

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

PRACTICAL GUIDE TO EX ANTE POVERTY IMPACT ASSESSMENT (PIA)

DAC Meeting, 10 May 2007

This report is submitted to the DAC for APPROVAL, at its meeting on 10 May 2007, after which it is proposed to publish it in the DAC Guidelines and Reference Series.

This Practical Guide to implementing the Poverty Impact Assessment (PIA) approach has been developed within the DAC Network on Poverty Reduction (POVNET) and includes the results of field testing in a number of developing countries. It has been approved by the POVNET Chair, on behalf of POVNET. It incorporates comments and suggestions received from the POVNET Task Team on Poverty Impact Assessment and the DAC Network on Development Evaluation (EVALUNET). A general overview of the PIA approach [DCD/DAC(2006)24] was approved by the DAC in 2006 and published in "Promoting Pro-Poor Growth: Policy Guidance for Donors".

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This Practical Guide to *ex ante* Poverty Impact Assessment (PIA) is based on “*Ex ante* Poverty Impact Assessment” published by the OECD in 2007 in *Promoting Pro-Poor Growth: Policy Guidance for Donors* and reflects further empirical evidence in the application of the PIA approach. It is designed to assist appraisers and decision makers to plan, understand and execute a PIA. It suggests a standardised but flexible analytical framework for undertaking a PIA.

This guide has been developed and tested by the POVNET Task Team on *ex ante* Poverty Impact Assessment. The participating countries have been: Finland, France, Germany, Ireland, Japan, Netherlands, United Kingdom, Sweden and Switzerland.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AFD*	French Development Agency - <i>Agence Française de Développement</i>
BMZ*	German Ministry for Economic Co-operation and Development <i>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung</i>
DAC	Development Assistance Committee (OECD)
DFID	British Department for International Development
DGIS*	Directorate for International Cooperation, Netherlands Ministry of Foreign Affairs
GTZ	German Agency for Technical Co-operation <i>Deutsche Gesellschaft für Technische Zusammenarbeit</i>
JBIC*	Japanese Bank for International Co-operation
KfW*	German Bank for Development - <i>Kreditanstalt für Wiederaufbau</i>
LIC	Low income countries
MDG	Millennium Development Goals
OECD	Organisation for Economic Co-operation and Development
PIA	Poverty Impact Assessment
POVNET	DAC Network on Poverty Reduction (OECD)
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
Seco	Swiss State Secretariat for Economic Affairs
SDC	Swiss Agency for Development and Co-operation
SWAp	Sector-wide approach
UN	United Nations
WB	World Bank

* Denotes acronyms in original language.

EXECUTIVE SUMMARY

1. This practical guide to *ex ante* Poverty Impact Assessment (PIA) is based on the Organisation for Economic Co-operation and Development (OECD) report “*Ex ante* Poverty Impact Assessment”¹ and reflects further empirical evidence in the application of the PIA approach. It is designed to assist practitioners and decision makers to plan, execute and understand a PIA. It suggests a standardised but flexible analytical framework for undertaking a PIA. While focussing on *ex ante*, the approach has application to *ex post* PIA also. The guide comprises three main chapters:

- i) Chapter 1 explains the rationale, outline and key elements for *ex ante* PIA.
- ii) Chapter 2 explains the results chain being analysed, the conceptual framework and process for a PIA.
- iii) Chapter 3 provides practical guidance on how a PIA may be implemented.

1. On the rationale for PIA

2. *Ex ante* Poverty Impact Assessment is a focused process for donors and partner countries to inform themselves of the expected intended and unintended consequences of their interventions (policies, programs, projects). It provides an assessment of the well-being of different social groups, focusing on poor and vulnerable people. A multi-dimensional approach to poverty is taken.

3. Primary consideration has been the need to seek harmonization between donor approaches to reduce the burden on partner governments having to deal with competing methods and the often conflicting demands placed on them. Developing a harmonised approach to *ex ante* PIA is clearly in line with the spirit of the Paris Declaration on Aid Effectiveness.

4. One major advantage of this *ex ante* PIA is that it integrates already established approaches, their terminology and procedures. Its novelty is that it merges them into one model and the results of the assessment are visualized in relatively simple matrices. This allows the possibility of sharing *ex ante* PIA exercises based on a common format across a number of agencies.

5. *Ex ante* PIA provides:

- i) An understanding of the relation of the intervention to national development or poverty reduction strategies.
- ii) An understanding of stakeholders (disaggregated into important groups by income, gender, age, etc.) and of institutions that influence and are influenced by an intervention.
- iii) An understanding of the importance and inter-relationship of individual transmission channels through which changes are transmitted to the stakeholders.

1. OECD (2007), *Promoting Pro-Poor Growth: Policy Guidance for Donors*, OECD, Paris.

- iv) An assessment of likely qualitative and/or quantitative outcomes for the stakeholders, with particular emphasis on the target population, taking into account the multi-dimensionality of poverty and an assessment of the intervention's implications in terms of the OECD/ Development Assistance Committee (DAC) capabilities framework.²
- v) An estimation of the potential impact on the Millennium Development Goals (MDGs), and, if desired, other strategic goals (*e.g.* derived from the Millennium Declaration or from National Strategies).
- vi) An assessment of key assumptions and identification of potential risks.
- vii) An assessment of the reliability of data/information used in the exercise and identification of key knowledge gaps.
- viii) A framework for improving baseline data, and monitoring the impact hypotheses during implementation and as an input for facilitating *ex post* evaluation exercises.
- ix) Based on the assessments mentioned above, recommendations for decision makers on how the intervention might be improved to increase its pro-poor impact and whether or not to implement the intervention.

6. The *ex ante* PIA approach described here can generate information relevant to most modes of aid delivery and domestic funding. It can be directly applied to projects, programmes, sector-wide interventions and policy reforms – though the frequency of application, level of detail and allocated resources would vary. However, PIA does not work for budget support, since such assistance can be used to fund any part of the partner country's budget. In this case, a PIA would have to address the individual relevant policy reforms. In the same way, it would not be possible to undertake a PIA of an entire Poverty Reduction Strategy Paper (PRSP); however, PIAs could be undertaken of specific areas of intervention guided by the PRSP.

2. On the conceptual framework and process

7. An intervention induces changes via transmission channels such as prices, employment, taxes and transfers, access to goods and services, authority and assets. These changes are triggered by inputs provided through the intervention and lead to short term and easily determined *immediate outputs*. These outputs, in turn, lead to *intermediate outcomes* and *final impacts* which are normally longer term and more difficult to predict and be attributed to the chain of causation. For simplicity, the PIA modules focus on shorter term and medium term results.

8. The PIA framework considers that good design of an intervention requires us to understand the stakeholders and institutional arrangements within which the intervention is intended to take place. The design then requires an understanding of the transmission channels through which the intervention is to be undertaken, and the results that are triggered at different levels and times. These results can then strengthen (or weaken) the capabilities of people to provide for their needs and improve their conditions, and so enable a country to progress towards the MDGs and other national goals.

9. The process of conducting a PIA is equally important as the PIA report. Ideally, *ex ante* PIA is an iterative process involving decision makers and stakeholders from both donor and partner country as information sources but also to feed back the results.

2. OECD (2001), *The DAC Guidelines: Poverty Reduction*, OECD, Paris.

10. PIA is based on balancing quantitative and qualitative information to achieve a sound and reliable assessment. It mostly draws on already existing quantitative and qualitative information sources. Where these are insufficient, additional data might need to be collected. The level of detail should be determined by the needs of the organization commissioning the PIA: this may be a quick exercise based on readily available information, or a longer more detailed assessment requiring greater consultation and research. What ever the level of detail, the process of conducting a PIA would be similar. In general, the approach is guided by the principle that “*it is more important to be roughly right than precisely wrong*” (John Maynard Keynes) about the potential impacts of interventions on the well-being of people.

3. On the PIA modules

11. *Ex Ante Poverty Impact Assessment consists of five modules.* The approach taken may follow closely the modules provided here, or may choose those modules relevant to the context in which the PIA is conducted. The modules might also be modified to fit with the user’s other appraisal approaches.

- i) *Module 1: General poverty situation and relevance of the intervention to national strategies and plans:* outline of the poverty situation in the country and relevant region or sector; the reasons for choosing this area; assessment of how the intervention is linked to national plans; a short description of the target groups of the intervention. Sources and quality of information used is noted along with any gaps that may require filling by further work should. If it is a stand-alone document, a short description of the intervention improves the clarity of the report.
- ii) *Module 2: Stakeholders and institutions:* identification of the stakeholders and relevant institutions, their respective roles, as well as their interest in supporting or hindering the intervention.
- iii) *Module 3: Transmission channels used and overall results by channel:* summary of the process by which the intervention is anticipated to influence the stakeholders (targeted and others), and the overall result anticipated by each channel. The main transmission channels are prices, employment, transfers, access, authority and assets.
- iv) *Module 4: Capability of stakeholders and target groups:* outline of the likely results on stakeholders groups by the OECD Capabilities Framework.
- v) *Module 5: Impact on MDGs and other important goals:* outline of the impact of the intervention on the seven MDGs plus other key international objectives, as well as national objectives relevant to the intervention.

12. In order to help decision makers, a section covering *summary and recommendations* highlighting the most important findings of the PIA is recommended.

CHAPTER 1

THE RATIONALE AND OUTLINE FOR *EX ANTE* POVERTY IMPACT ASSESSMENT

13. This Chapter discusses the rationale for developing a harmonised approach to *ex ante* PIA within POVNET. It briefly outlines what *ex ante* PIA is and its key elements. It further describes what the main benefits of *ex ante* PIA are and how PIA relates to other assessment approaches, in particular the Poverty and Social Impact Analysis (PSIA). The chapter also provides information on how *ex ante* relates to *ex post* PIA, when and where it can best be applied, and its resource requirements.

