

1 Introduction

Poverty and social impact analysis (PSIA) refers to the analysis of the distributional impact of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable.¹ The adoption of the Poverty Reduction Strategy Paper approach and of the Millennium Development Goals has led to an increased need for more systematic analysis of the poverty and social implications of reforms. This User's Guide is part of a comprehensive response undertaken by the World Bank to address those concerns.²

The User's Guide is intended for practitioners undertaking PSIA in developing countries. Given the broad scope of policy issues, methods, and challenges involved, the User's Guide does not specify minimum standards for PSIA, but rather provides suggestions on how to approach the analysis. In advocating a multidisciplinary approach to PSIA, the User's Guide presents both economic and social analysis tools and methods. While focusing on distributional impacts, PSIA also addresses issues of sustainability and risks to policy reform that come with the poverty and social impacts of policy changes.

PSIA includes ex-ante analysis of the likely impacts of specific reforms, analysis during reform implementation, and ex-post analysis of completed reforms. Each of these has a specific utility. Ex-ante PSIA 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 of the reform, a reconsideration of the

pace/sequencing or institutional arrangements of the reform, or the introduction or strengthening of mitigation measures. Finally, ex-post PSIA assesses the actual distributional impacts of a completed reform, which helps analysts understand the likely impacts of future reforms.

PSIA is not new, and lessons can be drawn from past experiences.³ Effective PSIA is undertaken early enough to inform the design of reforms, clearly sets out the assumptions behind the analysis, addresses the risks to policy implementation, considers all stakeholders in the analysis, and promotes transparency about expected impacts to strengthen local ownership. Analysts have typically faced constraints in terms of data, analysis, capacity, and time. Some of these constraints can be addressed by building on earlier experience and by employing flexibility in the choice of tools and methods.

The User's Guide is organized as follows. Chapter 2 introduces the main concepts underlying PSIA and establishes the conceptual framework. Chapter 3 then presents an approach to PSIA by reviewing 10 basic elements underlying the sound analysis of the poverty and social impacts of reforms. Chapter 4 considers some of the major constraints often identified by PSIA practitioners, especially in developing countries, and provides basic operational principles for PSIA. Chapter 5 proposes a summary matrix that can be a useful tool to capture and integrate the various elements of good PSIA. Finally, chapter 6 closes with brief conclusions.

Notes

1. This User's Guide uses the terms "well-being" and "welfare" synonymously.

2. The PSIA website (<http://www.worldbank.org/psia>) presents guidance on the application of economic and social tools and methods for PSIA, country experience in undertaking PSIA for specific reforms, training events and material, and other resources.

3. The Bank has been engaged in this area for some time, especially in the context of projects. For economic literature on the topic, see, among others, Squire and van der Tak 1975; Timmer, Falcon, and Pearson 1983; and Gittinger 1985. For anthropological and sociological literature, see Finsterbusch, Ingersoll and Llewellyn 1990; Becker 1997; Goldman 2000; and Brinkerhoff and Crosby 2002.