play by focusing on these four areas.

RAPID has been testing and developing the practical applications of this framework through a series of case studies and international workshops. It is clear that the conditions of the political context, the evidence, the links, and the external factors vary greatly according to each particular situation.[7]

RAPID Framework Case Study: PRSP Research-Policy Linkages

In September 1999, the World Bank and International Monetary Fund (IMF) adopted a new approach to aid: Poverty Reduction Strategy Papers (PRSPs). How did the idea of the PRSP come to be adopted? What was the role of research in this process, both academic research in general and the applied policy research within the World Bank and IMF? An ODI case study traces the various factors that contributed to this far-reaching policy shift.

Table 7.2 The RAPID Framework: How to Influence Policy and Practice

What researchers need to know	What researchers need to do	How to do it
Political context:		
• Who are the policy makers? • Is there policy maker demand for new ideas? • What are the sources/strengths of resistance? • What is the policy-making process? • What are the opportunities and timing for input into formal processes?	• Get to know the policy makers, their agendas and their constraints. • Identify potential supporters and opponents. • Keep an eye on the horizon and prepare for opportunities in regular policy processes. • Look out for—and react to—unexpected policy windows.	• Work with the policy makers. • Seek commissions. • Line up research programs with high-profile policy events. • Reserve resources to be able to move quickly to respond to policy windows. • Allow sufficient time and resources.
Evidence:		
• What is the current theory? • What are the prevailing narratives? • How divergent is the new evidence? • What sort of evidence will convince policy makers?	• Establish credibility over the long term. • Provide practical solutions to problems. • Establish legitimacy. • Build a convincing case and present clear policy options. • Package new ideas in familiar theory of narratives. • Communicate effectively.	• Build up programs of high-quality work. • Action-research and pilot projects to demonstrate benefits of new approaches. • Use participatory approaches to help with legitimacy and implementation. • Clear strategy for communication from the start. • Face-to-face communication.
Links:		
• Who are the key stakeholders? • What links and networks exist between them? • Who are the intermediaries, and do they have influence? • Whose side are they on?	• Get to know the other stakeholders. • Establish a presence in existing networks. • Build coalitions with like-minded stakeholders. • Build new policy networks.	• Build partnerships among researchers, policy makers, and policy end-users. • Identify key networkers and salesmen. • Use informal contacts.
External influences:		
• Who are main international actors in the policy process? • What influence do they have? • What are their aid priorities? • What are their research priorities and mechanisms? • What are the policies of the donors funding the research?	• Get to know the donors, their priorities, and constraints. • Identify potential supporters, key individuals, and networks. • Establish credibility. • Keep an eye on donor policy and look out for policy windows.	• Develop extensive background on donor policies. • Orient communications to suit donor priorities and language. • Cooperate with donors and seek commissions. • Contact (regularly) key individuals.

Source: Young and Court 2004.

Political Context

The most important contextual factor that shaped the PRSP initiative was the convergence of debates and controversies in the field of international development in the late 1990s. This led to a widespread sense of "a problem" within the international development policy field, even though policy makers did not agree on the exact nature of the problem. The challenges that needed to be addressed—particularly by the World Bank and the IMF—included

- the questioning of the mandates of the IMF and World Bank in the light of the crisis in Asia in 1997 and the failure of Structural Adjustment Programs (SAPs) to resolve Africa's development problems
- the 1999 Review of the Heavily Indebted Poor Countries (HIPC) Initiative and the campaign to make debt relief broader, deeper, faster, and better
- the need to operationalize the new conceptual framework for aid put forward by then World Bank President James Wolfensohn's Comprehensive Development Framework (CDF).

The PRSP initiative can be viewed as bringing together all these interlinked concerns, and providing answers—or at least partial solutions—to the issues that needed to be addressed. It therefore received broad-based support from many different parties.

Evidence

Three main types of evidence influenced the emergence of the PRSP initiative. First, academic research contributed, often indirectly, to the major shifts in international development discourse toward poverty reduction, participation, and aid effectiveness. Second, important pieces of applied policy research were undertaken in the late 1990s, in particular the research related to the IMF's Enhanced Structural Adjustment Facility (ESAF) reviews, the HIPC review, the Strategic Partnership with Africa (SPA) working groups, and the NGO research on debt relief. This evidence focused more on providing policy recommendations and operational solutions. This was seen as particularly credible when it was commissioned by the international financial institutions themselves or other donors, it demonstrated analytical rigor, and it was communicated in a language that was accessible and relevant to World Bank and IMF staff and other donor agencies. Third, an extremely powerful demonstration effect was provided by the positive experience of Uganda in drafting the Poverty Eradication Action Plan (PEAP). This evidence did much to convince policy makers of the feasibility and merits of the poverty reduction strategy model.

Links

The PRSP story is characterized by a multitude of links between policy makers and researchers in the main institutional actors: the World Bank and IMF, Strategic Partnership with Africa, the U.K. and U.S. governments, and the NGO movement. As one interviewee said, "None of the players is more than two handshakes away from any of the others." The formal and informal networks contributed to the speed with which the PRSP ideas were spread and accepted in international development policy.

Notes

1. Adapted from Nash, Hudson, and Lutrell (2006).
2. Summarized from Vaughan and Tronvoll (2003).
3. Moore (2001); Nash, Hudson, and Lutrell (2006); Oxford Policy Management (2003).
4. Hendrie (2003).
5. Duncan, Macmillan, and Simutanyi (2003).
6. NHS (2001).
7. Further information on the use of the framework in a variety of specific contexts is available at http://www.odi.org.uk/rapid.

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Meso-Level Analysis: Understanding the Policy Implementation Process

Figure 8.1 Meso-Level Analysis

This chapter elaborates on the discussion in the second section of chapter 3 of part 1 of this volume by describing in greater detail a number of tools that can be used for meso-level analysis of reform implementation.

Meso-Level Stakeholder Analysis Tools

As previously discussed at the macro-level, *stakeholder analysis matrices* follow a series of steps and can be conducted in individual or group settings. Additional group-based stakeholder analysis can introduce strategic bias due to the group dynamic but can triangulate individual interviews and is a useful process to bring together actors in the policy process in a workshop context and to strengthen policy dialogue and ownership. In this way, the stakeholder workshop functions both to generate information on the influence of stakeholders over of the policy implementation and as a step in the process of negotiating and agreeing on the best path for policy reform.

Micro-political mapping provides more disaggregated insights into the meso- and micro-level political landscape and the dynamics that could potentially affect the design or implementation of reform. Micro-political mapping can be used to illustrate concentrations of support for the government by various actors and to indicate how certain sectors will react to particular policies. The actors and groups in a micro-political map are disaggregated to identify different competing factions within government ministries and departments or other public agencies (such as military institutions, courts, chambers of commerce, and so forth). Micro-political maps will usually depict two dimensions of degree of support to and power over a given reform process.

Force-field analysis is an illustrative method that summarizes key stakeholders' support and opposition to particular reforms. It is capable of providing an overview of the pressures for and against change. The method of placing stakeholders on a continuum according to their opinion of the reform provides a quick overview of the political climate surrounding the reform. With the identification of key stakeholders and an assessment of their potential effect on the direction of reform design and implementation, it can be used as an initial step in a more comprehensive political economy analysis.

Meso-Level Institutional Analysis Tools

Organizational mapping is a visual illustration that combines mapping and tracing techniques to illustrate and analyze flows of resources, information, and decision making. Organizational mapping involves three analytical steps that can be used sequentially or independently: static (institutional) mapping, process tracing, and process mapping. *Static mapping* provides a snapshot of the organizational context for policy reform implementation by illustrating the resources and responsibilities of the agencies and organizations that are implementing policy change. Through analysis of existing case study material and through interviews with key informants, the incentives that operate and the information available to the actors can be identified. *Process tracing* is a qualitative method for tracing, or following, the cause-effect flow of resources and decision making from a policy change through the implementation process as a means of testing assumptions about the expected impact of a particular policy reform. Process tracing can follow the path of services, products, money, decisions, and information, identifying actual or ideal paths, revealing problem areas of risk and potential solutions. When used carefully, process tracing can clearly illustrate often-intricate connections and sequences. The tool's focus on the intervening processes between cause and effect makes it indispensable in a political economy analysis of reform processes and their impacts. *Process mapping* is a tool that "zooms out" from the detail of process tracing to illustrate in map form the broader network

of flows of decision making, resources, and information in policy implementation. It is a comprehensive flow diagram created by the many individual threads of process tracing. Once these flows have been mapped, the tool can then be used to identify bottlenecks and constraints and to analyze opportunities for changing processes to make them more efficient and effective.

Stakeholder Analysis Matrices

The details of stakeholder analysis matrices and the procedure for conducting it have been presented in part 2, chapter 7. The following case study shows how the same tool can be used at the meso-level.

Meso-Level Stakeholder Analysis Case Study: The Zambia Land Reform PSIA

The Zambia land reform PSIA analyzed the impacts of a controversial land reform policy proposed by the Ministry of Land. In its draft land policy, the government proposed titling and converting some of the land under customary tenure (94 percent of the land in Zambia) into state-owned land. This measure aimed to encourage investment, development, and productivity through increased security of, improved access to, and stronger incentives for better management of land—including increased rents and fees.

The PSIA analyzed the potential impacts of a number of elements of the land reform policy including the planned land titling; adjusted rents and improved revenue collection; allocation of 30 percent of land to women, ethnic minorities, and vulnerable groups; and strengthening of the Land Tribunal. Because past reforms were not implemented as originally designed due to controversies and resistance, a stakeholder analysis was conducted to provide a clear overview of the actors involved in the land reform as well as their positions and power.

Stakeholder interviews formed the basis for a dynamic mapping on the influence/impact continuum. This mapping supplemented the PSIA's institutional analysis by providing a clear overview of the actors involved in the land reform as well as their positions and power. The key stakeholders were identified and categorized in four major groups: government and state agencies, private sector, donors, and civil society (see table 8.1).

To be able to situate stakeholders on a two-dimensional graph, the analysis needed to gain insights into both their characteristics and also how the reform would affect them, because this shapes their support or resistance and participation in the reform. Thus, the study first uncovered the impacts, risks, influences, and

Table 8.1 Key Stakeholders in Zambia Land Reform by Category

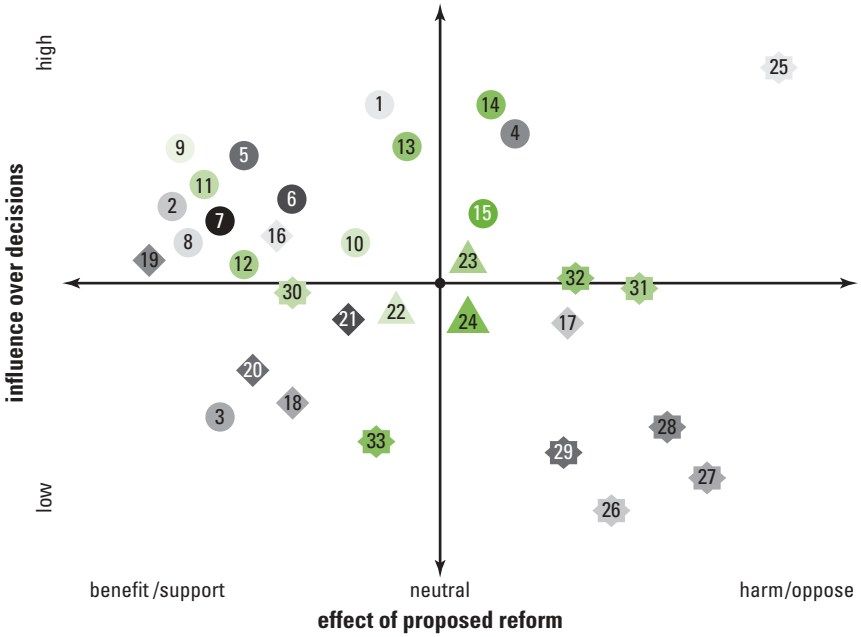
Government and state agencies	Private sector	Civil society
1 The President	16 Commercial farmers	25 Chiefs
2 Ministry of Land	17 Small-scale farmers	26 Landless
3 Lands Tribunal	18 Surveyors	27 Herders
4 Judiciary	19 Lawyers	28 FHHs, CHHs
5 Office of the Vice-President	20 Foreign investors	29 Minority ethnic groups
6 Ministry of Legal Affairs	21 Commercial banks	30 Zambia National Farmers Union (ZNFU)
7 Ministry of Local Government and Housing	**Donors**	31 Local NGOs
8 City, Municipal, and District Councils	22 USAID	32 International NGOs
9 Ministry of Agriculture and Cooperatives	23 WB/IMF	33 Media
10 Ministry of Works and Supply	24 DFID, GTZ, EU	
11 Ministry of Commerce, Trade, and Industry		
12 Ministry of Tourism, Environment, and Natural Resources		
13 Ministry of Finance		
14 Parliament		
15 Police Force/Ministry of the Interior		

Source: Jorgensen and Loudjeva 2005.

perceptions of each individual group of stakeholders, and then it mapped the stakeholders' relationship to the reform. Information on the potential impacts and risks was based on the qualitative and quantitative work, as well as several interviews, focus groups, and meetings. Based on those tools, it was possible to map the stakeholders' relationships with the reform in a dynamic way using the influence/effect dimensions as an organizing principle.

Two figures were devised based on this information: figure 8.2 situates stakeholders by their interest and influence over *decision making*, and figure 8.3 shows their interest and influence over *implementation*. The difference between the two figures is marked. Some stakeholders have significant influence over decision-making, but not over implementation as is the case with the parliament (no. 14 on the graphics). Other stakeholders are key implementers of any reform, even something as simple as updating the land registry. The stakeholders were mapped based on their relative distance to each other as well as the absolute distance to the grids.

Figure 8.2 Stakeholders' Interest and Influence over Decision Making in Zambia Land Reform



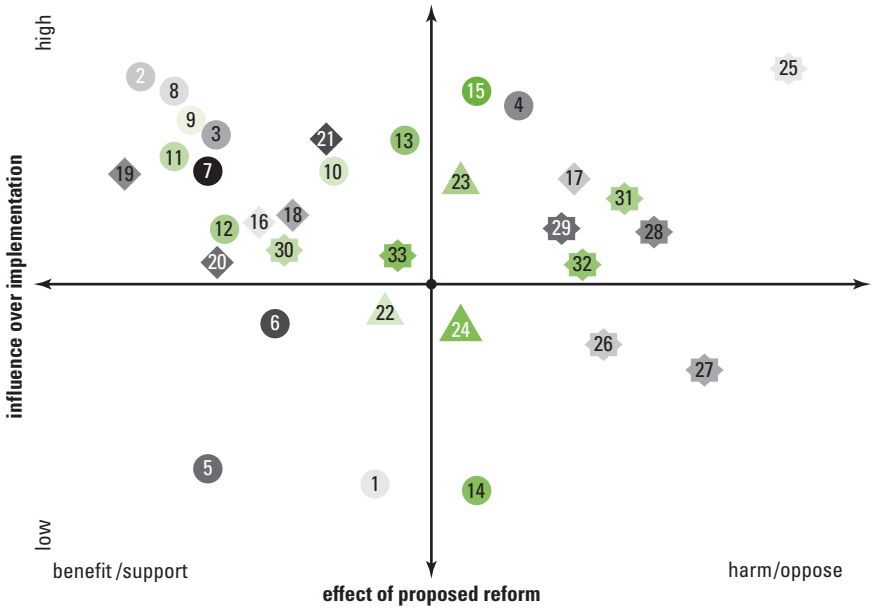
Source: Jorgensen and Loudjeva 2005.

Some stakeholders identified their positions themselves and their statements were "triangulated" with existing data.

With respect to the macro-level reform context,

- **Chiefs** (no. 25 on the graphics) are perceived to have the most influence over decision making and are seen as the major opponents of the reforms.
- **Parliament** (no. 14 on the graphics) has significant influence over decision making. The perceived impact of the reforms in the parliament is neither positive nor very negative.
- **World Bank/IMF** (no. 23 on the graphics) will not be affected by the reform; their influence over decision making was perceived to be neither low nor high.
- **Lawyers** (no. 19 on the graphics) are considered to be one of the major beneficiaries of the reform; their influence, however, is perceived to be neither very high nor very low.

Figure 8.3 Stakeholders' Interest and Influence over Implementation in Zambia Land Reform



Source: Jorgensen and Loudjeva 2005.

- The **Ministry of Agriculture** (no. 9 on the graphics) has a high influence over the decision-making process. It is also perceived to derive a high benefit from the reform and, therefore, to be a potential driver of the reform process.
- While the policy reform's impact on **small-scale farmers** (no. 17 on the graphics) is perceived to be relatively positive, the impact on commercial farmers is seen as less favorable. Small-scale and commercial farmers' influence on the decisions is described as medium and relatively equal, with small-scale farmers' influence being slightly higher.
- **Minority ethnic groups** (no. 29 on the graphics) are perceived to be harmed by the reforms but have only very limited influence over the process.

With respect to the meso-level reform implementation, the major actors are dispersed in all dimensions in the figure, which indicates a potential for conflict during the reform implementation. There is a clear difference between the results of the macro-level and meso-level matrices. While some stakeholders have significant influence over decision making but not over implementation (for example, parliament, the president) others have a major influence over the implementation but relatively little over the reform design.

Tool Name: Micro-Political Mapping

What is it?	Micro-political mapping is a tool for organizing information about the political landscape in an illustrative way. Micro-political mapping provides disaggregated insights into meso- and micro-level political landscape and the dynamics that could potentially impact the design or implementation of reform.
What can it be used for?	The actors and groups in a micro-political map are disaggregated to identify different competing factions within government ministries and departments or other public agencies (military institutions, courts, chambers of commerce, and so on). Micro-political maps will usually depict two dimensions of degree of support to, and power over, a given reform process.
What does it tell you?	Micro-political mapping can be used to illustrate concentrations of support for the government by various actors and to indicate how certain sectors will react to particular policies.
Complementary tools	Political mapping, force-field analysis, stakeholder analysis
Key elements	For purposes of making sense of a complex political landscape, a micro-political map simplifies the real world into two dimensions: horizontal and vertical. The political actors are organized on the vertical axis according to their level of influence, and on the horizontal axis by the degree of their support for a given reform process.
Requirements	
Data/information	Analysis compiled from key informant interviews, literature reviews (including government documents and newspaper articles), and stakeholder workshops
Time	If integrated with ongoing key informant interviews, micro-political mapping can be conducted in a single week. In cases where there is no significant qualitative work planned, a thorough exercise would involve two to three weeks of research. However, analysis that is meant to map political positions in different reform scenarios is not a one-off piece of work and should emerge from the findings of other analytic work.
Skills	Sociological or anthropological training is helpful, as is a background in political science. Local knowledge, including contacts with local experts, is crucial. Those carrying out the analysis must also thoroughly understand the reform and the recent history in the sector.
Supporting software	Specialized software is not necessary to conduct a robust and informative mapping exercise. Software does exist, however, such as *PolicyMaker 2.3* for analyzing support for reform and mapping out the results. (A limited version can be downloaded at http://www.polimap.com/.)
Financial cost	When combined with other qualitative work, the incremental cost of micro-political mapping can be as low as $10,000. When no qualitative work is planned, costs can be up to $25,000.
Limitations	Micro-political mapping is static, while the policy implementation process is highly dynamic so that mapping needs to be ground-truthed over time.
References and applications	Brinkerhoff and Crosby 2002.

- **Chiefs** (no. 25) are the stakeholders with the most influence over the reform implementation. At the same time they are major opponents.
- The **Parliament** (no. 14) is neither negatively nor positively affected by the reform and has very low influence over the implementation.
- The **Ministry of Land** (no. 2) is one of the most influential stakeholders and, at the same time, one of the major beneficiaries of the reform.
- Although the **landless** (no. 26) have some influence over the reform implementation, they were perceived—and perceived themselves—as being harmed by the land reform.
- The **Ministry of Finance** (no. 13) has major influence over implementation but is not affected by the reform in a particularly positive or negative way.

Micro-Political Mapping Procedure

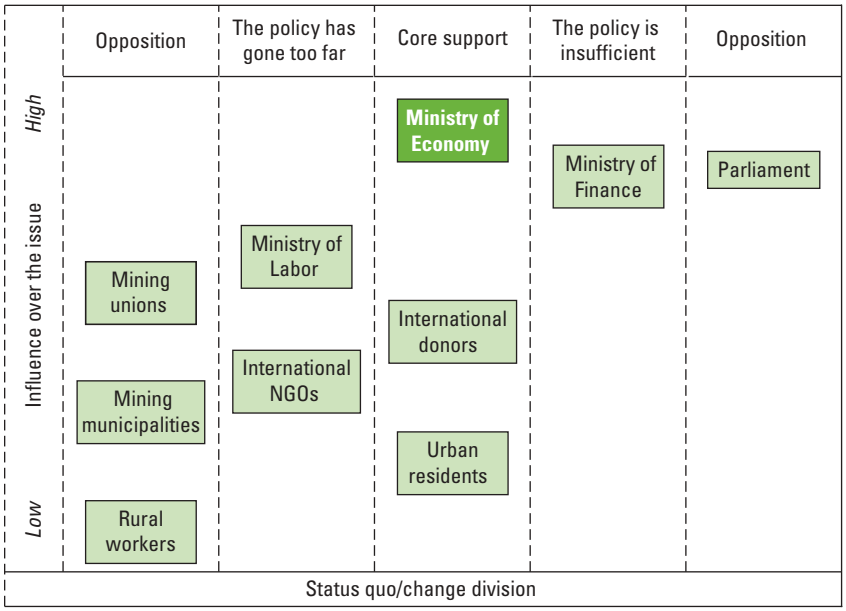
The basic purpose of a micro-political map is to reduce complex reality to a two-dimensional chart. The policy implementation process is characterized by multiple processes, hidden agendas, and power struggles among a myriad of different actors operating at different levels. The procedure for micro-political mapping is similar to that followed for political mapping at the macro-level, as described in part 2, chapter 7. The following case study demonstrates the application of micro-political mapping to a fictional case of implementation of mining sector liberalization.

Micro-Political Mapping Case Study: Liberalizing the Mining Sector

Figure 8.4 illustrates the micro-political environment surrounding a fictional government's proposal to liberalize its mining industry. Reforming the mining sector is likely to both reduce the strain on state finances and increase productivity, but in the process it will produce both winners and losers.

On behalf of the government, the Ministry of Economy has proposed a plan for sector liberalization within a 10-year period and a preliminary macro-political mapping reveals strong support for the reform. However, by disaggregating the government entity in a micro-political map conflicting factions can be identified. In the following example, the powerful Ministry of Finance would have

Figure 8.4 Micro-Political Mapping of a Fictional Mining Reform Proposal



Source: Authors.

liked to see a more comprehensive reform and full liberalization within a five-year period, while the Ministry of Labor would suggest that the massive layoffs inherent in liberalization should merit a more cautious approach than suggested. Still, none of the factions would actually oppose the reform at this stage but they do reveal an underlying tension that could flare up in the implementation stage, with the two ministries pulling in opposite directions. The real opposition at this stage stems from both sides of the Ministry of Economy. The parliament is placed at one side. Not being directly accountable to the voters for the implemented policies, the parliament has argued for more drastic reform packages that would once and for all solve the problems in the sector. On the other side are the political groupings of stakeholders that will be adversely affected by the reform (mining unions, mining municipalities). Opposition to the reform from both sides is likely to follow the reform through the political process to the implementation phase and might pose risks to reform effectiveness. The micro-political map also reveals that the majority of political actors believe that the proposed policy is going too far; they are, however, balanced out by the fewer but more influential actors on the other side.

