

Tools for Institutional, Political and Social Analysis (TIPS)

A Sourcebook Poverty and Social Impact Analysis (PSIA)

Volume 1

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Acknowledgements/ Preface

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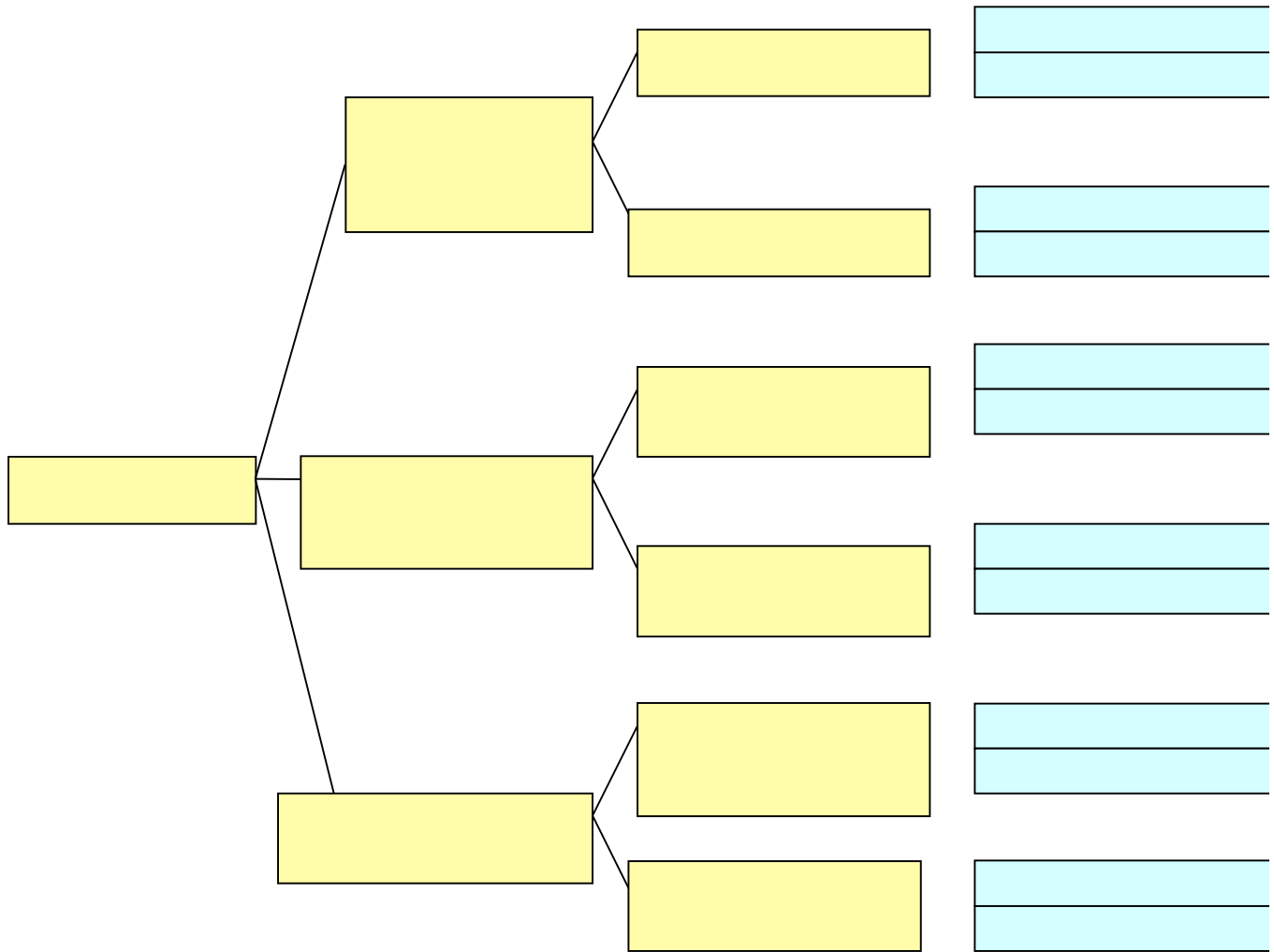
1. Introduction to the Sourcebook: Tools for Institutional, Political and Social Analysis (TIPS) in PSIA

1. Poverty and Social Impact Analysis (PSIA) refers to the analysis of the distributional impact of policy reforms¹ on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable.
2. 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 capacity in-country and to move the balance of PSIA experience away from donors. More specifically, it is designed to fill a perceived gap in guidance on institutional, political and social analysis and is intended to complement the guidance provided in the World Bank's *PSIA User's Guide* (World Bank, 2003a, which advocates a multidisciplinary approach to PSIA and presents both economic and social tools and methods, along with the World Bank's *Economic Toolkit* (Bourgignon and da Silva, 2003.). The Sourcebook can also be used to complement the reform-by-reform notes on economic analysis in PSIA that have been produced by the World Bank ().
3. In a generic sense the term “social analysis” encompasses what is described in the sourcebook as institutional, political and social analysis. These are three overlapping areas of analysis, derived from different disciplinary backgrounds, that focus on the rules and relations that underpin and influence reform outcomes:
 - **Institutional analysis** looks at the “rules of the game” 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.
4. This Sourcebook introduces tools for understanding the institutional, political and social dimensions of policy design and implementation that will impact on poverty and distributional equity. These tools are presented for use in PSIA but can be equally applied in 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 first impact analysis using the title “PSIA” was undertaken as a series of pilots by the World Bank and DFID during 2002. The uptake was relatively rapid. In three years, over 125 PSIAs have been initiated in more than 60 countries.

¹ Although PSIA has focussed on policies, the approach and tools documented here can be applied equally well to the appraisal of plans, programmes and mega projects.

5. The Sourcebook is intended primarily for practitioners undertaking PSIA in developing countries. The Sourcebook does not seek to prescribe to this audience but provides illustrative guidance on a range of tools and their application. Tools from a range of disciplines are useful for PSIA, particularly if they utilise robust data backed up by good quality analysis and contextual understanding. PSIA provides an opportunity for powerful use of mixed methods, as illustrated by case study material presented in this Sourcebook.
6. This Sourcebook is organised into two volumes. Volume 1 provides an overview of the elements that make up institutional, political and social analysis for PSIA, introducing frameworks and tools using illustrations and case study material. Volume 2 provides more detailed guidance and illustration of the use of specific tools or on specific areas of good practice. A CD-ROM version of the Sourcebook integrates the Annexes with the main Sourcebook through the use of hyperlinks and provides additional links to related publications cited in the text.
7. Volume 1 is organised as follows. Part 2 introduces PSIA and its main objectives and briefly reviews the ten elements of good practice introduced in the World Bank *User's Guide to PSIA* (World Bank, 2003a). The remainder of the Sourcebook is guided by these elements and presents technical guidance at three levels of analysis, as illustrated in **Figure 1.1**. Part 3 introduces tools for “macro”-level analysis of the country and reform context, Part 4 describes tools for analysing the “meso”-level processes of policy implementation and Part 5 introduces tools for analysing the meso- and “micro”-level impact of policy reform. Part 6 shows how this analysis can be used to assess the risk to policy reform. Part 7 briefly concludes.

Figure 1.1. Tools for Institutional, Political and Social Analysis at Macro, Meso and Micro levels



2. An introduction to PSIA

2.1. PSIA Objectives

8. 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 recognised as an important element in both national poverty strategy processes and in IMF and WB lending programmes (Robb, 2003).
9. More specifically, PSIA is an approach for assessing the distributional effects of policy reform by analysing 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 Programmes, and a 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.
10. PSIA can generate evidence which can be integrated into policy cycles according to whether it is prior analysis of the likely impact of specific reforms, analysis during reform or analysis after completed reforms.² PSIA 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 of the reform, a reconsideration of the pace/ sequencing or institutional arrangements of the reform, or the introduction or strengthening of mitigation measures. Finally, PSIA after policy reform assesses the actual distributional impacts of a completed reform, which helps analysts understand the likely impacts of future reforms.
11. PSIA can be applied to policy reform in a number of areas and sectors (see **Box 2.1**) Some types of reform, such as decentralisation or public sector reform, are more likely to have direct impacts which lend themselves most obviously to institutional, political and social analysis. Yet tools for institutional, political and social analysis can be applied to impacts that are both market and non-market in nature because of the nature of indirect (upstream and downstream) impacts of policy reform but also because market reforms are mediated in their impact by behavioral responses among institutional actors and affected persons.

Box 2.1. Overview: Policy issues that may be appropriate for PSIA

- Macroeconomic and fiscal policy reform: monetary policy; broad external policy; broad fiscal policy
- Public finance reform: expenditure policy; revenue policy
- Trade and exchange rate reform: tariff and non-tariff barriers; exchange rates
- Agricultural reform: eliminating administered prices; changing domestic subsidies and taxes; eliminating marketing boards
- Land reform: distribution to the landless or passing of laws governing the right to own, exchange, or inherit land
- Labor market reform: minimum wage legislation; job security regulation; active labor market programs

² The terms *ex ante* and *ex post* are sometimes used to denote before and after analysis, but we are avoiding unnecessary use of Latin in this Sourcebook.

- Utility reform: restructuring state-owned utilities; increased private participation in state-owned utility; full divestiture of utility
- Privatization: lease of assets, management contracts; full divestiture
- Civil service **reform**: results-based management; lay-offs; reductions in wage bill
- Decentralization of public services: resources; policy design and/or implementation; fiscal authority
- Social safety nets: targeted cash/in-kind transfers; categorical benefits; contribution-based social insurance benefits
- Pensions: scaling back public pension schemes; increasing private provision; introduction of social pensions

12. PSIA is one of many forms of impact analysis in existence that consider the likely impact of policy or regulatory change. *Environmental impact assessment*, in particular, has long been standard practice amongst donors and government agencies at the project level. Strategic Environmental Assessment (see **Box 2.2**) moves the analysis to the strategic level (policies, plans and programmes), focusing first on the natural environment, but increasingly also the social and economic environments.

Box 2.2. Strategic Environmental Assessment (SEA)

Participatory Poverty Assessments (PPAs) around the world have demonstrated that the livelihood strategies adopted by poor people are inextricably linked to their environmental context. Poverty and environment linkages are therefore increasingly recognised by agencies involved in poverty reduction: poor environments increase poverty, while poverty often results in damage to the environment.

Complex environment-poverty linkages can be summarised into three main areas: *health* (e.g. access to clean water and sanitation, clean air, water borne diseases and exposure to agro-chemicals etc.); *sustainable livelihoods* (e.g. access to and control over natural resources and environmental services for food production, watershed protection, flood control and pest control etc.); and *vulnerability* (e.g. environment related disasters and conflict over natural resources etc.).

Strategic Environmental Assessment (SEA) is an important analytical tool and process for achieving sustainable development results by evaluating potential environmental impacts during the early stages of policy, plan and programme development. SEA shares many of the similar principles as PSIA, such as good stakeholder participation, transparency, accountability, and multi-disciplinary methods.

In general, SEA is currently understood as a process for identifying and addressing the environmental (and also, increasingly, the associated social and economic) dimensions, effects and consequences of policies, plans and programmes. The aims are to ensure that environmental considerations are effectively incorporated into strategic decision-making at the formative stage, and are thus able to influence these decision; that the linkages between environmental, social and economic factors are better understood and addressed; and, thus, that the outcomes of policies, plans and programmes have better prospects to contribute to sustainable development with poverty reduction. **TO FURTHER INFORMATION**

Source: Adapted from Steele (2002)

13. While each type of analysis may focus on different issues, they share a common set of assumptions regarding our ability to explain, understand, predict and control our environment. In reality this is not a simple task. We may not be sure of our precise current position and trends underway. We may not fully understand how alternative policies interact

with everything else that is going on. We may lack the ability to implement the policies even when we are fairly sure of how they will work. And finally we may not be aware of our track 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.

14. PSIA uses a range of skills common to regular impact analysis but focuses on the comparative well being of different groups, particularly those most at risk from policy impacts. Successful PSIA tends to have three characteristics:
 - i) It helps to promote the use of a wider range of evidence in policy making;
 - ii) 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
 - clarifying the assumptions or theories that underpin the links between poverty and policy reform decisions
 - iii) 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.

2.1.1. Evidence-based policy making: challenging interest-group based policy

15. New approaches to policy management stress the importance of sound evidence, proper evaluation and good analysis at the heart of policy making. Robust evidence makes for better policy decisions and improved policy outcomes. At the national level, evidence-based policy is fuelled by timely and relevant flows of information. Without that information, policy makers work in the dark.
16. Yet PSIA should not be promoted naively as automatically leading to neutral evidence-based policy making. “Evidence” quickly becomes politicised in the hands of 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.

2.1.2 Poverty reduction in policy making: the role of equity as well as efficiency

17. The shift away from universal policy reform prescriptions towards context-specific policy approaches strengthens continuing efforts to ensure that policy making and implementation is motivated by concerns with poverty reduction and distributional equity. Development partners are committed to upstream analysis of poverty and social implications of policy reform. The World Bank for instance, expects program documents for development policy operations to specify which policies supported by the operation may have significant poverty and social consequences, to summarize the main effects and the Borrower’s system to deal with those effects, 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*.

18. 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.
19. To look at this relationship through PSIA, economic, institutional, political and social appraisal needs to be combined effectively to understand as best as we can the likely or actual distributional impacts of policy initiatives. Economic appraisal and evaluation uses a variety of tools to estimate the costs and benefits of policy initiatives (see Box 5.2). Institutional, political and 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 implementation and impact of policy.

2.1.3 Inclusive policy making: supporting stakeholder participation and ownership

20. With the shift towards 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.
21. PSIA as a body of evidence will not be effective unless it feeds into a transparent policy process (**WORLD BANK GOOD PRACTICE GUIDE ON PARTICIPATION; DFID GOOD PRACTICE PRINCIPLES NOTE**). 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.
22. 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.
23. Often, the very 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 some instances, however, for example when policy analysis prior to reform is very sensitive, a processual emphasis within PSIA will be less appropriate or will need to be carefully managed.

2.2. Elements of PSIA methodology

24. The *User's Guide to PSIA* (World Bank, 2003a) introduces ten elements of good PSIA (see **Box 2.3**) (to *User's Guide* for further explanation). This Sourcebook draws on these elements by introducing tools for institutional, political and social analysis. Here we focus on three important areas for robust PSIA: establishing the counterfactual, identifying transmission channels and identifying direct and indirect impacts of policy reform.

Box 2.3. Ten elements of good PSIA

Element 1: Asking the right questions: The choice of questions for PSIA are 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.

Element 2: Identifying stakeholders: Stakeholder analysis identifies the people, groups, and organizations that are important to consider when looking at the poverty and social impacts of reforms.