1. What is the rationale for developing a harmonised approach to *ex ante* PIA?

14. The Paris Declaration of March 2005³ stresses that partner countries and donors are mutually accountable for development results. Monitoring and evaluating the progress of country-led strategic development goals (such as MDGs and pro-poor growth) is mainly the responsibility of the partner government. Together with their partners, donors strive to understand and maximise the poverty reducing impacts of their assistance in order to accelerate pro-poor growth and to assure better pro-poor outcomes. To reduce poverty some interventions (projects, programmes, policies) target the poor directly, but often they aim at economic growth and a sustainable environment, thus benefiting the poor indirectly. However, whatever the explicit objectives of an aid programme, we need to know of any impacts on poor and vulnerable people.

15. For these reasons, an approach to undertake *ex ante* PIA has been designed by a POVNET Task Team.⁴ The primary consideration has been strengthening poverty-reducing impacts and the need to seek greater harmonization between donor approaches, by developing a concerted approach, to avoid both the confusion created by competing methods and the often conflicting demands placed on partner governments.

16. PIA addresses the donors' concern to demonstrate accountability and transparency. Accountability is required both to their own constituencies in terms of exercising due diligence over the resources they disperse and to partner countries, in terms of accepting joint responsibility for agreed strategic decisions. Also, there is a growing demand for accountability from partner countries that have to take the lead in applying a results oriented approach in their policies and programmes. Setting out the understanding of how an intervention will have its intended results, and how these will influence different stakeholders, will help improve transparency. A more harmonised PIA approach provides a basis for joint assessments with partner governments and between donors.

2. What is *ex ante* PIA?

17. *Ex ante* Poverty Impact Assessment is a focused process for donors and partner countries to inform themselves of the expected intended and unintended consequences of interventions such as policies, programs and projects. It provides an assessment of both positive and negative consequences in terms of

3. OECD (2005), "Paris Declaration on Aid Effectiveness. Ownership, Harmonisation, Alignment, Results and Mutual Accountability", statement endorsed at the High Level Forum on Aid Effectiveness on 2 March 2005, Paris. www.oecd.org/dac/effectiveness/parisdeclaration.

4. In addition to regular working meetings of donor representatives, one meeting was held with representatives from various partner countries (Bangladesh, Malawi, Sri Lanka, Uganda, and Vietnam).

changes in the well-being of different social groups, focusing on poor and vulnerable people and how they are helped or hurt. It is an instrument which helps to define and design an intervention, so that it may be better targeted to achieve poverty reduction goals, ultimately contributing to the achievement of one or more Millennium Development Goals. A systematic integration of *ex ante* PIA into project and programme appraisal processes could significantly enhance poverty-reducing impacts. It should become a standard tool in appraisal processes.

18. A multi-dimensional approach to poverty is taken as defined by the OECD DAC Guidelines on Poverty Reduction⁵ and engrained in the Millennium Declaration / MDGs.⁶

19. PIA belongs to the general approaches which in different situations are called ‘impact assessment’, ‘impact analyses’ or ‘impact evaluation’. The term “impact” continues to be used in two ways in the literature: (i) as the last stage in a chain of results *i.e.* the ultimate objective of the intervention; and (ii) the assessment or analysis of the whole results chain.

20. The PIA approach was deliberately called Poverty Impact *Assessment*. Impact assessment is understood here as an estimation and sound judgment of the whole chain of results arising from an intervention: from the immediate outputs, through the medium term outcomes and longer term impacts.

21. The PIA framework considers that good design of an intervention requires us to understand the stakeholders and institutional arrangements within which the intervention is intended to take place. The design then requires an understanding of the transmission channels⁷ through which the intervention is to be undertaken, and the results that are so triggered at different levels and times. These results can then strengthen (or weaken) the capabilities of people to provide for their needs and improve their conditions, and so enable a country to progress towards the MDGs and other national goals.

22. PIA mainly draws on already existing data (both quantitative and qualitative). If required additional data can be collected, ideally using a mix of qualitative and quantitative methods, with as detailed consultation and participation as is feasible. The actual design of a PIA is determined by the type of intervention, the availability and reliability of the data, the main transmission channels, the scope of the work, resource availability and the country specific context.

23. It is important to stress that although the poverty impact assessment is at the centre of the undertaking, and often absorbs the biggest part of the resources, similar attention is required to foster the dialogue among decision makers and stakeholders to enable the uptake of PIA results into the design of interventions.

24. The approach may follow closely the modules provided here and explained in more detail in Chapter 3, or may choose those modules relevant to the context in which the PIA is conducted or merge some of the modules. The modules themselves might also be modified to fit with the user’s other appraisal approaches.

5. OECD (2001), *The DAC Guidelines: Poverty Reduction*, OECD, Paris.
(<http://www.oecd.org/dataoecd/47/14/2672735.pdf>).

6. UN (2000) Resolution adopted by the General Assembly: United Nations Millennium Declaration. A/Res/55/2. September 18, 2000.

7. Transmission channels are explained in more detail in Chapter 3.

3. What are the main benefits of an *ex ante* PIA?

25. An *ex ante* PIA provides an opportunity for clear exposition of the reasons for action – for example preference of one intervention over another – and allows partners and other stakeholders to examine the assumptions, logic and evidence underlying resource allocation decisions. Interventions with high impact on poverty reduction and pro-poor growth can thus be identified. Interventions with low impact can potentially be better designed. Mitigating measures can be identified and included in the design of the intervention where negative impacts may be expected.

26. In particular, for a given intervention, *ex ante* PIA provides:

- i) An understanding of the relation of the intervention to national development or poverty reduction strategies.
- ii) An understanding of stakeholders (disaggregated into important groups such as sex, age, income, etc.) and of institutions that influence and are influenced by an intervention.
- iii) An understanding of the importance and inter-relationship of individual transmission channels through which the changes introduced by the intervention are transmitted into results that are experienced by the stakeholders.
- iv) An assessment of the likely results of the intervention on stakeholder groups, in particular on target groups, taking into account the multi-dimensionality of poverty and the OECD/DAC capabilities framework.
- v) An estimation of the potential impact on the MDGs, and, if desired, other strategic goals (*e.g.* derived from the Millennium Declaration or from National Strategies related specifically to the intervention).
- vi) An assessment of key assumptions and identification of potential risks.
- vii) An assessment of the reliability of data/information used in the exercise and identification of key knowledge gaps.
- viii) A framework for improving baseline data, and monitoring the logic under which the intervention was designed to have the desired results (the impact hypotheses) during implementation, and as an input for facilitating *ex post* evaluation exercises.
- ix) Based on the assessments above, a summary and recommendations for decision makers on whether or not to implement the intervention, or how the intervention might be improved to increase its pro-poor impact.

27. Since *ex ante* PIA assesses the assumptions implicit in the design of the intervention and the causal links which generate the desired results, it can also guide the design of a monitoring system. Monitoring the assumptions and the operation of the assumed links can help address the familiar ‘missing middle’ issue – the need for monitoring to focus not only on input and output indicators, but to track the processes whereby the desired outcomes and impacts are achieved. This strengthens management of the intervention and the quality of subsequent *ex post* evaluations. In turn, this helps develop a stronger evidence base on which to develop more effective interventions in the future.

4. How does *ex ante* PIA relate to PSIA and other assessment methods?

28. PIA has a number of sources, particularly Asian Development Bank's work on poverty impact,⁸ the Poverty and Social Impact Analysis (PSIA) approach,⁹ the OECD/DAC capabilities framework¹⁰ and the Sustainable Livelihoods Approach.¹¹

29. PIA complements rather than replaces other assessments during the appraisal process, such as for example logframe analysis, cost-benefit / cost effectiveness analysis, and environmental impact assessments. Integrating PIA with these other approaches will improve the overall analysis and advise available to decision makers. PIA can be seen as an extension of the logframe/ results chain approach that strengthens the focus on direct and indirect poverty impacts for a wide range of stakeholders.

30. The PIA outlined here does not replace any of these approaches and frameworks, but draws heavily from their terminology and cognition as they are already well established and each cover aspects important for PIA. The application of the terminology used in *ex ante* PIA is thus defined to ensure transparency and comparability between different donor agencies and their partners and to ensure a widespread recognition and acceptance of the approach.

31. Some consider PIA as a "light version" of PSIA; PIA and PSIA may actually complement each other. PIA is less demanding in terms of data, time, personnel and financial resources than PSIA, but still provides a basis for partner countries and donors to transparently assess interventions with respect to their poverty outcomes and impacts. PIA also identifies information gaps and the need to conduct further data collection and further analysis, including a PSIA.¹²

Table 1. Comparison PIA-PSIA

Aspects	PIA	PSIA
1. General objective of investigation	Inform the design of interventions to improve their poverty orientation and identify interventions which have a positive impact on poverty reduction. PIA can be considered a "PSIA light"	Investigate the distributional impact of policy reforms on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable.
2. Poverty focus	Poverty as a multi-dimensional concept as defined by OECD/DAC: economic, human, political, socio-cultural, protective	Welfare (monetary and non-monetary dimensions) and distributional impacts .
3. Harmonization	Key objective of PIA	Less of an objective for PSIA
4. Level of application	Focus on projects, programmes, possibly SWAPs and policy reforms	Focus on policy reforms such as macroeconomic reforms, structural and sectoral reforms. Recognizes that also applies to other interventions.

8. Fujimura, M. and Weiss, J. (2000), Integration of Poverty Impact in Project Economic Analysis: Issues in Theory and Practice, Mimeo ADB.

9. World Bank (2003), User's guide to Poverty and Social Impact Analysis;

World Bank, DFID & World Bank (2005), Tools for Institutional, Political and Social Analysis (TIPS) in Poverty and Social Impact Analysis (PSIA): A Sourcebook for Commissioners and Practitioners.