Tool Name: Force-Field Analysis

What is it?	Force-field analysis is an often illustrative method to present an overview of key stakeholders' support and opposition to particular reforms. It is capable of providing an overview of the pressures for and against change.
What can it be used for?	The method of placing stakeholders on a continuum according to their opinion of the reform provides a quick overview of the political climate surrounding the reform. With the identification of key stakeholders and an assessment of their potential effect on the direction of reform design and implementation, it can be used as a first tool in a more comprehensive political economy analysis.
What does it tell you?	Force-field analysis maps stakeholders' position toward the reform. In addition, the force-field analysis should include a quantification of the force by which the stakeholder opposes or supports the reform. Such force could both be a function of the relative power of the individual stakeholders in relation to the other actors as well as the extent to which the stakeholder opposes or favors the reform. A powerful stakeholder that is fairly neutral with regards to the reform might exercise less force on the implementation of the reform than a less-influential stakeholder whose existence depends crucially on the design of the reform.
Complementary tools	Stakeholder analysis, micro-political mapping, organizational mapping
Key elements	A basic visual representation of the different forces at play in policy reform contexts
Requirements	
Data/information	Analysis compiled from key informant interviews, literature reviews (including government documents and newspaper articles), and stakeholder workshops
Time	If integrated with ongoing key informant interviews, force-field analysis can be conducted in a single week. However, analysis should emerge and inform other analytic work.
Skills	Sociological or anthropological training is helpful, as is a background in political science. Local knowledge, including contacts with local experts, is crucial. Those carrying out the analysis must thoroughly understand the reform and the recent sector history.
Supporting software	No software needed
Financial cost	When combined with other qualitative work, the incremental cost of force-field analysis can be as low as $10,000. When no qualitative work is planned, costs can be up to $25,000.
Limitations	A force-field analysis does not provide information about why the different stakeholder groups distribute themselves in the force-field. Stakeholders could be opposed to reforms based on a multitude of different reasons that are not described in the force-field analysis. The mono-dimensional perspective of stakeholder views (along the continuum of reform opposing or supporting) also excludes more detailed views that stakeholders might have. They might oppose certain parts of the reform and support others, their choices might depend on other policies (and not just the reform), and so on.
References and applications	Australian Continuous Improvement Group n.d.; Brinkerhoff and Crosby 2002; Lewin n.d.; North East Lincolnshire Council n.d.; Overseas Development Institute n.d.; Quality Assurance Project n.d.

Force-Field Analysis Procedure

Force-field analysis helps map and understand the various forces (such as stakeholders, habits, customs, attitudes) acting on (for example, resisting or supporting) a proposed change or policy issue; it also assesses the source and strength of resistance to—or support for—reform.

Time, Materials, and Skills Needed

Force-field analysis can be conducted relatively quickly in some situations. Analysis conducted using group workshops requires half a day to a day. Interviews with key informants can take up to two hours each. The total time needed will vary depending on the number of workshops or interviews to be conducted, but might be from one to three weeks. Interviews and workshops should be conducted by a skilled interviewer/facilitator with an in-depth knowledge of the country and reform context. Researchers should be experienced in using and facilitating qualitative techniques and in analyzing social and political relations.

Possible Approach

The approach may vary depending on whether key informant interviews, group workshops, or a mixture of both are used. The following is based on using group workshops or discussions, but the analysis could be triangulated and strengthened through key informant interviews.

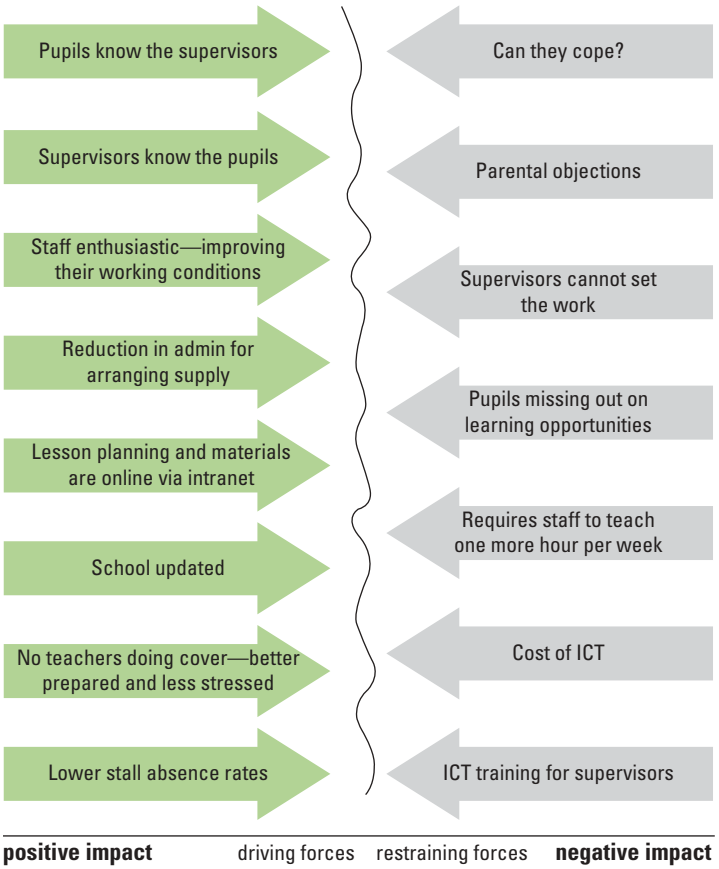
Step 1: Identify the Proposed Change (Policy Goal or Objective). This step could involve describing the current situation and the desired change. It is important that everyone in the group is clear about the area of change being discussed. Write the change on a flip chart (or display on screen) so that it is visible to all participants.

Step 2: Identify Potential Forces (Positive and Negative) That Could Affect the Change. Brainstorm the potential forces acting on the change or policy issue. Assess whether they would act in support or opposition of the change. List those forces in support of the change in a column on the left and those in opposition on the right.

Step 3: Examine the Forces and Their Potential Impact. Examine all of the forces listed. They can also be sorted around common themes if this is useful. Discuss whether they are valid, if they can be changed, and which ones are critical. The discussion should help identify possible reactions, problems, symptoms, and solutions.

Allocate a score to each of the forces using a numerical scale (for example, 1 for extremely weak to 10 for extremely strong). The scale could be decided by the group or by the researchers depending on the context of the research. The forces and their

Figure 8.5 Force-Field Analysis of Employing Study Supervisors to Cover for Absent Teachers



Source: North East Lincolnshire Council n.d.

relative strength can then be shown visually in a diagram such as figure 8.5, which shows a force-field analysis of a proposal to employ study supervisors to cover for teacher absences in schools. The relative strength of each force could be shown in different ways: by different size arrows, for instance, or by putting a number beside each force. It might also be useful to discuss how the change can be affected by decreasing the strength of the opposing forces or by increasing the strength of supporting forces.

Points to Remember

Ensure that all potential forces are included in the analysis. If one is missed, then its impact could negatively affect the achievement of an aim/goal or the

implementation of a policy reform. All significant forces or factors must be included and considered.

Force-Field Analysis Case Study: The Reduction of Price Controls

In this case, the Ministry of Agriculture in a fictional country is considering reducing price controls on grains to stimulate production. The use of force-field analysis provided a first cut to sort positions with respect to this proposed policy change.

The analysis resulted in a graphic illustration of who supported and who opposed the policy (figure 8.6). The analysis showed a great deal of opposition to the proposed reduction in price controls simply in terms of the number of groups opposed or supportive. Without providing insights into the motivation for the positions taken by these various stakeholders, the analysis is sufficiently revealing to signal to policy reformers that these questions should be analyzed more closely before any strategic decisions are taken. As an initial step in political economy risk assessment, a serious lack of support on the force-field would certainly indicate to reformers the case for dropping or substantially modifying the idea, or would prompt a further assessment of considering how to win the interests of the opposition.

Figure 8.6 Force-Field Analysis for Reduction of Price Controls

(−) Oppose	(0) Neutral	(+) Favor
Urban middle class		Economic council
		IMF
Congress		International donors
Military		Grain farmers
Urban workers unions	Ministry of Agriculture	
Small farmers		
Chamber of Commerce		

Source: Brinkerhoff and Crosby 2002, 175–76.

Tool Name: Organizational Mapping

What is it?	Organizational mapping is a visual illustration that combines mapping and tracing techniques to illustrate and analyze the flows of resources, information, and decision making.
What can it be used for?	• following the path of services, products, money, decisions, and information in the implementation of policy reform • communicating process-related ideas, information, and data in an effective visual form • identifying actual or ideal paths, revealing problem areas of risk and potential solutions • showing intricate connections and sequences clearly • aiding in critical communication, problem-solving, and decision-making processes • identifying immediately any element of a process.
What does it tell you?	• activities that are completed, by whom, in what sequence • internal and external operational boundaries • areas where a process can be improved.
Complementary tools	Stakeholder analysis matrices, micro-political mapping, force-field analysis
Key elements	Organizational mapping involves three analytical steps that can be used sequentially or independently: static (institutional) mapping, process tracing, and process mapping.
Requirements	
Data/information	Because the tool generates information, the only data required are key informant insights into the initial scoping of the organizational context in which the research will be conducted.
Time	Between 1 and 3 months (highly dependent on the complexity and number of processes, detail required, degree of variation in processes, strength of secondary materials, and experience of team).
Skills	Group facilitation skills, social analysis skills
Supporting software	• iGrafx®: http://www.igrafx.com • TeamFlow®: http://www.teamflow.com/ • SmartDraw®: http://www.smartdraw.com/specials/flowchart.asp
Financial cost	Between $30,000 and $100,000, depending on the scope of the study
Limitations	Organizations are dynamic and changing, so that organizational mapping is only useful if it is relatively current.
References and applications	Baron 2004; Brook 2004; Champagne n.d.; Hardaker and Ward 1987; Nalic 2004; Process Mapping Associates 2002; SEEP 2004.

Organizational Mapping Procedure

Organizational mapping can involve three instruments, either sequentially or in isolation. This example uses one—process mapping—to illustrate a potential approach.

Possible Approach

The following approach is a general example of how an existing process can be mapped (the "as-is" process) that can be adapted to suit the local context, views of local analysts, and the research objectives.

Step 1: Select the Process to Be Mapped. Identify areas where problems or gaps are perceived in operations or service delivery. For service providers, for example, it could help to use citizen report cards, staff feedback, and comparisons against other similar institutions or organizations, and so on. Prioritize the issues that have been recognized and identify the processes associated with them. Some processes might be common to more than one issue. Select the process(es) to be mapped.

Step 2: Establish the Mapping Objectives and Define the Process. Once the process has been selected, define the objectives of the mapping. Objectives of process mapping could include, for example, understanding workflows, identifying opportunities for process improvement, identifying and resolving blockages or restrictions, risk analysis, and reducing risks. The objectives will determine the level of detail needed in the process map, which could range from broad organizational levels to the fine details of a work process. Three levels of mapping are generally possible depending on the objectives: system (institutional level), macroprocessing (core processes), and microprocessing (such as processing a specific activity or transaction).

Once the objectives are clear, define the process itself. Determine the start and stop points of the process—the "boundaries." Establish the inputs and the suppliers of the process. Also identify the outputs of the process and the users of the outputs. Identify the main activities that occur between the start and stop points of the process.

Step 3: Gather Data. Data are gathered at two stages in the mapping process: at the beginning and during analysis. Three basic methods are generally used to collect data: self-generation by teams or individuals, interviews (individual and group), and observation.

Self-generated knowledge is probably the easiest and quickest way to create a map. However, the knowledge level of an individual is probably limited and process

maps are most effectively developed by a small team representing all those involved in the processes. This approach should be supplemented by observation of the process and review of manuals or policies and procedures. Other people who are involved in the process in any way should review the map.

Individual interviews with people directly and indirectly involved in the process will provide useful information for creating the map. Group interviews with a number of people (a sample or all) involved in the process can increase the participation of stakeholders in the actual mapping. When interviewing people involved in the process, ensure that they understand the objectives of the mapping and how it will be used.

Observation of the process itself should complement both self-generated information and data obtained in interviews. Where possible, this should involve "doing the process." For example, national policy makers should spend a week with those implementing particular policies at the local level, or high-level managers for a service provider should spend a shift with a maintenance engineer in the field or a day filling out purchase requisitions. Spending time actually undertaking the steps in a process will generate information that is invaluable to develop an accurate picture and understanding of what is actually happening.

Step 4: Produce a Process Map. Process maps use standard symbols to show what occurs in a process and to help ensure that they are written in a consistent manner. Several different standards exist, so check which ones, if any, the map should use to comply. However, whichever standard is used, it is sensible to keep the number of different symbols in a map as low as possible to prevent confusion.

Process maps can become very complex, very quickly. It might be useful to have different levels within the map and to only detail a specific area of a process at a time. Determine which chart to use and start by sketching a draft of the process. Define the boundaries and focus on inputs, outputs, activity steps, decision points, enablers, and functions. Develop rough drafts and revise them often as the map develops. "Post-it"® notes are useful when developing the map; stick the notes on a large sheet of paper or whiteboard and move them around (or throw them away) as the map develops.

The map should use concise sentences for each step in the process to show what is happening, where it is happening, when it is happening, who is doing it, how long it is taking, how it is being done, and why it is being done. Keep the process flow from left to right and from top to bottom; ensure that inputs and outputs pass over and under one another without intersecting.

Maps are often constructed without computer software support, but this support is very beneficial for more complex processes and for permanent documentation and communication.

Step 5: Analyze a Process Map. Good analysis is key for a process map to be useful. When analyzing a process map, look at the following areas:

- Are there any "non–value added" steps?
- Are there process inefficiencies (such as delays, reworks, rejects, and so on)? Most processes have some formal, documented rework loops for known problems, but they also usually have many informal rework loops that are only identified by asking, "What can go wrong?" at each stage of a process map.
- Which areas are working as the process was intended, and which are not? What are the repercussions?
- Are there any wide separations of decisions from work activity?
- Are there any steps that are repeated frequently?
- Is there shared responsibility for steps among several people?
- Are there excessive control points (for example, many layers of approval)?
- What value does each activity or step add?
- Who benefits (for example, which stakeholders)?
- Can any steps be combined, run in parallel rather than serial, completed faster, or eliminated?
- What linkages are there between different steps?

It might also be necessary and/or beneficial to ask questions of people involved in the process about their experiences with the process (such as problems they have had), areas they think can be improved, how the process might vary, if and how the process is done differently by different people, any unnecessary steps they perceive, and so forth. These responses will help identify areas of the process that might need improvement. Involve as many process stakeholders in the analysis as possible to get a wide range of perspectives. It is important to understand why a process is not operating as intended if improvements are to be made.

Step 6: "Fine-Tune" the Process Map. Taking into account the analysis that has taken place, the map can be adjusted to incorporate any new information. Ensure that these alterations are documented fully so that it is clear who made the changes and when they were made.

If necessary or appropriate, repeat the analysis in Step 5 for the "fine-tuned" process map, but with the involvement of fewer stakeholders (that is, key stakeholders in the process).

Step 7: Disseminate the Findings. Prepare a summary of the process map that highlights any problems in the process, provides recommendations to improve the process and/or address the original objectives, provides indicators for process improvements, and gives specific actions that can be taken to improve the process. This summary should also specify which process stakeholders have control or influence over change and any challenges that might be faced in process improvement.

The findings from the process mapping should be distributed to all interested stakeholders in a clear and understandable format and in the local language. Feedback from these stakeholders should be incorporated into the final documents where possible.

Key Points to Remember

The "as-is" process map shows what is really happening, that is, the "real process" actually taking place. When a process has been redesigned, the new process map shows what should happen in the future.

Organizational Mapping Case Study: Chad Cotton Sector Reform

The PSIA set out to analyze the distributional impacts of the proposed policy reform to privatize and liberalize the cotton sector in Chad (Verardo and Ezemenari 2003). The objective of the organizational mapping was to gain an overview of the formal and informal institutional framework and organizational practices within which the cotton reform will take place and to identify constraints to poverty reduction.

The analysis was based on two distinct yet complementary organizational instruments: a static map and a process map. The data used for the analysis was collected as an iterative process of semi-structured and open-ended interviews with key informants and focus groups. Organizational manuals, existing organizational charts, and organograms were also primary sources of investigation.

Static mapping was used to illustrate the process and the participants. It included an organizational flow chart that mapped out the formal links among all relevant stakeholders.

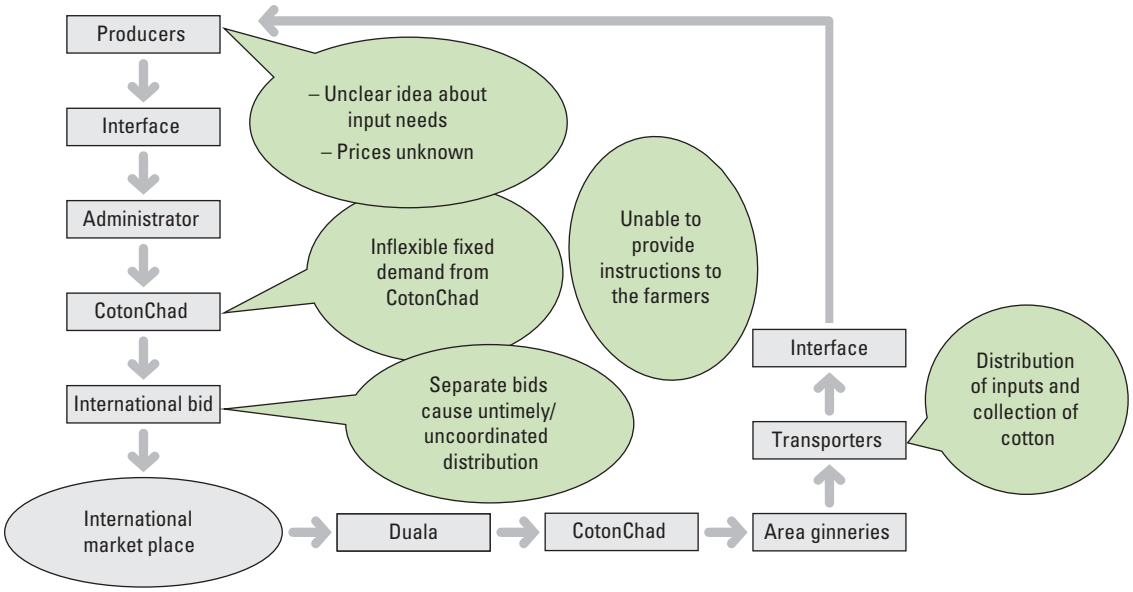
- **Producers:** Farmers are organized into production groups, which have to submit a request for inputs to "field agents" before the planting season.
- **Interface:** Requests from the farmers are submitted to the field agents—employees of CotonChad—who are then responsible for transmitting the information to their respective ginnery.

- **Administrator:** The administrator receives the information about the amount of inputs from the field agents (interface) and passes it on to the production unit of CotonChad.
- **CotonChad:** CotonChad compiles an order in the form of a competitive international bid, which, for seed supply, is based on a fixed formula.
- **International bid:** The international bid is then placed by CotonChad for different inputs at different times.
- **International market place:** The purchase of a given quantity of productive inputs takes place in the international market place.
- **Duala Port:** The Duala Port is the delivery point for these inputs.
- **CotonChad:** Once the inputs have been delivered at Duala Port, CotonChad is responsible for the coordination of transport to the area ginneries.
- **Area Ginneries:** The area ginneries receive the inputs from CotonChad and pass them on to transporters.
- **Transporters:** Inputs are transported to the villages and cotton is collected.
- **Interface:** Farmers purchase inputs from interface agents (employees of CotonChad) on credit, with the cost deducted at the end of the season when the interface agents receive cash payment for the entire amount of cotton produced by farmers.

Process mapping identified formal and informal rules and procedures. It related resources (such as, money, cotton, inputs, and information) to activities (explicit and implicit tasks). The aim was to make decision-making processes, resources, flows, and activities explicit and to identify bottlenecks and constraints, as well as opportunities for change (see figure 8.7). Using the static mapping as starting point, the process mapping traced the central flows of information, money, cotton, inputs, and decisions within each organization and between organizations. The analysis focused on the interrelations between CotonChad, farmers' organizations, transporters, and cotton-related public sector institutions.

An important final objective of process mapping is to identify the means, incentives, and mechanisms for modifying obstacles and transforming bottlenecks into opportunities for change. Through mapping the movement of critical resources (information, inputs, money, and cotton) in the production of cotton, the organizational mapping was capable of identifying major constraints for development, such as a lack of private markets for the resources and production inputs of cotton; a lack of transport, market, and communication infrastructure; organization inefficiencies that were spread throughout the vertical structure of the industry; and limited bargaining power of the farmer's organizations and their representatives.

Figure 8.7 Static and Process Map: CotonChad



Source: Authors.

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Chapter 9

Micro-Level Analysis: Understanding the Impacts of Policy Reform

Figure 9.1 Micro-Level Analysis

This chapter elaborates on the discussion in the third section of chapter 3 in part 1 of this volume by describing in greater detail tools that can be used for institutional, political, and social analysis of the micro-level impacts of reform. This chapter then summarizes case studies where research methods were effectively combined to improve the analysis of distributional impacts of reform.

Secondary Literature Review

The *systematic review method* is a tool for conducting a robust review of secondary literature. A secondary literature review is an essential methodological step in establishing what we already know from existing social, economic, and political research about the distributional impacts of similar policy decisions. The aim is to develop an answerable question, search for relevant research (and other evidence), and produce a summary of what the existing evidence tells us. This review is particularly

important in a policy analysis context when discussions take place before a policy decision is taken, and might save time and the need for primary research. However, conducting a literature review using the systematic review method might not always be possible or necessary.

Contextual Methods

A *conversational interview* is a highly interactive interview in which the interviewer reacts and shares with the interviewee. This method is usually conducted during participatory or qualitative fieldwork in order to elicit in-depth information and analysis, and is characterized by an interactive and flexible line of questioning in which the interviewer can explain and clarify meanings of questions and concepts during the conversation.

Observation—including direct observation and participant observation—is a method of gathering data, documenting, and understanding through observing people, physical objects, events, processes, behavior, actions, and interaction that actually occur. Participant observation differs from direct observation in that it blurs the boundary between researcher and research subjects. It is a method of gathering data, documenting, and understanding through observation as a member of the community or population being studied.

A *focus group discussion* is an organized discussion (with specific goals, structures, time frames, and procedures) by homogenous groups of people on a subject of interest. Focus group discussions are characterized by open-ended questioning and free-ranging discussion.

A *community-level household questionnaire* is a method of obtaining contextual household-level quantitative data for poverty impact analysis. It can be implemented at the same time that individual and group-based qualitative and participatory methods are used during community-focused fieldwork.

Participatory Methods

Participatory research, like qualitative research, tends to use more contextual methods and elicit more qualitative and interpretive information. However, participatory methods bring with them an important additional philosophical commitment to respect local knowledge and facilitate local ownership and control of data generation and analysis. In this way, participatory research can be empowering for different groups of stakeholders.

Participatory methods are by no means restricted to qualitative data output. People map, count, estimate, compare, and value using numbers during participatory research, often producing empirical insights that are very difficult to capture through conventional methods. Participatory methods are often quick and efficient, producing data in a timely fashion for evidence-based analysis and action. Through robust sampling and triangulation, participatory research can generate numerical data that are representative, comparable, and generalizable.