Element 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.³

Element 4: Assessing institutions: Institutions determine the framework in which policy reforms may affect stakeholders in government, private sector and civil society, and are the main arenas in which stakeholders interact with one another.

Element 5: Gathering data and information: Assessing data needs and available data and planning the phasing of future data collection efforts are an important part of PSIA, including a concern with ensuring data availability for future PSIA.

Element 6: Analysing impacts: Impact analysis involves organising research questions to test critical links between the policy objectives, policy actions, and their impacts on key stakeholder groups, with a focus on winners in and losers

Element 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 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.

Element 8: Assessing risks: Risk assessment addresses the risk that some of the assumptions underlying the analysis may not be realized. These include the consideration of institutional risks, political risks, exogenous risks, and other country risks.

Element 9: Monitoring and Evaluating impacts: PSIA provides an opportunity to set up at an early stage systems for monitoring, social accountability and evaluation of the impacts.

Element 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, 2003a)

³ In this Sourcebook we introduce a sixth channel, institutional rules, discussed in Section 2.2.2.

2.2.1. Establishing the counterfactual (or base case) scenario

25. We have established how important it is to compare the impacts of a policy change with the likely trends that will occur *without* any change of policy in order to assess the size and nature of the impact of an intervention relative to other policy scenarios, or to doing nothing at all (the counterfactual).
26. In many cases this comparison can be established through a trawl of literature 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 modelling, can be designed in a way that allows for a comparison of the impact with the base case scenario (see **Box 2.4**).

Box 2.4. Why is an assessment of the counterfactual important?

- For a good estimate of the marginal impact of policy reform
- In order to convince others of the distributional impact of a policy intervention
- In the context of alternative policies or methods of implementation it helps to establish which is preferable
- It can help to establish whether a policy works better amongst some sub-groups than others

Source: Adapted from Purdon et al (2001)

27. In the context of *experimental research*, sampling for the counterfactual often involves *randomised control trial methods*. Clearly this randomisation process is often either not possible or is highly inappropriate especially if it involves denying one portion of the population vital benefits. In some cases it may be possible to identify geographical areas which are appropriate as control group populations but which will remain unaffected by the reform implementation (see **Box 2.5**).

Box 2.5. Case study: 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) that aims to improve efficiency and effectiveness of service provision, ensure access to basic infrastructure services, and improve targeting of low-income population. GoA aims to provide equitable access to safe water and affordable tariffs through a water sector reform that uses two parallel models – decentralization with (a) private, and (b) public management of water utilities.

It measures the actual impacts of reform implementation by comparing two different decentralization reform models in eight cities – the four project cities featuring decentralized *privately* managed water utilities (Durrës, Fier, Lezha, Saranda) and four comparable cities with decentralized *publicly managed water utilities* (Vlora, Korca, Lushnja, Gjirokaster) across different points in 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.

FULL CASE STUDY

Source: Beddies et al (forthcoming)

2.2.2. Identifying transmission Channels

2.2.2. Identifying transmission Channels

28. The World Bank *User's Guide to PSIA* (World Bank, 2003a) outlines a framework of transmission channels through which policies may cause distributional impacts. Delineating channels in this way makes transparent the assumptions that are built into PSIA of policy reform, i.e. the way in which 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 Guide was produced, further careful consideration has been given to understanding these channels. Some minor modifications have been added to the existing five, for example by expanding the understanding of employment to include other sources of income and broadening the understanding of prices to be more than just the cash price paid.
29. 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). Through discussions with PSIA practitioners during the development of this Sourcebook, it emerged that this was indeed the case for impacts such as those listed in **Box 2.6**, 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 2.6, lend themselves better to ex-post analysis.

Box 2.6. 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 - Russia, and other transition economies

Transmission channel: enables municipalities to exercise authority over these services

2. Reform: The introduction of the 2% law in Hungary

Transmission channel: allows citizens the right to make decisions earmarking income tax to non-profits selected by the tax payer

3. Reform: Decentralization Act in Pakistan

Transmission channel: provides local governments 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: increases their influence and authority over decision-making

5. Reform: Micro-credit Ordinance and the Micro-finance Law in Romania and Bosnia

Transmission channel: allows non-bank financial institutions to engage in micro-lending

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: increase voice amongst indigenous people and accountability of

30. With these kinds of reform in mind we are introducing here a sixth transmission channel for cases where **authority** – comprising power, structures and processes - is directly changed through policy reforms, notably through civil service reform, decentralisation 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 seats in local government to women while governance initiatives in Brazil encourage 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 or when minority groups in Romania achieve greater access to information about their legal rights.
31. 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 instance, the creation of a professional civil service will help to separate the personal from the political; creating incentives for rule-based governance, giving staff greater autonomy from politicians. Performance management systems can introduce sanctions on staff who deliver poor public services. This may 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 may 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).
32. Similarly, judicial reform, for example to extend to Latin American indigenous and poor people the right to an identity card changes authority by addressing an aspect of social exclusion. It is more than just access to goods and services. It changes the whole structure of entitlements for this social group, and acts as one means among others to reduce prejudice against them. As an ID card holder, they gain status and recognition they previously did not have. They now have the right to apply for certain state assistance, credit etc, and the obligation to meet various report and taxation obligations, e.g. 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.
33. It is important to stress here that by introducing a new channel we are NOT suggesting 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. Although some of these channels lend themselves more to economic than social analysis, the impacts of these channels can be analysed 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. In addition, there will most likely be additional second round effects through other transmission channels. The following description of transmission channels summarizes key issues from the five channels described in the PSIA User's Guide and elaborates on the sixth, based on the discussion above.

(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 may include many other factors such as changes in status, self-esteem or access to social network, which in turn impact on social exclusion and vulnerability. Transmission may be direct (for example through public sector retrenchment or new employment opportunities) or indirect (for instance through macroeconomic growth, exchange rate depreciation, trade or market liberalization) and may impact differently on 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 (e.g. 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 inputs. Wage changes will affect net buyers and sellers of labor differently, and 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) may also impose higher transaction costs or create barriers to access, some of which are more amenable to policy actions than others. These sort 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 effects to the extent that the resources or income of a household are taxed. Regressive tax regimes disproportionately burden less well-off households, and subsidies may sometimes simply be badly targeted or captured by the

non-poor. 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 effects.

(6) **Authority.** This covers changes in power, structures and processes that govern the formal and informal function of public institutions. This channel can operate at the macro level (e.g. public service reform), at the meso level (e.g. decentralization of administrative authority), and even the micro level (e.g. redirecting welfare payments from men to women). 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 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 may 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.

34. As further experience is gained in understanding the transmission channels there will inevitably be further refinements. For now, however, it is suggested that 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. We discuss this further below.

2.2.3. Identifying first round and second round impacts

35. The impact of a policy is like a stone thrown into a pond. There is an initial direct impact: the splash, but the resulting ripples will cause less predictable consequences as they spread out. In much the same way, the initial direct impact of a policy can set up a chain reaction of secondary and subsequent impacts that may enforce, distort or lessen the original effect of the policy change.
36. As mentioned under the description of the six transmission channels, policy changes may have *first round* and *second round* impacts through these 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 is knowable, if not always available. However, these direct impacts may alter entitlements through 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 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 may also lead to contraction of the local economy creating additional second round effects.
37. In addition to changes in entitlement sets, most policy changes will also result in behavioral changes – these 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 price of a good, for instance, may cause consumers to consume less or to seek substitutes. Price increases may cause middle income consumers to reduce consumption of less essential goods and services that comprise the livelihood of poor groups. Similarly, producers may use less of an input or may try and pass the costs on to consumers at higher prices. Alternatively, they may cut back on the level of production, which will affect their employees and suppliers, and so on. These links are very much more difficult to estimate and require more detailed data and modelling.

38. Experience to date with PSIA illustrates that specific reform areas, such as decentralisation and some types of institutional reform have direct, first round impacts through the authority transmission channel. PSIA of decentralisation and water sector privatization in Albania for example, illustrates that rule changes relating to the decentralised management and regulation of utility delivery lend themselves to a first round transmission channel of changing authority that characterises both relationships within government and relationships between local government and citizens. 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. In **Table 2.1** we have mapped the transmission channels with first order impacts to an indicative (but not exhaustive) list of policy reforms, and in **Table 2.2** we have mapped the tools described in this Sourcebook to transmission channels..
39. We have emphasised in this section that the inclusion of a sixth transmission channel on authority does not replace the need for institutional analysis for reforms where other transmission channels may be generating first round effects that may have an impact on institutions and practices, including sociocultural norms. A mixture of qualitative and quantitative methods from a range of disciplines can be harnessed to help us understand these multiple indirect impacts. This Sourcebook aims to expand the understanding of the PSIA process and the range of methods that can be employed. The following sections will now look in greater detail at the various methods available for such analyses.

Table 2.1. Examples of Transmission Channels relevant to specific Policy Reforms

	Reform	Primary transmissions channels and likely first-round impacts
1	Macroeconomic and Fiscal Reform	
	Monetary policy reforms – i.e., 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 to public services – may be affected if public spending is reduced; credit market may tighten for private investors if government relies on domestic borrowing Employment – government may cut employment
2	Public Finance	
	Expenditure reform, e.g., changes in levels/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 to public services – can expand/contract through increases/decrease 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
3	Trade and Exchange Rate Reform	
	Reforms of tariff and non-tariff 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 governments ability to allocate foreign exchange and benefits from bribes Access – to foreign exchange
4	Agricultural Reform	
	Eliminating administered prices (i.e., price bands, floor and ceiling prices); ending buffer stock programs (used to maintain prices).	Price – will directly affect price of liberalized good and thereby production and consumption behavior. Access – to food stocks
	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 good and thereby production and consumption behavior. Access to services – will be affected by changes in budget balance.
	Eliminating marketing boards	Price effect – will directly affect agricultural prices Access – to supplies and services Employment effect – for employees of the boards Authority – removes the authority of those running the Boards, which may increase influence of private traders, and the market
5	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 – change who has the authority to make decisions on land use
6	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 may now get access, however, those who received target funding will loose access

	Reform	Primary transmissions channels and likely first-round impacts
		<p>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</p> <p>Access – expansion to poor may not occur in the short run</p>
7	Labor Market Reform	
	Minimum wage legislation, employment security, labor market liberalization	<p>Price – changing wage rates will affect incidence of low pay and earnings dispersion</p> <p>Employment – direction hotly debated</p> <p>Assets – change return to human capital</p> <p>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</p>
8	Utility Reform	
	Restructuring state-owned utilities; increase private participation in state-owned utilities to full privatization	<p>Employment – lay offs as adjustment to staffing levels</p> <p>Price – tariff changes affecting fees and connection charges</p> <p>Authority– shift in authority from public sector management to new owners/management; depends on contractual arrangements and regulatory environment,</p> <p>Access – may be changed by the nature of the change in ownership management</p>
10	Civil Service Reform	
	Management reform, staff/wage restructuring,	<p>Authority– changes in rights, obligations, sanctions and incentives between politicians and public servants, and between different levels of the service</p> <p>Employment – reduction in staff strength, and changes in terms of employment including retirement age or nature of employment contract</p> <p>Prices – changes in wage, may increase, or other long-term benefits such as pension obligations, may decrease</p>
11	Decentralization	
	Fiscal decentralization, deconcentration of authority	<p>Authority– changing rights, obligations, incentives and sanctions between central and regional institutions, and with consumers</p> <p>Access – making it easier for public to access services in more remote areas</p> <p>Prices – removing unnecessary levels of bureaucracy may lower costs</p>
12	Social Safety Nets	
	Targeted cash/in-kind transfers, to specific categories (AIDS, orphans, disabled, elderly), change financing arrangements	<p>Tax/Transfers – nature of benefit payments, level of tax/charges to pay for increased services</p> <p>Authority – changes entitlements and obligations between private providers and publicly managed, or publicly guaranteed schemes</p>
13	Pension Reform	
	Changes in financing arrangements, contribution rates, retirement age, pension entitlements, including introduction of private pensions and non-contributory pension schemes	<p>Transfers/Taxes – contributory pensions schemes may reduce tax burden; non-contributory schemes may serve as transfer mechanism to poor</p> <p>Access – redefinition of eligibility criteria may change access</p> <p>Authority –shift in responsibility for pension from employer to state or to individual may affect entitlements and responsibilities</p>

Table 2.2. TIPS tools relevant to Transmission Channels

[Note: The following table illustrates the use of impact analysis tools for different transmission channels.⁴ The exact choice of analytical frameworks and tools will depend on the country context, the nature of the reform, the relationship of the sector to the economy, available data and resources, and client capacity.]

	Transmission Channels	Analytical Frameworks & Tools
1.	Employment	<ul style="list-style-type: none"> • Vulnerability Analysis • Gender Analysis • Livelihoods Analysis • Network Analysis • Participatory Methods
2.	Prices (production, consumption and wages)	<ul style="list-style-type: none"> • Vulnerability Analysis • Gender Analysis • Non-contextual methods
3.	Access	<ul style="list-style-type: none"> • Vulnerability Analysis • Contextual methods • Static and Process Mapping • Transaction Cost Analysis • Participatory Methods
4.	Assets	<ul style="list-style-type: none"> • Livelihoods Analysis • Gender Analysis • Empowerment Analysis • Participatory Methods
5.	Transfers and Taxes	<ul style="list-style-type: none"> • Vulnerability Analysis • Transaction Cost Analysis
6.	Authority	<ul style="list-style-type: none"> • Political Analysis (CSA, Power Analysis) • Static and Process Mapping • Transaction Cost Analysis • Empowerment Analysis • Participatory Methods

3. Understanding country and reform context

40. There is a growing awareness amongst 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. Here we introduce approaches adopted for country analysis (Section 3.1) and describe a number of tools that can be employed to assess the stakeholders and their interests at

⁴ As we gain experience, analysis may produce more specific guidance capturing how the combination of frameworks and tools works best for specific sets of reforms.

the macro level (Section 3.2) and to examine the institutions that govern the reform context (Section 3.3).

3.1. Analysis of country context: Country Analysis

41. 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 recognise that:
- While the experiences and “lessons of history” of other countries regarding development and poverty reduction can provide insights and learning for present international development, these can be viewed and understood through the current situation a particular country finds itself in.
 - Governments of many countries remain unresponsive to the needs of the poor and uninterested in achieving development targets such as the Millenium 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 and facilitate identification of viable solutions.
 - Conditionality, associated with development assistance and intended to change the behavior of recipient governments, is a blunt instrument; and 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.
42. Donors and country partners are now conducting and commissioning forms of *country analysis* to understand historical context and its implication for future change. Recent examples include is a study of political economy factors in post-independence Ukraine (Mueller, 2002) and in Gabon (Mueller, 1999) that are influencing policy reform efforts. 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. In this section we introduce and illustrate approaches to country analysis being adopted and funded by the donor community. These include the World Bank’s Country Social Analysis, DFID’s Drivers of Change, Sida’s Power Analysis and GTZ’s Governance Questionnaire.