10. OECD (2001), *The DAC Guidelines: Poverty Reduction*, OECD, Paris..

11. DFID (1999), The Livelihoods Framework: Sustainable Livelihoods Guidance Sheets No 2, DFID, www.livelihoods.org/info/info_guidanceSheets.html. DFID (2005) Transmission Channels in the Sustainable Livelihoods Framework (included on PIA CD).

12. For further information, please refer to the more detailed comparison between PIA and PSIA in Annex 2.

Aspects	PIA	PSIA
5. Time Frame	2-3 weeks; ideally conducted as an iterative process	Between 6-18 months; is usually conducted as an iterative process
6. Required resources	Limited additional data collection (approx. \$ 15-40,000 for a stand-alone PIA. When PIA becomes an integral part of the appraisal process, actual costs will be less than \$ 10,000)	In-depth multidisciplinary impact analysis, requiring considerable resource input (\$ 50,000 – 200,000).
7. Involvement of stakeholders	Both approaches intend to raise participation of stakeholder (target group, national/ governmental agencies, CSOs, private partners) by including them in the process.	
8. Assessment areas		
8.1. Stakeholders	Special focus on the target group, with distinction between groups that may be affected by and groups that may affect the reform, with particular focus on poor and vulnerable people. While stakeholders should be consulted, but because of the limited time available, participation will tend to be limited.	Distinction between groups that may be affected by and groups that may affect the reform, with particular focus on poor and vulnerable people. Participatory process should be an integral part of the PSIA.
8.2. Institutions	Analysis of formal and informal institutions	
8.3. Transmission Channels	Six Transmission Channels: Employment, prices, access to goods and services, assets, transfers and taxes, authority.	
8.4. Impacts	Short term (direct) and medium term (indirect) impacts along results chain.	Short term (direct), medium and long term (indirect) impacts along results chain.
8.5. Risks	Are considered	
8.6. Capabilities	Uses the five OECD/DAC capabilities .	Not explicitly included.
8.7. MDGs	Assessment of impacts on seven MDGs and other development goals (MDG++).	Not explicitly included.
8.8. Gen. poverty situation and national PRS	Part of the structure of PIA-reports.	Not a structural part of PSIA report but usually considered in PSIA that involve LICs.
8.9. Mitigating measures	Suggested in case of potential negative impacts of intervention, particularly when they fall on poor or vulnerable people.	
8.10. Costs of intervention	No	Yes
8.11. M&E needs	Identification of key areas for monitoring and evaluation	
8.12. Qualify of information sources	Key part of the analysis, to identify gaps that additional work may be required to fill.	Part of the analysis, to identify gaps that the PSIA should seek to fill.
9. Methods of data collection and analysis	Mainly use of existing data (qualitative and quantitative).	Existing data and data collection (qualitative and quantitative).
10. Use of Matrices	Use of five matrices allowing a good comparability between PIAs.	Use of summary matrix recommended but not compulsory.
11. Stage in programme cycle	Strong focus on ex ante but PIA/PSIA can also be used as an assessment tool during and after implementation of intervention.	
12. Integration into other assessments	Can be a stand alone product; recommended to integrate as a component into the wider appraisal process	Can be a stand alone product; usually one of several inputs to inform the national policy dialogue
13. Use of results	Specific recommendations to be used in policy dialogue on how to improve poverty impact of interventions (projects, programmes, SWAPs).	PSIA results usually to inform national policy dialogue but may inform other types of intervention.

5. How can *ex ante* PIA support *ex post* PIA?

32. Impact assessments such as PIA can generate evidence at different stages of the intervention. Prior to the intervention, *ex ante* impact analysis can inform the choice, design and sequencing of alternative options for the intervention. During implementation, impact analysis can help monitoring the

intervention and its early results, and so lead to refinement of the intervention such as reconsideration of the pace/ sequencing of activities and the institutional arrangements, or the introduction or strengthening of mitigation measures. Finally, *ex post* impact analysis, as part of an evaluation, assesses the actual results of a completed intervention, which helps stakeholders understand the likely impacts of future programs and interventions.

Box 1. Comprehensive Tribal Development Programme and Watershed Development Programme, India

For the last 10 years, the German Development Cooperation has supported two national poverty-reducing programmes in India:¹³ the Comprehensive Tribal Development Programme and the Watershed Development Programme. A PIA was carried out in early 2006 which drew heavily on available monitoring data, supplementing the data collection by interviews with stakeholders and target groups. The PIA has clearly shown which factors in each programme were most efficient and effective in reaching the poor. The results of this PIA can now be used to design further interventions within the Natural Resource Management Sector.¹⁴

33. The basic approach used for *ex ante* PIA can form the basis for monitoring and can also be used for an *ex post* PIA, or to guide a wider *ex post* evaluation. The major differences between *ex ante* and *ex post* PIA is (i) the forward looking risk analysis is not relevant, although backward looking analysis of risks that did eventuate can provide useful information; and (ii) if a good baseline and monitoring system has been established more quantitative, robust and intervention specific data exists to help understand the resulting impacts. The *ex ante* PIA, along with other forms of *ex ante* analysis, can help document the base line and guide the design of the monitoring system, which are both important requirements to have in place for an effective *ex post* evaluation.

6. What level of intervention can PIA be used for?

34. It is intended to encourage *ex ante* PIA to become an integral part of the overall appraisal process. The *ex ante* PIA approach described here can generate information relevant to most modes of aid delivery and domestic funding. It can be directly applied to projects, programmes, sector-wide interventions and policy reforms – though the frequency of application, level of detail and allocated resources would vary. However, PIA does not work for budget support, since such assistance can be used to fund any part of the partner country's budget. In this case, a PIA would have to address the individual interventions funded by this support. In the same way, it would not be possible to undertake a PIA of an entire PRSP; however, PIAs could be undertaken of specific areas of intervention guided by the PRSP.

35. Within the donor community there is a broad consensus that aid effectiveness is greatly enhanced if provided in support of country-owned strategies. Such an approach entails a focus on policy dialogue, national planning frameworks, especially Poverty Reduction Strategies (PRS), and programme support, for example in sector-wide approaches (SWAs). There is a move towards programmatic approaches, such as SWAs, basket funding and budget support. However, there is little indication that the existing range of aid instruments will be radically restructured in the short term. Projects will remain an important component of the aid portfolio realising that their potential impact will be greater when embedded within a programme or national development strategy.¹⁵

13. Compare illustrative example in Annex 2.

14. Buhl, S. & R. Sen (2006), Indo-German Development Cooperation: Natural Resource Management – A Preliminary Poverty Impact Assessment. GTZ, Delhi, Eschborn (internal report).

15. OECD (2003), Harmonisation Guidelines.

36. Capturing such diversity in aid delivery calls for a flexible approach to PIA rather than the introduction of “*a unified simple methodology*”, which was the original primary objective of the PIA to be developed.

7. What are the resources needed?

37. There would be little point in recommending elaborate procedures which would entail an allocation of resources far in excess of those that agencies are prepared to consider. On the other hand, partner country stakeholders should feel confident that decisions which may have important consequences for their populations are being taken on the basis of sound analysis, and that the analysis is presented in a format which can easily be understood. Therefore, it cannot be assumed that a ‘quick and dirty’ box ticking approach will ensure cost-effectiveness.

38. The level of detail in the proposed approach inevitably represents a compromise between comprehensive analysis and a realistic attitude to resource implications. In general, the approach is guided by the principle that “*it is more important to be roughly right than precisely wrong*” (John Maynard Keynes) about the potential impacts of interventions on the well-being of people.

39. The level of resources required for PIA depends upon:

- i) The scale of intervention examined, *i.e.* single sector project or major policy reforms or programs.
- ii) The availability of time for research.
- iii) The availability of data, *i.e.* the need for additional data collection.
- iv) The degree of stakeholder and target group involvement, *i.e.* on the level of intended consultative processes.
- v) The local availability of experienced consultants.
- vi) The budget of the implementing agency.

40. The total cost for a stand-alone PIA can vary between \$ 15,000 for a two-weeks PIA involving one consultant, and \$ 40,000 for a three-week PIA involving three consultants. The consultants should be familiar with the approach, the subject and the country conditions. If the *ex ante* PIA is integrated into the regular appraisal process, the actual costs can be significantly reduced.

41. The actual process of undertaking the PIA may vary from a quick review to a more comprehensive analysis. A minimal exercise relying only on available data can be undertaken by a single knowledgeable consultant in two to three weeks. A number of pilot tests developed during the preparation of the approach confirmed this. However, such a limited exercise has a primarily descriptive role and does not reflect the intended interactive and consultative process.

Box 2. Wastewater Collection and Treatment Project, Vietnam

In 2006, the State Secretariat for Economic Affairs, Switzerland, has initiated an ex ante PIA as part of an overall project appraisal¹⁶. In total, the team of consultants spent four person days on PIA for preparation, some additional data collection in the country (interviews with stakeholders, including target group), report writing and feed back of results.¹⁷

16. Compare illustrative example in Annex 2.

17. State Secretariat for Economic Affairs / Ernst Basler & Partner (2006), BA Ria Vietnam: Wastewater Collection and Treatment Programme (internal report).

42. Ideally, an *ex ante* PIA relies on the abilities of a small team of analysts, working during the preparation of an intervention in collaboration with colleagues from partner countries, including stakeholders, and making the best use of existing knowledge to address a specific intervention within a given context. In some cases it might be advisable to plan PIA as an iterative and multi-step process depending upon the overall appraisal process and data availability.

43. For major interventions where significant effects on poor and vulnerable people are expected, it is important to have more substantial data and reliable analysis about their potential impacts and risks. The approach can be enhanced by using a range of qualitative and quantitative methods to address crucial knowledge gaps. The resource cost can then be substantial. It may be decided to move from a PIA to a PSIA. The information gained and information gaps identified through the *ex ante* PIA provide a good starting point.