The CD-ROM that accompanies this *Sourcebook* presents and illustrates a range of participatory tools that can be used to facilitate local analysis of poverty and social impact in any given reform context. This chapter discusses one participatory approach to qualitative data collection and information dissemination: *consultative impact monitoring of policies (CoIMpact)*. CoIMPact is designed to assess and monitor the effectiveness of poverty-focused policies and programs on their target group. It collects data using participatory methods and combines this where appropriate with survey and other data sources. At the same time, CoIMPact focuses on the process of policy dialogue, trying to involve representatives from an array of institutions both governmental and nongovernmental, and ensuring that the results of the exercise find their way into the policy process.

Mixed Method Tools

The *household economy approach* is a method that was initially developed as a "large area" approach for food crisis and famine prediction, assessment, and monitoring, but which can be used in a wider range of contexts to inform policy making and programming. The approach combines quantitative and qualitative methods to model the rural economy using information relating to a reference year in which conditions are known, that is, a "real-time" model. The modeling procedure generates information and analysis regarding, among other issues, the economic lives and livelihoods of poor people.

Consumer assessment is a mixed method tool that has been applied to policy scenarios of utility reform in several African countries. The method (1) spatially maps social indicators, indicators of access, quality of service, formal and informal prices of services, and socioeconomic data; (2) combines this with information on willingness and ability to pay, and on consumer preferences from both qualitative and quantitative field research; and (3) for certain sectors (utilities) inputs this data into financial models of the utility in an interactive manner to inform policy choices.

Mixed Method Case Studies

Methods and data have been combined effectively in PSIAs and similar studies. The following case studies (summarized at the end of this chapter) demonstrate the descriptive and analytical added value of mixed methods:

- **Albania**. This PSIA analyzed the likely impacts of water sector reform implementation in Albania, which aims to improve efficiency and effectiveness of service provision, ensure access to basic infrastructure services, and improve targeting of the low-income population. The study combined socioeconomic household surveys, key informant interviews, and focus-group discussions, and city profiles.
- **Malawi**. The policy context for this PSIA was the proposed privatization of the Agricultural Development and Marketing Corporation (ADMARC). The study combined econometric assessments of the impact of ADMARC on household welfare with an ex-post qualitative study on the combined effect of closing markets and a decline of ADMARC's marketing activities.
- **Rwanda**. This PSIA analyzed tea sector reform in Rwanda, with its two key components of liberalization through privatization of nine of the ten government-owned tea estates and reorganization of the tea parastatal (OCIRTHE) as a regulatory board for the sector. The study sequenced methods by using qualitative tools to generate data that informed the design of the baseline survey for the quantitative analysis.
- **Uganda**. This study looked at the impact of the abolition of user fees in the primary health care sector in Uganda by focusing on access and health outcomes. The study combined time series data on outpatient attendance and immunization rates with participatory research to confirm that outpatient attendance was progressively weighted toward poorer households.
- **Republic of Yemen**. The policy context for the Republic of Yemen PSIA was that the prevailing level of diesel subsidy was not considered fiscally sustainable. With the adoption of the PRSP, some policy reform on reducing subsidies is being considered. The PSIA adopted a sequenced mixed-method approach in which participatory assessment informed the design of a household survey and complemented the quantitative analysis.

Tool Name: Literature Review—Systematic Review Method

What is it?	Systematic review is a rigorous tool to compile and assess past research on a topic of interest. Whereas traditional reviews are often selective in only including easily available studies or studies supporting certain positions, systematic reviews use the same methodological principles of analytical rigor found in primary research. They aim to answer specific questions rather than present general summaries of the literature within a given topic.
What can it be used for?	In a social analysis context, systematic review can be used to gain an overview of existing key findings on a particular topic within a country or a sector. This can guide the analytical objective of PSIA work and can hinder potential replication of already existing studies. Systematic reviews will also be able to produce and present robust findings fairly quickly to inform decision makers early on in the analytical process.
What does it tell you?	Systematic reviews provide objective, rigorous findings to questions relevant to PSIA work, for example, the impact of previous reform efforts in a given country, evidence of similar reforms in comparable countries, and social composition of different sectors.
Complementary tools	Key informant interviews
Key elements	Systematic reviews are based on methodological frameworks that are constructed prior to the review and documented in a research proposal or a protocol. The proposal should be peer-reviewed before undertaking the review. A systematic review • develops and addresses explicitly formulated questions • applies a systematic framework for identifying and selecting the literature of interest • applies a systematic framework for deducing and analyzing the data • produces a summary of what the existing evidence tells us. The review process should follow these steps: Identify the topic of interest → Develop a review proposal/protocol → Document method in report → Identify existing studies within that topic → Select the studies of relevance following the principles laid out in the protocol → Assess the quality of the studies → Collect the key information → Synthesize and summarize the findings in a report.
Requirements	
Data/information	Access to data and background information on the policy under scrutiny Detailed knowledge of the topic area by the reviewer
Time	A systematic review is time intensive and can take from 2 to 6 months, depending on scope and rigor.
Skills	Analytical skills are needed together with the necessary language skills. The biggest bias in traditional reviews stems from the reliance of studies written in English published in international journals.
Supporting software	No software needed
Financial cost	Although systematic reviews are as time-intensive as much primary research, the financial costs are likely to be lower due to the lack of need for fieldwork and supporting software.
Limitations	Backward-looking, relies on existing evidence
References and applications	Davies 2003.

Literature Review Procedure, Using Systematic Review Method[1]

Time, Materials, and Skills Needed

Conducting a literature review using a systematic review method could take up to six months, depending on scope and rigor of the research. The researcher needs analytical skills and a good knowledge of the subject area if possible.

Possible Approach

Step 1: Formulate an Answerable Research Question. When identifying the subject for a literature review in a PSIA context, a central question should be proposed that addresses the policy intervention about which evidence is being gathered, the population and sub-groups that the policy might affect, the intended policy outcomes, and the context.

Step 2: Search for Relevant Studies and Literature. Plan a strategy for searching for relevant literature from appropriate electronic/internet sources; appropriate print sources (such as journals, textbooks, research documents); and "grey" (unpublished) literature.

Step 3: Critically Appraise the Literature Found. Establish criteria for including or excluding primary studies and then assess the literature for quality and validity based on its appropriateness to the questions, populations, and outcomes being addressed as well as the evidence of selection, performance, attrition, or detection bias in primary studies.

Step 4: Systematically Extract Data from the Literature. Plan a strategy for extracting data from the literature that meets the criteria established. The strategy should include a data collection form recording how and why data were extracted from included studies; information about the characteristics of included studies; verification of study eligibility for the review; details of study characteristics, methods, participants (that is, populations and subgroups), interventions, outcomes, and findings; and a reliability check for data collection/extraction.

Step 5: Analyze and Present the Findings. Analyze and present the findings of the included studies by addressing the following questions:

- What comparisons should be made (for example, by interventions studied, participants included, outcomes measured)?

- What *study results* are needed for each comparison?
- What assessments of validity are to be used in the analysis?
- Is other data or information needed from authors of studies included in the review?
- Do the data from different studies need to be transformed for the review's analysis?
- How is the heterogeneity/homogeneity of studies to be determined?
- Is a meta-analysis of findings possible?
- What are the main findings of the review?
- What are the likely effect sizes of the proposed policy intervention, net of the counterfactual?
- What are the main caveats and qualifications of the findings of this review?

Step 6: Interpret the Findings. When interpreting the findings of the review, the following questions should be addressed:

- What is the *strength of the evidence* from the review?
- How applicable are the *results of the review* to "real life" policy and practice?
- What does the review say about the *costs and benefits* of the proposed intervention?
- What trade-offs are suggested by the review between expected *benefits, harm,* and *costs* (*including opportunity costs*)?
- What *mediating factors* emerge from the review that might affect the implications for policy and practice in different contexts?

Step 7: Summarize the Implications for Policy and Practice. Once the findings have been interpreted, the key messages and implications for policy making or implementation should be summarized clearly and succinctly. Important messages regarding future research needs in the area covered by the literature review should also be summarized.

Points to Remember

While conducting a literature review using the systematic review method allows for a clear procedure to be followed, it might not always be either possible or necessary.

Literature Review Case Study: PSIA of the Tanzania Crop Boards Reform

The PSIA of the Crop Boards Reform in Tanzania used a mixed-method and sequenced data collection approach (Beddies et al. 2006). This approach was used to gain incremental in-depth insights and used both primary data (qualitative and quantitative) and secondary data.

A multidisciplinary team of six consultants, four of whom were Tanzanian nationals, with expertise in local knowledge, agronomy, rural development, institutional economics, and social analysis, conducted the study. This approach was essential for drawing on local expertise.

Identifying analytical gaps, the team conducted a literature review that drew heavily on analytical work previously conducted by the World Bank's Development Economics Department (DEC) on constraints to the development of Tanzania's main agricultural crops.

The study was conducted in several phases and the review of key document and secondary data analysis informed the design of subsequent research methods and tools. This was key to building up incremental knowledge of the different crop industries and also enabled the process to be flexible enough to adapt the data collection and analysis to new insights and implementation issues.

Tool Name: Conversational Interview

What is it?	A conversational interview is highly interactive; the interviewer reacts and shares with the interviewee.
What can it be used for?	• exploring individual differences in opinions, experiences, and perceptions • exploring sensitive issues unlikely to be discussed publicly, even in small groups (such as focus group discussions)
What does it tell you?	In-depth personal information and experiences regarding a subject
Complementary tools	Participatory ethnographic evaluation and research (PEER)
Key elements	• open-ended questions • can occur spontaneously during fieldwork • highly individualized and relevant to the interviewee • wording of questions and topics are not necessarily predetermined • questions arise from the immediate context of the conversation • interviewers can explain and clarify meanings of questions and concepts during the conversation (unlike standardized interviews)
Requirements	
Data/information	Access to data and background information on the policy under scrutiny Detailed knowledge of the topic area by the interviewer
Time	Up to 45 minutes (maximum)
Skills	Strong interpersonal skills
Supporting software	No software needed
Financial cost	Conversational interviews are usually conducted within participatory or qualitative fieldwork module that can range between $30,000 and $100,000, depending on sampling protocol and geographical coverage of the research.
Limitations	• Interview is not systematic or comprehensive. • Interviewers can lead and/or mislead interviewees. • Interviews collect different information from different people. • Data are difficult and time-consuming to analyze.
References and applications	Conrad and Schober 1999; Options 2004; Roche 1999; Sewell n.d.

Conversational Interview Procedure

Time, Materials, and Skills Needed

The time for the interview is very variable and will depend on the context and needs of the research as well as the time that the interviewee has available. Try to allow enough time to explore all of the issues that arise or are important, but do not try to drag out a discussion if it has come to a natural end before the time planned and analysts feel there is nothing more they wish to talk about. The interview should not exceed 45 minutes.

A tape recorder might be useful to record the actual discussion, but make sure that the local analyst has given prior consent for it to be used. Paper and pens will be needed to note what is said during or (preferably) after the conversation.

Possible Approach

The following approach is a general example that can be adapted to suit the local context, views of local analysts, and the research objectives.

Step 1: Select Interviewees. The method used will depend on the purpose and needs of the research. Selecting interviewees can be done through purposive sampling or even through random chance meetings. Another selection method used is for interviewers to select a small number of people from within their own social network.

Step 2: Introduce and Explain. The interviewer should begin with a personal introduction then ask if the local person would mind talking with the interviewer. Explain the purpose of the interview and how the information gained will be used. If appropriate, a subject or issue of interest can be raised at the start.

Step 3: Conduct a Conversational Interview. The interview follows the form of a free-flowing conversation. There might be some key areas or issues that the interviewer wishes to talk about, but the responses to the questions should guide the flow of the conversation.

Ensure that the discussion is being held in a convenient, comfortable place where interruptions can be avoided. It might be appropriate or necessary to provide refreshments or childcare facilities for the analysts.

The interviewer should have a good knowledge of the area being discussed. Recording of the interview can be done on a tape recorder (providing that the interviewee has given prior consent) or by just writing down a few key words as a

reminder of what has been said. Try to keep note-taking to a minimum during the interview, then write up notes more fully afterward. The method will depend on the context and requirements of the research.

In some cases, the phrasing of the questions might need to be considered carefully. For example, when the topic of conversation is particularly sensitive, it might be appropriate not to ask interviewees about themselves directly but rather to talk about "what other people like them" say or do. Think carefully about how questions should be phrased.

Conversational interviews allow for questions to be clarified with the interviewee. Encourage the interviewee to ask what exactly the question is asking so that a shared and common understanding is developed.

Step 4: End the Discussion. When the discussion comes to a natural end, or time that can be spared by the interviewee is almost over, stop the conversational interview. Check again that the interviewee knows how the information discussed will be used, and clarify any matters concerning confidentiality. Thank them for their time and effort.

Step 5: Analyze Data from a Conversational Interview. Analyzing the qualitative data from conversational interviews can be difficult and relies on strong social analytical skills on the part of the interviewer. The information gained will be wide-ranging and might cover many different issues and areas. Identifying and linking themes, and drawing out causes and effects, can be helpful in framing the analysis process. Make a note of quotes that illustrate or support particular points of analysis.

The method used for analysis depends on the purpose of conducting conversational interviews.

Points to Remember

Good social and conversational skills are key. The approach outlined above is a general guide; be flexible and adapt to local contexts and needs. Allow a free-flowing conversation to take place.

Conversational Interview Case Study: Participatory Ethnographic Evaluation and Research, Cambodia and Myanmar

Conversational interviews have been used as part of a participatory ethnographic evaluation and research (PEER) approach in Cambodia and Myanmar to help inform program design by gaining an in-depth understanding of the sexual partners and clients of informal sex-workers.[2]

Training for participatory evaluator/researchers (PERs) was provided to 10 beer promotion women and karaoke waitresses (Cambodia), 15 sex-workers (Myanmar), and 24 students (identified as one client group of informal sex-workers) in each country. During the training the PERs identified the main areas in which they would conduct in-depth interviews with their peers and developed appropriate interview prompts. Interviews and prompts were field-tested and revisions made before starting data collection.

During the data collection, the PERs were supervised on a weekly basis. PERs identified a small sample of people (three to six) from their social network to interview. Each sex-worker conducted four conversational interviews with three to four individuals from their peer group, which produced 220 interview narratives. Each student conducted three conversational interviews with four to five individuals from their peer group, which produced 120 interview narratives. Interviewees were not asked directly about themselves but rather about "what other people like them" do or say. This phrasing was to help maintain confidentiality given the sensitive nature of the topic.

During the interviews, PERs wrote down just a few key words to remind themselves of the interview. Supervisors interviewed the PERs every one to two weeks about the interviews they had conducted, and wrote detailed notes about their interviews with PERs. After the data collection, an experienced social researcher interviewed the PERs and produced a detailed report. The supervisors' notes were used as secondary data. PERs also conducted their own analysis and identified key issues, lessons, and possible changes to the tool.

The process showed that nonliterate PERs were able to conduct probing interviews and accurately recall the details later. The conversational interviews conducted by sex-workers produced in-depth information on the social organization of sex-work and informal sex-work; power structures; the categorization of client and non-client partners; condom use; and health and health-seeking behavior.

The conversational interviews conducted by students led to in-depth data on social networks and peer groups; risk behaviors and risk perception; sexual behavior and classifications of sexual partners; and health and health-seeking behavior.

In Cambodia, the results were used to design a social marketing campaign to address condom use with "low-risk" partners; in Myanmar, the results were used to inform programming initiatives.

The sex-workers were very motivated during the whole process; the participatory nature of the approach and the development of mutual trust between PERs and supervisors contributed to this motivation. The approach also enabled sex-workers to become more engaged in the design, implementation, and monitoring of programs.

Tool Name: Observation

What is it?	*Direct observation* is a method of gathering data, documenting and understanding through observing people, physical objects, events, processes, behavior, actions, and interactions. *Participant observation* involves observation as an accepted member of the community or population being studied.
What can it be used for?	• gathering basic socioeconomic information on households and/or communities, rapidly and economically • cross-checking information; triangulation • assessing quality of relationships between people or groups • collecting data on the different uses (including conflicting uses) of an area
What does it tell you?	• detailed information on observed phenomena of interest • deep insights into behavior and reasoning
Complementary tools	Direct observation is an integral part of contextual and participatory research. Participant observation usually occurs as part of a longer-term ethnographic study in which trust is built with community members.
Key elements	Observation enables data to be elicited on activities, behavior, and relationships directly and therefore without the additional interpretive step introduced by interviews or questionnaires.
Requirements	
Data/information	• Access to data and background information on the policy under scrutiny • secondary data on subject of observation
Time	Time required depends on various factors (such as size of population, what is being observed). Participant observation in particular tends to require a long lead in time of gaining trust with community members.
Skills	Observation and accurate recording skills; interpersonal and communication skills; ability to select relevant and important factors in relation to the subject of observation and research needs
Supporting software	No software needed
Financial cost	Observation is usually conducted within a participatory or qualitative fieldwork module that can range between $30,000 and $100,000, depending on sampling protocol and geographical coverage of the research.
Limitations	Ethical issues are raised regarding the observation of people who might be unaware they are being observed. The presence of an observer might influence behavior, proceedings, or occurrences and affect results. Observations are subject to bias and selective perceptions and might differ substantially between observers. The level of mutual trust and respect between observers and observed can affect results. Observation can be resource- and time-intensive and therefore limited in sample size. Observation generally needs to be used in connection with other techniques of information gathering.
References and applications	Forestry Commission 2004; Fox 1998; Garson n.d.; Northern Arizona University 1999; Rauterberg n.d.; Rennie and Singh 1995; Rimkus 2003; Roche 1999; Sociology Central n.d.; USAID 1996a; Vagt-Traor 2003.

Observation Procedure (Direct Observation)

Time, Materials, and Skills Needed

The time required for direct observation is dependent on the research needs and the people or community being observed. More detail will probably require more time.

A video recorder might be useful to record the actual discussions and activities, but make sure that the people being observed have all given prior consent for it to be used. Paper (or recording sheets) and pens will be needed to note what is observed.

Observers need to be able to accurately record their observations and to be as objective as possible.

Possible Approach

The following approach is a general example that can be adapted to suit the local context, views of local analysts, and the research objectives.

Step 1: Select Subjects of Observation. The methods of selecting subjects for direct observation are varied and dependent on the needs and purpose of the research. It might be that only particular individuals within a community need to be observed, or it might be that all the interactions and activities by all people in a particular place are to be observed.

Conducting an effective direct observation of an individual person or people within a community or group requires gaining access to their environment; therefore the appropriate and necessary permission must be obtained. The principle of "informed consent" is critical when using direct observation methods.

Permission might also be required from people who are not being directly observed (for example, people in the same location or area, or people in authority who may need to give permission for observers to be in a particular area). In some cases the permission might not be formally needed but it might be appropriate to approach people such as community leaders or elders to ask their permission.

Step 2: Introduce and Explain. The observers should introduce themselves to the people being observed and explain clearly the subject and objectives of the observation. Check that people understand and feel comfortable with the observation and that any issues of confidentiality are discussed. Establishing a rapport is very important because the presence of observers might generate some anxiety among those being observed.

Step 3: Conduct Direct Observation. In direct observation, the observer does not become involved in the situation being observed or assessed. The observer merely

records what is seen or heard, which can be done using one, or more, of the following means:

- observation guides that provide space for recording observations
- recording sheets or checklists to record observations (such as yes/no options or rating scales to indicate extent or quality of something)
- field notes that record observations in a narrative, descriptive style
- images recorded by photographs and/or videotapes (particularly useful for activities that are very physical).

The level of detail regarding what is recorded should be established. The observation might be completely unstructured and observers could record all of their impressions during the observation.

Alternatively, time and resource constraints might mean that the observation must be selective (for example, looking at a few activities, events or phenomena that are central to the study). In this case it might be more useful if it is more structured and events are recorded and grouped as belonging to a particular discrete category (for example, of behavior or action) that has been pre-identified. Categories depend on the intended use of the data, with broad categories being useful in some contexts and narrow, detailed categories more useful in others.

It is also important to keep in mind the purpose of the research and the information that needs recording. Exactly what is recorded will depend on the research requirements. Some or all of the following examples might be required:

- **Setting**—a descriptive (that is, not interpretive) narrative about the setting (for example, locality, room, environment); record the relations of people to their physical environment as they perceive it, not as the researcher conceptualizes or even experiences it.
- **Human and social environment**—characteristics of the subjects (such as gender, ethnicity, age); patterns, frequency, direction of interaction and communication; and decision-making behaviors (such as who initiates it, who makes the decision, and type/manner of communication)
- **Experiences of people under contrasting social circumstances**—meanings cannot be assessed under one set of circumstances because they are relative to the setting.
- **Activities and behavior**—who initiates activity and how; what are other people's verbal and nonverbal reactions; what happens at each step of the activity; who is involved; who is present; how do people communicate with each other?

- **Informal interactions and unplanned activities**—what happens during free/unstructured time during a planned activity; who talks with whom; what do people do?
- **Language**—determining vocabulary concepts is a major focus of observation. It demonstrates the inter-subjective meanings of critical terms. Record the forms of language, jargon, and communication that different people use. Record the labels that people use for different types of individuals, organizations, objects, or concepts that affect them.
- **Nonverbal communication**—body language, facial expressions, and customary accepted ways of greeting.
- **Documents**—collect documents (such as policy manuals, training materials, and minutes of meetings) to compare reality in the field with documented information.
- **Reactions**—what does not happen? What happened that was not expected? Record how people react.

There might be much additional information that can be recorded. Collect a wide variety and type of information from a variety of perspectives. This variety can aid cross-checking and triangulation. Do not try to depend on remembering details; although making mental notes might be necessary, ensure that accurate and detailed field notes are made as quickly as possible using written or jotted notes, photographs or videos, a dictaphone, or other suitable means.

More structured observation enables subjectivity to be reduced and more valid comparisons to be made when there is more than one observer. Recording sheets should list all required observations and provide space to record observations. They can help standardize the observation process and enable better aggregation of data. Ensure that all the important items are covered but also keep forms as simple as possible and provide adequate space to record additional observations for which response categories have not been determined. Ensure that all observers know what they are recording and the criteria to be used.

Ensure that the timing of the observation is suitable for the research needs and for the people being observed. For example, an inaccurate analysis might occur if credit institutions are observed during the non-planting season when they receive fewer loan applications from farmers for agricultural inputs. People also have routines that they follow, so observation periods should reflect these appropriately. The length of observation periods also needs consideration. Observers need to be able to concentrate and might need regular breaks to maintain the high level of concentration.

It is important that the detailed notes are rich and descriptive. Avoid oversummarizing and interpretation by using exact quotations from people to capture their perceptions, experiences, emotions, and so on, in their own words. Observers should also include their own observations, experiences, thoughts, and feelings. Be

as unobtrusive as possible when observing. Try not to draw attention when writing notes or taking photographs because this might alter behavior, actions, or processes being observed.

Step 4: End the Observation. When the observation period is over, check again that the people under observation know how the information gained will be used; clarify any matters concerning confidentiality. Thank them for their time and effort.

Step 5: Analyze Data from Direct Observation. Resources and time needed for the analysis of raw data from direct observations vary according to what is being observed (such as behavior, activities, physical objects, and so on), the degree of detail recorded, and the method of recording. It might be suitable, for example, just to count frequencies and durations for different categories of events that have been recorded on a standard form. However, more full analysis of interactions recorded on video might need more time and different techniques to provide valuable insights.