3.1.1. Country Social Analysis (World Bank)

43. **Country Social Analysis (CSA)** is a diagnostic tool adopted by the World Bank that integrates social, economic, political and institutional analysis to improve the understanding of the linkages between socio-economic development dynamics and the social and political structures that shape development outcomes at the local and national level.
44. 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: (i) to the distribution of assets, entitlements, activities and access to markets across different social groups, (ii) to assess how local institutions and political systems affect policy making and implementation, or what institutions are preventing the poor from participating and accessing assets and services that would

further their social and economic mobility, and (iii) to the opportunities and constraints to the country's development that emerge from the current country social context.

45. CSA makes use of existing comparative data bases such as the World Bank's **Social Development Statistics (SD Stats)**. SD Stats contains 50 proxy macro-indicators of social development that are termed Social Development Indicators (SDIs) along four dimensions: (i) *country context* to identify and track the main socio-economic structures of the country that are likely to the reform (ii) *social inclusion* to identify and track formal and informal rules that limit the capabilities of the disempowered and discourage participation of diverse individuals and groups in the reform implementation (iii) *social cohesion* to identify and track the extent to which societies are willing and able to address common needs, overcome constraints, consider diverse interests, and resolve differences in a civil, non-confrontational way (iv) *social accountability* to identify and track institutions that are transparent, responsive and serve the public interest in an effective, efficient and fair way. When possible, inter-country and longitudinal comparisons of available data are included in the analysis to provide a better understanding of national issues and processes along these categories.
46. Country Social Analyses are ongoing in approximately 10 countries. The methodology and tools applied in CSAs for Ecuador and Yemen are discussed in Volume 2. Thematic coverage of World Bank CSAs includes (i) poverty and livelihoods among households and social groups (ii) governance, power, and the efficiency and equity of the institutional environment towards different social groups, and (iii) social, political and institutional risks to development. Each component comprises a set of standard dimensions for empirical analysis. Within this framework, country-specific issues are selected for in-depth analysis as determined by identified social and political trends and Bank assistance.

3.1.2. Drivers of Change (DFID)

47. The UK's Department for International Development (DFID) has commissioned a similar series of country level studies under its "Drivers of Change" initiative. **Drivers of Change Analysis** 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 provides the context for poverty reduction.
48. DFID breaks down the Drivers of Change methodology into six types of analysis with brief headings and a corresponding question about the degree to which a country office has a good, shared understanding of a set of issues. These are summarised in **Box 3.1**).

Box 3.1. Checklist: Six types of analysis for understanding Drivers of Change

- i) Basic country analysis*
Do we have a good, shared understanding of the country's structures, institutions and likely historical trajectory?
- ii) Medium-term dynamics*
Do we have a good, shared understanding of the incentives and capacities of agents operating within particular institutional domains, and how change will happen in the medium term?
- iii) Role of external forces*

Do we have a good, shared understanding of the role of external forces, including donor actions, aid modalities and influence strategies on these processes?

iv) *Effects on poverty*

Do we have a good, shared understanding of how expected changes will affect poverty, on what time-scale, and of the implications of this?

v) *Operational implications*

Does available analysis point to definite entry points, new ways of working, innovative project designs, or strategic do and don'ts for DFID?

vi) *DFID incentives*

Do we know how incentives in DFID will affect the way staff deal with these implications?

Source: Hendrie B et al 2003

49. The first of these steps - doing a basic country analysis - implies looking without aid-driven preconceptions at where a society is, and where its essential political, economic, social and cultural institutions are headed in the long term. This involves bearing in mind everything we know (in broad terms) about how countries develop, and how the possibilities of change also evolve as the world changes (Hendrie et al, 2003). DFID draws on Moore's (2001) checklist of questions for basic country analysis under the following three factors:

- **Foundational factors:** Is there a political community? Does government control the territory? How have the history of state formation, political geography, geo-strategic position, embedded social and economic structures shaped the basic characteristics of the political system? To what extent is government dependent on taxpayers for revenue?
- **More medium term, institutional factors:** How "institutionalised" are the bureaucracy, policy mechanisms, political parties, civil society organisations? Is there a constitution and if so, how embedded is it? What is the basis of political competition, and the composition of the political elite? Is political mobilisation based around issues, or personalised patronage networks? How important is ethnicity? Are there peaceful means for handling the transfer of political power? How is power shared between the political executive, the military, the legislature, the judiciary, other levels of government, the private sector, religious organisations?
- **Short-term Factors:** What is government's bureaucratic and financial capacity? Key mechanisms for vertical and horizontal accountability? Political resources (including point in the electoral cycle)?

3.1.3. Power Analysis (Sida)

50. The Swedish International Development Agency (Sida) has commissioned what it describes as **Power Analysis** based on an understanding that sustained poverty reduction requires that poor people have access to political power and resources. The aim of Sida's power analysis so far has been twofold: (i) to introduce an alternative means of analysing the political landscape – one which focuses on formal and informal power relations and structures, and (ii) to understand how these factors affect and are affected by development cooperation. 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 may also point to what kind of power is being exercised and how, as well as how this is understood or perceived, and by whom.

51. Sida piloted this approach by commissioning a first round of power analyses of Ethiopia, Kenya, Burkina Faso and Mali. The purpose of the study in Ethiopia (Vaughan and Tronvoli, 2003, summarised in Volume 2) was to provide a deeper understanding of the formal and informal political, economic and social power structures and power relations in Ethiopian society as well as their implications for poverty reduction in development in Ethiopia.
52. The commissioning of the Power Analyses has had interesting analytical and institutional impacts. 'Power' – although it is a contested concept – seemed to bridge internal debates between Sida's economists, anthropologists and political scientists, much more so than, for example, the concept of 'democracy'. Furthermore, by contracting local scholars and organising seminars throughout the pilot processes, Sida identified new dialogue partners and new relations that they have made great efforts to sustain.

3.1.4. Governance Questionnaire (GTZ)

53. The Governance Questionnaire (GQ) developed by GTZ is designed to enable development practitioners and decision makers to systematically analyse the political and institutional framework of a country, as well as the actors and processes of a governance system.
54. The GQ is based on a questionnaire that can be used to ask qualified respondents for a personal assessment of the political reality in their society. The respondents can provide reasons for their answers at the end of each question. These additional explanations can provide a detailed picture of a specific situation and can be used for a more in-depth analysis. The questions cover six political arenas:
 1. Relationship between state and society
 2. Political system
 3. Political culture, change agents and development paradigms
 4. Politics and gender
 5. Economic policy and the political framework of markets
 6. International integration
55. Applied in its entirety, the GQ can be used to situate policy in its wider political and institutional context. It can help to analyse the performance of and the relationships within the political system as well as between the state and civil society. Thus, the GQ can give commissioners and facilitators of PSIA indications about actors and processes that need to be considered when designing the PSIA consultation process and its feedback into decision-making. Practitioners can select specific questions and adapt them to assess the political economy context of specific reforms. The GQ can help to identify entry points for further institutional and stakeholder analysis.
56. The GQ's potential rests on its three central characteristics:
 1. It goes beyond the survey of formal institutions to also include informal ones such as values, norms, attitudes and customs.
 2. Its multidisciplinary approach brings together the perspectives of political science, law, economics, legal anthropology and empirical social research.
 3. The introduction of political arenas facilitates a look at complex social structures without losing track of important interrelations.

57. The Governance Questionnaire's systemic approach to governance gives a first picture of trends and blockages. Further in-depth analysis of the state of specific policy reforms is thus needed.

3.2. Analysis of reform context: Macro-level stakeholder analysis

58. Stakeholder analysis is built on the recognition that decision making outcomes are a function of the political-economic and ideological interests of key policy stakeholders. The aim of Stakeholder Analysis is to identify stakeholder characteristics, their interests, and the nature and degree of their influence on existing or future policies, reforms, or interventions. The aim of Institutional Analysis is to uncover the formal and informal organizations and institutions that shape the context in which these policies, reforms, or interventions take place.

59. The great challenge when trying to assess the institutional landscape of policy reform is that there are often many different actors, or stakeholders, with interests and interactions that shift and evolve over time (Brinkerhoff and Crosby, 2002, 164). A stakeholder is defined as an individual, community, group or organisation 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 in a positive or negative way (DFID, 2003, 2.1).

60. There are three main types of stakeholder, although in reality the distinction may not be clear cut:

- **Key stakeholders.** Those who can significantly influence or are important to the success of an intervention
- **Primary stakeholders.** Those individuals and groups who are ultimately affected by an intervention, either as beneficiaries (positively affected) or dis-beneficiaries (adversely affected)
- **Secondary stakeholders.** All other individuals or groups with a stake, interest or intermediary role in the activity.

61. Stakeholders will have different levels of interest, different motivations and different levels of power and influence. Stakeholders will be drawn from within government, civil society and the private sector. The aim of Stakeholder Analysis is 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, those able significantly to influence the design, implementation and outcome of policy reform.

3.2.1. Stakeholder Analysis Matrices

62. The context for stakeholder analysis at this level is usually a combination of a review of secondary literature (see discussion on country analysis above) and additional brainstorming sessions or workshops with a small number of knowledgeable key informants.

63. Analysts can use **stakeholder analysis matrices** to list and plot the stakeholders and their relationship to the policy process. This matrices can be used to plot two or more of the following variables (DFID, 2003; World Bank, 2003b; Brinkerhoff and Crosby, 2002):
- the degree to which the policy reform will impact on them
 - their level of interest in a specific policy reform
 - their 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 coercive power that the stakeholder has to command compliance in the policy process
 - the level of resources that stakeholders possess and are able to bring to bear in the policy process
 - 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
 - the urgency that should be attached to the competing claims of each stakeholder.
64. There are many versions of this tool. The **Stakeholder Analysis Matrix**, for example, identifies stakeholder categories from within government, private sector and civil society, lists their relevance to the area of reform, their characteristics, their interest in policy reform (whether committed to the status quo or whether committed to change) and degree of influence they have over the process (high, medium or low).
65. The **Importance/Influence matrix** similarly lists types of stakeholders and the nature of their interest in policy reform (whether positive or negative) and then maps their importance to the reform and influence over the reform onto four quadrants.
66. The **policy interest matrix** focuses more specifically on the policy objectives of key players within government and the likely benefits and constraints they perceive and the degree of influence they wield. This tool was used in the PSIA of Rice tariff in Indonesia (described in Volume 2).
67. Stakeholder analysis matrices are useful tools for organizing analysis but come with health warnings attached (DFID, 2003, 2.8):
- The jargon can be threatening to many
 - The analysis can only be as good as the information collected and used
 - Matrices can oversimplify complex situations
 - The judgements used in placing stakeholders in a matrix are often subjective. Several opinions from different sources will often be needed to confirm or deny the judgement
 - Teamworking can be damaged if the differences between groups in an activity, rather than their common ground, are over-emphasised
 - Trying to describe "winners" and "losers", as well as predicting hidden conflicts and interests, can alienate powerful groups.

3.2.2. Political mapping

68. 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 serve several purposes (Brinkerhoff and Crosby, 2002, 164):

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

69. For purposes of making sense of a complex political landscape, a political map simplifies the real world into two dimensions: horizontal and vertical. Since the government is the primary focus of decision-making regarding how the benefits to society will be distributed, it is always placed at the centre of the map. Political activity is centred on and directed towards influencing the government and its policy decisions. Along the vertical axis the different types of political actors are organised in four sectors: external actors (including donors and international NGOs), social sectors (including class or industry-based interest groups), political parties (seeking to influence public policy directly through instruments of power) and pressure groups (issue-based policy influencing groups). The purpose of the horizontal axis is to assess the degree to which each group supports the government. Support for the government varies from core or central support to ideological or mild support while opposition is differentiated as either legal opposition (which firmly supports the rules of the political system) or anti-system opposition (which oppose not only the policy in question but also how the decisions are made).

70. Groups are located on the map according first to their support for or opposition to the regime and second according to how their political agenda relates to that of the regime in power (placing on the left of the map those groups that are more “progressive”, “interventionist” and/or “leftist”. The purpose of the second, admittedly very subjective and contextual dimension is to separate visually those groups that have little ideologically in common and are unlikely to form coalitions or work together.

71. The map is “read” by considering: (i) the degree of support for the regime; the cohesiveness of that support and patterns of concentration of support; and (ii) the opposition to the regime, its size and make-up, its level of intensity and commitment and any important alliances in formation. The more the actors are clustered in the middle of the map around the government with respect to a given reform, the more power and stability the government would have to implement the reform. Having actors dispersed at each side of the government is more likely to produce an unstable and antagonistic political environment for reform implementation depending on the commitment and cooperation of the opposition.

72. One problem with political mapping is lack of dynamism, with a single political map likened to a snapshot. By combining a series of maps over time process analysts can begin to appreciate the dynamics of politics (Brinkerhoff and Crosby, 2003, 165).

3.3. Analysis of reform context: Macro-level Institutional Analysis

73. Institutions are the humanly-devised “rules of the game” in society that shape and constrain human interaction and individual choices (North, 1990, 3).⁵ Institutions can be a set of rules like those found in a constitution, a regulatory or trade regime, a political regime, executive-judicial relations, elections, a political party system, a civil service system, a social or geographical community. These institutional rules are encapsulated in the sixth transmission channel for PSIA proposed in this Sourcebook. Rules can also be revealed in common or habitual ways of doing things. These types of informal institutions represent cultural practices that frame social behavior and interaction and which encompass social hierarchies, patron-client relations and various forms of rent-seeking.
74. Institutions reduce uncertainty by providing a structure to everyday political, economic and social life. Human beings, in other words, consciously or unconsciously impose constraints upon themselves in order to make life more manageable. Understanding how institutions are created, how they change and how they influence human behavior is therefore key to understanding how and why policy reform is designed and developed.
75. A power-based analysis of institutions holds that rules tend to emerge to support the dominant ideology or worldview in any given context. Power can be used by those with control over resources, information and decision making to compel people to do what they would not choose to do, sometimes through coercion or violence but often more subtly through the creation of consensus about the “rules of the game” which skew those rules in favor of the powerful and which prevent people from making critical, informed choices.
76. 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 organise the information to make it useful and to inform the narrative analysis. Various methods can be applied to the analysis of the institutional contexts for policy reform and we introduce two of these – network analysis and transaction cost analysis - below.

3.3.1. Network analysis

77. **Network analysis** is a tool for strategic thinking about the strength and nature of institutional connections in the political landscape. It is a visual method of mapping and measuring the relationships and interaction between a set of actors/entities (people, groups, organisations etc.) in a community, sector, industry etc. It focuses on the structure of relationships between actors/entities rather than on their attributes.
78. The tool enables an understanding of organisational structure and functioning of systems, of organisational behavior, inter-organisational relations and the flow of information, knowledge and resources. These are the relations that frame decision-making and negotiation over policy reform.