CHAPTER 2

THE PIA ANALYTICAL FRAMEWORK AND PROCESS

44. This Chapter provides an outline of the PIA framework and how the various components are linked. Subsequently it provides general guidance on the PIA process. The process of conducting a PIA is as important as the PIA report. The level of detail for the report depends on the needs of the organization commissioning the PIA. Whatever the level of detail, ideally *ex ante* PIA is an iterative and possibly multi-Sep process involving decision makers and stakeholders from both donor and partner country as information sources but also to feed back the results and negotiate improvements to the intervention design.

Box 3. A few notes on PIA terminology

Pro-poor growth is a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth.

National strategies and plans (e.g. PRS), associated with Country Assistance Strategies between partner countries and donors, determine the areas where interventions (projects, programmes and policies) are required.

Stakeholder and institutional analysis informs us of the supporting and opposing groups influenced by and influencing the effectiveness of the intervention.

The nature of interventions and the stakeholders determine the **Transmission Channels** (the pathways through which an intervention triggers results at different levels and time horizons) to use for implementation:

- **Prices**, production, consumption, wages
- **Employment**, formal and informal, including self employment
- **Transfers and Taxes**, private and public
- **Access to goods and services**, people's access to private and public goods and services.
- **Authority**, formal and informal power relations and structures
- **Assets**, levels of, and returns to (human, physical, social, financial, natural)

The results generated by the transmission channels enhance five **Capabilities** required to alleviate and overcome poverty, whereby gender equity and environmental sustainability cut across all dimensions of poverty:

- **Economic**: the ability to earn an income, to consume and to have assets
- **Human**: health, education, nutrition, clean water and shelter
- **Political**: human rights, a voice and some influence
- **Socio-cultural**: the ability to participate as a valued member of a community
- **Protective**: to be able to withstand economic and external shocks, to reduce insecurity and vulnerability.

With enhanced capabilities, people individually and collectively are able to improve their standards of living which results in improvements in the **MDGs plus other strategic goals** (as, for example, mentioned in the Millennium Declaration):

- The **seven MDG goals**, reduced extreme poverty, improved education, health, gender equality, sustainable environment
- **Pro poor growth improving the income of poor people**
- **Protecting the vulnerable**
- **Peace, security and disarmament**
- **Human rights, democracy and good governance**
- **Protecting the global environment**

1. What is the results chain?

45. Understanding the results chain is important for good design of interventions and impact assessment and analyses. It is important to distinguish the parts of this chain if we truly want to manage for development results. While we are concerned that the short term outputs are in place, it is essential that we know about the longer term outcomes and impacts which will ensure our objectives are met.

46. An intervention implements changes via primary transmission channels such as prices, employment, taxes and transfer, access to goods and services, authority and assets. These changes are triggered by inputs provided through the intervention and lead to short term and easily determined *immediate outputs*. These outputs, in turn, lead to *intermediate outcomes* and *final impacts* which are increasingly longer term and more difficult to predict and be attributed to the results chain of causation. The first round changes implemented by the intervention usually trigger second round changes which may be effected via secondary transmission channels.

Box 4. Components of the Results Chain

Inputs: The financial, human, and material resources used for the development intervention.

Outputs: The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.

Outcomes: The likely or achieved short-term and medium-term effects of an intervention's outputs.

Impacts: Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.

Results Chain: The causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback.

Source: OECD (DAC) 2002: Glossary of Key Terms in Evaluation and Results Based Monitoring: DAC Working Party on Aid Evaluation, No 6 <http://www.oecd.org/dataoecd/29/21/2754804.pdf>

47. This process is often referred to as results chain, in which primary and secondary transmission channels' inputs trigger outputs, outcomes and impacts. The following examples illustrate the process:

- **Rural Development** - An intervention supports the introduction of a land register documenting people's ownership of land (**input**). Through the primary transmission channel "authority" this leads to the **immediate output** that people now have rights over the land they use. This output will allow the **intermediate outcome** that people may begin investing in their land and may use it for collateral; which in turn could result (via secondary transmission channels) in **final impacts** such as expanded production and employment, improved health, empowerment, etc.
- **Education** - School lunches (**input**) result in the **immediate output** of better fed children, resulting in the **intermediate outcome** that they are better able to concentrate and study, leading to the **impact** that education standards improve. They are able to gain better income earning opportunities. Their own children will be better provided for, national incomes will grow, etc.

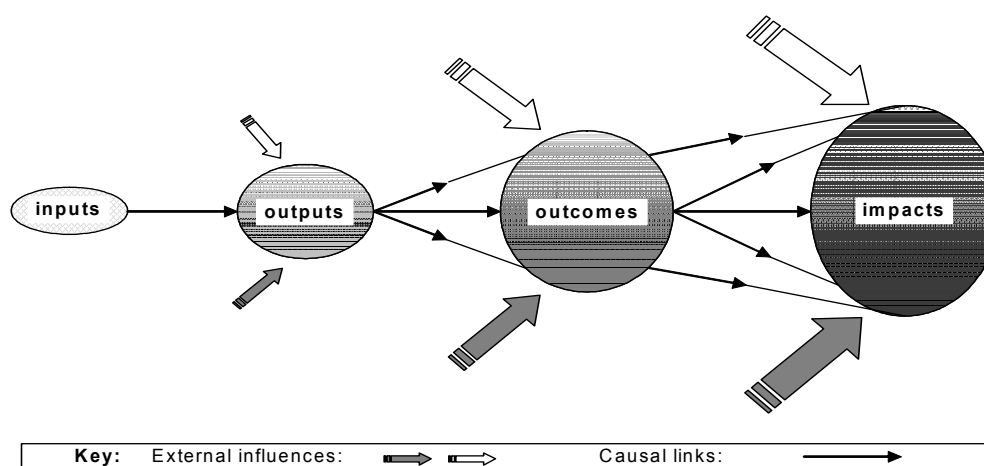
48. The results chain, as the examples show, rather than being simply linear, fans out as shown in figure 1. A few outputs may result in several outcomes, and even more impacts. As we move along the chain, a wider range of (external) factors will also interact with the initial outputs and outcomes determining the ultimate impacts that eventuate. This is why it becomes more difficult to attribute what causes the final impacts. This is a problem that is generally faced doing an impact assessment.

Box 5. Attribution

The ascription of a causal link between observed (or expected to be observed) changes and a specific intervention. Note: Attribution refers to that which is to be credited for the observed changes or results achieved. It represents the extent to which observed development effects can be attributed to a specific intervention or to the performance of one or more partner taking account of other interventions (anticipated or unanticipated) confounding factors, or external shocks.

Source: OECD (DAC) 2002: Glossary of Key Terms in Evaluation and Results Based Monitoring: DAC Working Party on Aid Evaluation, No 6 <http://www.oecd.org/dataoecd/29/21/2754804.pdf>

Figure 1. Results Chain



49. One can differentiate between:¹⁸

- i) **Direct (first round) results:** these tend to be shorter term, more of the output/outcome end of the chain. They are the result of the initial change when there is no behavioural change by those affected. These results are relatively easy to predict. For example, (i) prices are increased so people have to pay more; (ii) a new road is built in place of a path making it easier for people to travel.
- ii) **Indirect (second round) results:** these tend to be longer term, more at the outcome/impact end of the chain. They result from changes in behaviour. They are more difficult to predict, and require assumptions or even models to describe the possible behaviour of stakeholders. These behavioural changes can be assessed using quantitative and qualitative methods from a variety of disciplines. For example, (i) when the prices rise, people will purchase less of the product to avoid the increased expenditure,¹⁹ and may buy more alternative products,²⁰ (ii) finding the trip

18. For more information please refer to World Bank, DFID & World Bank (2005), Tools for Institutional, Political and Social Analysis (TIPS) in Poverty and Social Impact Analysis (PSIA): A Sourcebook for Commissioners and Practitioners.

19. Qualitatively, we could predict that in most cases, less of the good will be consumed. To quantify this change, would require estimates of the elasticity of demand for the product (*i.e.* percentage change in quantity demanded for a percent change in price).

20. To quantify this requires estimates of the cross elasticity of substitution between two goods. *E.g.* if the price of beef rises, people may buy more lamb.

on the new road easier, people may decide to travel more often, or increase farm production which can now be taken to market more easily.²¹ This may improve farmers' income and lead to changes in the balance of power within the village.

50. The **Logframe** or other results based management tools used by agencies also refers to direct and indirect effects. Direct results refer to changes that can be attributed to the intervention, while indirect results are less easily attributable. The Logframe and other results based management tools are therefore compatible to the PIA concept. In fact, PIA supplements the Logframe approach as it can supply necessary information to fill in the framework.

51. In the interest of keeping the PIA process relatively simple, only two columns for results are included in the reporting matrices.²²

- i) **Short-term results:** the more immediate and direct output/outcomes, attributable to the intervention with limited if any behavioural change by those affected.
- ii) **Medium-term results:** the more indirect outcomes/impacts, resulting from changes in behaviour by those who are affected.

2. What is the analytical framework for *ex ante* PIA?

52. An analysis of the multi-dimensional impacts of policy and investment decisions on poverty reduction can be a highly complex task, built on possibly contentious assumptions and with demanding data requirements. The *ex ante* PIA is based on a simple framework and associated assessment procedures building on existing methodologies and definitions to try and make this process more manageable.