Points to Remember

The approach outlined above is a very general guide; be flexible and adapt to local contexts and needs. Make sure that you cut your observation and analysis by gender and other significant "faultlines." Try to reduce subjectivity where necessary, but also use subjective observations where possible and useful.

Direct Observation Case Study: Primary Health Care Services in the Philippines

Structured direct observation was used in the Philippines to help identify deficiencies within the primary health care system (USAID 1996b). Evaluators prepared direct observation forms that covered the activities, tasks, and subtasks that health workers should do in health clinics to achieve clinical objectives. To reduce time, the forms were close-ended and most observations could simply be ticked or checked off. Eighteen health units in a "typical" province were selected. These included samples of high, medium, and low performing units in terms of key child survival outcome indicators.

The evaluation team members were able to identify and quantify many problems that the government needed to address. These problems included the fact that numerous errors were made in weighing children and plotting their growth. Also, in 90 percent of the cases, health workers failed to explain to mothers the results of child weighing and growth plotting, which reduced the opportunity to involve mothers in the nutritional care of their child where follow-up treatment was needed at home.

The use of close-ended observation instruments in this research helped to increase the reliability and consistency of the data, which should help increase the credibility of the data and findings among stakeholders.

Tool Name: Focus Group Discussion (FGD)

What is it?	Focus group discussions are organized with specific goals, structures, time frames, and procedures by homogenous groups of people on a subject of interest.
What can it be used for?	• understanding local perceptions of a particular subject or topic • exploring specific subjects in depth • enabling those who cannot normally speak at large meetings to express their views • gaining baseline information • gathering data and laying groundwork for other methods FGDs might be appropriate for particularly sensitive issues and topics.
What does it tell you?	• people's beliefs, attitudes, and opinions on a subject • differences and similarities in views between different homogenous groups of people
Complementary tools	Participatory visual tools (including mapping, scoring, and diagramming)
Key elements	• open-ended questions • free-ranging discussion about the subject or issue
Requirements	
Data/information	Detailed knowledge of the subject area by the facilitator, which will inform the choice of theme and purposive sampling of focus group participants.
Time	1.5 to 2.0 hours (maximum)
Skills	Good group facilitation skills
Supporting software	No software needed
Financial cost	FGDs are usually conducted within participatory or qualitative fieldwork module that can range between $30,000 and $100,000, depending on sampling protocol and geographical coverage of the research.
Limitations	• Pressure within groups to conform to the norm might lead to opinions not being expressed (conformity effects). • FGDs cannot be used to generalize and make statements about the wider community or population. • Analysis of data can be complicated depending on needs. • High skill levels are required for both facilitators and note-takers.
References and applications	Dawson, Manderson, and Tallo 1993; DFID 2002; Fitzgerald 2000; Gosling and Edwards 1995; Roche 1999; Sherraden et al. 1995; Sontheimer et al. 1999.

Focus Group Discussion Procedure

Time, Materials, and Skills Needed

About one and a half hours (maximum two hours) should be allowed for a focus group discussion to ensure a full discussion occurs with local analysts. The time should be sufficient to explore all the relevant issues in depth, but remember that local analysts might not be able to spare much time. Do not try to drag out a discussion if it has come to a natural end before the time planned and analysts feel there is nothing more they wish to add.

The discussion group will consist of facilitator, observer/note-taker, and selected local analysts. The facilitator and observer/note-taker should be experienced in both the principles behind the use of focus group discussions and in their practical use. The facilitator should be able to keep the discussion on the subject and prevent individuals from dominating the discussion. The observer/note-taker should be able to record accurately what is said during the discussion and also to make observations regarding the participation and behavior of analysts (for example, if some analysts are not saying anything or if one person is trying to dominate the discussion).

A tape recorder might be useful to record the actual discussion, but make sure that the local analysts have given prior consent for it to be used. Paper and pens will be needed to note what is said during the discussion.

Possible Approach

The following approach is a general example that can be adapted to suit the local context, views of local analysts, and the research objectives.

Step 1: Select Local Analysts. The most common method of selecting local analysts for a focus group discussion is through purposive sampling. Decide which key population groups might have different views on the subject of the discussion. This could mean categorizing the population by social characteristics (such as age, gender, income, ethnicity, and so on) and/or identifying any specific groups (such as the unemployed, upland farmers, female heads of household, and so on) that are relevant.

Once the key population groups have been identified, purposive sampling of the subpopulation (that is, people belonging to the key population group) can be used to select the actual local analysts to take part. Local analysts should have the theme of the discussion explained to them and asked whether they are interested in contributing.

Groups should be composed of 6 to 12 participants. Larger groups might be more difficult to control and ensure that all local analysts can contribute freely. One or two

individuals might also dominate smaller groups. Ensure that, although the groups are homogenous, they do not include analysts who are close friends, because this might reduce independent thinking and expression. Triangulating the findings from one focus group with one or two additional focus groups held with different participants from the same sub-population will increase the trustworthiness of those findings.

Step 2: Introduce and Explain. When working with each focus group, the facilitator and observer/note-taker should begin by introducing themselves and explaining carefully and clearly the subject and objectives of the discussion. Check that the local analysts understand and feel comfortable with what is going to be discussed.

Step 3: Facilitate a Focus Group Discussion. Ensure that the discussion is being held in a convenient, comfortable place where interruptions can be avoided. It might be appropriate or necessary to provide refreshments or childcare facilities for the analysts.

The facilitator can use an interview guide to provide an overall direction for the discussion. The guide should provide the topics and issues that should be covered at some time in the discussion, but it should not be tightly structured or suggest potential responses. The guide should not be like a survey instrument that is followed in detail. Think of the questions that need answering and try to proceed logically from topic to topic. Limit a single focus group to two or three main ideas or issues.

The questions should be open-ended, short, and clear. Remember, however, that the order might need changing during the discussion and be flexible about this. Where possible, it might be sensible to include the important research questions earlier in the guide. Follow the guide to ask the broad, open-ended questions and give the local analysts enough time and opportunity to talk about their opinions and experiences. Probe for additional information where necessary. Try to keep the discussion focused on the subject, but allow the analysts to lead the discussion in new directions if they arise and they are relevant to the subject. This change in direction might highlight new information that can be incorporated into question guides for future focus groups. Review the guide after the discussion and make any changes to content or order that will improve it for the next discussion.

Step 4: End the Discussion. When the discussion comes to a natural end, or the time allocated is near, ask whether there is anything else that the analysts wish to discuss. Check again that the local analysts know how the information will be used. Ask the analysts to reflect on the advantages, disadvantages, and the analytical potential of the tool. Thank them for their time and effort.

Step 5: Analyze Data from a Focus Group Discussion. The discussion is recorded by the observer/note-taker. This might be on a tape or video recorder if the local

analysts agree, but should also be written. Producing an accurate written record takes skill; it might help to use a standard recording sheet similar to the question guide so that responses can be noted alongside the main questions.

Analyzing the data from focus group discussions can be done at various levels depending on the objectives and requirements of the research. The data can be analyzed thematically or by coding key words and using software packages to systematically analyze comments from focus group discussion to generate quantitative data on the content of discussions. However, care should be taken when generating quantitative data from focus group discussions and limits should be appreciated.

Points to Remember

Good facilitation skills are key. The approach outlined above is a very general guide; be flexible and adapt to local contexts and needs. Do not generalize and attribute findings from focus group discussions to a whole population.

Focus Group Discussion Case Study: Focus Groups for Designing HIV/AIDS Interventions

A team designing an HIV/AIDS activity in Kenya needed to gain a deeper understanding of various issues and constraints related to the epidemic. They conducted focus group discussions (FGDs) with potential target groups and service providers. FGDs were conducted with people living with HIV/AIDS, youth, groups providing counseling and testing services, groups providing home-based care, business leaders, and religious leaders (DFID 2002).

The focus groups enabled the team to learn valuable information regarding HIV/AIDS-related problems, opportunities, and constraints; and also enabled the local analysts in the groups to learn more about common problems they faced and possible solutions. For example, the groups providing counseling and testing services all found they faced critical issues regarding protecting the confidentiality of HIV-positive clients. They were able to exchange ideas about how they might address this issue, which were integrated into the design during the logframe development workshop through an activity output dealing with improved counseling and testing services.

During an ex ante poverty and social impact assessment, FGDs could be used to explore the potential impacts of a policy or program on different groups of stakeholders and the findings could then be incorporated into policy or program design.

Tool Name: Community-Level Household Questionnaire

What is it?	This questionnaire is a method of obtaining contextual quantitative data for poverty impact analysis.
What can it be used for?	• incorporating localized, contextual indicators (such as subjective assessments of poverty) into household surveys for poverty analysis • assessing the importance for general policies to pay attention to the heterogeneity of local conditions • defining, measuring, and accurately interpreting income, standard of living, and poverty • providing a check on standard procedures of measuring poverty to ensure that they are not misleading • examining whether and why common paradigms at the national level apply to particular locations, and whether and why specific policies proposed for, or implemented at, the national level are appropriate in that particular locality
What does it tell you?	• the level of importance of "the average at the local level" • the meaning, identification, and determinants of poverty using selected indicators • underlying mechanisms affecting the incidence and severity of poverty that might be concealed in larger surveys • details on poverty duration (which is particularly difficult or impossible to address when using large-scale survey data that do not attempt to follow individuals or households over time)
Complementary tools	Conversational interview, observation, focus group discussion, participatory tools (including mapping, scoring, and diagramming)
Key elements	A questionnaire instrument but developed to probe contextual characteristics, including demographic and social variables, income/consumption data, and employment data
Requirements	
Data/information	Access to data and background information on the policy under scrutiny. Being a survey instrument, the only data required is for developing the survey sampling frame. This data can be extracted from recent household surveys, with key informant information additionally important for sampling decisions (Wilson 2000). It is useful to include a set of core variables that fit with larger survey instruments to analyze the extent to which the community is representative of larger populations.
Time	2 to 3 months, with repeat visits
Skills	Training in empirical research; qualitative social research skills are important if the questionnaire is sequenced with qualitative methods
Supporting software	Spreadsheet software for data entry and analysis
Financial cost	Depending on the sample size, $30,000 to $100,00 per round.
Limitations	A local or community-level study does not have the scope of a larger survey, so awareness of any special conditions in a particular locality that might make it a misleading example is required. Care must be taken in generalizing what has been learned in a particular locality or community to other areas or to the national level. Existing data at the community level might not be available and therefore may require new surveys to collect data. Problems exist in using the household as a unit of analysis in longitudinal studies because households often change in composition.
References and applications	Buck, Ermisch, and Jenkins 1995; Dercon 2004; Gopakumar and Balakrishnan n.d.; Hentschel 2006; Lanjouw and Stern 1991; Roche1999.

Community-Level Household Questionnaire Procedure

Possible Approach

Step 1: Determine Sampling Procedures. In common with conventional survey-based research, contextual household questionnaires can follow sound sampling methodologies to establish the reliability and generalizability of the data generated. Random, or probability-based sampling removes the influence of the researcher by ensuring that every household within the sampling frame has an equal chance of being selected.

Noncontextual household surveys tend to seek the norm or average response in each community covered by a survey sampling procedure. Contextual household surveys can effectively capture the variability within each community by stratifying the population "universe." This "random-stratified" sampling methodology first stratifies communities based on social variables, such as livelihood type or cultural group, that might be significant to the policy or project context, then randomly samples individual households within each stratum.

Household surveys can also generate a longitudinal panel data set where the same households are revisited. Although very useful for tracking and attributing change over time, issues of attrition, through aging and household mobility, will need to be addressed through periodic refreshing of the panel sample.

When contextual survey data are aggregated above the community level, it can be difficult to infer how generalizable the observed trends and patterns are. In many cases, we can increase the generalizability, and therefore the usefulness, of context-specific data—both qualitative and quantitative—by applying robust sampling procedures in community selection. Certainly, sampling protocol demands that as a first step, survey designers should try to work in a relatively large number of communities to make reasonably precise generalized inferences that are representative of the (larger) population of interest. Contextual household surveys will be conducted in communities that have been identified for in-depth contextual research and will often be conducted alongside participatory, group-based methods. In many cases, therefore, the number of sites chosen will be relatively few because of the time and resource constraints associated with in-depth research.

In cases of research in a small number of sites, the best survey analysts might be able to do is to "fit" the qualitative and quantitative data from the sites to a larger target population, eliciting data for a small core of variables in the contextual household survey that can be matched with the same set of variables in an existing larger scale survey instrument.

Step 2: Design the Questionnaire.[3] The first decision needed in the design of a questionnaire is its scope, that is, the policy areas to be covered. In the context of a PSIA of

a particular policy proposal or implementation, this scope might be pre-determined. If the policy areas to be covered are very wide, then to cover them adequately, the questionnaire might have to be long, which could result in pressures on time and budgets as well as placing a higher burden on respondents. However, if the scope is too narrow, then data from and changes in different areas might not be covered.

When generating longitudinal data through a series of survey rounds over time, researchers need a core set of questions that address the key policy research area and that can be repeated in each round. For example, in research focused on poverty dynamics, questions could aim to collect data on variables such as household size and composition, occupation, age and education level of household head, per capita consumption expenditure, asset ownership (land, livestock, and so on), distance from major public services (market, banks, and such), and other relevant variables. Think about the wording and ordering of questions to avoid bias. Focus the questions on simple indicators related to poverty and the policy focus of the research. Changes in the wording of these questions in future rounds should be avoided where possible.

The questionnaire should also gather data on how and when respondents came to be in their current position in life, for example, data on when changes in status (for example, labor force status, marital status) occurred. Questions should also collect information regarding the changes between each survey round as well as the situation at the time of each survey. This can help establish the ordering of events and changes as well as provide information on multiple changes that might occur between survey rounds.

If the issues in the questionnaire are sensitive (for example, income, wealth, and so on) then the wording of questions will need to reflect this nature and make clear to the respondents that they should not feel under any obligation to answer if they do not wish to do so. While this policy might lead to high nonresponse rates, it might also help reduce high attrition rates where respondents drop out of future rounds because of sensitive questions. Attrition rates are, however, likely to be highest between the first rounds, so it is important to obtain as much data as possible during these rounds through the use of sensitively worded questions.

The questionnaire design issues should be fully resolved before the first round through appropriate pre-testing and refining. During pre-testing, ensure that the questionnaire does not take more than one hour to complete; ideally it should take much less time in order to reduce the number of drop outs. The questionnaire should also be in the local language to obtain accurate information and avoid misunderstanding by respondents. Also, include a brief introduction in the questionnaire that explains to the respondent the exact purpose of the research, the time it might take, that they will be asked to participate again in the future rounds, and that they should feel no obligation to answer any questions about sensitive issues.

Step 3: Gather Data. The survey should be conducted by local independent researchers/enumerators who have received adequate training. Using local enumerators should help increase community acceptance and reduce any potential language barriers. Ensure that the number of enumerators is adequate for the number of respondents, time frame, and budget. If the survey is being conducted in more than one site, then try to ensure that it is conducted simultaneously in the different areas if possible, especially if the data being collected are liable to change rapidly over a short time period (for example, prices of goods in a high inflation context).

Step 4: Analyze and Use the Data. The form of analysis will depend on the data gathered and the purposes of the research. The data can be compared with nationally representative data (if available) to assess relative differences and degrees of change between the national level and the community. In the context of a PSIA, this might highlight the appropriateness of a particular national policy at the local level and the different local impacts compared to the predicted national impacts.

Step 5: Disseminate the Findings. Findings from the research should be disseminated—as much as possible—within the communities from which the data were obtained. This dissemination should be in a local language or in a form that is easily understood by all community members.

Community-Level Questionnaire Case Study 1: A Village Household Survey in Palanpur, India

Community-level household questionnaires and panel data have been used in the village of Palanpur in northern India to examine the definition, identification, and determinants of poverty (Lanjouw and Stern 1991). Data from four detailed surveys conducted in Palanpur in 1957–58, 1962–63, 1974–75, and 1983–84 were used together with data and observations recorded on frequent visits to the village from 1974–75 onward. The data were used in the measurement of living standards (using measures that did not go beyond the available data from the early survey years) and concentrated on two indicators of standard of living—apparent prosperity index and income per capita, both current and "permanent"—to examine who were the most vulnerable; to investigate poverty and household characteristics (such as the incidence of poverty among households in relation to economic, demographic, occupational, and caste characteristics); to examine the determinates and correlates of poverty; and to investigate mobility and the distribution of income (with data for the four surveys collected in a way that enabled individual households to be followed over the whole period).

The emphasis of the research by Lanjouw and Stern (1991) was on asking, "Who are the poor?" This required clear definitions of poverty that can be used in applied analysis and an identification of who the poor are under the different definitions. The research findings had implications regarding how policies can be designed so that the standard of living of the poor is improved and in answering questions about the costs and efficiencies of different possible policies.

Community-Level Questionnaire Case Study 2: A Rapid City Household Survey in Cali, Colombia

With the need to design local antipoverty strategies comes the need for local information. Such local information has at least two dimensions. One is to obtain quantitative data on poverty, its distribution, and relationship to factors such as service access, the labor market, education, or health. The second is to obtain feedback from the population, and especially the poor, on their satisfaction with current public (and private) programs as well as to assess priorities for future local policies, including public spending.

In urban planning, a rich tradition exists to employ random sample, representative city surveys to examine research and policy questions in sectors such as health, environment, housing, water, electricity, transport, and urban livelihoods. This case study describes the implementation and use of a rapid, integrative city survey in Cali, Colombia, to meet such local information needs (Hentschel 2006). Cali, the second-largest city in Colombia, has more than 2 million inhabitants.

The rapid survey was an input into the design of a comprehensive development strategy for the city, which was undertaken by the Municipality of Cali with support from the World Bank. Requirements of the survey were that it had to be designed and implemented rather quickly to feed into the process of strategy formulation and that it had to be relatively moderate in cost so that the municipality would be able to field it as a monitoring survey out of its own budget in the future. Given these restrictions, it was to be as comprehensive as possible, catering to the need for quantitative information on poverty as well as for more qualitative information on perceptions and priorities.

The survey instrument consisted of nine different modules covering the household, housing and living conditions, education, health, nutrition and childcare, transport, labor market, budget priorities, and civic participation. The survey covered 1,912 households (8,461 individuals) in the city, and was representative of five areas and socioeconomic strata as defined by the Colombian statistical institute. The sampling frame used was that of the last Colombian census (1993), which was

updated with the latest local area population estimates provided by the statistical institute. Based on that sampling frame, area selection and determination of the number of households per area was designed so that representative results could be drawn for socioeconomic strata as well as by geographical areas.

The survey results proved insightful for local policy formulation in four areas. First, the survey collected information on a variety of poverty characteristics that produced, in part, surprising results about the existence of hunger in the city and the pattern of unemployment. Second, using the quantitative data, the survey allowed the research team to match the geographical distribution of expenditures in the city with the distribution of poverty at the submunicipal (*comuna*) level. A strong antipoor bias for all expenditure categories emerged. Third, combining the qualitative and quantitative information, the researchers found that service satisfaction levels of the population varied significantly across services, but very little by income group. This variation was important because it allowed for the development of broad, integrative social policies. Fourth, budget priorities of the population showed clear winners and losers, with education and health at the top, and sport arenas and police at the bottom of the list of services deserving more funding. The large and costly metro project—a cornerstone of Cali's development plan at the time—was given a rather low priority rating by the population.

Community-Level Questionnaire Case Study 3: The Citizen Report Card Survey in Mumbai, India

Public services are the lifeline for low-income households, especially those living in urban slums. The city of Mumbai, India, is estimated to have a population of 12.5 million, of which 5.5 million are believed to be living in slums. Slum dwellers occupy nearly 12 percent of the total housing area in the city. The population density in the slums is a phenomenal 24,300 people per square kilometer; an average of five persons share a dwelling space of an average size of 15 square meters.

The Citizen Report Card (CRC) tool was developed by the Public Affairs Centre, based in Bangalore, India, by transplanting the market research techniques that are widely prevalent in the private sector into the public arena (Gopakumar and Balakrishnan n.d.). The methodology envisages the following objectives:

- to generate citizen feedback on the degree of satisfaction with the quantity and quality of services provided by various public service agencies
- to evolve an effective and easily accessible instrument to assess and highlight qualitative and quantitative dimensions of public service delivery in a community

Tool Name: Consultative Impact Monitoring of Policies (CoIMPact)

What is it?	CoIMPact is a method to assess impacts of policies and programs at the household and individual levels. It is a rapid response mechanism between household and policy levels to guide and enhance the effectiveness of the policy implementation process. CoIMPact further tries to address identified constraints, particularly at the institutional level, and focuses strongly on stakeholder consultations to identify potential solutions, which are presented to and discussed with decision makers.
What can it be used for?	• CoIMPact can assess the impacts of any type of reform at the household and individual levels. • The direct involvement of poor people in the assessment, in a setting that emphasizes consultative over information-extracting methods, gives disadvantaged groups voice, and enhances social accountability in national policy-making processes.
What does it tell you?	• Results inform policy makers and implementing agencies how the policy affects people on the ground; which elements of the program(s) work—and which do not; and why. • It can trace direct—and often also indirect—impacts of policy change or effects on policies in changing environments (natural disasters, rapid urbanization, conflict). • CoIMPact provides information on how different social groups adapt and cope with changes and possible policy adjustments or mitigating measures to reduce unintended negative effects and to enhance positive ones.
Complementary tools	Household surveys, to better assess the extent of an identified social phenomena
Key elements	• assessment of information demand from policy monitoring units and policy makers • policy review at national and district levels to determine reform areas and policies for investigation, as well as scope of the field research • assessment of the role, function, and performance of institutions in implementation • assessment of beneficiaries • consultations where one level of investigation discusses results and recommendations with the next higher level (for example, households with village representatives, village heads with district officials, district officials with national level agencies, and decision makers)
Requirements	
Data/information	Access to data and background information on the policy under scrutiny
Time	The policy analysis and field research can be concluded, with information back to the respective monitoring unit, in 3 months. The consultative process surrounding the data collection can take up to a year, depending on the extent and depth of debate.
Skills	• sector expertise required for policy analysis; skilled facilitators, preferably with previous RRA/PPA experience; sociological or anthropological training are helpful • insights into the policy formulation process in country and sector
Supporting software	No software needed
Financial cost	$50,000 to $200,000, depending on the scale
Limitations	The community-level consultations for CoIMPact might raise expectations for immediate and direct "benefits" of participating groups, which cannot be fulfilled. Resources for training and capacity building of facilitators and government officers should be included in the budget.
References and applications	CoIMPact has been successfully applied in Malawi (QIM) and Kenya (KePIM). Information about the approach and the experiences: http://www.methodfinder.net; German Agency for Technical Cooperation: http://www.gtz.de. Contact persons: Chris Pain (chris.pain@gtz.de); Renate Kirsch (rkirsch@worldbank.org)

- to catalyze citizens to adopt proactive stances by demanding more accountability, accessibility, and responsiveness from public service providers
- to serve as a diagnostic tool for service providers, external consultants, and analysts/researchers to facilitate effective prognosis and therapy
- to encourage public agencies to adopt and promote client-friendly practices and policies, design performance standards, and facilitate increased transparency in operations.

A CRC study in Mumbai addressed four themes:

- To what extent have urban services reached the slum population?
- How do slum dwellers rate these services?
- How do agencies respond to complaints and pleas for better services?
- To what extent have initiatives of urban NGOs reached slum dwellers?