⁵ Here there is an important distinction between institutions, which provide the rules, and organisations, social, political or economic, which are bound together to achieve common objectives within those institutional constraints (North, 1990, 5).

79. A network consists of “nodes” and “links” (see case studies described in Volume 2). The nodes in a network could be people, groups or organisations. The links in a network are the relationships or flows between the nodes – these could be social contacts, information and knowledge, influence, money, membership of organisations, participation in specific events or many other aspects of human relationships.
80. 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 organisations, 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 programme 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.

3.3.2. Transaction cost analysis

81. **Transaction cost analysis** is a tool for political economy analysis that focuses on the uneven distribution of information. The tool is most relevant in reforms of the public sector or privatization reforms where it can help identify potential constraints in the design and implementation phase of the reforms based on transaction costs.
82. While existing tools of Institutional Assessment and Organizational Mapping focus on how power relations form the political agenda and the struggle for resources and influence, the 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 etc.) is determined by this distribution of uncertainty and information. Thus, power relations are not taken as given in this approach but are explained in terms of the transaction costs - caused by an unequal distribution of information - for setting contractual relationships.
83. Some key questions that are addressed in a Transaction Cost Analysis include
- (i) **The principal-agent problem** where the principal (often government) hires the agent (a private company) to undertake a specific task (utility provision) but where the unequal access to information could change the existing power relationship and thus undermine the reform. The expertise in utility provision, for instance, lies with the private company and the government is faced with significant transaction costs when trying to assess the job done by the private contractor; and
 - (ii) **The adverse selection problem** where the actor (the government) with inferior information is forced to move first to set up a contractual relationship. Insurance companies are faced with substantial transaction costs when trying to set premiums for individual insurers due to skewed access to information: the insurer has more information about herself than the company. In the context of reform, adverse selection could occur when private companies bid for contracts at prices that are unsustainable.
84. The approach’s strong ties to institutional economics mean that social relations are understood within the realm of *bounded rationality* (people act rationally within an imperfect environment of information asymmetries). Thus, while transaction cost analysis is a helpful tool to identify certain caveats in contractual relationships prior to

reform implementation, the tool can not stand alone as a political economy analysis. 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 but one of many.

4. Understanding the policy implementation process

85. 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 underlying a policy’s success or failure.
86. Analysis of policy implementation involves expanding our understanding of how policies impact on the real world. This means understanding the meso-level institutions, and the role of transaction costs and relative bargaining strength, that govern transactions and decision-making in the institutional context of policy implementation.
87. Policy process analysis is heavily contextual because it does not seek to generalise beyond the context in which one is working. It is for this reason that qualitative methods are particularly important because they permit the researcher to study selected issues in depth and detail.
88. Here we discuss tools for understanding the policy implementation process which 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.

4.1. Meso-level Stakeholder Analysis

89. While macro-level stakeholder analysis (above) 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 relative importance and influence of different interests groups and actors and the role each might play in the implementation process.

4.1.1. Stakeholder analysis matrices

90. Stakeholder analysis matrices can be conducted in individual or groups settings (see **Box 4.1**). Individual interviews with key informants provide confidential analysis which can be triangulated with other key informant interviews. 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 of the policy implementation and as a step in the process of negotiating and agreeing the best path for policy reform.

Box 4.1. Checklist: Steps for Stakeholder Analysis

(i) Draw up stakeholder table:

- list all stakeholders
- list their interests
- make a preliminary assessment of the likely impact of the policy reform on those interests.

(ii) Assess the likely influence and importance of stakeholders to the policy implementation process: what are their anticipated behaviors?

(iii) Indicate the relative priority to be given to meeting or challenging the interests of each stakeholder. The use of Force-field analysis may be useful here.

(iv) Identify appropriate stakeholder participation:

- discuss with individual stakeholders the role they should play
- summarise key stakeholders' roles at different stages of the policy cycle, in a Participation Matrix

Source: World Bank PSIA User's Guide (World Bank, 2003a)

91. Stakeholder analysis in the Zambia land reform PSIA , identified stakeholders from within government, the private sector, the donor community and civil society, and examined their interest, influence and likely impact on the implementation of the policy. This fed into analysis of which groups would be negatively affected in social and poverty terms, and how and whether the reform would be likely to contribute to poverty reduction in practice.

4.1.2. Micro-political mapping

92. **Micro-political mapping** can be used to clarify the distribution of support for specific issues, indicate how certain sectors will react to particular policies, and clarify the positions of different organizations within the same sector. In political mapping, discussed above, actors are depicted as homogenous unities at the macro-level but the government, for instance, consists of multiple fractions at many different levels. Micro-political mapping is necessary to gain an understanding of lower level dynamics that could potentially impact the design or implementation of reform. The actors in a micro-political map are disaggregated in order to identify different existing fractions within a government, ministries with opposing agendas, conflicting strong personal kinships within the government, and the support from other public agencies (military institutions, courts, chambers of commerce etc.) The two dimensions in the graph will often – but not always – depict degrees of support to and power over reform.

93. Micro-political mapping is particularly relevant when a reform contains several policies with different levels of support that could be implemented by different parts of the government. Whereas a macro-political mapping might depict the government as the most powerful actor in reform implementation, further studies based on a micro-political

map could reveal a strong degree of heterogeneity and internal conflict within the government, with significant implications for the reform process. The Ministry of Finance could be in strong support of a substantial reduction in subsidies to certain industries while the Ministry of Labor might wish to proceed with caution to avoid large scale, concentrated retrenchments. Thus, although a reform might enjoy support on a general level, more disaggregated mapping could reveal substantial discrepancies on specific issues. The relative power relationships between the actors can be described qualitatively but are not easily depicted on the map. Micro-political mapping can therefore be usefully supplemented with a force-field analysis (see below).

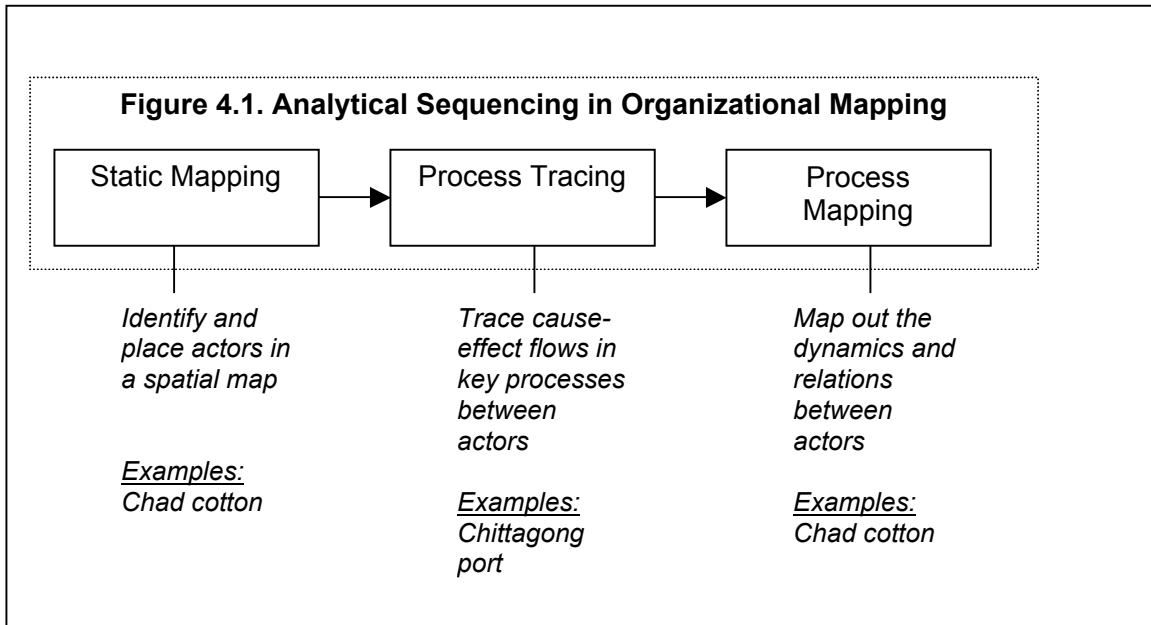
4.1.3. Force-field analysis

94. **Force-field analysis** is an 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.
95. 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.
96. Based primarily on stakeholder analysis, the force-field analysis identifies key stakeholders and maps their position towards the reform. In addition to mapping stakeholder positions to reforms, the force-field analysis typically also includes a quantification of the force by which the stakeholder opposes or supports the reform. It should be noted that Brinkerhoff & Crosby (2002) do not include this second step as a necessary component in a force-field analysis. In our view, however, this second step is essential to get a sense of the forces and powers that affect the implementation and not just to end up with a map of political actors. Without including the forces, there can be no force-field and an assessment of the powers that pull the reform in different directions therefore needs to be taken into account.
97. Such force could both be a function of the relative power of the individual stakeholders vis a vis 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 compared to a less influential stakeholder whose existence depends crucially on the design of the reform. Due to the fact that it is an analysis and not a mapping, the two variables, the strength and the degree of opposition, need not be depicted in a two-axis chart but could also be expressed in values. In the most simple form, the power and the degree of opposition or support could be compared through a standardized scale (between 1 and 5 for instance) and multiplied with each other to get a measure of force spanning from 1 (weak force) to 25 (strong force).
98. A force-field analysis does not, however, 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

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) etc.

4.2. Meso-level Institutional analysis

99. As discussed above, institutions can be defined as sets of rules that govern individual and collective behavior. Institutions may be formal – legal systems, property rights, enforcement mechanisms; or informal, linked to cultural practices and social norms. Institutions operate and influence behavior in different domains of daily life (Alsop and Heinsohn, 2005): the **state** domain (governing justice, political processes and service delivery), the **market** domain (governing credit, labor and goods) and the **societal** domain (governing community and family behavior).
100. At the meso-level of policy implementation, institutions mediate and distort the anticipated poverty and social impact of policy reform. In order to understand the distributional impacts of policy reform, we cannot assume a “complete markets model” (Rajan, 2004) in which everyone plays by a set of equitable and transparent rules that have been carefully designed at the macro level. There are a number of important situations in which institutional arrangements at the meso level will change or distort intended transmission of policy reform, most significantly:
- **When there is no effective mechanism to enforce contracts.** When policy reform creates new sets of entitlements, new incentives emerge which encourage more powerful stakeholders to ignore or bypass the enforcement contracts that govern those entitlements. Land reform, for instance, is often designed to provide secure tenure for the poor, with equity, welfare and investment benefits assumed. In some instances, however, the prospect of security of tenure can create incentives for expropriation of land by more powerful interest groups with regressive outcomes for the poor (Deininger, 2005);
 - **When contracts effectively don’t exist.** When policy reform is premised on untested assumptions about institutional effectiveness they can have distorting effects during implementation. Labor market reform, for example, is based on an assumption about inflexibility of labor contracts that prevent firms from reacting quickly to business conditions, held to ransom by overly strong unions. However, if courts are slow and corrupt, giving a fired worker no redress, a prohibition on firing may actually be the only way to protect workers from arbitrary decisions by employers (Rajan, 2004)
 - **When there is “asymmetry” of information.** The assumption that all stakeholders have the necessary information can be tested through institutional analysis at the meso-level. Policy reform that creates new sets of transfers or subsidies, for instance, can create higher transaction costs to those beneficiaries that lack the necessary information to access those benefits.
101. The aim of Institutional analysis at the meso level is to understand these “rules of the game” that mediate the implementation of policy reforms. Below we introduce tools that can be used to support institutional analysis of policy implementation. Organisational mapping involves three analytical steps that can be used sequentially or independently: static (institutional) mapping, process tracing and process mapping (see **Figure 4.1**).



4.2.1. Static (Institutional) mapping

102. **Static mapping** is a tool for documenting the rules that govern the implementation of policy in order to test assumptions about the way that institutions will mediate policy reform. This is done by mapping the resources and responsibilities of the agencies and organizations responsible for 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.
103. Institutional mapping conducted as part of the Zambia land titling PSIA , for example, revealed institutional inefficiencies and opportunities for rent seeking in the absence of enforceable contracts, backed up by effective tribunal system, which posed a serious risk to the progressive aims of the policy.
104. Institutional mapping conducted for the PSIA on the reform of the Tanzania Crop Board examined institutional practices and incentives. The research team mapped the activities of the boards down to the producer level, noting institutional arrangements that exist in the sector across different production regions. The team then worked backwards to the crop boards and other agents at the top of the chains, tracing both these arrangements. Within each arrangement in the crop production and marketing chains, the study assessed (a) the type of information the agents have, (b) the existence and nature of complementary arrangements, (c) the outcomes of exchange for the agents involved, and (d) exposure to various forms of taxation (by boards and local governments) and industry or board regulations.

4.2.2. Process tracing

105. **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. The *explanatory* power stemming from process analysis will often constitute an important supplement to the *predictive* power of quantitative studies.

106. Process tracing is based on qualitative case-study techniques such as stakeholder analysis, static mapping exercises and budget tracking. A useful technique in process tracing is to depict the expected processes and their causal relations in flow chart where the underlying causal mechanisms constitute a web of relations from independent variables to outcomes. Process tracing draws on a combination of primary research, including key informant interviews and stakeholder analysis, and reviews of secondary documentation, such as transcripts of debates, interviews and correspondence.
107. Process tracing is a necessary step in the production of a process map (see below) but it can also be an independent tool to test or “groundtruth” existing theories of causality. It is this analytical focus on testing theories or assumptions about causality that separates process tracing from mere historical narratives.
108. A study of working practices and institutionalised relationships in Chittagong Port, for example, (Ahmed et al, 2004) examined the ways in which vested interests can potentially impede reform processes. The research team interviewed 11 categories of port user and used participant observation to track goods through the port in order to understand the bureaucratic processes involved and to observe negotiations around payments. The study emphasized the role of “speed payments” as transaction costs underpinning institutional arrangements and the lack of legal authority on the part of the Port Authority to implement radical reform.

4.2.3. Process mapping

109. Process mapping is a tool that “zooms out” from the detail of process tracing to illustrate the broader network of flows of decision-making, resources and information in policy implementation. It is a comprehensive web created by the many individual threads of process tracing. In the case of the cotton sector PSIA in Chad, for example, a sequenced (static and process) mapping exercise provided an overview of the formal and informal institutional framework and organizational practices within which the cotton reform was taking place and to identify constraints to poverty reduction. The static mapping was used to illustrate the implementation context and main players. It consisted of an organizational chart which mapped out formal/informal decision-making levels, designation, allocation, appropriation, transfers and information. The process mapping then mapped decision-making processes, resources, flows and activities explicit and to identify bottlenecks and constraints as well as opportunities for change.