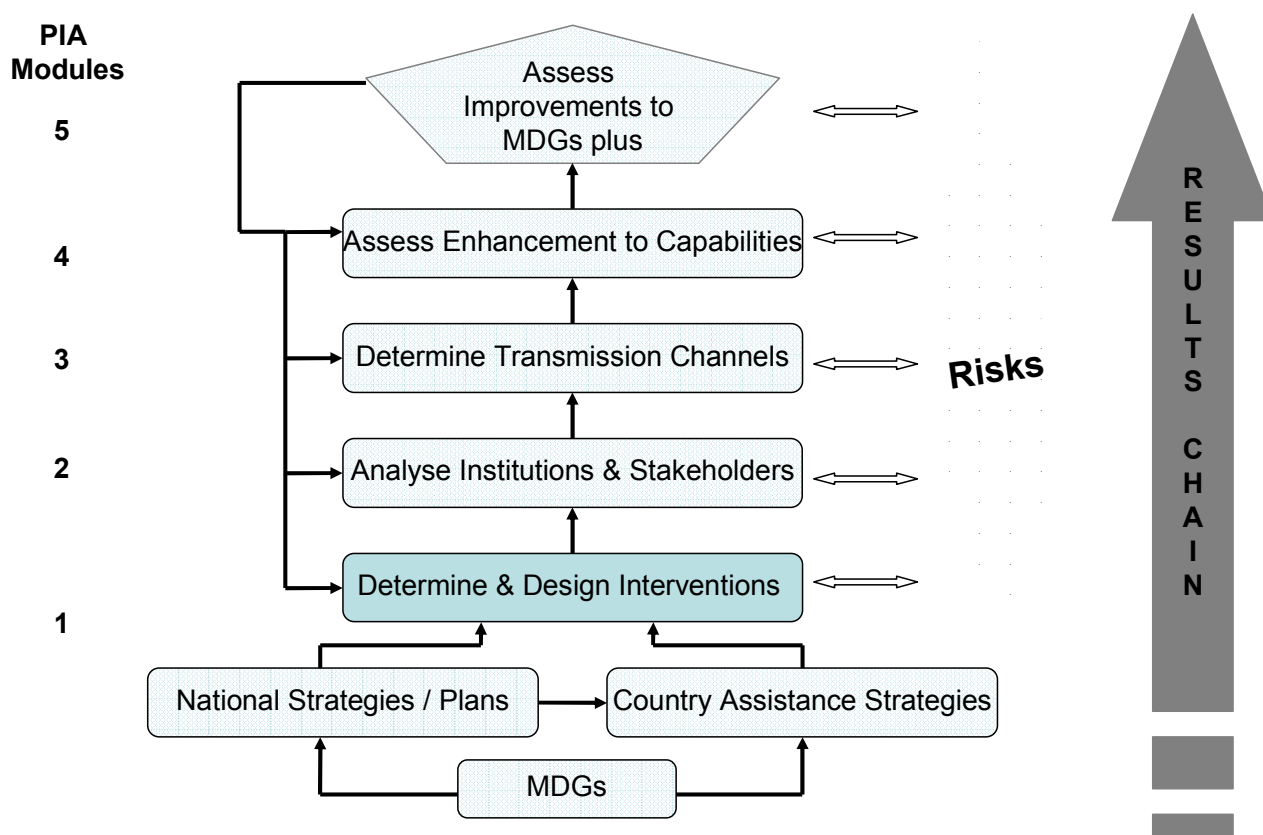
53. Figure 2 outlines the various components covered in the *ex ante* PIA framework, and how they relate to the five modules recommended for conducting a PIA.

54. The framework highlights the key stages in a PIA to help understand the impact of an intervention and how to improve it. As one moves up the stages one is moving up the results chain, from the initial inputs via the intervention and the transmission channels chosen, to the results around the transmission channels, to the longer term results associated with the improvement in capacities, to the top level impact of facilitating progress to the MDGs. At each stage the risks effecting implementation and results needs to be considered.

55. Before considering an intervention, one should have clarified one's objectives. Essentially, these are also the justification for the intervention. Objectives should be drawn from higher level planning documents such as national strategic plans, including PRSPs, which are the basis of a country led approach to development. These high level strategic documents will guide country assistance strategies which will also have an influence on the design of the intervention and its choice of objectives. Behind these lie the internationally agreed MDGs. **Module 1** of the PIA framework details the relevant information from these documents and the conditions that require addressing by the intervention. It also summarizes the various sources of information and their quality.

21. To quantify, this will requiring modelling of changes in cost of transport, changes in production responses to cheaper transport, and possibly cheaper inputs such as fertilizer, etc.

22. Should you wish to add further columns to develop a finer graduation (e.g. output, outcome, impact) this option is open and you can modify the matrices.

Figure 2. Framework of *ex ante* Poverty Impact Assessment

56. Having decided that an intervention is necessary, one needs to assess the stakeholders and institutions that are affected by the intervention and who will determine the effectiveness of the intervention. It is important to ensure sufficient disaggregating of stakeholders and institutions to gain the necessary level of understanding, and to support analysis at later stages. **Module 2** provides this analysis. Understanding gained at this level may help to improve the choice and design of the intervention.

57. Equipped with our objectives and understanding of the stakeholders and institutions involved, we can then decide which transmission channels to use to trigger the results that we seek at different levels and time horizons to reach our ultimate objectives. This analysis is covered in **Module 3** which attempts to assess the results against the primary transmission channels used to implement the intervention, as well as results arising against secondary transmission channels which are triggered by results from the primary channels. Understanding gained at this level may suggest further issues for the stakeholder and institutional analysis and design of the intervention. Having gained an understanding of the overall results against the transmission channels, we can combine this with the detailed stakeholder groupings identified in Module 2.

58. **Module 4** looks at the results anticipated against the various key stakeholder groups, with particular focus on those groups that are targeted by the intervention. The results are categorized against the five capabilities required for a person or group to avoid or get out of poverty. Again understanding gained at this stage may influence thinking from the earlier stages.

59. These results at the individual and group level will feed into the national results of declining poverty, improved education, health, gender balance, etc. **Module 5** looks at the longer term results against the MDGs and other key objectives drawn from national strategies. Understanding at this level can again help to improve the assessment at earlier stages and inform better choice and design of interventions.

60. At each stage of the PIA, the quality and quantity of the information available is being assessed and decisions need to be made as to whether more detailed information is required before meaningful conclusions can be drawn and recommendations made. Any risks are also assessed.

3. Why is it important to consider risks?

61. At each stage of the analysis the risks that might undermine any stage in the implementation of the intervention and attainment of the desired results should be identified, and wherever possible the design modified to take them into account. Where the design cannot be modified, mitigation measures may be required to protect vulnerable people who may be hurt. If a serious risk cannot be handled, it may be necessary to completely reconsider the intervention. There are three key types of risk from the point of view of an intervention:

- i) Those that are known and can be addressed by modifying the design of the intervention.
- ii) Those that are known but cannot be addressed by modifying the design of the intervention; where possible we should consider mitigating measures to help poor and vulnerable people to adjust to these risks.
- iii) Those that are unknown at the time of design, and can only be identified by a good monitoring system after implementation commences.

4. Why are both process and output important?

62. Both the process of doing the PIA and the output of the report are important. Effective process helps with improving both our understanding of the intervention, and how to make it more pro-poor; it also helps to give voice to stakeholders who are often not well consulted. On the other hand, a well documented report can play an important role in informing and influencing decision makers who might not have taken part in the process of doing a PIA. A well documented report will also serve as an effective starting point for conducting further PIA during the implementation of the programme and for an *ex post* evaluation. To be effective, the timing of the process and the report must take account of the wider political and policy process to ensure it is available at the appropriate time to influence the relevant decisions.

63. The PIA process is improved if it integrates with the intervention design process. For larger and more complex interventions, one might iterate through the PIA several times. Earlier iterations can help identify areas where more information is needed, and help improve the design of the intervention. The final report (which is the result of the final iteration), provides a summary of the *ex ante* poverty impacts, which, along with other assessments, informs decision makers.

5. Who should commission and undertake the PIA?

64. Initially, it is anticipated that donors will commission most PIAs. However, this should always be in agreement with the partner country or institutions. As partner countries gain greater appreciation of the benefits of an evidence-based approach to designing interventions, it is anticipated that they will commission PIAs more often to increase accountability towards their own domestic constituencies. However, they may still seek funding and technical support from donors.

65. The work can be undertaken by anyone assessing the intervention and having the necessary skills: donor or country official, consultant, NGO staff, etc. Skills and experience needed include (1) country, sector and institutional knowledge; (2) experience in quantitative and / or qualitative approaches for impact assessment; (3) ideally, experience in using the PIA approach. Because the PIA is useful to inform the design of the intervention, it is beneficial for the analysis to be completed by the designers, or in close consultation with them. They can thus take account of information gained from PIA to improve the

design. However, there may be value in external support to provide a more independent assessment when making final decisions about the design. Given the complexity of trying to understand the outcomes and impact of an intervention, it is important that, where a donor leads the analysis, every effort is made to draw on local sources, and include key stakeholders.

66. Particular focus should be put on regular feed back to and discussion of results with decision makers and other important stakeholders. This is ideally done during the process and after completion of the process of conducting a PIA, for example in the form of a workshop.

6. Who should be consulted and what sources should be used?

67. A PIA will usually draw on existing secondary data – studies, census, administrative data (including data compiled for the design of the intervention) – rather than commission large surveys. Existing qualitative data should also be used wherever available. Some interviews are most likely to be required. A kick-off workshop with key stakeholder is useful. For example, even for a limited PIA partner institutions and key stakeholders, including the target group/vulnerable groups, should be recognized as essential information sources and consulted wherever possible. If despite these efforts, the level of information is considered to be inadequate, a judgment will have to be made as to whether more detailed data collection and participatory consultation should be undertaken. In some cases, particularly for large interventions, more detailed work may be required. Whatever the decision, the report must make clear the nature of the sources used, the quality of the sources and any limitations. Feeding back results not only through a written report, but discussing preliminary results, and holding a wrap-up meeting with key stakeholders increases ownership for the recommendations to be provided by the PIA.

CHAPTER 3

HOW TO USE THE PIA MODULES

68. This Chapter provides practical guidance on how an *ex ante* Poverty Impact Assessment (PIA) may be implemented and a PIA Report prepared, without being prescriptive about the level of detail that is required and whether or not to use all modules recommended. If one is preparing a stand-alone PIA, however, it is recommended that all of these modules are considered.²³

69. Ideally, institutions will integrate PIA into their normal appraisal and design work, rather than treating it as add on. If the PIA work is integrated within a wider appraisal of the intervention, you may wish to pick and choose what modules are useful for your work, and any modifications to help them fit into your organization's appraisal process.