The CRC was implemented with more than 1,000 randomly sampled households in the slum areas of the city. The survey elicited valuable information on levels of satisfaction and the reasons for dissatisfaction, with four services/agencies emerging with a poor satisfaction rating: public toilets, drinking water supply, garbage clearance, and ration shops. The study also revealed the fact that a majority of slum dwellers (nearly 75 percent) did not complain or seek redress. Of the few who complained, more than 61 percent got no response from the agencies concerned. Only 1 to 7 percent of the respondents reported that their problems get resolved. Further probes revealed a widespread lack of awareness of procedures in addition to indifferent responses by concerned agency staff. Perhaps the most interesting result was that the urban poor in Mumbai were willing to pay more, if the services are improved.

CoIMPact Procedure[4]

Consultative Impact Monitoring of Policies (CoIMPact) is designed to assess the effectiveness of policies and programs on their target group. It complements PSIA tools concentrating on ex ante analysis and has its best results if applied during the implementation of a reform or program. It is usually embedded into the national policy formulation cycle to ensure that results can inform the decision-making process in a timely manner, for example, revisions of the poverty reduction strategies. CoIMPact provides a methodological frame and structure for stakeholder consultations.

Possible Approach

The approach has grown out of the experiences of three countries (Jordan, Kenya, and Malawi) with technical and financial assistance from the German Agency for Technical Cooperation (GTZ). It focuses predominantly at national- and district-level government institutions that require timely information about the impact of their policies on the targeted beneficiaries to refine their policies. The main users are government planners and decision makers, staff in implementing agencies, and social scientists, but civil society organizations also take a strong interest in the results and refer to them during policy debate. In Kenya, CoIMPact is known as KePIM (Kenya's Participatory Impact Monitoring) and is being used by the Ministry of Finance and Planning. NGOs—such as Northern Aid, Oxfam, and Plan International—have been involved during the field research, analysis of results, formulation of policy recommendations, and the dissemination to a wide stakeholder group.

Policy/program analysis and field research are the two pillars of the methodological approach**,** joined by built-in feedback loops of information from the field to research and policy advice.

Step 1: Select Reform Areas, Policies, or Programs for Impact Assessment. Key policy and decision makers identify their information gaps regarding policy and program implementation and/or poverty impacts. This information—with results of a desk study—guides the process to select policies and programs for CoIMPact investigation. This step requires a high level of stakeholder participation and orientation. This attention can be time consuming but usually pays off with high levels of ownership from national-level stakeholders and their commitment to discuss the recommendations of the impact analysis. In Malawi, selecting the reform areas for investigation included, in one case, four communication loops between the initiating government unit at the Ministry of Economic Planning and Development and other national- and district-level stakeholders. These iterations were deemed necessary to ensure the relevance of—and acceptance for—the selected policy reform areas as the most important to the national poverty debate at the time.

The government of Malawi decided to assess the impacts of its policy to remove fertilizer subsidies; the government of Jordan wanted to assess the impacts of the latest structural adjustment program on the agricultural sector.

Step 2: Review Policy. In a *document review,* the sectoral and historical context of the reform program or policy is examined. The policy's focus on—and relevance for—poverty reduction as well as previous known impacts are discussed. Based on the report, indicators are developed against which success and program impacts can be measured through qualitative methods. Results lead to the development of hypotheses, which are tested during the field research. The policy analysis also looks

at the policy cycle to ensure that research findings are timely and can be directly linked to planned or upcoming policy interventions.

Step 3: Conduct Field Research at Institutional and Household Levels. Participatory methods of data collection elicit the knowledge, views, and opinions of local people and staff of implementing agencies during the *field research.* An open, nondirective investigation on poverty issues, such as a classical participatory poverty assessment (PPA), is combined with targeted questioning on the effects of specific policy interventions. This allows for results that capture the multidimensional nature of poverty, as well as a direct beneficiary's assessment of specific policy interventions. After identifying problems and extracting information, time is spent to find and formulate solutions and recommendations for decision makers at the local, district, and national levels.

Consultations are carried out in three consecutive stages: First, the results of the three to four days of investigation in the community and the institutional analysis are presented to the community for verification and discussion. District administrative officials are invited to the meeting to listen to the community's concerns and to respond if and how recommendations can be taken up. Second, based on field site reports, the results of all the community investigations conducted in one district are presented to the sector ministries and decision-making boards at the district level (for example, in Malawi the District Development Committees). Their feedback shapes the recommendations drawn at the district level and is included in the district reports. Third, preliminary results are presented to a wide range of stakeholders at the national level, whose role it is to discuss the results and to formulate policy recommendations for national decision makers. Experience has shown that presenting recommendations in a practical and actionable manner to the relevant government agencies helps to bridge the gap between research and policy dialogue. Another lesson learned is that this process becomes much more efficient and effective if applied several times. CoIMPact can be a one-off exercise, but it is much more powerful if it is repeated, building on the previous knowledge and experience that provides depth to policy issues over time.

In the same manner as the beneficiaries' feedback is channeled up in three stages to the national level, the results are channeled back down. Once the official report is released, presentations and discussions are held at national and district levels, and invitations are extended to the communities involved in the field research. Such communication loops help to strengthen the linkages between the three key levels of development within the government system; it creates horizontal and vertical partnerships and accountability. It further assists in completing the learning cycle on evidence-based policy making. To facilitate the dissemination, information is adapted to the different audiences. In Kenya, a national report, a popular version of the report, policy briefings, and a series of leaflets with the key findings in each sector

are produced in English; the leaflets are also produced in Kiswahili. The materials are all publicly accessible through a Web site.

Principles

CoIMPact builds on three principles, which smoothes the transition between research and policy advice. First, the instrument is *institutionally anchored* in the national policy review process. Ideally, CoIMPact is managed by government institutions that are committed to supporting and improving pro-poor policies and programs in a cross-sectoral way and are in a position to push this agenda forward. In Malawi, for example, CoIMPact is called QIM (Qualitative Impact Monitoring) and is managed by the Ministry of Economic Planning and Development. This ministry formulated the Policy Framework for Poverty Alleviation in 1996 and is now the secretariat for the poverty reduction strategy.

Second, CoIMPact is *embedded in existing monitoring systems* and complements quantitative monitoring efforts. QIM has been integrated in the national Poverty Monitoring System since 1998, and was adopted as the tool for participatory monitoring of the Malawi poverty reduction strategy in 2000.

Third, *capacity building,* predominantly of government officials, but also some NGO staff and local consultants, is achieved through training, and more importantly, exposure. In the most recent QIM round in Malawi, 71 people were trained and applied the instrument, of which 24 were national-level government officials and 45 were district-level officials and local NGO representatives. Seven people who had also participated in the first QIM round passed their skills on through their roles as trainers and facilitators. One criticism of CoIMPact has been that it takes up too much time for over-stretched public administrations. Rather than seeing these time demands as a strain on scarce resources, it can act particularly in the beginning as a means to strengthen the capacity of those involved in performing their official duties, by helping them to better understand the needs and priorities of the people they are to serve. Once CoIMPact is well established, the actual research can be contracted out to national research institutions or NGOs.

Findings

Experience from Kenya shows that carrying out a full CoIMPact round (from the conceptualization to presentation of policy recommendations in a national report) can be completed within six months and that policy response can be as quick as one agricultural cycle. Because information is only one parameter in a policy-making process, a clear-cut causality between CoIMPact results and policy change is rarely possible. But analyzed in the respective policy-making context, CoIMPact results did

Tool Name: Household Economy Approach

What is it?	The household economy approach (HEA) was initially developed as a "large-area" approach for food crisis and famine prediction, assessment, and monitoring, but can be used in a wider range of contexts to inform policy making and programming. The approach is based on the use of quantitative and qualitative methods to model the rural economy using information relating to a reference year in which conditions are known, that is, a "real-time" model.
What can it be used for?	• providing quantitative information and analysis regarding the economic lives and livelihoods of poor people in to inform policy making and programming in a wide range of contexts • modeling the effects of policy changes or interventions on different population groups in situations of chronic and acute food insecurity
	• developing systematic, well-informed, and quantified arguments from a model that can be revised in interaction with different stakeholders about the most likely range of outcomes or impacts on households in a given policy change or implementation, or "shock" (for example, changes in production, prices, and so on) context, where the uncertainties and assumptions are declared
What does it tell you?	• how households feed themselves, find income for other necessities of life (for example, accessing basic services), and how their income is spent in an average year • probable impact (for example, on food access) of policy change or implementation, or a "shock" on households from different wealth groups, and an estimate of the ability of a household to compensate for any deficit • coping strategies of households when faced by various shocks or changes
Complementary tools	PRA tools (wealth ranking, social mapping, seasonal calendar, matrix ranking); key informant interviews; focus group discussions; direct observation
Key elements	• a quantitative description of the economy of a defined population, including all the main factors determining current household income and potential household income under changed conditions, and how these vary between households • a standardized set of information, collected using rapid field methods, including an estimate of how households normally obtain their food and other income; their expenditure on food and nonfood items; their savings, livestock, and other assets; the availability of wild foods; and their access to, and use of, markets • a system to analyze the relationship between a policy change and the ability of households to maintain their food and non-food consumption The approach models the most likely chain of events linking a policy change and the outcome.
Requirements	
Data/ information	The tool itself generates data so HEA needs only data required for sampling frame and sample selection.
Time	2 to 6 months, depending on the sample size for fieldwork
Skills	Skills and knowledge in use of computer spreadsheets
Supporting software	HEA models are relatively simple to construct, and is most easily done using a spreadsheet or other computer simulation such as *RiskMap*.
Financial cost	If generated as part of a planned phase of participatory research, the added cost will be minimal.
Limitations	Food economies might not correspond to administrative boundaries, which might lead to problems in establishing the population of a food economy area as well as to difficulties regarding the research findings that might require government action because this might be taken with reference to administrative areas.
References and applications	Save the Children Fund; Seaman et al. 2000; Seaman, Petty, and Acidri, 2001; Petty et al. 2001.

influence policy changes in Malawi and Kenya: QIM 1 research findings revealed that housing is of much higher importance to poor people in Malawi than reflected in the Policy Framework for Poverty Alleviation. The recommendations contributed to the formulation of a national rural housing policy, which was launched in 2000. The results showed also that food security and monetary income have decreased dramatically in all places of the research, due to a widespread loss of access to fertilizer and markets after liberalization in the agricultural sector and changes in credit policy. An Agricultural Starter Pack Program was introduced as a mitigating measure before the next planting season. The QIM findings were used in the program design and the formulation of a national safety net strategy. In both countries the CoIMPact results informed the poverty diagnosis sections of the Poverty Reduction Strategy Papers.

The Household Economy Approach Procedure

The aim of the household economy approach (HEA) is to understand how households make ends meet under both normal and abnormal conditions. The HEA also generates detailed budgets for defined categories of household and detailed information about the size of household income, its quality (how much of the household's food is from cereals, animal products, and so on), how this varies quantitatively, qualitatively, and seasonally within and between locations and about nonfood expenditures (cloth, soap, taxes, education, health, and so on). This might be useful as background information for many purposes and as the basis for livelihood analysis, the targeting of the poor, and as a contribution to project design. The approach outlined below is based heavily on Seaman et al. (2000).

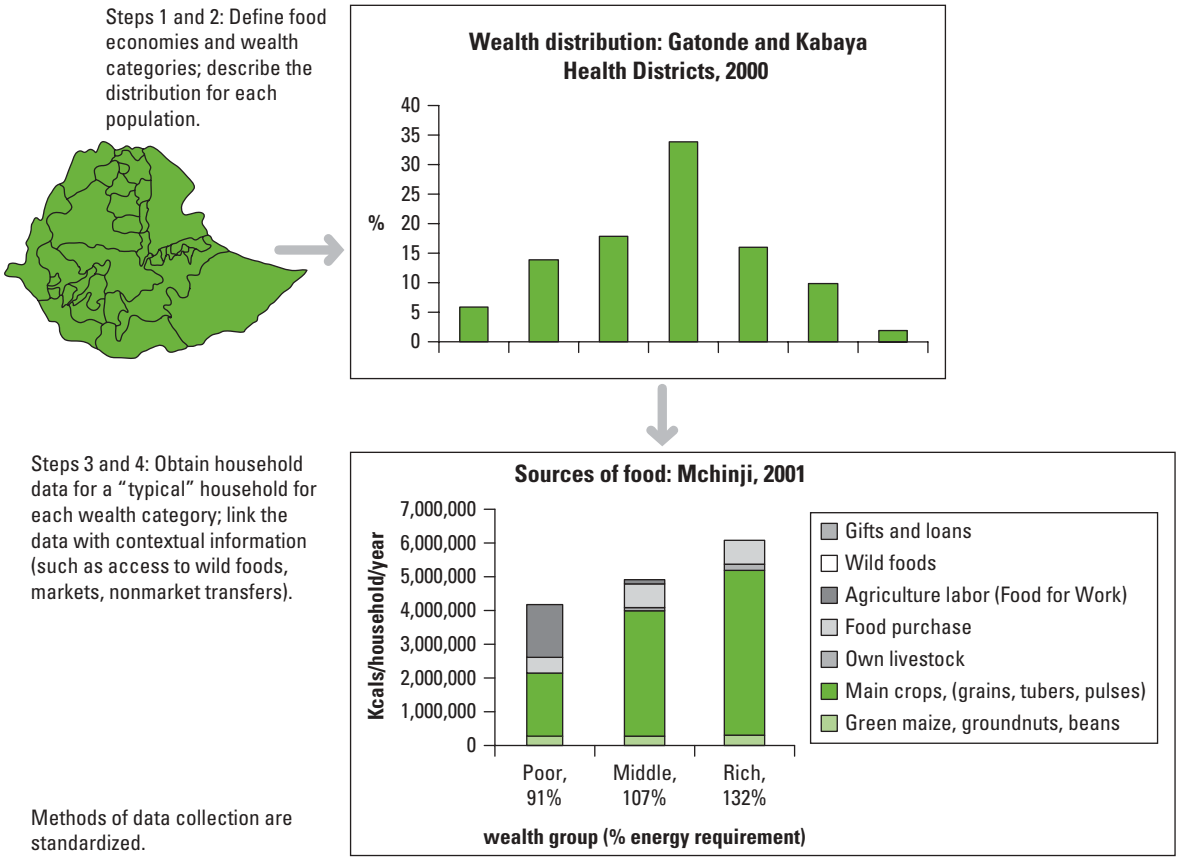
Possible Approach

Figure 9.2 summarizes the first four steps of the household economy approach.

Step 1: Define the Food Economy Areas and Populations. Define the food economy or economies (that is, a specified group or groups of households) for which analysis is needed. This is all the households in a geographical area where most of the households obtain their food and cash income in roughly the same way. In a smaller-scale local study there might be just one food economy, but a large geographical area might include households with a range of different types. A population of households is a defined group of households within a food economy. Food economy areas are economic rather than administrative divisions and so might not correspond with administrative boundaries.

To define individual food economies, divide the study area up into "sub-areas" with similar economies. For example, there could be one area where the population

Figure 9.2 Summary of Steps 1–4 of the Household Economy Approach



Source: Seaman et al. 2000.

relies mainly on farming rice (although they might also keep livestock and have other income sources), another area where the population depends mainly on raising livestock, and a further area where the population depends mainly on fishing. The division does not need to be by geographical area, however. There might be two or more groups of people in the same geographical area who have sufficient differences in their economy to make a distinction necessary (for example, two or more food economies might co-exist within the same geographical area).

The number of areas or populations and the level of distinction between them will depend on the objectives of the research. As the level of subdivision gets smaller, the amount of work required to describe the household economies in each area will increase. Whether to subdivide and at what level depends upon the research

questions (for example, "What effect would an increase in fuel prices have on households in the area?"). Do not subdivide down if, in terms of the research, there is no benefit.

Food economies can usually be broadly outlined using secondary data and documentary information sources as well as information from key informants. Some areas that might be useful to examine at this stage include whether people produce the same things (such as crops, livestock, handicrafts) throughout the area; similarity of production methods and timing; similarity of outputs and yields; similarity of levels of land ownership, tenancy, and sharecropping; and whether people trade in similar types and amounts of items.

Step 2: Define Categories of Household Wealth within Each Food Economy. Within each food economy area, identify the different wealth categories that local people use to describe themselves and others. There might be precise local terms used to define different wealth categories; use these local terms and definitions in the research. Establish the distribution of households within the wealth categories that are defined. Key informant interviews and/or local analysts using participatory tools (such as wealth ranking and social mapping) are useful methods at this stage.

Step 3: Describe Households within the Different Wealth Categories. For each of the defined wealth categories describe how, in a "normal" or baseline year, a typical household in each category obtains its income and any differences between richer and poorer households.

A baseline year reflects the usual conditions (in terms of production and exchange) found in the area and the way people normally live there. Defining a baseline year enables comparisons to be made when conditions are significantly different from the usual. While there might never be an absolutely "normal" year in practice, there might be years when the things people rely on (such as crop production, livestock mortality, food, crop and livestock prices, and employment availability) are generally as expected. In areas where household incomes vary greatly from year to year (such as in semi-arid zones where crop production might be in deficit for four years out of ten, meet consumption requirements in three years and produce a large surplus in the other three) it might be necessary to take a range of years and average them into a "normal" year.

Build up a description of each food economy by aggregating data regarding how households in different wealth categories obtain food and income. It might be necessary to take a sample of households from the total household population in each area (for example, random stratified sampling might be appropriate) where there are a large number of households. When looking at households, remember that the definition of a "typical household" might vary in different contexts. The definition of a household used in the HEA is "a group of people who work together

as a production and consumption unit." Establish which social unit within a society most closely corresponds to this definition by asking, "Who produces and consumes what?" Key informant interviews might be a useful in establishing this social unit.

Base the description of the household economy on information and data regarding household food production, cash income (for example from food and livestock production, labor exchange, wild foods and handicrafts), seasonal patterns of income, expenditure on food and nonfood items (such as taxes, fuel, loan repayments, education and healthcare), assets (such as food stocks, livestock, and cash), the markets used to exchange different commodities, and the price of all the items exchanged. Where possible, gather data on longer-term trends in production and cash income. Use a standard form to systematically record the data and information collected.

Step 4: Describe the Economic Context to which the Households Relate. The description of the economic context in which the households live should contain all the information necessary to both understand their current access to income and food, and the potential for expanding income under different conditions. Describe the economic context in terms of the markets used by households to exchange different commodities and labor, nonmarket transfers of food and goods between households and the way in which this varies under different conditions, and the availability of wild foods and nonfood products that can be consumed or exchanged for food.

Markets form a link between the household food economy and the wider economy. Examine how households normally use market exchange to acquire income in terms of six general areas: livestock, crops, nonfood production (such as firewood and handicrafts), food, paid employment, and self-employment. Describe who sells and/or buys what and where. Describe the market (that is, the place where exchange occurs) itself and how it works, as well as its name and location. Markets might be specific localities in a town, village, or a larger area where people find work (for example, a district in another area of the country or even an overseas country). If people use more than one market, describe the relative importance to the household of each market.

Collect data on—and describe the extent to which—nonmarket transfers and redistribution between households (such as food, livestock, cash on nonmarket terms) can enable household needs to be met under conditions of reduced income. Obtain estimates of the income obtained by nonmarket transfers as part of normal household income. It might also be necessary to collect data on—and describe the potential availability of—wild foods (from plants, hunting, or fishing) that households also access and use. Examine how—and to what extent—households are able to address a fall in income by expanding these food sources.

Examine the seasonal differences or changes in income levels and sources. Produce a detailed seasonal calendar to show differences in food and income throughout the year (such as periods when food and/or income are low).

Step 5: Analyze Data. Before staring any analysis, ensure that all the information collected through the different methods used has been verified. Cross-check the data obtained from different sources (or dealing with a variety of related issues) to make sure that it is consistent. For example, check for internal consistency within and between wealth group interviews; agreement between key informant information, written sources, observations and other experience; agreement between key informants; and balance between interviewers.

Once the data have been checked, use the description as a baseline from which to understand the likely impact of any changes in the economic context on the food economy that might occur as a result of a policy change or implementation. Define the expected change(s) in the economic context that will occur as a result of a policy or program change/implementation. Changes might affect any of the "normal" household sources of income, or the wider economic context that a household depends upon for exchange (for example, a change in the price of a commodity produced or consumed by the household), or a combination of both.

A series of calculations can be done to systematically work through the likely effects of a policy change on the economy of households (in terms of both type and size). This is most easily done using a spreadsheet computer package or *RiskMap* software, which enables multiple calculations to be done quickly and the development of multiple scenarios using a range of values where there is uncertainty about the magnitude of some variables.

The data collected during the research might need to be converted from being expressed in local units (such as sacks, tins, and so on) to standard units (such as kilograms, liters, and so on). The other unit employed will be cash (usually the local currency). To reconcile the household budget, food income has to be further reduced to common food energy units (kcal).

Alternative Approach: The Intra-Household Model

The intra-household model (IHM) approach, which is in the process of being developed, is an extension of the HEA (and uses many of the HEA research tools) designed to broaden the range of potential applications. In contrast to the HEA, the IHM uses individual households as the unit of analysis, rather than households typical of a specified wealth category. This enables more useful analysis where the impact of a policy change (or shock) does not affect all households in a food economy equally (for example, labor and income loss due to HIV/AIDS morbidity and mortality). The overall aim of the IHM is to model, at a reasonable cost, the capacity

of households with a given set of assets (such as land, labor, or capital) in a defined economic zone, to exploit the economic options available to them. It also aims to predict the impact of change (such as in access of credit, paid employment, labor or production inputs) in terms of that household's economic capacity and to produce outputs in terms that inform intervention or policy, and that can provide a framework for further investigation.

While technically the HEA and IHM are similar, differences include the random sampling of households and the use of individual household questionnaires that, in addition to data on sources of food, income, and expenditure, also collect detailed information on household demography. Results are presented as household disposable income rather than household "ability to acquire food."

The Household Economy Approach Case Study: Impact of Changes in the Global Coffee Market on Poor Households in Uganda

The household economy approach has been applied to a variety of development and poverty issues. These include, for example, payment for basic services, demand-led service provision, responses to HIV/AIDS, urban poverty, livelihood security in rural areas, the design of welfare safety nets, and microfinance/credit and savings.

In the context of improving development policies through ex ante PSIA, the household economy approach has been used to study the impact on poor households of changes in trade policies (for example, the likely impact of changes such as the reduction or abolition of import duty on textiles in one poor settlement with textile factories in Nairobi, Kenya) and the affordability of basic services (for example, identifying the likely impact of introducing user fees for water supply in Sri Lanka and the point beyond which poor households could no longer afford clean water in both good and bad years).

In Uganda, a study using an adaptation of the household economy approach was conducted by Save the Children in four sites to examine the impacts of changes in the global coffee market on household poverty as part of a four-country research program funded by DFID (Seaman, Petty, and Acidri 2001). Mpigi district in central Uganda had three main food economies: semi-dry pastoral, lowland fishing, and "mid-coffee" growing. Two sites were selected from the mid-coffee growing zone (where lower-value robusta coffee is grown) to provide information on the range of production and employment options available to households in an area producing robusta that had reasonably good links to the wider economy. Two further sites were selected in Mbale district (in the eastern highlands), which is a prime arabica-growing area within the catchment area of a specialty coffee marketing association.

Two distinct food economies were found in Mbale: highland coffee growing (25 percent of the area) and lowland cotton growing (75 percent of the area).

Data were collected from secondary sources, key informants, and household interviews. In all the sites a representative sample of households was selected for interview; household economy methods were used to describe and quantify the components of household income and expenditure, including food production and employment. The data enabled comparisons to be made between the income and standard of living of different households and between the four sites on the basis of disposable income (that is, income left after the household food requirements were met). Household expenditure data was also used to establish a "minimum standard of living" that was consistent with the Millennium Development Goals.