5. Understanding the impacts of policy reform

110. In the previous discussion we introduced tools for analysing the process of implementing policy reform, with an emphasis on the interests of the stakeholders involved and the institutions, or sets of rules, that govern policy implementation.
111. In this section we introduce frameworks and tools for examining the likely or actual impact of policy reform at the meso and micro levels. The micro level has been described as a “black box” 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: (i) changed incentives in the market to producer responses, and (ii) 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 impact on poverty dynamics at the local level.
112. Social analysis can benefit from research questions that guide the researcher in probing the transmission channels that have the strongest distributional impact. A checklist of these questions is provided in **Box 5.1**.
113. Key to rigorous impact analysis is to differentiate between the social characteristics of individuals and groups and to analyse 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 5.1** 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.

Table 5.1. Checklist of diversity continuum

Ascribed >>	<<Mixed>>	<<Achieved
Age Caste Ethnicity Sex	Citizen Native/ Immigrant Religion Disability Gender Land Ownership	Language Education Ideology Occupation/ Livelihood Political Affiliation Unionisation Urban/ Rural

Source: Adapted from World Bank (2003b)

Box 5.1. Applying Socio-logic to PSIA design

Policy impacts are often transmitted through multiple channels. Four channels lend themselves more to sociological reasoning: **employment, assets, access to public goods and services, and authority**. When designing PSIA, stakeholders typically explore whether the proposed policy changes are likely to have any effect on these transmission channels and, if so, how these effects will impact different social groups, whose relationships with each other may be unequal. The following list may 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, the likelihood is that the impact will not be uniform across all segments of the economy.

- Which forms of employment are likely to be in greater demand after the policy change?
- Which forms of livelihoods – e.g. unskilled wage labor, civil service employment, self employment, employment in state-owned enterprises, etc. – 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, i.e. relevant skills and resources, to adapt to the changing labor market?

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

- What will be the effect of policy changes on productive assets (e.g. land titling, divestiture of state lands, land reform, resettlement or closure of commons for conservation purposes)?
- 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 effects 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 – i.e.,
 - 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?

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 by 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, etc.?
- Will reforms lead to a significant decrease in access by some 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.

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

Source: Dani (2005)

114. As well as inequalities of economic well-being, social status and power between different households, there are typically large differences between men and women, people of different ages, and distinct ethnic or social groups. This can be reflected in the application of the frameworks. It also has implications for understanding inequality, although here it is important to distinguish between inequalities in opportunity and outcome. Inequalities in outcome may arise from empowered free choice, e.g. to choose a non-material life, or from disempowered lack of choice e.g. through exclusion from livelihood options.

5.1. Analytical frameworks for impact evaluation

115. Due to the work of the *User's Guide to PSIA*, 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 Bourignon and da Silva, 2002 ()). The methods covered in the *User's Guide* are mapped in **Figure 5.1** and summarised in **Box 5.2**.

Box 5.2. Overview: Economic modelling of direct and indirect impacts of policy reform

Models of *direct impacts* tend to have a short term focus, seeking to assess who is directly impacted by the policy change, and by how much, before those effected are able to make any changes:

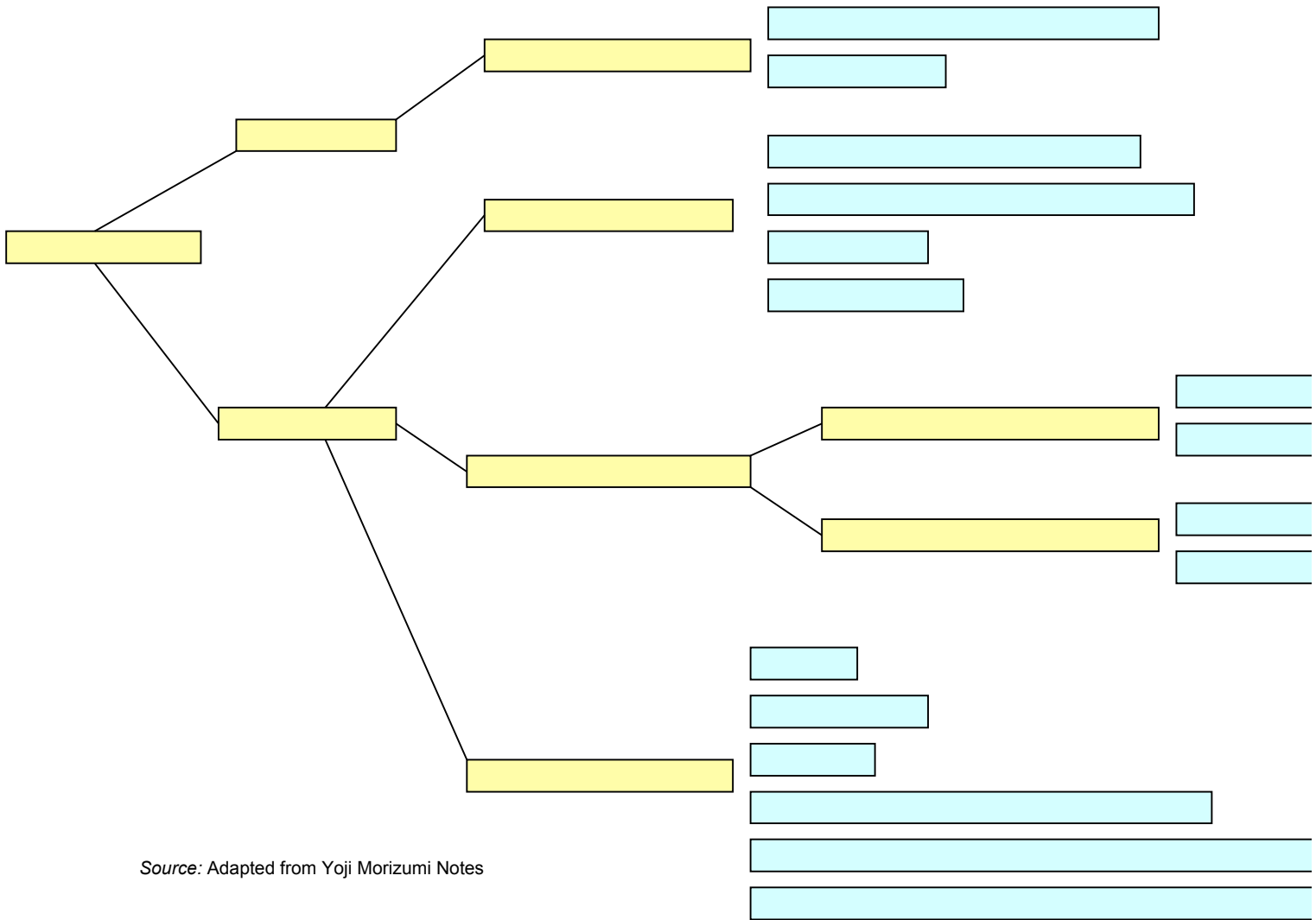
- *Incidence Analysis*: looks at key data to identify who (usually to the household level) is 'exposed' to the policy change. It can look at both the average and marginal effect on those concerned.
- *Poverty Maps*: show the spatial distribution of poverty across the country and can be combined with maps of services and infrastructure to show social and spatial policy impacts.
- *Assess Public Service Delivery*: measures the efficiency of public expenditure and service delivery. It includes public expenditure tracking surveys and quantitative service delivery surveys.

A variety of models are available for modelling *indirect impacts*, by increasing conceptual complexity and demand for data, these include:

- *Simple Behavioral Analysis*: focuses on immediate behavioral changes, using only a few key variables, assuming all others are constant. A price rise, for example, may cause a fall in the amount purchased, thus changes in expenditure are determined by both the change in price and change in quantity. To calculate this one has to estimate the demand curve for the product and its price elasticity – i.e. how much the amount demanded changes as the price changes.
- *Partial Equilibrium Analysis*: recognises that the impact, in this case of a price change, may be more complex. The model will require a larger number of behavioral equations, with associated variables and coefficients. It still assumes a large number of variables are constant. The change in the amount of the good purchased may impact on the amount of other goods purchased i.e. substitute goods and complementary goods (requiring estimates of cross elasticity). Similarly, expenditure on the good may have an effect on the person's ability to purchase other goods (the *income effect*). Partial Equilibrium analysis thus responds to a theoretical need for a more detailed set of equations and data to capture the interaction between several markets.
- *Social Accounting Matrices and Computable General Equilibrium Analysis*: these recognise that for some major policy changes the interactions may have economy wide impacts, influencing a wide range of markets, even the macro level. This requires a complex model with many equations and a lot of data.
- *Linking General Models to households (Macro and Micro)*: to address distributional impacts at the household level, new methods have been developed to feed the macro and meso results from the above models into the household level data. This can provide far more detail on the relative income impacts on different groups of households (even individual households), thus contributing to the objectives of PSIA to understand the distributional consequences of a policy.

Source: Poulsen (2004)

Figure 5.1. Economic models for measuring the impact of policy change



Source: Adapted from Yoji Morizumi Notes

116. Social Analytical frameworks are now widely used to try to understand and explain poverty outcomes and impacts. Here we discuss Vulnerability Analysis, Sustainable Livelihoods Analysis, Gender Analysis and Empowerment Analysis as frameworks that are appropriate for social modeling of impact analysis.

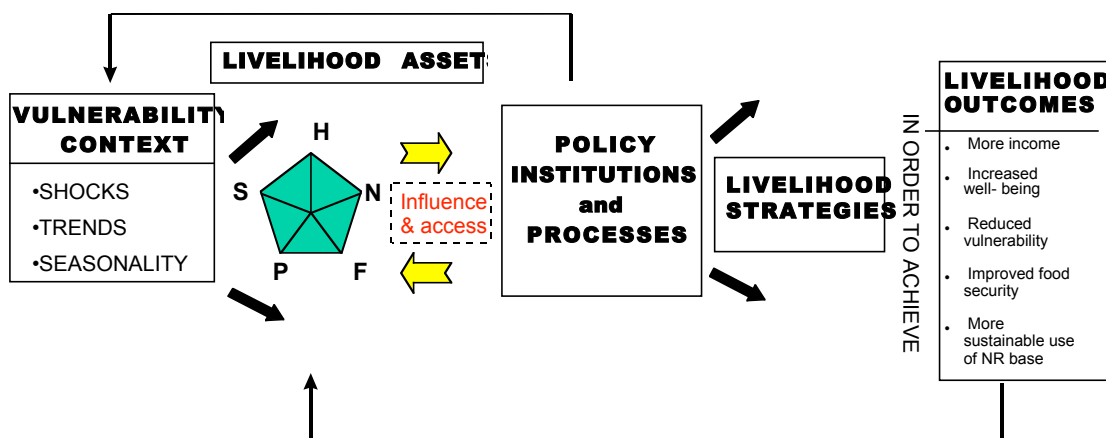
5.1.1. Vulnerability Analysis

117. Vulnerability Analysis looks at how people act when faced with events, or *shocks*, that impact on their lives. Vulnerability is increased when people, faced with shocks, are unable to manage their assets in order to prevent a decline in welfare or a slide into poverty (World Bank, 2001). We can say that an individual, household, community, or group is vulnerable when they lack the capacity to cope with a particular shock. The idea that vulnerability is dynamic is at the heart of a Vulnerability Analysis. 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 they are managed.
118. Vulnerability Analysis focuses on causes and processes: it can facilitate understanding of *why* specific changes are likely to occur or are occurring with the introduction of a specific policy. It also helps to clarify the appropriate policies that need to be pursued. Where the shock is caused by human activity it may be possible to eliminate it; where it is a natural event this is less likely. In both cases, the degree of vulnerability can usually be lessened by improving individual and group capacity to engage in effective mitigating measures.
119. Vulnerability Analysis frameworks go further in unpacking why certain groups are able to invest in and use assets and make use of new opportunities presented by policy reforms, while others are not. They look at the entitlements that individuals and social groups have to the goods, services and social networks that build their asset endowment. These entitlements are influenced by the sets of institutional rules (the sixth transmission channel for PSIA introduced in this Sourcebook) that govern people's lives. Fundamental to a robust analysis of vulnerability is therefore a diagnosis of *opportunities and barriers* to entitlements.
120. A Vulnerability Analysis within a PSIA seeks (i) to determine what shocks people face and their capacity to respond; (ii) whether a policy has lessened or increased existing shocks, or introduced new ones, and whether it has changed people's capacity to respond; and (iii) What types of responses to policy-induced shocks are evident amongst different social groups.
121. Social models for Vulnerability Analysis have been widely applied to field research. The ***Diversity and Livelihoods Assessment (DVLA)*** tool, for example, has been developed to enhance understanding of the relationship between risk, vulnerability and livelihood strategies in different contexts in order to enhance development strategies that reduce vulnerability. There are a range of qualitative and participatory methods that are used in the application of vulnerability and sustainable livelihoods (see below) analysis. These are introduced in Section 5.2 below and detailed in Volume 2. (**TO VOL 2**).

5.1.2. Sustainable Livelihoods Analysis

122. The concepts of assets and vulnerability have underpinned the development of related frameworks, particularly *livelihoods analysis* frameworks (Scoones, 1998) which look at people's response to events in terms of the livelihood strategies that they adopt. These frameworks have now been widely applied by development agencies and international NGOs in various forms, collectively called the *Sustainable Livelihoods Approach*.
123. The Sustainable Livelihoods Approach (see **Figure 5.2**) is a useful framework for analysing 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 recognises that the poor draw on a range of material and non-material assets to pursue multiple strategies to ensure individual and household well-being. But poor people are also vulnerable to external shocks and trends which may reduce their access to assets. In many cases poor people are forced to erode their assets simply to survive a particular shock; in other instances people can use their assets more strategically to sustain and even improve their livelihoods in the face of these shocks.

Figure 5.2. The Sustainable Livelihoods Framework



Where:

- H represents **human capital**: the skills, knowledge, ability to labor and good health important to the ability to pursue different livelihood strategies;
- P represents **physical capital**: the basic infrastructure (transport, shelter, water, energy and communications) and the production equipment and means that enable people to pursue livelihoods;
- S represents **social capital**: the social resources (networks, membership of groups, relationships of trust, access to wider institutions of society) upon which people draw in pursuit of livelihoods;
- F represents **financial capital**: the financial resources which are available to people (whether savings, supplies of credit or regular remittances or pensions) and which provide them with different livelihood options; and
- N represents **natural capital**: the natural resource stocks from which resource flows useful for livelihoods are derived (e.g. land, water, wildlife, biodiversity, environmental resources).