70. All modules offer a matrix that helps the analysts to either summarize or present the results of the analytical steps. It is **important to note** though, that there are various options for entering data into the matrices: for example, text can be added directly into the cells; or one can just insert a summary of the results which are presented in more detail in the form of text outside the matrix.²⁴ Alternatively, some columns can be used for codes, with footnotes in the text columns referring to more detailed text below the matrices, or refer to text against each code summarized in extended matrix below the main matrix (see the examples in the Annex).

71. Depending on the context within which the PIA is pursued the matrices can also be modified. Some aspects can be summarised in tables, others might be drafted as text with separate headings. The matrices are primarily considered as an aid for guiding through the essential analytical steps recommended for PIA. Some may decide to use flow text and have the matrices as an annex to the overall report or to individual chapters. **PIA is a flexible approach**; however, the more the modules and the matrices within the modules are adhered to, the closer we get to harmonising donors' reporting on poverty results.

72. It is very much recommended to offer decision makers a chapter on **final summary and recommendations**.

1. Module 1: Poverty situation and relevance to national strategies and plans

73. This module is intended to provide basic information on the circumstances within which the proposed intervention is to be introduced. It should also provide an assessment of the relevance of the intervention for the national strategies and plans, *e.g.* poverty reduction strategies.

74. The level of detail depends on the complexity of the intervention, whether the PIA is attached to a detailed intervention proposal, or whether it is required as a stand alone document.

23. Annex 1 suggests an outline of a stand-alone PIA report.

24. Annex 2 shows different examples of how to use the matrices. Examples are taken from PIA tests that have been carried out in 2006 by different participating bilateral donor agencies.

75. The objective of this module is to describe, with supporting quantitative data where available:
- i) The overall poverty situation in the country, with particular focus on the sector or region on which the intervention is focused, what baseline information is available, and what has been done to improve it, number of people covered, broken down by poor²⁵ and non-poor, men/women, young/old and other categories of vulnerable people as is relevant to the intervention.²⁶
 - ii) Given the multidimensional nature of poverty, the political, socio-cultural and protective dimensions shall be analysed. Special emphasis should be given to the political economy, gender inequality and environmental sustainability.
 - iii) Existing national poverty reduction strategies, or other plans and strategies, highlighting the priority given to areas addressed by the intervention, and any joint programming discussions/decisions/documents involving the donor(s) and development partner(s).
 - iv) The key objectives of the intervention and brief outline of what is proposed, including how it aligns to national strategies, the aid instrument(s) to be used (SWAP, policy advice, programme, project etc.) and the transmission channels they are expected to use.
 - v) The sources of information used should also be documented, noting their quality and where there are gaps that need to be filled. This is important for deciding whether sufficient information is available to make an informed decision or where further data collection and analysis is required.
76. Text, tables, charts, etc. can be used as desired – the level of detail depends on the use of the report and the size of the intervention. Alternatively, PIA matrix 1 can be used to summarise the information.

25. When using a poverty line, it is important to be clear what line is being used, *e.g.* 1 US\$ PPP a day; a national poverty line.

26. Useful (but often not considered) information on vulnerable groups is provided in materials produced by the UN human rights system, *e.g.* country specific recommendations.

Table 2. PIA Matrix 1: General poverty situation and relevance to national strategies and plans

<i>Issue</i>	<i>Observations</i>	<i>Info Source/ Quality of Info (high, medium, low)</i>
General poverty situation (in country, province, etc.)		
Specific observations on political, socio-cultural, and protective dimensions of poverty		
Existing national strategies (programmes) relevant to the intervention		
Short description of the intervention and how it aligns to national strategies		

2. Module 2: Stakeholder and institutional analysis

77. In order to assess the potential poverty impacts of an intervention, a clear understanding of the stakeholders and institutions that influence the implementation and that are influenced by the intervention is necessary. In Module 2 it is therefore recommended to analyse stakeholders and institutions.

78. **Stakeholders** consist of agencies, organisations, groups or individuals who have a direct or indirect interest in the development intervention or its evaluation. **Target groups** are the specific individuals or organizations for whose benefit the development intervention is undertaken.²⁷ Target groups are thus a key stakeholder group for consideration.

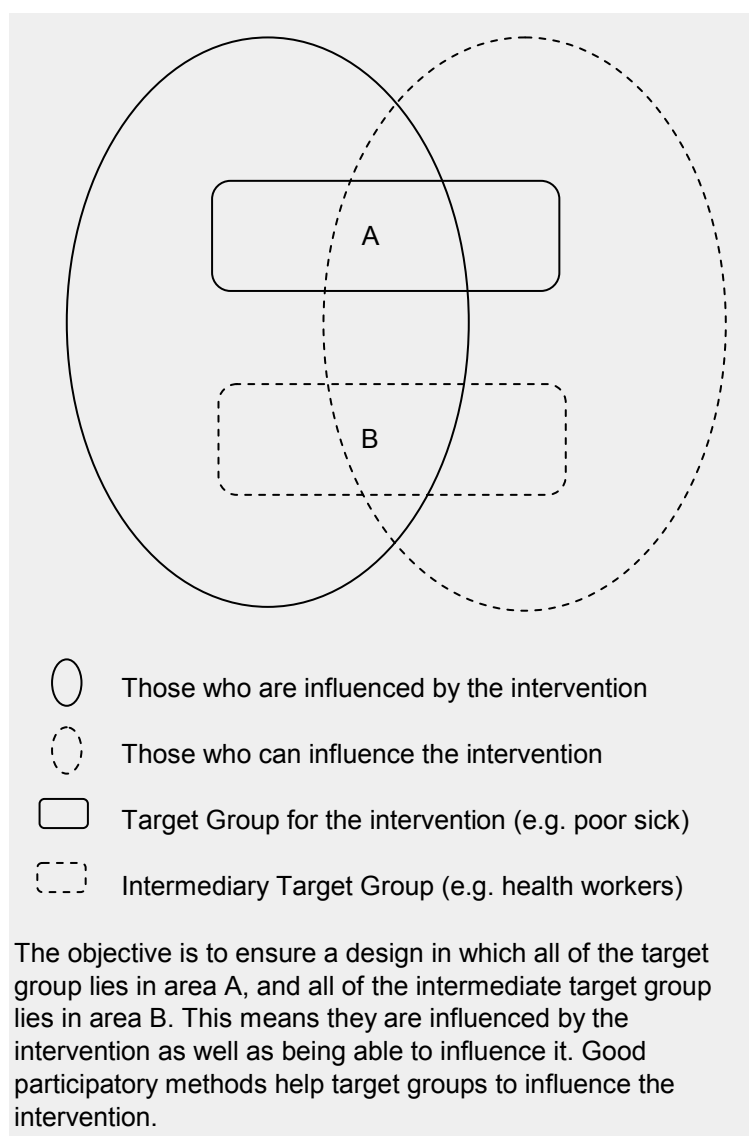
27. OECD (2002), *Glossary of Key Terms in Evaluation and Results Based Monitoring: DAC Working Party on Aid Evaluation, No 6* <http://www.oecd.org/dataoecd/29/21/2754804.pdf>

Four types of stakeholders can be distinguished (see Figure 3):

- i) Those who influence the intervention.
- ii) Those who are influenced by the intervention.
- iii) Target group for the intervention.
- iv) Intermediary target group.

79. Stakeholders may be affected positively or negatively by the intervention, or may be able to influence the intervention in a positive or negative way. A stakeholder analysis tests assumptions about the interests of these *social actors* and their possible responses to the intervention.

Figure 3. Different types of stakeholder



Box 6. Stakeholder analysis

Stakeholders both influence and are influenced by the intervention. *Intermediaries* (e.g. government agencies, NGOs, health workers) and *target groups* are important actors and receivers within a given intervention. PIA is more effective where it is able to disaggregate between intermediaries and target groups in sufficient detail and where it identifies other stakeholders that might either enhance or hinder the intervention's purpose. Some key groupings within the target groups are, for example, sex, age, caste/class/tribe, ownership of key assets, disability, place of residence, occupation, income, health condition (in particular HIV/AIDS). Within these groupings, we should give particular attention to poor and vulnerable groups.

Stakeholder analysis aims to identify stakeholder characteristics, their interests, and the nature and degree of their influence on existing or future programs and interventions. It helps to build an understanding of the relative importance and influence of these different interests groups and actors and the role each might play in the implementation process. Understanding the interests of actors and influential groups and the incentives under which they operate is crucial as stakeholders can either act as drivers of change or use their influence to block or reverse change, e.g. certain elites may undermine an intervention that hurts them, or may capture the benefits intended for poor people.

It is important to disentangle what stakeholders claim are their interests, and what interests are really displayed by their behaviour. Another challenge when trying to assess stakeholder behaviour is that their interests and interactions might shift and evolve over time. An intervention may aim to promote this process in a direction that will support successful implementation and positive results from the intervention.

80. **Institutions** are a set of rules, such as a constitution, a political regime, the executive-judicial relations, elections, or the habitual ways of doing things. Informal institutions represent cultural practices that frame social behaviour and interaction which encompass social hierarchies, patron-client relations and various forms of rent-seeking. An institutional analysis thus tests assumptions about the *social rules* governing the implementation of an intervention.²⁸

Box 7. Institutional Analysis

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

The aim of institutional analysis is to understand these "rules of the game" that mediate the implementation of interventions. It allows us to understand the motivation for change and the institutional "architecture" that will frame the design of programs and interventions. The formal and informal "rules of the game" shape the interactions between different agents and thus determine outcomes. An intervention may aim to modify these rules to make the institutions more progressive, efficient and pro-poor. One of the roles of PIA is to ensure that reforms that encourage efficiency also take account of the needs of poor and vulnerable people, e.g. ensuring access to disabled or other disempowered groups.