In all sites, food and cash income were obtained from a wide range of sources and paid employment made up a high proportion of income. Significant differences were also found, however, between the sites: in both Mbale sites, coffee remained a major source of income, providing up to 10 percent of total income; in Mpigi, households had diversified into *mairunge* (qat) production in one site (where production accounted for more than 10 percent of total income) but in the other site diversification away from coffee had not taken place to the same degree. Returns from *mairunge* are higher than coffee and so the first Mpigi site was relatively more affluent due to the substitution of coffee with *mairunge*.

The effect of a change in producer coffee prices on household living standards was simulated using a simple arithmetic model. Falling coffee prices had had a significant impact on disposable income and living standards in some households. This was mainly seen in Mbale in the middle- and upper-income ranges, and also in the poorer Mpigi site across a broader income range. At the lower end of the distribution, the decrease amounted to around 20 percent of the calculated cost of the minimum standard of living (that is, around 5,000 U Sh).

Overall, modeling using the household economy approach indicated that even if coffee prices increased to the levels usual before the price collapse during 2000–01, this would not have a substantial impact on the disposable income of the majority of households currently below the standard-of-living threshold defined in the study. The study also showed that, while investment in niche market production could improve coffee income, higher levels of wealth were only achieved by households that had access to salaried employment. Coffee did not provide a reliable route out of poverty, and, in fact, niche market projects missed the poorest households (although they did benefit households in the middle-income range). This raises questions across a range of policy areas, especially those relating to the relationship between coffee prices and poverty reduction.

Tool Name: Consumer Assessment

What is it?	Consumer assessment is a mixed-method tool that (1) spatially maps social indicators, indicators of access, quality of service, formal and informal prices of services, and socioeconomic data; (2) combines this with information on willingness and ability to pay, and on consumer preferences from both qualitative and quantitative field research; and (3) for certain sectors (utilities) inputs this data into financial models of the utility in an interactive manner to inform policy choices.
What can it be used for?	Data generated by consumer assessment can be used to understand how prices are (or are not) transmitted from the formal to the informal sector, and to analyze qualitative factors in price levels (social capital, neighborhood type, informal networks) to determine the distributional impact of tariff changes, or changes in service provision such as privatization of utilities. It can also inform the indicators of performance included in private management contracts so that they respond more closely to consumer priorities. Consumer assessment is most useful for policy changes involving urban areas, such as utility reform.
What does it tell you?	The consumer assessment method has been used in African countries (Angola, Lesotho, Mozambique, Zambia, and others) to help inform policies related to the introduction of the private sector in the water and electricity services, and in setting and structuring socially and economically sustainable tariff policies for these services. It is useful in the African context, for services such as water, where formal services might reach only a minority of the urban population, and where actual tariff increases might depend on both the institutions that put them in place, and the informal methods for setting prices in the "secondary" market for water.
Complementary tools	Consumer assessment is normally used in conjunction with household survey instruments and qualitative research tools. It is particularly useful in bringing together the holistic analysis (financial, economic, social, and spatial) required for effective utility reform.
Key elements	• spatially mapping social characteristics, with price and access • willingness to pay and ability to pay for surveys • in-depth qualitative research through observation and focus groups
Requirements	
Data/information	Consumer assessment requires (1) survey data on service access (both formal and informal), quality, and prices that can be mapped spatially; and (2) data on willingness and ability (income) to pay and on consumer preferences, with a sufficient sample to allow representativity at the sub-urban level (for example, by type of neighborhood within an urban area).
Time	Depending on the quantity of data available and scope of geographical or consumer-group coverage, fieldwork and collection of mapping data can take 7 to 9 weeks or more.
Skills	Consumer assessment requires strong interdisciplinary skills, including an ability to work with quantitative and qualitative data and to liaise with financial analysts in an iterative manner.
Supporting software	No software needed
Financial cost	If primary data (willingness to pay *and* income information) is already available with a sample sufficient for disaggregation within urban and peri-urban areas, then the consumer assessment can cost $35,000 to $50,000. However, this data is often not available; depending on the size of the area and number of cities to be covered, including primary data collection, this assessment can cost $80,000 or more.
Limitations	Time and cost if the primary database is poor
References and applications	For more information please contact Sarah Keener (skeener@worldbank.org).

Consumer Assessment Procedure

Possible Approach

Although its application has varied from country to country, the following set of key components and steps of consumer assessments have been used (Keener and Banerjee, forthcoming).

Step 1: Build a Financial Model. Build a financial model or use an existing model of a utility to show the costs of service and tariffs for different groups and subgroups of customers under assumptions of improvements from higher tariffs and/or from efficiency gains from private sector involvement. This model serves as an interactive basis for feedback from the consumer assessment research on the likely reaction of different consumers to prices. First-order assessments of the tariffs required for the given improvement or for the private sector involvement then feed into field surveys on willingness and ability to pay for different levels and quality of service, which include questions on preferences for management of utilities (public or private).

Step 2: Conduct Field Surveys. Carry out or use existing willingness and ability-to-pay surveys that have substantial samples within the urban and peri-urban areas for subsequent disaggregated analysis. Surveys often include detailed income modules, but also use proxies for those at the high and the low end of the income scale, such as monthly recurrent expenditures on luxury items (cell phones), housing types that can be linked to existing patterns in existing national household surveys, or other indicators of vulnerability such as meals missed per day.

Step 3: Use Spatial Mapping to Facilitate Basic Analysis. Within urban and peri-urban areas, spatial mapping can be used to categorize neighborhoods into discrete neighborhood types, to provide the basis for further analysis, gain an understanding of heterogeneity or homogeneity within neighborhood areas, and to determine whether geographic or other forms of targeting are most appropriate for the poor. Levels of willingness to pay, ability to pay, consumer preferences, existing services (formal, informal alternatives), existing facilities (and which ones function and with what management arrangements), levels of social cohesion, crime, income (if available), and prices for services can all be mapped to facilitate this analysis.

Step 4: Triangulate Basic Spatial Analysis with More Contextual Data. In addition to tracing the chain of sales through the informal sector, use focus group discussions and key informant interviews to determine the different ways in which

prices are set in the informal sector—including how they are transmitted from the formal to the informal sector—and to determine the structure, sources, and prices of aggregate service markets (all sources) with a focus on the sources most frequently used by the poor. Use these tools to triangulate findings from the spatial mapping and from each other at each stage.

Step 5: Identify "Winners" and "Losers." Quantify the winners and losers from a specific change in tariff policy in both the formal and the informal markets.

Step 6: Conduct an Institutional Analysis. Carry out institutional analysis of those implementing the tariff policies and/or regulating private sector lease or management contracts with a view toward understanding how such policies would effectively be implemented. This analysis includes looking at current evidence of how utilities might informally ration service hours or quality to poorer areas.

Consumer Assessment Case Studies: Utility Reform in Africa

Consumer assessment has been applied in African policy reform contexts (Keener and Banerjee, forthcoming). In *Mozambique,* consumer assessment was used to determine the ability and willingness of different consumers to pay for water and to determine whether they wanted private or public management, to assess how current and proposed tariff policies would affect the poor, to provide recommended indicators to monitor how the introduction of the private sector would affect both formal and informal consumers (poor and non-poor alike), and to determine how peri-urban areas should be treated in water management and lease contracts that were being proposed at the time.

Research in Mozambique took place in the five cities that were to be the subject of private-sector involvement in the form of management contracts and a lease, as well as changes to the tariff levels and structure. Quantitative household surveys significant at the sub-urban level (by neighborhood type) together with in-depth focus group discussions, observation (of standposts), and key informant interviews revealed that the informal water market price was largely a function of formal prices and quantities available, and that in some cities, vendors were capturing millions of dollars per year in water resale that was not being invested in the system. Localized price and water quantity analysis showed that as the formal hours of service increased, informal prices declined (and vice versa); therefore one of the indirect benefits of the private management/lease contract could be measured in increased hours of service and possibly lower informal prices. The research was shared with numerous stakeholders and presented to Parliament, and led, in part, to the decision

to proceed with the engagement of the private sector. In addition, one of the early consultant proposals for treating peri-urban areas (generally poorer slum areas in Mozambique) had recommended separating them from private sector participation and having the private sector cover only the "core" urban areas. The consumer assessment research led to the rejection of this recommendation. Two years into the management and lease contracts, a second assessment was carried out to monitor the effect on both formal and informal prices as a key indicator of overall impact.

In *Lesotho,* consumer assessment was used first as a baseline for a reform involving a private management contract for urban water, and then again, five years later—after that reform had not been put in place—to assess the impact of a continuation of current policies.

In the Copperbelt region of *Zambia,* similarly, consumer assessment was used prior to the introduction of a private management contract for water supply and to the commercialization of local water utilities in another set of towns to determine whether the cost of the private management contract/commercial utility would be affordable to different groups of consumers (low income, medium income, high income), and to understand who was benefiting most from current subsidies.

In *Angola,* the large size of the informal water sector (more than 40 percent in urban areas) pointed to the necessity to address not only formal prices in analyzing the sector, but to understand how prices were set within the informal sector. Accordingly, interviews were held with each party in the chain of purchase and sale of water, including hundreds of private water vendors. In addition, discreet observation was used at bulk water collection points to write down the license plates of all of the trucks collecting water to reveal that the trucked water market was not controlled by any sort of a monopoly as had been presumed. Spatial data on water prices, social characteristics, and existing water supply were then mapped out, and neighborhoods were categorized into types with a number of focus groups in each neighborhood type. During focus group discussions, research teams had available to them the quantitative data on water prices and sources for that specific neighborhood. Participatory research tools were adapted by a local artist and members of local NGOs (who had been competitively selected) trained for a week on their application.

Spatial mapping of prices and other physical characteristics revealed that the highest prices were in areas where narrow lanes restricted access of larger trucks; such prices would not be affected by improvements in formal water supply in the short-term, and would continue to affect the poor. Profit in the private water sector in Angola was estimated at $30 million. As a result of the research, short-term alternatives to ease the provision of water to these high-density areas were proposed (including the adaptation of a method to fill smaller tanker trucks). Furthermore, impediments to reform of the public tariff system were identified, which included systems of sharing profits from standposts with local political leaders.

Mixed Method Case Studies

Beyond the use of specific mixed method research tools such as the household economy approach and consumer assessment, the combination and sequencing of qualitative and quantitative research approaches can yield analysis and insights into policy reform that neither approach would produce on its own. The following case studies illustrate the use and added value of combing methods in five pieces of PSIA-type research.

Mixed Method Case Study 1: Malawi Agricultural Market Reform PSIA[5]

Since the late 1980s, agricultural markets in Malawi had undergone several reforms. Prices for agricultural produce and inputs had been liberalized, as had agricultural marketing services, to allow for private sector participation. The state's Agricultural Development and Marketing Corporation (ADMARC) was restructured; it sold off many of its assets and began closing some of its unprofitable markets. The reformers expected the private sector to step in once the state had withdrawn. It did not always do so, however, and the performance of ADMARC has continued to deteriorate despite the reforms. This has encouraged some to hasten the privatization of ADMARC itself, a process that would entail more market closures. The PSIA examined the likely impact of such market closures on poor and vulnerable groups in Malawi.

The PSIA used parallel mixed methods and was based on three background reports: two were quantitative and used econometric techniques to assess the importance of ADMARC on household welfare; one report was qualitative, based on research in 20 purposively sampled rural communities on the combined effect of closing markets and a decline of ADMARC's marketing activities. A synthesis report drew the findings of the three individual studies together.

The qualitative study was conducted within the catchment areas of 10 ADMARC unit markets (with two communities in each). The location of the ADMARC markets was selected through purposive sampling on the basis of their remoteness and their dominant livelihood characteristics to cover the existing diversity in terms of regional and geographical criteria, farming, and livelihood systems, as well as other social and cultural criteria. The rationale for choosing remote markets was the basis for the assumption that ADMARC's marketing services would make the biggest difference in areas where infrastructure was poor, because private traders would be less likely to operate in those areas. All 10 sites presented a fairly diversified agricultural sector, in terms of both crops and livestock types. There were also a significant

number of nonfarm activities. Staple food production did not differ dramatically across the 10 sites; they all produced maize as well as other food crops such as groundnuts, cassava, and sweet potatoes. However, there were considerable differences in cash crops; three sites produced cotton and the rest were more involved in tobacco, but some households also produced other cash crops, such as soybeans and paprika.

The qualitative study was designed as an ex post assessment of the impact of closing selected ADMARC markets on various social groups. A range of qualitative research methods were used to solicit households' and other stakeholders' reactions. Focus group discussions using variants of participatory learning methods were the main method for collecting data. Interviews with key informants in the selected sites were also conducted. Finally, semi-structured interviews with policy makers and decision makers in stakeholder institutions were also carried out. In each of the 10 ADMARC unit markets, participatory rural appraisal methodologies, focus group discussions, and key informant interviews were conducted in two villages. This resulted in a total of 20 villages being included in this study, with a total of 40 focus group discussions (half with women's groups), 54 semi-structured interviews, and 44 key informant interviews (9 interviews with ADMARC officials, 3 interviews with private traders, and 32 interviews with other key informants). The interviewees and discussion partners were selected in consultation with local leaders and local extension staff to account for differences with respect to social and economic stratification, ethnic and livelihood diversity, and gender. The 10 ADMARC unit markets included 6 unit markets that had been proposed for closure and 4 unit markets that should continue to operate. In the unit markets earmarked for closure, interviews were conducted in villages in the catchment area of closed seasonal markets; as it turned out, no unit markets had been closed in the past five years.

Given the qualitative nature of the study, caution had to be exercised in generalizing the results of the study. It was noted that the perceptions on market closures could not be filtered out from the effects of other factors that were affecting ADMARC's performance. Moreover, the study was conducted against the background of the famine that engulfed Malawi and southern Africa in the 2001/02 season, and some of the views from the smallholder farmers could have been influenced by the famine situation. Further, the study focused on 10 sites of the many markets ADMARC has throughout the country, and therefore, the results only allowed some general insights in the operations of agricultural marketing systems in Malawi. In addition, very few interviews were conducted with private traders due to their high mobility of and the fact that most of them were not resident in the villages where the interviews were conducted.

The results of the interviews and focus group discussions indicated that private traders—both large-scale and small vendors—were progressively replacing

ADMARC as buyers/sellers of crops, especially in markets with well-developed infrastructure. Large-scale traders were not many; they specialized mainly in the purchase of crops, particularly cash crops. Small-scale unlicensed traders (or small vendors), however, were very common and provided an accessible marketing channel for buying and selling of maize in the rural areas. It is these small vendors who, to some extent, had bridged the gap left by ADMARC's inability to provide reliable and efficient marketing services.

The withdrawal of ADMARC did not appear to be compensated by an equivalent increase in private sector activity, resulting in overall lower competition (and efficiency) in marketing institutions. On the contrary, the immediate effect of closure was a more concentrated market structure. This implies that the immediate effect of the closure of markets was to reduce the profitability of smallholder agriculture, as reflected both in the increase in transaction costs for farmers and higher margins for the traders.

In sum, ADMARC markets in rural areas appeared to play an important role as distribution networks for affordable maize in the lean season and in times of famine, in providing benchmark prices, in providing a reliable source of inputs, and in the purchase of crop produce from farmers. Even in markets where private traders were particularly active, notably border markets, the withdrawal of ADMARC markets might have had negative consequences for food security and regular access to input.

Mixed Method Case Study 2: Rwanda Tea Sector Reform PSIA[6]

Tea in Rwanda is mainly cultivated by small farmers, on total surface areas of less than 0.25 hectares. Tea is one of the few labor-intensive crops that provide regular cash income to farmers and employment opportunities for the rural population. Thus, the sector has great potential to contribute toward poverty reduction. The government is proceeding with the privatization process, by first piloting the privatization of Pfunda and Mulindi tea factories. The PSIA arose as a result of dialogue with the government within the context of monitoring and evaluation of the PRSP. Thus this analysis is seen as an instrument to ensure that the tea sector reforms are implemented so as to lead to maximum possible sustained economic growth and poverty reduction.

Key partners for the PSIA were identified and involved in the design and preparation of the analysis. These partners subsequently made up the PSIA steering committee that identified the local consultants. Following the creation of the PSIA team, an operational design for the stakeholder and institutional analysis was completed. The design outlined the fieldwork and outputs to be achieved. Consultations were based on participatory research methods and involved both focus group

sessions and open-ended interviews with key informants. Stakeholders were consulted at levels from grassroots production to the national policy level. The fieldwork where all the identified tea estates were visited formed part of the analytical basis for the stakeholder and institutional analysis.

The study sequenced methods by using qualitative tools to generate data that informed the design of the baseline survey for the quantitative analysis. A literature review based on secondary information was used to go through existing research and to identify sector structures and key issues. The social tools, with the stakeholder and institutional analysis, assessed the relevant actors and agencies within the sector, and the transmission channels through which they were affected. The institutional analysis was used to supply a detailed understanding of the institutional and contractual structure of the tea sector, the formal and informal rules, and the constraints and incentives.

The stakeholder analysis aimed to identify and understand, through profiling, all the actors within the sector, including those who can affect the reform, and those who are both negatively and positively affected by the reform. The stakeholder analysis for each identified stakeholder was based on four pillars: influence over the reform, level of support for reform, participation in reform, and likely impact of reform.

The key stakeholders included producer groups and organizations, wage laborers, factory and plantation owners, and managers, investors, government agencies and institutions, NGOs, and donors.

The specific objectives of the institutional analysis were to

- illustrate the formal and informal rules of the tea sector, and the norms and practices concerning the production, transport, processing, and sale of tea
- identify how the transmission channels through which the constraints and incentives to tea production are channeled would impact on the stakeholders.

The institutional mapping was based on a static mapping exercise and a process mapping exercise:

- The static mapping illustrated the structure of the estates; the balance between the state-owned institutions and the private ones; and how the growers, cooperatives, and bloc industriels supplied the factories. It highlighted the importance of the growers who provide two-thirds of the tea leaves and how they interact with each estate.
- The process mapping identified the formal and informal rules and regulations within the tea sector. It related resources to activities and highlighted constraints, bottlenecks, and incentives within tea production. The process mapping was carried out for two factories—Pfunda and Mulindi—one directly involved in tea cultivation and one that is dependent on independent cultivators.

The stakeholder and institutional analysis produced many findings, a few of which are outlined here:

- The focus of the analysis should be on the laborers, the pluckers, the growers, and their households. The poorest and most vulnerable of these are the laborers who carry out unskilled work and are likely to receive the lowest income in the sector.
- The indirect effects of the reform on other households within the region, who are not dependent on tea, are also important. In Rwanda, the poorest households are not likely to be working in the tea sector; their main source of income is usually from employment as wage labor for neighboring households.
- A key area of importance is the growers' organizations. Growers' associations and cooperatives provide the only means for growers to take advantage of benefits by creating a collective forum by which the growers can exploit their committee positions post-privatization and assert their entitlements. However, many of the organizations are inexperienced, underfunded, and poorly organized and supported. There is a risk that their rights within the sector could be bypassed after privatization if they are unable to assert them, or are insufficiently aware of them.
- Strategies to increase information flows, regarding prices, wages, yields, input use, and so on to grower level will be crucial, as will developing and improving information systems for increasing the capacity of the growers' organizations.

The analyses led to information of the social risks both to and from various options for privatization, as well as an identification of the constraints and incentives to competition and liberalization of a well-functioning tea market. The findings from the qualitative research were planned to feed into the design and execution of a baseline and follow-up household survey, using ex ante and ex post data to estimate the impact of privatization on the welfare indicators of different social groups, including households both dependent and not dependent on tea.

Mixed Method Case Study 3: Republic of Yemen Energy Reform PSIA[7]

In 2002 the government of the Republic of Yemen asked the Energy Sector Management Assistance Program (ESMAP) to undertake a detailed household energy survey and a participatory appraisal to examine what energy policy changes would, if they were implemented, contribute to poverty reduction in the Republic of Yemen. The focus of the study was on policies that affect households directly, which are primarily policies that determine the prices of consumption for electricity and petroleum products.

Stakeholder development and capacity building were central to the PSIA process; and extensive consultations with government and non-government representatives took place during the course of the ESMAP study. The study was initiated with a workshop made up of 20 experts from key ministries, women's groups, and academia. This workshop endorsed the scope of the study and the analytical approach. After the household survey fieldwork was completed, the team conducted a meeting with representatives from ministries, local government, and energy companies where the work program and the framework for the economic and financial analysis were presented. Draft findings were discussed at a later stage with the group. The team presented its findings in multiple group meetings—including a stakeholder analysis meeting with government and civil society (sponsored by DFID) and a meeting with government and civil society representatives sponsored and chaired by the PRSP monitoring unit—to discuss the distributional impacts of energy subsidies. The final study was presented at various meetings to derive concrete policy recommendations that could be included in the study.

The PSIA adopted a sequenced mixed method approach in which participatory assessment informed the design of a household survey and complemented the quantitative analysis. The qualitative analysis of energy use among poor and middle-income communities provided an understanding of how—and from what sources—the poor obtained their energy and their strategies for obtaining it under shifting economic conditions, and identified the forms of energy that would improve their well-being. A household energy survey was built using this information, and distributional analysis predicted the nature and extent of distributional change. The final ESMAP report, *Energy Access for Poverty Reduction in Yemen*, was a synthesis report using data from the qualitative and quantitative field research in the exploration of the social and economic implications of various policy options. The synthesis of the two methods was not merely in the report's conclusion, but the qualitative and quantitative methods complemented and informed each other throughout the report according to the different topics covered.

The participatory appraisal provided qualitative and quantitative information on the ways in which people use energy and cope with energy poverty. It was carried out in the four governorates where most of the poor are concentrated: Taiz, Ibb, Sana'a, and Hodeida (57 percent of the nation's poor are found in these Governorates; the Governorates with the highest incidence of poverty are Taiz and Ibb). The participatory research allowed direct consultation with communities in nine locations to understand patterns of energy use. Twelve teams, composed of four researchers each, conducted gender-segregated focus group discussions and in-depth interviews with key men and women informants such as sheiks, community leaders, elected representatives, shop owners, energy suppliers, teachers, and health workers. Geographic and poverty mapping exercises, stakeholder analysis, and participant observation

were carried out. The approach allowed researchers to observe energy use behavior and to seek explanation from users of the choices they have with regard to energy sources and service providers. It explored the attitudes of users on their choices, their level of satisfaction with the energy services they can obtain, and what they would like to see changed. Energy use in community institutions such as health centers, schools, and municipal offices was also investigated. The participatory appraisal was conducted first, to inform the design of the household survey questionnaire for the energy survey. The household energy survey (HES) provided quantifiable data on household electricity and the different energy forms, their supply characteristics prices paid, and their end uses from a sample of 3,540 households.[8] Economic and financial analysis then provided a combined cost benefit, financial, macroeconomic, and policy linkages report using the results of the household and supply surveys. It was focused on the distributional impact of energy policies such as petroleum product subsidies.

The participatory appraisal yielded many important insights into the energy use among the poor, including the following major findings:

Only 3 of the 12 localities in the research sample were connected to grid electricity. Primary uses of electricity are for lighting, television, and some refrigeration by well-off and poor households. In the lowlands and coastal areas, it is also important for cooling (ventilation or air-conditioning) during the hot seasons. The very poor primarily use electricity for lighting.