Source: DFID, 2000

124. The vulnerability context encompasses the natural, economic, social and political risks, or uncertain events, that affect people's daily lives. Natural events might include the risk of droughts, floods or malaria) while economic events often impact through changes in the relative price of labor, goods or services. Social risk can impact through transmittable diseases such as HIV/AIDs, through conflict over resources or through cultural practices that exclude specific social groups. Political risk can impact through forms of political coercion or clientelism, through political violence, or through political institutions that favor specific individuals or groups, related, for example, to land tenure or other resource allocation practices.
125. These events are usually expressed as *shocks* (one-off events such as redundancy or a natural disaster), *trends* (long-term changes such as out-migration or labor market changes) or *cycles* (such as seasonal climate patterns or political election cycles). Events can impact on people at the *micro* (individual and household), *meso* (community) and *macro* (national) levels.
126. The SL approach maps individual or group assets according to an "asset pentagon" comprising the five key groups of natural, physical, social, human, and financial capital assets. 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.
127. The SL approach also considers the ways that people's level of entitlements affect their well-being, recognising that the poor need policies and institutions which are supportive of their efforts to improve their lives. The framework encourages analysis of the processes by which the poor engage with these institutions, and the extent to which they have a voice and can participate in and influence decisions which affect their lives. The SL approach assumes that poor people tend to start with fewer asset entitlements and weak stocks of assets. They are therefore more likely to be vulnerable in the face of shocks, trends and cycles and have a weaker ability to engage with and gain support from key market and non-market institutions.
128. Adopting a SL approach in a PSIA brings an analytical focus on the way that policy reform, and accompanying changes in institutions and processes, can impact directly on the poor by either progressively or regressively changing levels of influence and access to resources, and indirectly by influencing the vulnerability context in a way that reduces or increasing risk and vulnerability.
129. The Sustainable Livelihoods Approach has been widely applied to meso and micro level analysis. The UNDP, for example, has developed guidance on its application to research. The SL approach uses a range of qualitative and participatory tools, introduced in Section 5.2. below. The SL framework has been criticized, however, for being too narrowly concerned with micro-level change and analysis. Subsequently, methods have been developed to use the framework to explore macro-meso-micro dynamics more explicitly. Khanya (2000), for example, developed and applied a "vertical transect" research method as part of a ***Sustainable Rural Livelihoods Study*** (from community through different meso levels to the macro level) 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.

Box 5.3. Checklist: Mapping gender-based analysis on the PSIA ten elements of good PSIA

Asking the Right Questions: In identifying the reforms that will be subject to analysis, ask the questions: How do males and females engage with this sector at the present time (issues of access, control, participation)? How are they likely to be impacted by this reform and through what channels (employment, prices, access, assets, transfers and taxes)?

Identifying the Stakeholders: Using Stakeholder Analysis techniques *always* differentiate between male and female stakeholders across the range of characteristics under analysis (household type, household size, ethnicity, location, occupation, etc.). The male/female composition of stakeholders in organized groups such as unions, civil society organizations, etc., should also be assessed.

Understanding Transmission channels: When identifying and understanding through which transmission channels a particular policy change is likely to operate acknowledge and show the different experiences of males and females.

Assessing Institutions: Disaggregate by sex all data collected and analyzed through the various methodological techniques chosen. *Organizational Mapping and Institutional Analysis Techniques:* Where relevant, in-depth, semi-structured, and key informant interviews should be conducted with male and female staff at all levels of a given organization (if both sexes are present. If one sex is absent, this should be noted and analyzed). Use sex-specific focus groups and (depending on context and cultural norms) mixed focus groups to elicit different types of responses.

Gathering Data and information: Both close-ended data collection methods (structured questions; gender budget analysis; time-use studies; statistical analysis, etc.) and open-ended data collection methods (in-depth, open-ended or semi-structured interviews, ethnographic observation, focus groups, participatory poverty assessment) and subsequent analysis should (a) disaggregate all data by sex, and (b) be sensitive to gender-based constraints; for example., focus groups could be sex-specific and mindful of men's and women's different situations and constraints, such as cultural sensitivities or time availability. The sex of interviewers and venue for interviews should be adjusted to reflect appropriate local norms. Gender sensitive indicators should be used.

Analysing impacts: Approaches and methods for estimating impacts vary; however economic and social analyses should be integrated where practicable. **Social Analysis tools** such as *social impact assessments, participatory poverty assessments; beneficiary assessments* should explicitly: (a) address how the reform will impact women and men (taking into account differences in age, ethnicity etc), (b) outline what the coping mechanism are for different groups of males and females, (c) indicate which groups of men and women are likely to be most vulnerable and why, (d) review behavioral responses of different groups of women and men, and (e) examine the gendered aspects of social relations among stakeholders. **Direct Impact Analysis** tools such as Incidence Analysis and Poverty maps should distinguish between males and females. Incidence Analysis should integrate analysis of the male/female composition of households.

Contemplating enhancement and compensation measures: PSIA's can inform policy design to maximize welfare gains for both men *and* women. Compensation measures can only be equitably targeted to males and females if gender-sensitive indicators are built into the design of the PSIA.

Assessing Risks: Where feasible, the various Risk Analysis Methodologies (Risk Assessment, Sensitivity Analysis and Scenario Analysis) should disaggregate and analyze the data by sex.

Monitoring and Evaluating Impacts: Gender sensitive M&E indicators (Output, Outcome, Process and Impact) should be integrated into the tracking and assessing of impacts.

Fostering Policy debate and feeding back into policy choice: Stakeholder participation and ownership have been shown to lead to more effective policies in many instances. All stakeholders in the project (male and female) should be involved not only in the PSIA research process but also in the process of policy debate centered around tradeoffs in potential reforms. Gender-differentiated findings should be presented and gender-differentiated recommendations made.

Source: World Bank Gender Anchor Note (2004)

5.1.3. Gender analysis

130. Gender is a key variable for understanding the differential impacts of policy reform and should be fully integrated into the conceptual framework for PSIA (**Box 5.3**). Gender inequality remains pervasive and is a barrier to growth and poverty reduction.
131. Levels of asset-entitlements differ hugely between men and women in different contexts and even where women have access to assets they are less likely to have decision-making control over the use of those assets. This is because women are more likely to be marginalised 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.
132. Of course it is essential to consider other social faultlines that cut across and complicate gender-based differences. Social variables such as race, ethnicity, caste or age may be powerful additional predictors of vulnerability than gender alone. The crucial point, however, is that gender cross-cuts all other social variables and should therefore remain a central focus of any PSIA.
133. 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 unpack the “time and effort economy” at the meso and micro level in both coffee and fish sectors. The researchers used existing qualitative studies to hypothesise 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.
134. The following tools are primarily designed for planning purposes but provide an additional set of conceptual tools for generating empirical data and for analysing the likely or actual differential impact of policy reform on men and women, with a focus on their access to and control over resources, their workloads and on the broader social rules that govern gender roles and relations.

Moser gender analysis framework

135. The ***Moser gender analysis framework*** (Moser, 1993) is a planning methodology aimed at the emancipation of women from their subordination and their achievement of equality, equity and empowerment. The framework makes a conceptual distinction between *practical* and *strategic gender needs*. Practical gender needs are those which, if met, help women with their current activities. They are a response to the immediate perceived necessities within a particular context and are usually of a practical nature (e.g. water provision, specific training or income earning opportunities to provide for the household). Their fulfillment, however, will not challenge existing gender divisions of labor or women’s subordinate position. Strategic gender needs exist because of women’s subordinate social position and would, if met, enable women and men to transform gender imbalances of power. Strategic gender needs are context-specific but may relate to issues such as legal rights, education and aspiration, equal wages and domestic violence.

136. The framework uses a range of tools for analysis and planning that analyse the following:
- The division of labor within the household and community.
 - Needs relating to male-female subordination.
 - Gender differences in access to and control over resources and decision-making.
 - The degree to which policies, programmes and projects address practical and strategic gender needs.
137. The following three tools are particularly useful to analyse the gender division of labor, women's needs and their access to and control of resources. These are:
- **Gender role identification:** Maps gender division of labor by asking: Who does what? (using "triple role" categories of reproductive, productive and community work)
 - **Gender needs analysis:** Analyses women's and men's needs using categories of practical and strategic gender needs
 - **Disaggregating control of household resources and decision making.** Asks "who controls what?" "who decides what?". Links allocation of resources within a household with bargaining processes
138. A more recent addition to the framework is a **gender audit tool** (Moser, 2005) that describes the impacts of gender mainstreaming in terms of the following three concepts:
- **Evaporation:** When good policy intentions fail to be followed through in practice.
 - **Invisibilization:** When monitoring and evaluation procedures fail to document what is occurring 'on the ground'.
 - **Resistance:** When effective mechanisms block gender mainstreaming, with opposition essentially "political" and based on gender power relations, rather than on "technocratic" procedural constraints⁶.

Harvard analytical framework

139. The **Harvard analytical framework** brings a simple conceptual approach to describing and explaining differential outcomes in terms of gender (March et al, 1999). The framework allows researchers to:
- map the work and resources of men and women in a community and highlighting the main differences that exist
 - map the factors that influence gender differences in activities and in access to and control of resources and benefits; and
 - examine the differential impacts of change, through policy or project intervention, on men and women.
140. As with the Moser framework, the Harvard Framework uses a range of tools for analysis and planning:
- **Activity profile:** identifies productive and reproductive tasks and asks "who does what?"
 - **Access and control profile:** lists resources people are able to use according to gender and to who controls their use and who controls their benefits

⁶ See Kabeer (1994); Moser (1993).

- **Influencing factors:** charts factors that influence differences in gender division of labor, access and control as listed using the preceding two tools.

Social relations approach

141. The aim of the social relations approach is to examine existing gender inequalities in the distribution of resources, responsibilities and power and to assist in the design of policies and programmes which enable women to be agents of their own development (March et al, 1999). The approach uses concepts rather than tools to concentrate on the relationships between people and their relationship to resources and activities, and how these are reworked through state, market and societal institutions.
142. The approach uses the following concepts:
- **Development as increasing human well-being:** This views development as being about more than economic growth and productivity improvements – human well-being concerns survival, security and autonomy. Impact analysis informed by this concept examines how development interventions, at whatever level, contribute to these broader goals.
 - **Social relations:** This refers to the dynamic structural relationships that create and reproduce systematic differences in the positioning of different groups of people. This concept informs impact analysis that focuses on how a development intervention can support those relationships that build on solidarity and reciprocity, and increase autonomy for poor people, and reduce those that produce or maintain unequal relations.
 - **Institutional analysis:** The concept underpins a recognition that inequality is reproduced across a range of institutions from the macro to the micro level. Four key, inter-related institutional locations are used (state, market, community, family/kinship) which produce, reinforce and reproduce social relations, and therefore social difference and inequalities.
 - **Institutional gender policies:** gender neutral; gender specific; gender redistributive.
 - **Immediate, underlying and structural causes.** This refers to a separation of causal analysis into three levels on a continuum from immediate causes of gender inequalities to deeper, structural causes of gender inequality.

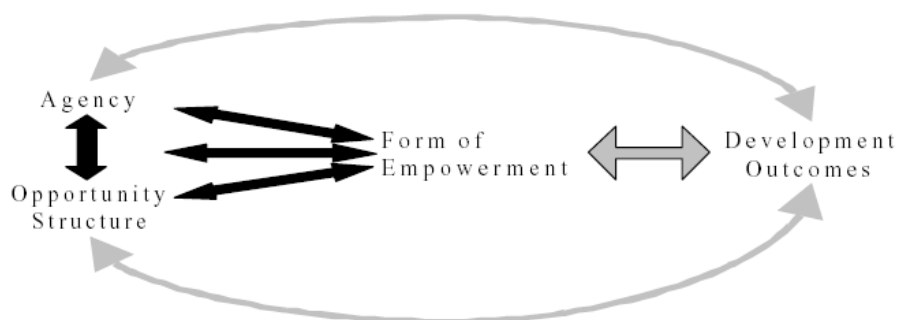
5.1.4. Empowerment analysis

143. If a person or group is empowered they possess the capacity to make *effective* choice (Alsop and Heinsohn, 2005).⁷ Empowerment analysis examines the extent to which policy change will increase or decrease individual or group capacity for effective choice. This involves examining the dynamic relationship between *agency* and *opportunity structure* (see **Figure 5.3**). 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, like financial and productive capital, and non-material assets like skills, knowledge, social networks and the psychological capacity to aspire and imagine change.

⁷ This concept equates with Sen's (1997) notion of expanding human capabilities, or freedoms, by focusing on an individual's ability to "enhance the substantive choices they have".

144. The *opportunity structure* is the context within which people live and make choices. The opportunity structure is made up of the institutions that govern people's behavior and which influence the success or failure of the choices that they make. Institutions can be *formal* – the sets of rules, laws or regulatory frameworks that govern the operation of political processes, public services, private organizations and markets -- or *informal* – the cultural practices that govern behavior in households, or amongst social groups or communities.
145. The three arrows in the diagram represent three “degrees” of empowerment, namely: (1) Whether an opportunity to make a choice exists (*existence of choice*); (2) Whether a person actually uses the opportunity to choose (*use of choice*); and (3) Whether the choice resulted in the desired result (*achievement of choice*).
146. The empowerment framework assumes a reciprocal relationship between agency and opportunity structure on the one hand and degrees of empowerment on the other. The better a person's assets and the more favorable their opportunity structure, the higher the framework expects their degree of empowerment to be. Similarly, empowerment is expected to enhance assets and opportunity structure. In addition to the intrinsic value of empowerment, the framework also assumes an instrumental role for empowerment in improving development outcomes, with accumulating evidence from the field to support this assumption.
147. PSIA can analyse whether policy change is likely to empower (or disempower) individuals or groups to make effective choices that increase their access to resources or even transform the institutional rules within which they operate. For a mother in Benin, for example, the higher her assets and the more favorable her opportunity structure, the more likely she is to choose to send her daughters to school. In this context, the formal opportunity structure, in the shape of official rules and laws, does not limit her choice. Instead, informal sociocultural practices that value daughters as wives and mothers can translate into a reluctance on the part of the mother herself, opposition from her husband and discouragement from school staff (Aliah Bah, cited in Alsop and Heinsohn, 2005)

Figure 5.3. Empowerment for poverty reduction



Source: Alsop and Heinsohn (2005)

148. Empowerment analysis recognizes that empowerment can happen (or not happen) in different ways in different spheres of life. Individuals or groups may have different experiences of empowerment in society, where they are a social actor, in the market, where they are an economic actor, or the state where they are a citizen. Women who

are politically empowered, for instance, who vote and who have access to justice, may have a very limited choice of jobs in the labor market or may be unable to exercise choice relating to their sexual and reproductive rights within the household.