There are several tools that can be used to support institutional analysis. For example, organizational mapping involves three analytical steps that can be used sequentially or independently: static (institutional) mapping, process tracing and process mapping.

81. Although their focus is a little different, these two analyses are closely related and can be undertaken in close coordination.

82. Understanding the interests of stakeholders and the structures of institutions is important for effective design of an intervention. Stakeholders may support or oppose an intervention, or the wrong

28. For further information, please refer e.g. to DFID (2003) Promoting Institutional & Organisational Development.

groups may capture the benefits of the intervention, so appropriate influencing strategies may have to be built into an intervention.

83. Institutions may enable or disable effective implementation, in part due to the rules by which they operate, and in part by the resources they have at their disposal. Interventions may often have a component which aims to reform these rules and strengthen the capacities of those working in the institution. Strengthening capacity, however, without a clear understanding of the rules, may result in the institution becoming an even greater hindrance to a successful intervention.

84. The following matrix 2 can be used to summarise the results of a stakeholder and institution analysis.

Table 3. PIA Matrix 2: Stakeholder and institution analysis

Stakeholders (target groups/ intermediaries) Institutions	Main tasks of stakeholder/ main role of institution	Interests and pro-poor agenda, Aspects that might hinder them to have a pro-poor agenda (details and risks)	Rating of their pro- poor agenda (+/-)	Mitigating and/or reinforcing measures	Info - source and quality
(1)	(2)	(3)	(4)	(5)	(6)

KEY	Strength/direction impact	++	+	0	-	--
		very positive	Positive	not relevant	negative	very negative

Notes on using matrix 2:

In column 1 ("stakeholders & institutions") the various stakeholders and institutions that are of relevance to the intervention should be listed. It is important to pay explicit attention to gender aspects and specifically disadvantaged groups

In column 2 the tasks or roles of each stakeholder or institution are identified.

In column 3 (details & risks") the interests and pro-poor agenda of stakeholders is assessed and in column 4 ("rating") scored.

The *rating* should be intervention specific and needs to be specified by the analyst. The use of colour to score fields in the table makes it easier for decision makers to identify areas in need of attention. Good experience has been made with the traffic light principle: "++"dark green; "+" green; "0" no colour": "-"light red; "- -"dark red. This applies equally for the rating in all following matrices.

In column 5 potential mitigating measures can be identified. What could be done to get some potentially opposing stakeholders into the boat? In column 6 the information sources used to fill the row are noted and the quality of that information is being assessed

Box 8. A public private partnership on biofuel

A private company (stakeholder / intermediary) in a private public partnership programme provides seedlings, technology and makes contracts with farmers (task). The legal framework (institution) stipulates that safety procedures in handling the oil producing fruits need to be adhered to. Further, crop insurance is provided. Self Help Groups (stakeholder) within villages consisting of women from poor households (stakeholder, target group) cultivate oil producing fruits. If the private company focuses on commercial objectives the rating is "0". If the legal framework assists poor and uneducated farmers to involve in oil production, without incurring safety and security risks, it might be rated "+". The programme might have to monitor whether the laws are applied and whether the poor population has access to crop insurance. The self help groups might aim to establish themselves as cooperatives with the mandate to assist poor female farmers and might thus receive a "++" as rating.

3. Module 3: Identification of transmission channels and overall results by channel

85. Transmission channels depict the pathway via which the intervention triggers results at different levels and time horizons, which influence the stakeholders. **Primary channels** are those directly activated by the intervention; while **secondary channels** are activated as a result of behavioural changes by stakeholders. Six transmission channels have been identified. An intervention may address more than one channel.

Box 9. Identification of transmission channels

Single primary channel

A road building programme has only one primary channel [access]. People make use of this road and may increase trading, this activates the secondary channels. Goods become cheaper [prices], increased economic activity and demand for labour [employment and wages] for people producing goods for sale outside of the village.

Multiple primary channels

A rural development program may build roads [access], establish micro-credit [assets-financial]; provide extension training [assets-human]; and change the law to allow small farmers to sell their products directly in the market rather than via traders [authority]. At the same time, results may be generated against a number of transmission channels, the secondary channels.

Box 10. Transmission channels

Prices: This channel focuses on changes in consumption and production prices, as well as wages, salaries, and interest rates. Changes in wages are handled in the 'prices' channel (as they are the change in the price for labour), while changes in the level and nature of employment is covered in the 'employment' channel. This means interventions in these areas may use both channels.

Employment: All aspects of formal and 'informal' employment (including self-employment and employment in household enterprises) are covered under this heading. Changes in either employment levels or the associated wage rate (under prices) will impact on the cash or kind income flowing to households and individuals. Other aspects of employment, for example security, status and work loads, may also be considered here. Gender issues will often be of considerable importance.

Taxes and transfers: This channel covers public and private transfers, and taxation. A primary concern includes an examination of the impact of targeted transfers to poor households, either by means of subsidies or direct payments in cash, vouchers or kind. This may be associated with attempts to mitigate the negative impacts of an intervention on the poor. It can also be used to consider tax payments associated, for example, with the introduction of a compulsory levy or social insurance scheme, or the degree of progressiveness of a tax. Private transfers, such as between urban / rural, and from overseas workers are major sources of income transfers in many countries.

Access to goods and services: This channel covers people's access to private and public goods and services. This may involve the actual removal of barriers, for example physical (building a road) or financial (establishing banking services), or improvements to the quality of the goods and services available.

Authority: The term authority is used to address issues relating to formal and informal institutions, organizations, relationships and power structures. It covers the entitlements, obligations, incentives and sanctions that individuals, groups and institutions face. It includes, for example, laws governing land rights, civil service codes of conduct and behavioural norms in specific population groups. This channel examines the effects on people of changes in political, legal, social or cultural factors. It is seen as particularly important in addressing issues of empowerment, equity and inclusion. Implications for changes in the behaviour of economic agents may also have considerable consequences for growth and distribution.

Assets: The ability either to cope with adversity or take advantage of opportunities is seen as highly correlated with the extent to which individuals or households are in possession of (or have access to) assets. The Sustainable Livelihood Approach used here differentiates between five assets:

- i) *physical* (buildings, tools, equipment, livestock, access to infrastructure, etc.);
- ii) *natural* (land, water, forest, natural resources, etc.);
- iii) *human* (labour supply, education, skills, knowledge, health, nutritional status, etc.);
- iv) *social* (networks, groups, relationships); and
- v) *financial* (savings, access to credit, pension or similar guaranteed income flow, etc.).

Interventions which tend to increase or decrease the value of, and return to, any of these assets will change the livelihood options of poor households in ways which may impact on their welfare. Changes in asset holdings will also have consequences in terms of the vulnerability of households to external shocks.

86. It is recommended to use matrix 3 to describe the transmission channels and the overall results by channel.

Table 4. PIA Matrix 3: Transmission channels used and overall results by channel

Transmission Channels & Details		Details of the Change initiated by the intervention details & risks that may influence the effectiveness of this channel for intervention	Results by Transmission Channel			Information - Sources and quality
			Short Term (+/-)	Medium Term (+/-)	details & risks that the results will not be achieved	
(1)		(2)	(3)	(4)	(5)	(6)
Prices	Production					
	Consumption					
	Wages					
Employment	Public formal					
	Private formal					
	Informal					
Transfers	Taxes					
	Public welfare/subsidy					
	Private remittances					
Access	Public services					
	Other					
Authority	Formal organizations					
	Informal relations					
Assets	Physical					
	Natural					
	Human					
	Social					
	Financial					

KEY	Strength/direction impact	++	+	0	-	--
		Very positive	positive	not relevant	Negative	very negative

Notes on using matrix 3:

The first and second columns ("transmission channels & details") indicate the transmission channels that can be used for the changes initiated by the intervention: the primary channel(s). Secondary round channels triggered by the primary round channels are not

explicitly listed here but are taken up when discussing details & risks in column 5. In column 2 only list the details and risks for the primary channels, as these are the ones we are concerned with for the implementation.²⁹

Increase of farm production (Example 1): The intervention intends to lower the wholesale price of fertilizer produced in the city, say by removing certain taxes - the primary channel. In the Tax row, ratings should be provided in columns 3 and 4 with column 2 noting this change and potential risk that unscrupulous tax collectors fail to cut the tax charged on producers so costs are not lowered.

Empowerment of women (Example 2): The intervention changes the law so that women are allowed to sell their products in the market – using authority as the primary channel. Ratings should be added to columns 3 and 4, with note in column 2, including the risks that might include local customs or ineffective market management which restrict women from claiming their new rights.

Please compare example matrices in annex 2

87. For each primary transmission channel, columns 3 and 4 (“short term” / “medium term” as defined in paragraph 48) are used for providing a summary rating to show whether the likely results from the intervention via this channel are positive or negative for relevant stakeholders. Who the relevant stakeholders are, is decided by those conducting the PIA. You can also include ratings against the secondary channels to provide a more complete understanding – you may only wish to cover these briefly in the matrix and pick them up in more detail in matrix 4.

Example 1: If the tax cut is successful this should allow producers to sell the fertilizer more cheaply, activating a secondary channel of price. Risks could include collusion by traders who do not pass on the lower price to rural areas. Columns 2-4 should be completed against price.

Example 2: If women are able to claim their new rights, secondary channels such as employment, price etc may be activate, though with the risk that women may not have the skills or access to credit to make use of these new rights. If women are able to increase their incomes, this may activate further channels: e.g. allow them to gain greater informal authority in the community, in addition to the formal authority gain by the change in law.

88. Column 5 (“details & risks that the results are not achieved”) details the likely results and the risks that these results are not achieved for each channel that has a rating.