The connection fees for electricity are 10,000 Yrls in rural areas and 25,000 Yrls in urban areas. Most poor and very poor households in urban and rural areas alike regard the initial cost of electricity connections as a significant obstacle to access. The participatory appraisal reported that to avoid paying high connection fees, some poor households in urban areas connect illegally to a neighbor's line. In some cases, households make illegal direct connections to the power lines. In part, those who connect illegally do so to avoid paying the connection charges. Respondents suggested allocating connection payments throughout the year to lower the initial costs.

Very poor households in rural areas are most dependent on wood for cooking all meals (rice, stews, tea). Urban households use significantly less wood than rural families. The poorer the household, the fewer the number of meals they will consume and the smaller the portions of energy consumed. The very poor in rural areas cook on average once a day. The participatory appraisal also found that women and girls are more involved than men and boys in wood and other biomass collection. In rural areas, regardless of social category, women—and especially girls 10 years and older—are responsible for collecting wood. Participants in the research pointed out that collection poses a risk of injuries in hilly terrain and contributes to girl's low school attendance.

Kerosene is available year-round, but prices vary seasonally in rural areas especially in areas without all-weather roads. Very poor and poor households cope by traveling to locations where they can purchase kerosene more cheaply, by borrowing small amounts from neighbors, and by either collecting or buying more wood. In the participatory research, women expressed a strong dislike for cooking with kerosene, explaining that its bad smell affects the taste of food and causes headaches. Respondents throughout the study area also described kerosene as a safety risk. Both men and women also dislike the poor quality of kerosene light, which they say is insufficient for doing any type of work at night. Parents complained that children are unable to study or do their homework with kerosene lamp.

Policy options and recommendations are summarized in table 9.1.

Mixed Method Case Study 4: Abolition of User Fees in Health Units in Uganda[9]

With the endorsement of major donors, user fees were introduced in Uganda on an ad hoc basis by districts and health units in Uganda in the late 1980s, against a background of a poorly funded and poorly functioning health system. Although the Ministry of Health (MoH) had issued guidelines on user fees, their management, and exceptions, an inter-ministerial task force in 1999 found that poor people were often not being exempted from charges.

The Uganda Participatory Poverty Assessment Process (UPPAP) revealed the significance of health shocks on the vulnerability of the poor, particularly in rural areas. Addressing this popular concern, which had become a major election issue in March 2001, the President of Uganda scrapped user fees for government health units. This decision was also informed by finding that the user fees failed to raise much revenue. Fees were raising about $6 million, equivalent to approximately 10 percent of the government's health budget in 2000/01 (Uganda Ministry of Health 2002).

Time series data on outpatient attendances showed that the combined effects of abolishing fees and increasing the supply of health services were dramatic, with an 84 percent increase in outpatient attendance between 2000/01 and 2002/03 (see figure 9.3). Immunization rates among children also increased dramatically; for example, the proportion of children who received their third diptheria, pertussis, and tetanus (DPT) vaccination increased from 48 percent to 84 percent between 2000/01 and 2002/03. Although immunizations were supposed to be provided free before fees were abolished, the increase in immunization rates can in part be attributed to the abolition of user fees because most immunizations take place in health units, which people now visit in greater numbers due to the abolition of fees.

To confirm that the increase in outpatient attendance was progressively weighted toward poorer households, the WHO/MoH conducted participatory research in a

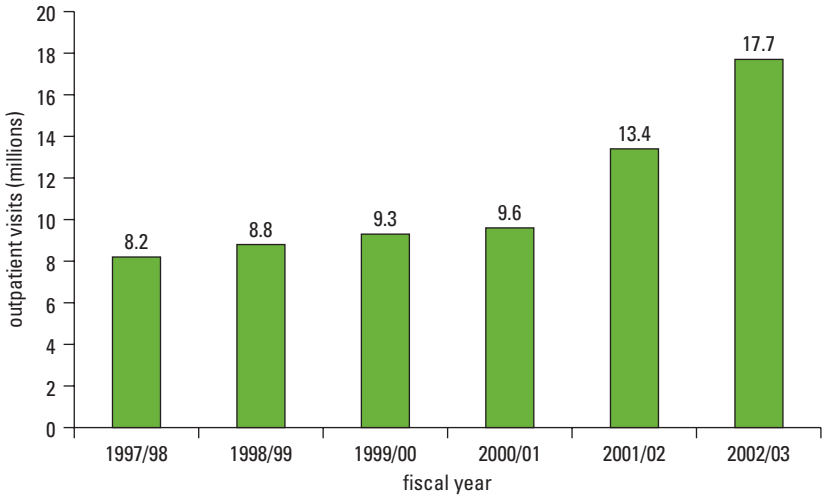
Table 9.1 Republic of Yemen Energy Reform PSIA: Policy Recommendations

Policy	Rationale	Likely impact on the poor
Implement a phased program for eliminating petroleum product (including LPG) subsidies. The economic price for all products should be reached within a reasonable time period, i.e. within two years. The price-setting formula should be transparent and the government should announce a timetable for eliminating subsidies. This report suggests a formula (para. 35) with prices to increase by a constant increment every quarter until such time as retail prices reach their economic price. The retail prices would lag world prices by one quarter. Prices should be set at the average of the previous quarter, and the price formula should be based on Platts Gulf plus freight (not Platts Rotterdam). YGC's program to encourage LPG bottlers and retailers to extend credit facilities for cylinder purchase should be sustained.	• Fiscal burden on government is unsustainable • Little of the subsidy reaches the poor • Subsidies distort resource allocation • LPG diverted into transportation and other applications • Present system of ad hoc increases leads to periodic fiscal crises: long-term solution requires regular (but also small) adjustments • A significant proportion of the present subsidy goes to the refinery, not consumers.	• Impact is regressive: poorest groups hit proportionately higher than richest groups. • Households can more easily adapt to small (even if regular) increases than to sudden shocks.
Social protection mechanisms should be an integral element of the program to phase out petroleum subsidies.	• In principle, the economically optimal way to protect the most vulnerable against removal of subsidies is cash transfers.	• Social protection mechanism will only be effective if targeting can be improved.
Ensure sustainable harvesting of wood resources and their regeneration. Design an improved cook stove program to improve efficiency of cooking. Reduce the quantity of fuelwood consumed and expenditure by households on fuelwood purchases.	• The very poor will continue for some time to depend on biomass for the majority of their cooking needs.	• Efficient use of biomass cooking fuel reduces time burden of collection and the disease burden from exposure to smoke from cooking fires.
Revise PEC tariff to reflect cost of supply (LRMC). Allow new customers to pay connection charge over 12 months. Reduce the first block ceiling from the present level of 200 kWh/month to a level that represents the amount of electricity to meet basic household needs for lighting (about 30 kWh) that is priced below cost and as such represents a lifeline for poor consumers.	• PEC does not recover its costs, and subsidies for rural electrification are not transparent. Existing first block structure benefits over 50 percent of all PEC consumers and serves no income distribution benefit.	• Better-targeted lifeline rate benefits the poor and encourages use of electricity for lighting.
Put in place an institutional and regulatory system that facilitates new service providers, including cooperatives for rural electricity service delivery, and that is adapted to Yemen conditions.	• PEC cannot achieve costs recovery and at the same time greatly expand connections in rural areas. Different organizational models for service delivery should compete for limited government subsidies.	• Private and cooperative service providers will be more likely to provide options for service that are better adapted to rural consumers. They are likely to introduce better-adapted design standards, payment options, and technologies.

Source: ESMAP 2005a.

Note: LPG = liquid petroleum gas; LRMC = long-run marginal cost; PEC = public electricity company; YGC = Yemen Gas Company

Figure 9.3 New Outpatient Attendances in Government and Private Not-for-Profit Health Units in Uganda, 1997–2003



Source: Uganda, Ministry of Health 2003.

random sample of income-poor communities. A wealth-ranking exercise conducted by villagers revealed that since the abolition of user fees, the poorest quartile has consistently used government health centers more than any other group: in 2002, the poorest quartile used these facilities at a rate of 0.99 visits per person per year; for the wealthiest group, the rate was 0.77. Only limited data are available for the period preceding the abolition of fees, but the average utilization rate for the months of January and February 2001 was 0.52 and 0.42, respectively. Subsequent analysis of the 1999/2000 and the 2002/03 household surveys confirmed that poorer income groups had increased their use of services more than richer groups. For hospital services, the rate of increase of consumption for the poorest two quartiles was double that of the richest group. The study concluded that this increase was a direct result of the abolition of user fees because "the share of those who quoted cost reasons for not attending a hospital when sick decreased by about 20 percentage points in the bottom three quintiles, but by much less for the top quintile" (Deininger and Mpuga 2004).

Through the careful sequencing of methods and data analysis, a strong picture emerged that abolishing user fees has made health care more accessible to poor people and, consequently, they have increased their consumption of these services.

Notes

1. Davies (2003); http://www.policyhub.gov.uk/evaluating_policy/magenta_book/analysts-chk.asp.
2. Options n.d.; for more information on the PEER methodology contact Kirstan Hawkins at k.hawkins@options.co.uk.
3. An example of a questionnaire design is available at http://www.cmfnet.org.za/Documents/Savings%20vs.%20Credit%20Comparing%20Strategies%20of%20Poor%20Households%20in%20KZN.doc.
4. For more information please contact Chris Pain (chrispain70@yahoo.co.uk or chris.pain@gtz.de) or Renate Kirsch (rkisch@worldbank.org).
5. See http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:20490245~pagePK:210058~piPK:210062~theSitePK:490130,00.html and http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:21012695~pagePK:210058~piPK:210062~theSitePK:490130,00.html.
6. See http://povlibrary.worldbank.org/files/14975_rwanda_tea_sector.pdf as well as World Bank internal and unpublished progress reports. For more information please contact Kene Ezemenari (kezemenari@worldbank.org).
7. ESMAP (2005a, b).
8. Compare ESMAP (2005b) annex 10 for further details.
9. Yates, Cooper, and Holland (2006).

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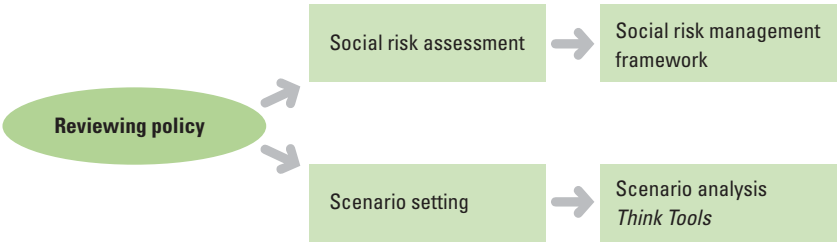
Reviewing Policy

Figure 10.1 Reviewing Policy



This chapter elaborates on the discussion in part 1, chapter 3, of this volume by describing in greater detail tools that can be used for policy review through a two-step process of risk assessment and scenario setting.

Social Risk Assessment

Social risk assessment involves testing the likelihood of an assumption about policy reform to be invalid and adjusting policy in light of the risks identified. The *social risk management framework* is particularly useful for policy analysis because it introduces the time dimension, showing how interventions can be designed to mitigate or even reduce the threat of risk rather than simply helping people to cope in the aftermath of a damaging event. Through social risk management,

individuals, households, or (social/geographical) communities manage their assets to reduce the likelihood of risk, mitigate the impact of a particular event (often by diversifying strategies or through insurance), or cope in the aftermath of a shock (often by disinvestment, sales of assets, or by borrowing). Understanding vulnerability in terms of social risk management allows policy makers and practitioners to design market and nonmarket interventions to support and enhance informal risk management.

Scenario Setting

Within PSIA there is usually more than one possible mix of interventions to consider to achieve our desired outcome. Specific techniques can be used to facilitate this process of identifying scenarios for assessing risk and uncertainty in policy reform. *Scenario analysis* is a participatory exercise based on a facilitated process of brainstorming, rigorous data gathering to explore the issues raised in brainstorming, and the creation of three to four plausible future situations (scenarios) in which a reform will play out. Scenario analysis lets policy makers (1) "pre-test" the performance of a policy reform in different plausible situations, allowing for the creation of alternate plans; (2) assess the level of ownership for a reform agenda among key stakeholders; and (3) get support for a reform agenda by including relevant stakeholders in discussions around scenarios to build a shared understanding of key issues in a reform.

Think Tools is a software-based planning system that the German Agency for Technical Cooperation (GTZ) has used to help policy reform stakeholders jointly understand the structure and dynamics with a reform sector, define reform goals and priorities, evaluate alternative scenarios, choose a feasible reform strategy, and assess risks to its implementation. As with scenario analysis, the tool enables participants to pool their knowledge, with the additional advantage of using visual graphics in a way that furthers a common understanding of a complex situation and moves participants toward a joint understanding of the scope and options for reform.

Tool Name: Social Risk Management (SRM) Framework

What is it?	SRM is a conceptual framework to analyze the sources of vulnerability, how society manages risks, and the relative costs and benefits of public interventions on household welfare. It links social protection concepts to the broader agenda of poverty reduction by shifting the focus from risk coping to risk reduction and assessing vulnerability.
What can it be used for?	SRM can be used to examine how proposed policy changes will affect the ability of vulnerable individuals and households to manage risks better and become less susceptible to damaging welfare losses.
What does it tell you?	• the formal and informal, proactive and reactive risk management strategies used at individual, household, community, national, and international levels, including actions by the public, private and informal sectors • how, and to what degree, a policy change or implementation will affect these strategies (and/or vice versa)
Complementary tools	Participatory risk index mapping, sources-of-risk matrix
Key elements	All individuals, households, and communities are exposed to multiple risks from different sources but the poor are usually more exposed and have access to fewer risk management instruments that could enable them to deal with these risks. The poor then are severely affected when shocks occur and they become more risk averse and unwilling (or unable) to engage in higher risk/high return activities. Examining policies through the SRM framework aims to ensure that policies will enable the poor and/or vulnerable to minimize the impact of exposure to risk and to change their behavior in a way that helps them escape poverty and reduce vulnerability. Social risk management highlights proactive (or ex ante) risk management—such as risk reduction and risk mitigation—in addition to ex post coping and focuses attention on the options available through various mechanisms (such as informal, formal, mixed informal-formal, personal, market-based, public, and public-private sector partnerships).
Requirements	
Data/information	Social risk management draws on the data and analysis generated through the PSIA methodology, and then applies it to analyze policy and to identify and respond to risks associated with policy reform.
Time	If integrated with ongoing PSIA, social risk management can be conducted in a single week.
Skills	Multidisciplinary team skills are particularly important in analyzing risk to reform from different sources.
Supporting software	No software needed
Financial cost	When combined with other qualitative work, the incremental cost of social risk assessment can be very low.
Limitations	The need to sequence interventions is not highlighted sufficiently, nor is the need to treat domestic and entrepreneurial spheres simultaneously (for example, a shock within the household will drain resources from agricultural production if they cannot be covered separately.
References and applications	DFID n.d.; Farrington 2004; Holzmann n.d.; Jørgensen and Van Domelen 2000; World Bank Social Risk Management Group website.

Social Risk Management Procedure

Social risk management can occur both before and after a risk "occurs." Ex ante risk management measures (that is, before it occurs) aim to prevent the risk occurring if possible or to mitigate its effects (that is, reduce its negative impacts).

The following steps provide a guide to ensure that the potential implications of policy decisions (such as proposed changes or implementation) for social protection are recognized and taken into account. The suggested steps draw heavily on Farrington (2004), the World Bank Social Risk Management Group website, and Jorgensen and van Domelen (2000) but should be adapted where necessary to account for specific policy and country contexts.

Possible Approach

Step 1: Identify Major Risks and the Characteristics of the Vulnerable. Although not an easy task, start by identifying the major risks that present themselves. These risks might be natural (such as disease, crop pests, and so on) or as a result of human activity (such as conflict) and affect people in an unrelated manner (idiosyncratic) or be correlated among individuals (covariate), across time (repeated), or with other risks (bunched). Risks differ by their frequency and welfare impact (for example, catastrophic or noncatastrophic). To categorize a risk as "major," compare its potential impact across various different welfare dimensions. Examine how risks vary according to factors such as agro-ecology, infrastructure, links with market-oriented infrastructure and institutions, labor markets, the degree of market segmentation, location (particularly in terms of market access and potential natural disasters), and social networks. Risks can also be identified by using participatory risk index mapping or a sources-of-risk matrix.

At the same time, examine who is exposed to the identified risks, which will also help to categorize a risk as being major or not. For example, a large risk that only affects the wealthy should not be considered a major risk from a risk management perspective if the wealthy can insure themselves against it. However, a small risk that affects poor households should be considered a major risk if they cannot protect themselves against it occurring.

Examine intra-household and gender differences in vulnerability and exposure to different types of uninsured risk carefully (for example, differences between men and women, male and female children, widows, the elderly, and so on). For example, women might carry the main burden of coping with shocks within a family while laws or norms might restrict their access to services that could help them cope better. Restrictions on women's ownership of assets and the low quality of their property rights might also lower the ability of women to mitigate risk. Children (male or female) might also be withdrawn from education if an income shock in the household

Table 10.1 Strategies and Arrangements of Social Risk Management

Arrangement strategies	Informal/personal	Formal/ market-based	Formal/publicly mandated
Risk reduction			
	• Less risky production • Migration • Proper feeding and weaning practices		• Labor standards • Pre- and in-service training • Labor market policies • Child labor reduction initiatives • Disability policies • Good macroeconomic policies • AIDS and other disease prevention
Risk mitigation			
Portfolio	• Multiple jobs • Investment in human, physical, and real assets • Investments in social capital (such as rituals, reciprocal gift-giving)	• Investment in multiple financial assets • Microfinance	• Multi-pillar pension systems • Assets transfers • Protection of poverty rights (especially for women) • Extending financial markets to the poor
Insurance	• Marriage/family • Community arrangements • Shared tenancy • Tied labor	• Old-age annuities • Disability, accident, and other insurance	• Mandated/provided insurance for unemployment, old age, disability, survivorship, sickness, and so on
Risk coping			
	• Selling of real assets • Borrowing from neighbors • Intra-community transfers/charity • Sending children to work • "Dis-saving" in human capital	• Selling of financial assets • Borrowing from banks	• Transfers/social assistance • Subsidies • Public works

Source: Jørgensen and van Domelen 2000.

occurs, which makes children vulnerable to such risk exposure. Identify the main social groups at individual, household, community, regional, and national levels that might require different approaches.

Step 2: Identify Risk Management Strategies and Arrangements. Identify the strategies adopted—or possible strategies that could be used—to address these risks for different vulnerable groups. Examine the mix of risk strategies (that is, reduction, mitigation, and coping) and the arrangements (that is, informal/personal, formal market-based, and formal publicly provided or mandated). This information can be presented in the matrix (see table 10.1).

Risk reduction (or prevention) strategies are those implemented before a risk event occurs. They are designed to reduce the probability of an adverse shock or stress occurring. These might include, for example, measures designed to reduce risks in the labor market (such as the risk of unemployment), breed disease-resistant crop varieties, improve/increase preventive health care, or improve building standards in areas prone to earthquakes. Risk reduction strategies implemented by households or individuals might, however, be very costly and even contribute to increased poverty (in terms of income), for example, if disease-resistant but low-yielding crop varieties are grown.

Risk mitigation strategies also aim to address risk before an adverse event occurs. However, they are designed to help reduce the potential impact of an adverse event, rather than reduce the probability of it occurring in the first place. Mitigation strategies might include, for instance, households pooling uncorrelated risks through informal or formal insurance mechanisms, diversification strategies (for example, in terms of income sources or crops grown), household or individuals saving money as a precaution, or storing food in preparation for an adverse weather event.

Coping strategies are those designed to relieve the impact of an adverse event once it has occurred. These might include individual "dis-saving," borrowing or relying on public or private transfers. When individuals or households have not saved enough to handle repeated or catastrophic adverse events or if coping mechanisms are ineffective (for example, asset prices fall rapidly in response to large numbers of people selling assets to get money to buy food following a covariate shock), then the government has an important role to play. It also has an important role in providing relief operations in times of disaster or providing health care to people affected by illness.

Three main types of social risk management arrangements deal with vulnerability: informal, market based, and public arrangements on a large scale. All of these arrangements will play important roles that are likely to change over time. Informal arrangements are the main source of risk management for most of the world's population. Where there is an absence of market institutions and public provision of support, individual households respond to risk by protecting themselves through informal and personal arrangements. Market-based arrangements include financial products offered by insurance companies and banks. However, their use might be restricted in situations where financial markets are relatively underdeveloped, or where households cannot obtain credit or insurance from formal market institutions because they have insecure earnings and/or little access to information. Public arrangements can include the state provision of social insurance programs (which might be mandatory) for risks such as unemployment, old age, work injury, disability, widowhood, and sickness. Mandatory participation can overcome problems of adverse selection (for example, when individuals with low-risk profiles avoid participation in insurance pools due to premiums, while individuals with high-risk

profiles join to gain access to payouts). However, because these public arrangements often apply to those in formal employment, their use and coverage in developing countries is generally low. Other public arrangements to help households cope after an adverse event occurs include social assistance, subsidies on basic goods and services, and public works programs. Government can also legislate to improve prevention strategies (for example, building codes in disaster-prone areas).

Step 3: Analyze Policy for Social Risk Management. Once the major risks, vulnerable groups, risk management strategies, and arrangements have been identified, an analysis of the proposed policy change can be done to examine how the policy contributes to—or detracts from—social risk management.

Examine, for example, how far the proposed policy recognizes social protection and social risk management requirements and to what degree there is scope to modify it to account for these considerations. Look at how trade-offs within the proposed policy have been examined (for example, between growth and social protection) and how the policy could be adjusted to balance growth and social protection in ways that are most favorable to the poor. Other questions that might need considering include:

- Which elements of the social risk management framework will the policy impact (for example, informal risk reduction or market-based risk coping)? Remember that there might be important overlaps and interaction among different elements.
- Will the proposed policy result in public expenditure being substituted by private commercial engagement and what implications does this have for the social protection?
- Will the proposed policy introduce market or public arrangements that might have negative consequences for the functioning of informal arrangements? (For example, the introduction of a public arrangement such as a food-for-work program might result in the withdrawal of able-bodied individuals from an informal insurance arrangement leaving less able-bodied individuals uninsured.)
- What measures need to be undertaken to increase the positive outcomes and reduce the negative implications of the proposed policy?
- How does the proposed policy contribute to multisectoral social risk management strategies?
- Which groups of people will not be affected by the positive impacts of the policy in terms of social risk management; how can they be addressed positively?

In addition to these above and other relevant questions, examine the movement of people and groups into and out of poverty, how they have been exposed to shocks, how they have coped with shocks, how shocks have affected their well-being over

different time frames, and so on. This examination will provide an increased understanding of the role that risk plays in the pursuit of progress and why some households and individuals are stuck in poverty, why others fall (deeper) into poverty, and why others are able to move out of poverty.

Step 4: Using the Analysis to Improve the Proposed Policy. On the basis of the above analysis, assess the poverty and social impacts of the proposed policy in terms of helping people to manage risk better and highlight areas for improvement or change. Examine how the proposed policy can be adapted, if necessary, to ensure it contributes better to social risk management (that is, contributes to risk reduction, risk mitigation, and coping strategies). The aim of the analysis should be to examine how proposed policies in productive sectors (for example, agriculture) can contribute better to risk reduction, risk mitigation, and risk coping strategies. Social protection policies can be adapted to both support pro-poor growth objectives and contribute more broadly to social risk management for vulnerable groups.