149. Adopting an empowerment framework for PSIA emphasizes the importance of the institutional rules transmission channel by bringing into focus the likely impact of policy change on the strength of people's agency and on the likelihood that institutions and practices will enhance equality of opportunity.
150. Analysing policy impacts on agency involves identifying whether policy change transmits into greater productive potential and strategic choice amongst poor and excluded groups that have traditionally relied on reactive coping strategies. PSIA might ask, for example:
 - Is delivery of health and education likely to be improved, or the accessibility of productive assets enhanced?
 - Are social trust-based networks likely to be strengthened in ways that provide the poor with greater support and options?
 - Are poor people likely to receive more information about their entitlements, or gain confidence to context their rights?
151. Analysing policy impacts on institutions involves identifying whether informal and formal rules and practices are influenced by policy change in ways that reduce poverty. Here, PSIA might ask:
 - Are labor markets likely to be changed so that women have more opportunities in capital-intensive, higher skilled and better-paid professions?
 - Are formal or informal institutions likely to be challenged in ways that increase access to credit, land and housing for the urban poor, rural women or excluded ethnic and religious groups?
 - Are household cultural practices likely to be contested in ways that reduce women's domestic burden or which enhance girls' ability to become educated, skilled and self-confident?

5.2. Research methodology for impact evaluation

152. In this section we discuss 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; i.e. a methodology which is "fit for purpose".
153. There is much confusion over the difference between qualitative and quantitative research. **Box 5.4** 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, while those to the right are more quantitative (Kanbur 2003, 1-2).

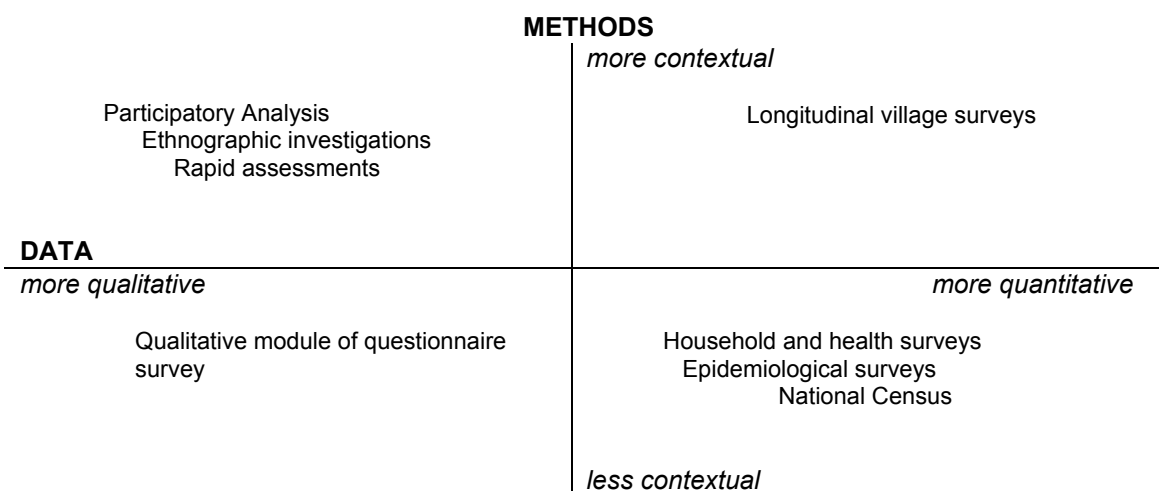
Box 5.4. Checklist: Qualitative and quantitative dimensions of poverty and social impact analysis

More “qualitative” research <<<<<<<<	>>>>>>>>>More “quantitative” research
Non-numerical information	Numerical information
Specific (contextual) population coverage	General (non-contextual) population coverage
Active population involvement	Passive population involvement
Inductive inference methodology	Deductive inference methodology
Broad social sciences disciplinary framework	Neo-classical economics (and natural sciences) disciplinary framework

Source: Adapted from Kanbur (2003, 1)

154. For the purposes of this sourcebook we follow Hentschel’s (1999) method-data framework (see **Figure 5.4**) and focus more narrowly on the first dimension from Box 5.4 by stating that the terms “qualitative” and “quantitative” 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.

Figure 5.4. The method data framework



Source: Adapted from Hentschel (1999)

155. 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 *non-contextual*. In contrast, those methods that are applied to a specific locality, case or social setting might be described as *contextual*. We discuss these different methods below.

5.2.1. Data collection methods

Secondary Literature Review

156. 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 taken in comparable contexts. This is particularly important in a PSIA context where discussions are taking place in advance of a policy decision being taken, and may help save on time and need for primary research.

157. It is often more appropriate to search secondary sources fully before primary research is undertaken. Here the fit for purpose methodology principle applies: if robust data are available from directly comparable contexts then there is little benefit from further data collection. This form of data collection applies equally at the level of country and reform context, when considering the meso-level of policy implementation, and in the assessment of meso and micro-level distributional impacts.
158. Decision-makers like early data to guide them but do not appreciate changing conclusions or assessment, so robustness of secondary evidence gathered is important. A *systematic review method* can determine the likely impact of a policy initiative by:
 - Developing an answerable question
 - Searching for relevant research (and other evidence)
 - Producing a summary of what the existing evidence tells us
159. A rapid evidence assessment, undertaken over a 8-12 week period, provides a comprehensive picture of the literature available on a policy area and to compile some of the key conclusions emerging from this. These conclusions can be organized using an evidence map which illustrates what analysis is available and what views have already been mooted.
160. It is important to distinguish between what is information, what is opinion and what is judgment. This is particularly important given that assessment of policy reform is often motivated by ideological bias. Efforts should be made in the literature review to provide a balance of evidence and to interpret this evidence objectively. In this regard, White (2002) makes a useful distinction between the *data analyst*, who looks for the interpretation most consistent with the data, and the *data miner*, who knows what she is looking for and keeps digging until she finds it: "Then she stops and that is the story she tells".
161. Objectivity in the systematic review method involves clarifying the source and bias of evidence and the quality of the research and peer review for material entered on evidence map being used. Previous experience with rapid evidence assessment reveals that negative evidence is underreported and that a skewed picture of opinion is likely to emerge (Phil Davies, GCSRO, pers com).

Non-contextual methods

162. Non-contextual research typically uses the random sample survey as the main research method, applied across broad geographical areas and with large population samples. The sample survey is driven by a *deductive* methodology (the fourth dimension in Box 5.4) that is designed to produce quantitative data that can be statistically analysed. The aim is to measure, aggregate, model and predict behavior and relations based on what can be observed and independently verified.
163. *Household surveys* using a national sampling frame generate data that can allow for comparisons of likely or actual impacts between populations and over time, and can provide the basis for selecting “treatment” and “control group” population sampling frames which are comparable for assessing poverty and social impact against the counterfactual.
164. Household surveys typically conducted in developing country contexts include:
- **Multi-topic surveys**, for example the Living Standards Measurement Survey (LSMS) and Priority Survey. The LSMS covers usually 2,000 to 5,000 households. The Priority Survey is similar to the LSMS but has a shorter questionnaire and usually covers a larger sample of households (8,000)
 - **Demographic and health surveys (DHS)**. These are nationally-representative household surveys with large sample sizes of between 5,000 and 30,000 households. Typically, DHS surveys provide data for a wide range of monitoring and impact evaluation indicators in the areas of population, health, and nutrition
 - **Employment surveys**. These are household-based surveys that generate data on employment patterns and wage income (linked to education)
 - **Rapid monitoring surveys and service satisfaction surveys**. The Core Welfare Indicators Questionnaire (CWIQ) is a household survey that uses structured questionnaires to monitor development objectives using leading indicators such as service accessibility and quality. The CWIQ is characterised by samples (in Ghana, the sample was 15,000 households); short questionnaires; easy data collection; quick data entry and validation; simple reporting; and fixed core and flexible modules.
 - **Population and Household Censuses**. These are universal but infrequently conducted national surveys that include some economic and social data in addition to demographic variables.
165. Household surveys conducted over time with the same sample of households can produce longitudinal panel data which are extremely useful for tracking changes and long-term impacts of policy reform.

Contextual methods

166. In contrast to non-contextual research methods, *contextual* methods sacrifice breadth of coverage and statistical generalisability in order to explore issues in *depth*: “(contextual methods) attempt to understand poverty (or other) dimensions within the social, cultural, economic and political environment of a (geographical or social) locality” (Booth et al, 1998, 52).
167. Contextual research employs more *inductive* research methods, including ethnographic techniques such as direct and participant observation and interviews,

researchers generate qualitative data relating to complex and often non-quantifiable cause-and-effect processes, and to informal social institutions and cultural practices.

168. Through *direct observation*, researchers are able to elicit qualitative data relating to social relations, cultural practices, livelihood activity and the level and distribution of community resources that will inform analysis of the likely impact of policy reform. *Participant observation* is a method for gathering data that involves the researcher participating in the activities of the community in order to establish greater levels of trust and elicit more detailed information and understanding of cause and effect and distributional issues relating to poverty. *Conversational interviews* or *semi-structured interviews* allow the researcher to explore in an open and flexible way the dynamics underpinning transmissions from the macro to the micro level and provide an environment in which respondents are not influenced by the presence of peers or more powerful actors in a group setting.

Participatory methods

169. In common with qualitative research, *participatory research* tends to use more contextual methods and elicit more qualitative and interpretive information but brings with it an important additional philosophical commitment to respect local (emic) knowledge and facilitate local ownership and control of data generation and analysis (Chambers, 1994, 1997). In contrast to the individualised observation and discussions in much qualitative investigation, participatory research focuses on public and collective reflection and action. In this way participatory research can be empowering for different groups of stakeholders.
170. Participatory methods are by no means restricted to qualitative data output (see Part 2 of this volume). 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 (Chambers, 2003). 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 generalisable, as illustrated by the case study example of an impact assessment of the Targeted Inputs Programme in Malawi (See **Box 5.5**).

Box 5.5. Case study: An Impact Assessment of the Targeted Inputs Programme in Malawi

If used with care, participatory methods can generate quantified and standardised categories based on qualitative assessment. The Targeted Inputs Programme (TIP) in Malawi provides a small pack of free agricultural inputs (10kg of fertiliser, 2kg of maize seed and 1kg of legume seed) to smallholder farmers. During an impact assessment of this programme, the research team adapted participatory methods wealth ranking and community mapping. The relative measurements of well-being (i.e. using local people's perceptions and locally-generated criteria) derived from wealth ranking in different communities were translated into absolute measurements by using easily-differentiated categories of food security as a proxy for poverty (food security having been identified as a key indicator of poverty in earlier participatory poverty research). They adopted a three-fold categorisation: Food Secure (FS) households have enough to eat throughout the year from harvest to harvest; Food Insecure (FI) households have enough food to last from harvest (April/May) up to Christmas but not between Christmas and the next harvest; and Extremely Food Insecure (EFI) households start facing severe food shortages before Christmas. A small group of key informants in the sampled villages mapped their community – generating a 100% sample in each site -- and

identified the food security status of each household and whether or not they received a TIP pack: the research showed that one-fifth of TIP recipient households were food secure.
Source: Chinsinga et al (2002); Levy (2003)

171. Tools that can be used for participatory analysis of poverty and distributional impacts can be categorized into three areas of analysis, each with their own set of tools: (1) Identifying poverty characteristics, incidence and distribution; (2) Understanding poverty dynamics and livelihood strategies; and (3) Identifying the institutional constraints and opportunities for poverty reduction. These are summarized in **Table 5.2**.
172. If, however, we are to promote the comparative advantage of participatory methods for generating numerical data in these areas, we must also flag the very real and potentially dangerous ethical issues raised and address their methodological implications. These encompass concerns about: trade-offs in sampling procedures⁸; ownership of data and the tendency in positivist research for “professional” control of information synthesis; the tension between standardising methods that reduce and confirm complex social reality and open-ended research methods that explore diversity and complexity; and a related concern with the balance between extractive and empowering research. A code of conduct for participatory numbers research has been developed by the Parti-Numbers Network in the UK and is included in Volume 2

Table 5.2. Participatory tools for meso and micro-level poverty and social impact analysis

Method	Value
1. Poverty characteristics, incidence and distribution	
Community profile	An overview of a community containing information on a broad range of factors (e.g. 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 organisation).
Locally-conducted household survey	An adapted survey tool that can be developed and applied locally to generate baseline and monitoring information on priorities poverty indicators. If the survey module includes core variables that map onto national LSMS-type surveys then the representativeness of the survey findings can be “retrofitted” to the national survey data. Findings can then be incorporated with qualitative data eliciting information on why changes have occurred and why people respond to change in particular ways.
Transect walk	A simple tool for describing and showing the location and distribution of resources, features, the landscape and main land uses along a given transect. It can be used to identify and explain cause and effect relationships between topography, soils, vegetation, cultivation and other production activities and human settlement patterns etc., together with major problems and possibilities associated with these. Can contribute to an understanding of policy change impact on physical features, resources and livelihoods and the triangulation of data collected through other tools.
Social mapping	A visual method of showing the relative location of households and the

⁸ Including “randomisation” and “replication”: random sampling to reduce bias; and extending sample size, particularly in the early stages of multi-stage sampling to improve “precision” of inferences (see Barahona C and S Levy, op cit).

	distribution of different social groups of people/households together with the social structure and institutions of an area. It can be used to show data on village layout, infrastructure, demography, ethno-linguistic groups, health pattern, wealth etc; identify different social groups using locally defined criteria and assess the distribution of assets across social groups. Can contribute to understanding potential policy change impacts on different social groups within a community.
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.
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 policy change or implementation on the asset bases of different social groups.
Timelines Life Histories	Good for identifying trends and changes to poverty over time. Very important to triangulate information with secondary review, interviews, survey data.
2. Poverty dynamics and livelihood strategies	
Semi-structured interviews	Central to identifying key issues and why changes occur from the perspectives of different stakeholders. At the micro level, interviews can elicit people's experiences of the impacts (intended, unintended) of a policy which can be sequenced with more representative, "higher n number" quantitative and qualitative methods.
Peer Ethnographic Evaluation and Research (PEER)	A participatory community or institution-based qualitative research, monitoring and evaluation tool, which draws on the principles of ethnography, as used in anthropology, and recent developments in rapid appraisal techniques. Data collection is undertaken by trained peer researchers who are members of the target community or institution, who conduct conversational interviews with their peers, who are self-selected.
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.
Seasonal calendar	A visual method of showing the distribution of seasonally varying phenomena (e.g. economic activities, resources, production activities, problems, illness/disease, migration, natural events/ phenomena, climate etc.) 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 (e.g. on health and education) of different workloads.
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.
Livelihood matrix scoring	A method of investigating preferred and prioritised 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 changes on livelihood options and preferences.
Entitlement 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 implementation or change on rights and entitlements.
3. Institutional analysis	
Venn Diagramming	A visual method of identifying and representing perceptions of key organisations (formal and informal) and individuals inside and outside a community and their relationships and importance. Enables understanding how different community members perceive organisations and actors both within the community (in terms of decision-making, accessibility and services) and outside the community (in terms of participation, accessibility and services).
Institutional 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 (e.g. land, water, health and education services, information, capital, decision-making etc). 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.