Social Risk Management Case Study: Vulnerability and Exclusion in Ghana

A PSIA study on tackling vulnerability and exclusion in Ghana was undertaken following a realization that these issues were not adequately addressed in the Ghana Poverty Reduction Strategy (GPRS). The main objective of the PSIA was to assess the nature and extent of vulnerability and exclusion in Ghana. The study adapted the social risk management framework to analyze the nature of risks that people faced and the risk management options for reducing, mitigating, or coping with shocks (Booth and Curran 2005; Sync Consult n.d.).

The study found that the most vulnerable groups of people are those exposed to multiple and concurrent shocks who are unable to restore their asset base. Vulnerability was found to be exacerbated by exclusion that prevents people from participating fully in society and denies them individual rights, entitlements, and opportunities.

The main findings of the study include

- An absence of an all encompassing, multisectoral definition of vulnerability and exclusion—coupled with uncoordinated "projectization" and fragmentation of interventions—has undermined the effectiveness of Ghana's poverty reduction efforts and resulted in the use of large amounts of resources, but little impact.
- Targeting poses a challenge; the most vulnerable and excluded have not benefited from interventions supposed to address their needs.
- An absence of a comprehensive social protection system weakens the risk management capacity of the vulnerable and excluded.

- There is a lack of a comprehensive disaster management mechanism to provide effective relief when risks materialize.

Based on an analysis of gaps, opportunities, and strategic options, the study proposed four main policy messages:

- A multisectoral policy needs to be introduced that recognizes the multiple dimensions and cross-cutting nature of vulnerability and exclusion that will harmonize all policies and interventions targeted at tackling vulnerability and exclusion.
- An all-inclusive social protection system is needed that reduces vulnerability for both the secure and insecure.
- Barriers to social inclusion need to be addressed to ensure that the vulnerable and excluded are included in the design and implementation of interventions that affect their lives.
- Risk management is needed to mitigate and reduce risks borne out of the need to develop a more holistic and comprehensive disaster management framework.

Tool Name: Scenario Analysis

What is it?	Scenario analysis is a participatory exercise based on a facilitated process of brainstorming, rigorous data gathering to explore the issues raised in brainstorming, and the creation of three to five plausible future situations (scenarios) in which a reform will play out. These scenarios are differentiated by plausible discontinuities (such as a change in government, a currency devaluation, or a major shift in commodity prices), but take into account significant predictable factors (such as demographic trends).
What can it be used for?	Scenario analysis is forward-looking and is generally used to analyze "lumpy" investments or major changes in strategic direction. The process is particularly adapted to bringing the perspectives of different stakeholders together around contentious decisions.
What does it tell you?	Scenario analysis lets policy makers (1) "pre-test" the performance of a policy reform in different plausible situations, allowing for the creation of alternate plans; (2) assess the level of ownership for a reform agenda among key stakeholders; and (3) get support for a reform agenda by including relevant stakeholders in discussions around scenarios to build a shared understanding of key issues in a reform.
Complementary tools	It is normally used in conjunction with economic models and social analysis, which can serve as analytical inputs to the scenario-building process, and stakeholder analysis, which helps determine key groups to consider in different scenarios. It can be used in conjunction with *Think Tools* software.
Key elements	The elements of a complete scenario analysis are (1) preliminary scenario workshop, which brings together relevant stakeholders to brainstorm the key issues around a reform agenda; (2) data collection wherein a researcher assembles relevant information around the issues identified in a workshop; (3) a scenario-building workshop where relevant stakeholders build alternate scenarios; and (4) the dissemination process where scenarios are shortened to one-page briefing notes and shared with the public through newspapers, television, and radio.
Requirements	
Data/information	Scenario analysis requires (1) economic information, including standard economic projections; (2) demographic information; (3) sector-specific information relevant to the issues; and (4) a basic profile of a country's political economy and ethnic, linguistic, and religious divisions.
Time	Workshops of up to three days are spread over periods of up to several months depending on the timing of information inputs generated by economic and TIPS analysis in PSIA, along with other policy analysis documents.
Skills	An individual with strong facilitation skills and specific experience running scenario exercises. Ability to understand and absorb PSIA analysis from different disciplines and to feed this analysis into scenario building.
Supporting software	No software needed
Financial cost	A small exercise intended to ensure that the assumptions of policy makers are challenged would cost approximately $10,000. A full exercise with participatory workshops designed to build support among stakeholders could cost as much as $30,000.
Limitations	Successful scenario analysis is based on the skill of facilitators and the choice of participants. Because the process is participatory and based on subjective understanding, it is best for strategic rather than tactical questions.
References and applications	Maack 2001; Pruitt 2000.

Scenario Analysis Procedure

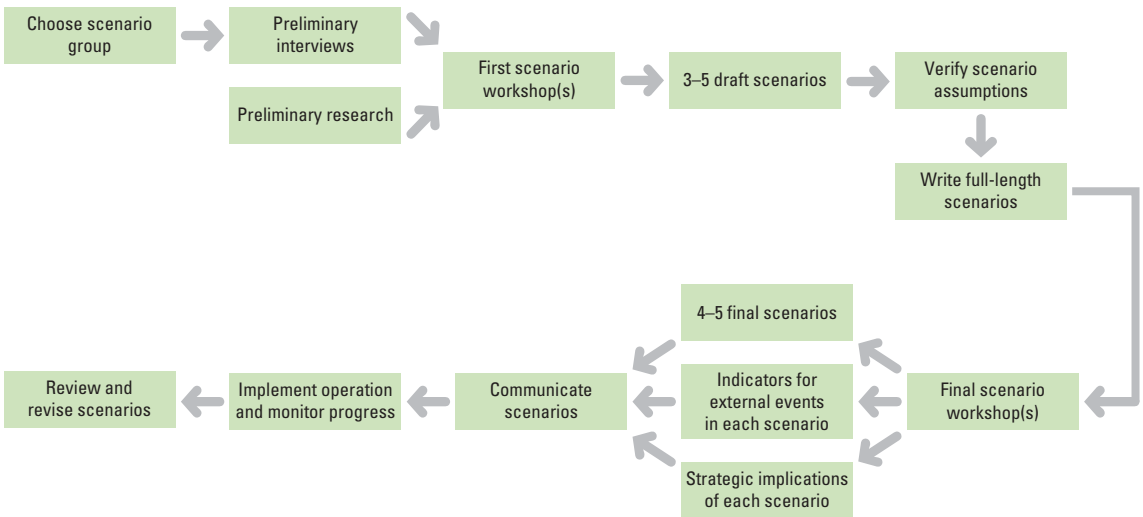
Scenario analysis is a participatory exercise based on a facilitated process of brainstorming, rigorous data gathering to explore the issues raised in brainstorming, and the creation of three to five plausible future situations (scenarios) in which a reform will play out. It involves constructing or developing scenarios and integrating the content of scenarios into decision making; both of these elements should receive equal attention (see figure 10.2).

Possible Approach

Step 1: Define a Focal Issue or Decision. Scenarios are best suited to looking at the future from the perspective of a specific issue. In the context of PSIA this might be a proposed policy introduction or reform, for instance. It is important to clearly define this issue to avoid the danger of scenarios being too general.

Step 2: Identify Driving Forces. Once the specific issue has been defined, identify the social, economic, environmental, political, and technological factors that are most relevant to the focal issue. These "driving forces" should be prioritized by the scenario team according to their level of predictability and importance in affecting the desired outcome.

Figure 10.2 Diagram of the Scenario-Building Process



Source: Maack 2001.

Step 3: Write Scenario Plots. The scenarios, or "stories," can then be written that explain how the driving forces interact and what effects they have on the operation or strategic direction being discussed. Aim to develop three to five scenarios that are realistic and plausible.

Step 4: Flesh Out Scenarios. Good scenarios combine a solid understanding of relevant present trends with a clear focus on the outcomes sought by decision makers. The scenarios should incorporate lessons revealed by analysis of quantitative and qualitative data relevant to the assumptions that underlie each scenario.

Step 5: Examine Implications. After scenarios have been fully developed, decision makers should study the implications for the outcomes being sought by the operation.

Step 6: Choose "Leading Indicators." These indicators should help decision makers monitor any changes in the external environment as well as developments in the project.

Step 7: Disseminate Scenarios. Once scenarios have been built and refined, they should be written in succinct, easy-to-read language and then disseminated within implementing organizations and to the public.

Step 8: Integrate Scenario Outcomes in Daily Procedures. Change the incentive system in affected agencies and areas to ensure concerted movement toward the strategic goals that have been formed on the basis of the scenarios. Use or modify existing systems to monitor progress toward operational goals as well as changes in the external environment.

Points to Remember

Because the scenarios focus on areas of uncertainty and the potential for unexpected *future* discontinuities, they provide a perspective that is not captured through projections based on *past* data.

Maack (2001) also provides guidance on how the scenario analysis process can be adapted and shortened to suit particular needs and contexts.

Scenario Analysis Case Study: Scenario Analysis for the National Strategy in South Africa

In the early 1990s, a South African university initiated a process of using scenario analysis to develop four distinct scenarios for South Africa's post-apartheid future. The scenarios were developed during three 3-day workshops and in a context of ongoing national debates among political parties (Kahane 1998 in Maack 2001).

Workshop participants (economists, businesspeople, politicians from all major parties, academics, and NGOs) examined the possible actions of various stakeholders in the political process and developed four scenarios:

- *Scenario 1:* A closed transition process in which conservative parties attempt to forge a nonrepresentative compromise government, rather than reach a negotiated settlement. The outcomes of this policy—named after the bird's habit of sticking its head in the sand in the face of danger—are political and economic isolation and deepening ethnic tensions.
- *Scenario 2:* A half-hearted and prolonged transition of power that creates a coalition government stripped of any real authority. The outcomes of this scenario are a deteriorating political climate, lack of sufficient investment in economic redevelopment, and the risk of continued isolation.
- *Scenario 3:* A populist national government takes power and adopts an unsustainable policy of high government spending and taxation. The outcome of this policy is short-term prosperity, followed by a deep economic slump that leaves the country in worse condition than it was during the transition.
- *Scenario 4:* A smooth transition followed by a move toward sustainable policies to increase growth and inclusion. This scenario—named after the slow take-offs and close flight patterns of flamingos—shows steady economic growth, bipartisan priority setting, and a greater increase in long-term benefits to the poor.

The scenarios were given names related to birds (1. ostrich, 2. lame duck, 3. Icarus, 4. flight of the flamingos) and were widely publicized in the media. They created countrywide debate and discussion; the process proved an excellent way to broaden the involvement of stakeholders in policy dialogue without creating chaos in the decision-making process.

Tool Name: *Think Tools* Suite 5.0

What is it?	*Think Tools* is a software-supported approach to strategy development; a moderator/facilitator models contents of the discussion on a screen, inputing information from the participants. The knowledge of participants can thus be pooled to further a common understanding of a complex situation and arrive at a joint strategy.
What can it be used for?	Participants jointly build a system landscape and analyze interrelationships between factors. Key factors and feedback loops of the system are singled out, together with the direction and the strength of their impact. Thus, they can identify the key drivers, which are subsequently combined and used to facilitate the understanding of the impact, the synergies, and the trade-offs of various combinations of actions in chosen policy areas—option development. A set of consistent and relevant policy actions emerges, which then forms the strategy. Various strategies would then be evaluated against their performance in relation to different objectives over time—option evaluation. The possible achievement of the strategy is modeled over various levels in a risk tree presentation—risk assessment. Finally in a concentric contribution system—score map—impact flows and relative weights of different actions with regard to a certain objective can be modeled and analyzed.
What does it tell you?	• describes the functioning of a system as understood through the combined interdisciplinary interpretations of experts • helps identify key drivers and thus set priorities • guides the development of strategy options • supports the evaluation of options • facilitates the presentation of comprehensive contribution flows in multifactor systems • helps to identify a consistent strategy • enables the setting up of a management monitoring system.
Complementary tools	*Think Tools* can draw on all forms of PSIA data and analysis, although it draws directly on the expertise of those participating in the exercise.
Key elements	The tool requires a group of people with a joint mandate and interest to find solutions in a complex environment and who can dedicate the time needed for this decision-making process. This group then addresses the following elements: system (situation) analysis, option development, option evaluation, score map, and risk assessment.
Requirements	
Data/information	Information is brought in through active participation of the experts in the exercise.
Time	Workshops of up to three days
Skills	Advanced moderation/facilitation skills; training to use *Think Tools* software (to be acquired in conjunction with the software or through the GTZ *Think Tools* Program).
Supporting software	*Think Tools* 5.0
Financial cost	One license (approximately US$13,000) plus software training on the software brings the cost for establishing in-house capacity to a minimum of US$26,000. If the intention is to deliver strategy development services only once or twice, it might be advisable to hire two experienced moderators from GTZ's *Think Tools* Program.
Limitations	The tool is most effective if the question involves a high level of complexity and the workshop participants have the necessary information and decision-making power.
References and applications	The tool has been used in various GTZ projects. Inquiries: GTZ *Think Tools* Program, Klaus Reiter, klaus.reiter@gtz.de or Christopher Mallmann, PRSP/PSIA Strategy Development in Armenia, gtz-prsp-armenia@cornet.am.

Think Tools Procedure

Think Tools is a software-supported facilitation and moderation approach to strategy development (GTZ 2001).

Time, Materials, and Skills Needed

A group of 10 to 50 people with expert knowledge can participate in a workshop, lasting several days, guided by one or two facilitators. The participants' views on a specific issue are presented visually and analyzed. An overhead projector is required with the *Think Tools* software.

Possible Approach

Step 1: System (Situation) Analysis. Participants with expert knowledge (and, ideally, different perspectives) build a system landscape and analyze the interrelationships between various factors. Key factors and feedback loops are singled out, together with the direction and the strength of their impact. The key drivers—where taking action can achieve strong repercussions throughout the system—can be identified.

Step 2: Option Development. The key drivers can then be used to increase the understanding of the impact, the synergies, and the trade-offs of various combinations of actions in chosen policy areas. A set of consistent and relevant policy actions can be developed, which can then form a strategy.

Step 3: Option Evaluation. Various strategies can then be evaluated in terms of their performance in relation to different objectives over different timescales. The degree to which alternative strategies might achieve the goals can be shown graphically and compared. This presentation enables the participants to clearly see the most efficient strategies and it serves as a basis for consensus building.

Step 4: Risk Assessment. The strategy options are modeled over various levels in a risk tree presentation. The assessment of implementation risks provides a realistic picture of problems that might occur in the implementation phase (such as the likelihood that staff at national ministries reject decentralization efforts) and indicates the probability that the goals will be achieved.

Step 5: Score Map. Impact flows and relative weights of different actions regarding a specific objective can be modeled and analyzed. Impact hypotheses can be developed and the consequences for stakeholders at different levels can be assessed. This score map will indicate whether a specific strategy has a positive or a negative impact and shows its relative strength, to identify strategies that are most likely to be successful.

Think Tools Case Study: The Armenia Social Sector PSIA

The *Think Tools* approach was used to facilitate strategy development and then to assess and design policy in the context of the Armenia Social Sector PSIA (see GTZ Armenia 2005). This case study is presented in full in chapter 6 of this *Sourcebook*.

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Appendix A

Contents of the Accompanying CD-Rom

This *Sourcebook* is accompanied by a CD-ROM, located in the sleeve of the book, which contains six folders of useful additional material. These folders are briefly described below.

Folder 1: Participatory Tools for Micro-Level Analysis

This folder introduces and illustrates a range of participatory tool that can be used to describe and analyze the micro-level poverty and distributional impacts of policy reform.

Participatory research, like qualitative research, tends to use more contextual methods and elicit more qualitative and interpretive information. However, participatory methods bring with them an important additional philosophical commitment to respect to local knowledge and facilitate local ownership and control of data generation and analysis. In this way, participatory research can be empowering for different groups of stakeholders.

Participatory methods are by no means restricted to qualitative data output. People map, count, estimate, compare, and value using numbers during participatory research, often producing empirical insights that are very difficult to capture through conventional methods. Participatory methods are often quick and efficient, producing data in a timely fashion for evidence-based analysis and action. Through robust sampling and triangulation, participatory research can generate numerical data that are representative, comparable, and generalizable.

The tools presented here are categorized into three broad groups (see Table 1)

Table A.1 Participatory Tools for Micro-Level Poverty and Social Impact Analysis

Method	Summary Description
1. Poverty characteristics, incidence, and distribution	
Transect walk	A tool for describing and showing the location and distribution of resources, features, the landscape and main land uses along a given transect
Community profile	An overview of a community containing information on a broad range of factors (including environmental/natural features and management, socio-demographic characteristics, political and economic structures, local institutions, economic activities and livelihoods, basic household and community facilities, and social organization)
Social mapping	A visual method of showing the relative location of households and the distribution of people of different types (such as male, female, adult, child, landed, landless, literate, and illiterate) together with the social structure and institutions of an area
Community resource mapping	A method of showing information regarding the occurrence, distribution, access to, and use of resources; topography; human settlements; and activities of a community from the perspective of community members; enables people to picture resources and features and to show graphically the significance attached to them
Wealth ranking	A method for ranking individuals, households, or communities according to locally-developed criteria of wellbeing. Performing such exercises for communities as well as households or individuals illustrates the significance of factors and assets which affect poverty at the community, group, or household level.
Time Line Life Histories	Methods for identifying trends and changes to poverty over time. Time lines use specific notable events as the basis for a visual analysis of trends, while life histories are usually explored through conversational interviews.
2. Understanding poverty dynamics: assets, vulnerability, and livelihood strategies	
Risk mapping	A tool for understanding the vulnerability context of reform impact, delineating perceptions of risk at different levels and examining the multiple risk and vulnerabilities (the most vulnerable will experience multiple risks) linked to policy change
Risk indexing	A systematic approach to identify, classify, and order sources of risk and examine differences in risk perception
Seasonal calendar	A visual method of showing the distribution of seasonally varying phenomena (such as political activities, resource availability, production and exchange activities, problems, illness/disease, migration, natural events/phenomena, and climate) over time. This tool nuances analysis of impact of policy change by revealing the seasonal variations in vulnerability and access to assets and resources. It is also useful for understanding the relationship between seasonally-varying phenomona and livelihood strategies.
24-hour calendar	A visual method of showing the way people allocate their time among different activities over a 24-hour period. The tool enables understanding of the impact of policy changes/implementation on daily schedules/workloads/time use, and reveals differences in schedules and workloads between people from different social groups and at different times of year. It can also be used to look at the social impacts, on health and education, for instance, of different workloads.

Table A.1 continued

Method	Summary Description
Asset Wheel	A visual method of showing the different assets/resources and the linkages between them. It is useful for understanding differences in the asset bases of different social groups; establishing an asset baseline, which can be used to explore livelihood strategies/diversification and opportunities for and constraints to increasing asset holdings; and examining potential impacts of a policy change on the asset bases of different social groups.
Livelihood matrix scoring	A method of investigating preferred and prioritized livelihood options of population subgroups against specified criteria (rather than a description of current livelihood strategies). This method contributes to an understanding of possible impacts of policy reform on livelihood options and preferences.
Entitlements matrix	A method of representing socially differentiated perceptions of and actual rights and entitlements, and understanding differences in the way they are applied to different groups of people (such as women and men, poorer households, and different ethnic groups). It is useful for identifying possible linkages between capacity and resources to claim rights and people's capacity to deal with risk and vulnerability; and can help identify potential impacts of policy reform on rights and entitlements.
Causal flow diagram	A method of showing diagrammatically the causes, effects and relationships between variables associated with policy change and poverty and social change. This method traces differences in cause-effect relationships by different social groups, and reveals relationships between economic, political, social and environmental factors.
3. Institutional constraints and opportunities	
Institutional mapping/Venn diagramming	A visual method of identifying and representing perceptions of key institutions (formal and informal) and individuals inside and outside a community and their relationships and importance. This method enables understanding of how different community members perceive institutions both within the community (in terms of decision-making, accessibility and services) and outside the community (in terms of participation, accessibility and services).
Institutional perception mapping	A visual method of identifying and representing perceptions of key institutions (formal and informal) and individuals inside and outside a community and their relationships and importance to different social groups. This method is effective for understanding the sets of social relations that mediate the transmission of a policy change.
Mobility mapping	A visual representation of people's movements within and outside their community. This tool identifies issues and problems related to socially differentiated mobility and access to resources (such as land, water, health and education services, information, capital, and decision-making. It helps to identify socially differentiated mobility within and outside a community and can indicate differing levels of freedom, wealth, empowerment and rights. It also helps to reveal the consequences of socially differentiated mobility for different social groups, their households and livelihoods.

1. tools for describing poverty characteristics, incidence and distribution
2. tools for understanding poverty dynamics: assets, vulnerability, and livelihood strategies
3. tools for identifying the institutional constraints and opportunities for poverty reduction.

Folder 2: PSIA General Information

This folder provides background information on poverty and social impact analysis in the form of resources and guides produced by the World Bank and DFID on the methodology of conducting PSIA and on the principles associated with good practice in PSIA.

The folder includes the following material:

- A User's Guide to Poverty and Social Impact Analysis
  - English Version
  - French Version
  - Russian Version
  - Spanish Version
- Good Practice Note on PSIA to Support Development Policy Lending Operations
- Principles for PSIA Process in Policy Cycles and Stakeholder Participation
- DFID Principles for Good Practice

Folder 3: TIPS Sourcebook as a PDF file

This folder presents the *Sourcebook* as a PDF file and includes French, Portuguese, and Spanish translations of the Web site version of the *Sourcebook*.

Folder 4: Case Studies and Lessons

This folder presents a range of case study material from the World Bank and from DFID on PSIA experience in many countries and across a wide range of sectors. The folder contains:

- 14 PSIA country case studies taken from a recent World Bank publication
- Lessons from DFID Pilot Studies (2003)
- Lessons from Implementation (World Bank 2007)

Folder 5: PSIA Guidance Notes for Specific Reforms

This folder presents Guidance Notes on specific reform areas, taken from a two-volume World Bank publication.

The folder contains:

a. Analyzing the Distributional Impact of Reforms (Volume 1)
   - Trade Policy Reforms
   - Monetary and Exchange Rate Policy Reform
   - Utility Reforms
   - Agricultural Market Reforms
   - Land Policy Reforms
   - Education Policy Reforms

b. Analyzing the Distributional Impact of Reforms (Volume 2)
   - Pension System Reforms
   - Health Sector Reforms
   - Labor Market Reforms
   - Public Sector Reforms
   - Decentralization Reforms
   - Macroeconomic Shocks and Policies

Folder 6: Electronic Learning Programs for PSIA and TIPS

This final folder contains two useful e-learning course developed by the World Bank which use interactive prompts and case study material to guide the reader through elements of PSIA and through the use of Tools for Institutional, Political, and Social Analysis in PSIA.

The folder contains:

- The PSIA e-learning course
- The TIPS e-learning course

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Analysis of the distributional impact of policy reforms plays an important role in the elaboration and implementation of poverty reduction strategies in developing and transitional countries, promoting evidence-based policy choices and fostering debate on policy reform options. International agencies and national partners are increasingly encouraging a more systematic application of policy reform analysis. Requisite to a systematic application is capacity building within countries as well as within donor agencies.

Tools for Institutional, Political, and Social Analysis of Policy Reform: A Sourcebook for Development Practitioners contributes to this agenda by introducing a framework and a set of practical tools that analyze the institutional, political, and social dimensions of policy design and implementation. The authors fill a perceived gap in knowledge of the application of social tools and complement existing guidance on conventional economic analysis of distributional impacts of reform.

This book will be of interest to commissioners and practitioners working in policy analysis in a range of areas—including macroeconomic, sectoral, and public sector policy—that are subject to ongoing policy reform discussions.

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