Mixed methods

173. 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 non-contextual methods can be combined effectively to add value to PSIA (see **Box 5.6**). 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 standardising to describe the norm, qualitative research seeks to explain difference.

Box 5.6. Checklist: 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:

- a) using survey data to construct purposive samples for Participatory Poverty Assessments (PPAs)⁹
- b) using survey findings in constructing the interview guide of the qualitative research;
- c) using qualitative data to determine appropriate stratification of samples for surveys;
- d) using results of qualitative work in preparing survey questionnaires;
- e) pre-testing new questionnaires as part of a contextual study;
- f) using qualitative research findings to refine the poverty indices used in survey analysis.

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

- a) “examining” refers to using data from one tradition to enrich the research agenda of the other;
- b) “explaining” entails the use of qualitative research to identify dynamics responsible for survey findings;
- c) “confirming or refuting” entails the use of qualitative research to ascertain the validity of survey-based findings (or vice-versa);
- d) “enriching” entails 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 that was a feature of certain World Bank country poverty assessments in the 1990s.

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

174. By seeking to understand social diversity and social interaction within population groups, including intra-household differences,¹⁰ 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 which 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).

175. In short, while quantitative methods produce data that can be aggregated and analysed 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 throws up interesting, often surprising and sometimes counterintuitive relationships and patterns,

⁹ 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).

¹⁰ This is a particularly important comparative advantage as many household surveys take the household as a single unit of analysis.

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

176. By promoting various forms of mixing 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, op cit, 12). When applying the method data framework introduced above (**Figure 5.4**) 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 generalised 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 generalised 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.
177. Existing methodologies combine methods in ways that add value are analytically and empirically. The Save the Children Fund's *Household Economy Approach* and *Individual Household Method* , for example, link together different methods in an innovative way to examine and present the probable impact of shocks at household level. This is discussed in some detail in Volume 2. *Consultative Impact Monitoring of Policies (CoIMPact)* is designed to assess the effectiveness of poverty focussed policies and programmes, and is best applied during or shortly after the implementation of a reform in order to refine future policy rounds. CoIMPact has been applied in various formats in Jordan, Malawi and Kenya. *Consumer Assessment* is a mixed-method tool that (i) spatially maps social indicators, indicators of access, quality of service, formal and informal prices of services, and socio-economic data (ii) combines this with information on willingness and ability to pay, and on consumer preferences. This is then combined with qualitative research and triangulation with different types of consumers, formal and informal market vendors to understand how prices are transmitted (or not) from the formal to the informal sector, analyzes qualitative factors in price levels (social capital, neighborhood type, informal networks), in order to determine the distributional impact of tariff changes, or changes in service provision. This methodology has been implemented to look at policy reforms in Mozambique (privatization of water services and tariff increases), Lesotho (water and electricity sectors), Zambia (water supply) and Ghana (electricity tariffs). It is useful in the African context, for services such as water, where formal services may reach only a minority of the urban population, and where actual tariff increases may depend on both the institutions that put them in place, and the informal methods for setting prices in the "secondary" market for water (Keener and Ghosh, forthcoming).

178. Methods and data have been combined effectively in PSIA and similar studies. The following case studies, presented in Volume 2 and summarized here demonstrate the descriptive and analytical added value of mixed methods:
- **Malawi** . The policy context for this PSIA was the proposed privatization of the Agricultural Development and Marketing Corporation (ADMARC).
 - **Rwanda** . This PSIA analysed tea sector reform in Rwanda, with its two key components of liberalisation through privatisation of nine of the ten government-owned tea estates and reorganization of the tea parastatal (OCIRTHE) as a regulatory board for the sector.
 - **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.
 - **Zambia** . This PSIA was conducted to increase the poverty reduction emphasis of the World Bank's Country Assistance Strategy for Zambia, with a focus on land reform.
 - **Albania** . This PSIA analysed 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 low-income population.
 - **Uganda** . This study looked at the impact of the abolition of user fees in the primary health care sector in Uganda by focussing on access and health outcomes.

5.2.2. Representative data: Sampling protocol

179. There is a tendency amongst qualitative research not to make the most of a sampling protocol that allows the researcher to state how representative research findings, generated from in-depth research in a relatively small number of sites, are of larger populations beyond those sites. Although the primary purpose of qualitative research is clearly not to achieve the degree of representativeness of a household survey, it is possible, through careful sampling protocol, to achieve a level of generalisability beyond the communities chosen.
180. A good sampling protocol will be based on several key principles and follow a number of steps [**Volume 2**]: a) decide and clarify the study objectives; b) produce an accurate sampling frame; c) decide on an appropriate sample size; d) choose the right sampling method; and, e) produce an open and clear justification of the sample selection procedure.
181. There are many factors that will affect the decisions made in the steps outlined above, and these are discussed in more detail in Volume 2. The study objectives and checklist of factors will clarify how the population is *stratified* for sampling as part of a "hierarchical" or "multi-stage" sampling process. Stratification in sampling helps to achieve greater uniformity of sampling frame. **Box 5.7** provides examples of criteria used to stratify populations. The choice of criteria will be taken to meet the objectives and scope of the PSIA.

Box 5.7. Checklist: Examples of criteria used for stratifying populations

- Level of income/consumption poverty
- Balance of rural/urban environments
- Agro-ecological zones
- Livelihood groups (fishing, pastoralist etc.)

- Level of socio-economic stratification
- Socio-cultural and linguistic groups (distinguished by entitlements sets and opportunities)
- Level of access to markets
- Level of transport infrastructure and access
- Level of social infrastructure
- Level of food insecurity/malnutrition
- Specific issues of social and cultural exclusion (e.g. street children)
- Level of monetisation of the rural economy
- Issues of conflict, human insecurity

Source: Adapted from Norton et al (2001)

182. Well-informed stratification of the population allows for research that targets and probes areas of social and geographical difference, in contrast to household surveys that tend to seek to elicit general impacts across the population. Stratification can be developed using a review of existing social development information combined with information provided by key informants (Wilson, 2003).
183. Next, when choosing research sites (geographical communities) and research units (population groups) within sites, *probability-based* selection (or “random sampling”) is a method of selection that gives an equal chance of selection to all sites and all people. The advantage here is that researchers, or enumerators, are able to claim that their judgement has not been used for the selection (as happens when researchers look for the most interesting or “extreme” case studies).
184. In short, while not trying to mimic the breadth of coverage of household surveys, careful sequencing of stratification and randomisation through hierarchical (or multi-stage) sampling procedures – sometimes called *random-stratified sampling*¹¹ - enables researchers to pursue contextual, in-depth research that produces both qualitative and quantitative information, in sites and with groups that are representative of larger populations (Wilson, 2005).

5.2.3. Robust data: Achieving trustworthiness

185. Beyond the issues raised by sampling protocol, particularly the need to consider the trade-offs between breadth of coverage and depth of analysis, there remains the considerable challenge of demonstrating that the information is reliable and objective. The *reliability* of information in natural sciences and economics can be defined as the extent to which each repetition of the same instruments will yield similar measurements. Quantitative data generated by standard survey instruments are made reliable by employing closed questions that generate discrete and precise units of data. The *objectivity* of data refers to the extent to which multiple observers can agree on a phenomenon, and is usually contrasted with “subjectivity”. This is ensured in the natural sciences and economics by removing the influence of the researcher on the research process.¹²

¹¹ Random stratified sampling is a technique that divides the population into different groups or classes called “strata” and then draws a sample from each stratum at random.

¹² The notion of objectivity is fundamental to the empiricist tradition and indicates that “the meanings and conditions of subject’s lives are independent of those subjects” (Servaes and Arnst, nd) and therefore that they can be isolated, measured and tested.

186. *Methodological triangulation* is widely recognised as a working principle of trustworthy qualitative and participatory investigation because of the increased likelihood of non-sampling errors in this type of research (Chambers, 1994). Denzin (1970) identifies four types of triangulation for sociological research:
- (i) **Data**: this involves explicitly searching for as many different data sources as possible which bear upon the same events under analysis;
 - (ii) **Investigator**: multiple, skilled/trained observers can help overcome the limitations or bias that come from a single observer;
 - (iii) **Theoretical**: this involves formulating a research strategy/design that is capable of testing different theories to explain a common problem on the basis that one theory will provide a more adequate explanation than another; and
 - (iv) **Methodological**: this involves an explicit attempt to integrate different types of research methods in order to investigate the same problem, setting, group, etc in such a way that the limitations/problems of one method are *explicitly* offset by the strengths of a second method.

6. Assessing Uncertainty and Risks to Policy Reform

187. With policy-focussed research, it is particularly important that analysis shifts from the analysis of poverty to the *analysis of policy interventions* and their likely impact on poverty. Risk assessment is an end-of-exercise reflection on the uncertainties and risks that surround policy reform, compelling us to make transparent the assumptions we are making about policy reform and its impacts. Once we have done a PSIA, how confident are we then that the predicted impacts will occur, and what are the assumptions we are making upon which our impact predictions are based?
188. 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 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. In this section we discuss the role that risk assessment can play in utilising 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.

6.1. Social Risk Assessment

189. In the discussion above on social models we discussed 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've identified these risks then the process takes us beyond PSIA to risk management strategies that form part of the policy dialogue process.
190. The World Bank *User's Guide to PSIA* (World Bank, 2003a,) categorises risk in to 4 types:
- Institutional risks: relating to both market and non-market institutions where no failure was assumed
 - Political economy risks: including the risks that powerful interest groups may 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; and
 - Other country risks: including the threat of an increase in political instability or social tension
191. **Social Risk Assessment** involves testing the likelihood of an assumption about policy reform to be invalid (World Bank *PSA User's Guide*, 30). Social Risk Assessment involves three steps:
- (i) identifying assumptions about what should and should not happen in order for a policy to achieve its goals
 - (ii) making a judgment as to the likelihood that each assumption will hold, and its importance to policy
 - (iii) adjusting 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.
192. 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 (for example through less risky production or migration);
 - 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)
193. 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 non-market interventions to support and enhance informal risk

management. This framework is summarised in **Table 5.3** and applied to the case study of the abolition of user fees in Uganda .

Table 5.3. Strategies and Arrangements of Social Risk Management: User fees in Uganda

Arrange-ment Strategies	Informal/Personal	Formal/Market-based	Formal/Publicly-mandated provided
Risk Reduction			
	<ul style="list-style-type: none"> • Less risky production • Migration • Proper feeding and weaning practices 		<ul style="list-style-type: none"> • Labor standards • Pre-and-in-service training • Labor market policies • Child labor reduction interventions • Disability policies • Good macroeconomic policies • AIDS and other disease prevention
Risk Mitigation			
Portfolio	<ul style="list-style-type: none"> • Multiple jobs • Investment in human, physical and real assets • Investment in social capital (rituals, reciprocal gift-giving) 	<ul style="list-style-type: none"> • Investment in multiple financial assets • Microfinance 	<ul style="list-style-type: none"> • Multi-pillar pension systems • Assets transfers • Protection of poverty rights (especially for women) • Extending financial markets to the poor
Insurance	<ul style="list-style-type: none"> • Marriage/family • Community arrangements • Share tenancy • Tied Labor 	<ul style="list-style-type: none"> • Old-age annuities • Disability, accident and other insurance 	<ul style="list-style-type: none"> • Mandated/provided insurance for unemployment, old age, disability, survivorship, sickness, etc.
Risk Coping			
	<ul style="list-style-type: none"> • Selling of real assets • Borrowing from neighbors • Intra-community transfers/charity • Sending children to work • Dis-saving in human capital 	<ul style="list-style-type: none"> • Selling of financial assets • Borrowing from banks 	<ul style="list-style-type: none"> • Transfers/Social Assistance • Subsidies • Public works

Source: Adapted from Jorgensen and Van Domelen (2000).

6.2. Considering scenarios to handle uncertainty

194. 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. The Chad cotton PSIA, for example, could be played out

through a number of mixes of policies within the broad agenda of privatisation. In contrast, the removal of fuel subsidy proposed in Yemen presented a discrete policy trigger for PSIA, albeit with options on timing of the phasing out of the subsidy.

195. In addition to a number of 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 a number of scenarios. Analysis of the scenarios also helps us to test the robustness of our forecasted impacts from the policy change.
196. In many cases, particularly in PSIA prior to reform, 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 very difficult, after the reform, to establish whether the policy in question has been responsible for this; other factors, including other policy initiatives, may have been responsible. To do this 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.
197. 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 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. We discuss the steps for considering scenarios below.

6.2.1. Identify the counterfactual or base case scenario

198. The first step is to identify and analyse by relevant categories (e.g. sector, region, income cohort, sex etc) for relevant variables (e.g. income distribution, consumption, access to goods and services, employment, types of business activity, social exclusion and ability to participate, level of voice/influence etc), identify and analyse:
 - a. how the current system actually operates and any trends underway (i.e. the counterfactual): this is a practical exercise, based on existing secondary data (administrative data, household and business surveys, reports etc) and primary data collection (surveys, participatory data collection, rapid assessments etc.) It analyses 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.
 - b. 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.

6.2.2. Identify scenarios for policy reform

199. There may be more than one policy to meet our desired outcomes, and different ways of implementing each policy, that could have the desired results. The second step of identifying scenarios theorises 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 trade offs between the various objectives. Sources for scenarios may include:

- ideas currently circulating in country
 - experience with similar types of policies/reforms elsewhere
 - areas identified as ‘under’ or ‘over’ influenced by the current policy.
200. 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. *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: (i) "pre-test" the performance of a policy reform in different plausible situations, allowing for the creation of alternate plans; (ii) assess the level of ownership for a reform agenda among key stakeholders; (iii) 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.
201. *Think Tools* is a software-based planning system that GTZ has used to help policy reform stakeholders jointly to 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 towards a joint understanding of the scope and options for reform.

6.2.3. Analyse impact of each scenario against the counterfactual

202. 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 advantages and disadvantages of this scenario
 - how the intended and actual impacts of the policy scenarios are likely to compare, explaining significant divergences that may 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 amongst different groups.
 - actions required (administrative, institutional, etc) 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.

6.2.4. Compare and choose the preferred scenario

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

7. Conclusions

204. 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 analyse the motivation for reform, the nature and strength of opposition and the differences in power and interest at play.
205. At the meso level, the tools presented 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 level, 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 predicting the poverty reduction impacts of different reform options while highlighting the risks and uncertainties that might influence those reform predictions.
206. The sourcebook emphasizes that these tools are most effective when integrated into multi-disciplinary methodologies for poverty and social impact assessment. The tools presented are based on methodological and analytical frameworks that are different from standard economic tools but which add empirical value and analytical depth to economic analysis. In promoting this sourcebook we support 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 instrument provides an opportunity to strengthen and make the most of this theoretical and methodological pluralism.
207. 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 choice.

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