Example 1: If the price cut is successful, the lower price of fertilizer allows farmers to increase production on less fertile land and thus to improve employment and incomes; risks might include farmers lacking skills to use the fertilizer which may pollute local rivers. As mitigating measure, the intervention might include a component on human capital improvement, e.g. training – in this case the design of the intervention should be changed to include the use of the primary channel of human assets.³⁰. Another risk could be that excess production in the area will lower prices. This might benefit consumers, but may lessen income of producers.

Example 2: being able to trade, women could increase their incomes and improve their own and their children’s health; risks might include women lacking the skills to trade effectively. This identifies the need to include a component on human capital improvement through e.g. training in the intervention design, i.e. the human assets as a primary channel. Another risk might be that women’s additional income is taken by men, leaving little for the women and children.

29. It is useful to be explicitly clear about the primary and secondary. Some of the examples in the Annexes do not make this as clear as desirable.

30. This highlights the interactive nature between undertaking the assessment and how it informs the design of the intervention.

89. Column 6 offers space to indicate the information source from Module 1. This column is of importance since it highlights gaps in our knowledge and possible areas for further data collection required before or during implementation.

4. Module 4: Assessment of stakeholders' and target groups' capabilities

90. In Module 4 we switch the focus of the analyst to consider the outcomes and impacts of the intervention on different stakeholders. These are assessed against the five capabilities required by people to escape from or to avoid poverty. This module builds on the results of the previous module (Module 3 – transmission channels). Results from Module 3 can thus be taken up and analysed in more depth in Module 4.

91. **OECD has identified five capabilities**³¹ required by individuals or groups to alleviate and overcome poverty. Each capability affects and is affected by all the others. Household members may consume little and be vulnerable partly because they lack assets, often because of inadequate income, poor health and education, or because they lose their few productive assets as a result of shocks. Lack of human rights and political freedoms indicates a risk of violent conflict shocks. Vulnerability and social exclusion hamper human and political capabilities, reducing incomes and assets, and so on. Gender equity and environmental sustainability cut across all the dimensions of poverty.

Box 11. OECD DAC Capability Framework

- i) **Economic** – covers the ability to have and use assets to pursue sustainable livelihoods, to provide income to finance consumption and savings.
- ii) **Human** – covers the health, education, nutrition, clean water and shelter, necessary to engage effectively in ones society, not only to make a living, but also to be part of the wider society.
- iii) **Political** – covers human rights, having a voice and some authority to influence public policies and political priorities, and be adequately represented within ones community at local and national levels.
- iv) **Socio-cultural** – covers the rights and abilities to be included and participated as a valued member within social and cultural relationships, networks and activities.
- v) **Protective-security** – covers all the issues that help to lessen vulnerability, such as protection from threat to person and property (including unfair treatment by the state), the ability to withstand economic shocks; formal or informal forms of insurance.

Source: OECD (2001), *DAC Guidelines on Poverty Reduction*, OECD, Paris.

92. Matrix 4 helps to focus the understanding of the results on the capabilities of the identified stakeholder groups.

31. OECD (2001), *The DAC Guidelines: Poverty Reduction*, OECD, Paris.

Table 5. PIA Matrix 4: Assessment of stakeholders' and target groups' capabilities

	Outcomes in terms of capabilities										Details & risks	Information sources and quality	Mitigation or reinforcing measures
	Economic (+/-)		Human (+/-)		Political (+/-)		Socio-cultural (+/-)		Protective Security (+/-)				
Stakeholder/ Target Groups	short term	medium term	short term	medium term	short term	medium term	short term	medium term	short term	medium term			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

KEY	Strength/direction impact	++	+	0	-	--
		very positive	Positive	not relevant	negative	very negative

Notes on using matrix 4:

List the key stakeholders / target groups in column 1. It is up to the analyst to determine the level of detail to divide the stakeholder groups into. Without doubt particular focus should be put on the target groups. Careful consideration should be given, for example, whether to distinguish between poor and extremely poor; women and men of different socio-economic categories, whether one focuses on particular groups of vulnerable people (children, elderly, indigenous, disabled, isolated, socially excluded, etc.). Also, all the relevant non-poor who may be influenced by the intervention, for better or worse, or may be able to influence the intervention, need to be identified.

Under each capability (column 2-11), the same two columns for short and medium term results are included (as defined in paragraph 48). The same rating system applies as for matrices 2 and 3. Do not feel obliged to use all the cells.

Column 12 ("details & risks") provides the details of the results for each stakeholder along with any risks.

Column 13 ("information sources") lists the sources from Module 1 or additional sources used.

Column 14, "Mitigation or reinforcing measures", allows us to document any mitigating or reinforcing measures that should be put in place, either in terms of the design of the intervention, or in terms of compensatory payments.

Example 1: Cheaper fertilizer may provide poor farmers with a greater economic advantage, which in time could strengthen their security. On the other hand richer farmers who could afford the fertilizer may feel "threatened" by lower prices from increased production. Therefore they might attempt to undermine the benefits for the poor farmers – a risk.

Example 2: While women will gain economic capabilities and probably also augment their political, social and security capabilities. Men might feel they lose out, and may therefore try to undermine progress – a risk.

93. In both examples, mentioned above, investing in human capabilities might be recommended to become part of the intervention design: training will help to improve the human skills of the farmers (example 1), and women might be enabled to benefit from the intervention. This type of mitigation can be integrated into the design for the implementation. And as noted under matrix 3, this would require the use of the *human assets* channel for the training.

5. Module 5: Assessment of results on MDGs and other strategic goals

94. In this module we focus on higher level objectives, showing the likely contributions of the intervention to strategic level goals. These include the MDGs contained in the Millennium Declaration, plus other widely accepted goals that are of immediate relevance to this intervention. Specific objectives related to the PRS or other national strategies could also be included.

95. Obviously, assessing the contribution of the intervention becomes increasingly difficult at these impact levels and would often reflect informed guesses based on a logical story line. However, agencies might find this module useful for their own reporting systems and for public relation purposes.

Box 12. The seven MDG goals

- i) Eradicate extreme poverty and hunger
- ii) Achieve universal primary education
- iii) Promote gender equality empower women
- iv) Reduce child mortality
- v) Improve maternal health
- vi) Combat HIV/AIDS, malaria, other diseases
- vii) Ensure environmental sustainability

The user may choose what level to take the analysis to: indicator level as listed above, or down to individual targets that may be relevant to the particular intervention.

Other strategic goals, derived from the Millennium Declaration or national strategies used by development partners, can include:

- i) pro-poor growth;
- ii) protecting the vulnerable;
- iii) peace, security and disarmament;
- iv) human rights, democracy and good governance; or
- v) protecting the global environment.

96. Matrix 5 focuses on understanding the overall results in terms of these high level goals.

Table 6. PIA Matrix 5: Aggregate impacts in terms of the MDGs, and other strategic goals

Strategic Development Goals (1)	Impacts		Details & risks (4)	Information – sources and quality (5)
	Short term (+/-) (2)	Medium term (+/-) (3)		
MDG 1. Eradicate extreme poverty and hunger				
MDG 2. Achieve universal primary education				
MDG 3. Promote gender equality empower women				
MDG 4. Reduce child mortality				
MDG 5. Improve maternal health				
MDG 6. Combat HIV/AIDS, malaria, other diseases				
MDG 7. Ensure environmental sustainability				
Pro-poor growth				
Protecting the vulnerable				
Peace, security and disarmament				
Human rights, democracy and good governance				
Protecting the global environment				

KEY	Strength/direction impact	++	+	0	-	--
		very positive	Positive	not significant	negative	very negative

Notes on using matrix 5:

The goals included in column 1 can be modified, though it is considered useful to at least include all seven MDGs.

Columns 2 and 3 are provided for the summary rating indicating how positive (or negative) the contribution is (+/-) in the short and medium term (as defined in paragraph 48). Note that some interventions may be identified as potentially having significant impacts in terms of improving the welfare of specific target groups, even if their overall national impact is limited because of the limited scale of the interventions. In this situation high scores should be given for the impacts.

Column 4 allows details of the impacts on each goal, with notes on any risks that these impacts may not arise.

Column 5 contains the information sources from Module 1 or additional sources used.

6. Summary of assessment and recommendations

97. At some place in the report, a chapter including the summary and recommendations from the PIA need to be set out clearly so as to guide decision makers. This may appear at the start or end of the report, and may be integrated with recommendations resulting from other analyses. The level of detail is largely up to the user to determine, and will in part depend upon whether this is an interim report or the final one, and on the level of knowledge of the decision makers. Drawing on the assessment in the five matrices, this could outline issues such as:

- i) Type of intervention – project, program, policy advice.
- ii) The stakeholders, target groups and institutions that will be influenced by and influence the intervention.
- iii) The key benefits of the interventions.

- iv) Potential threats and risks that can not be mitigated in the design of the intervention, so should be monitored (to provide a baseline, to address risks, determine progress, clarify issues that were not clear at the start of the intervention), and whether any additional information/systems are required to those that are already in place to provide this monitoring.
- v) Any mitigating measures that should be included to help protect weaker stakeholders who may be hurt by the intervention, with some indication of how long these measures may be required.
- vi) Any proposed further modifications to the design of the intervention to make it more pro-poor (reinforcing measures) and address potential risks.
- vii) Overall assessment of the quality of the data and analysis available, and whether it is sufficient to make an informed decision; if it is not considered sufficient the recommendation may be to collect more data and undertake more analysis such as a full PSIA; alternatively, even to not undertake the intervention, unless more reliable additional information has been collected to provide adequate understanding.
- viii) Key issues that need to be included in the monitoring of the intervention.
- ix) Recommendations to decision makers on whether or not to go ahead with this intervention, based on the assessment of the poverty consequences and the available quality of information and analysis. If this assessment recommends against the intervention, but for other reasons the intervention is considered a priority, the assessment should provide an idea of the likely consequences in terms of poverty reduction of going ahead.

CONCLUSION

98. A major advantage of *ex ante* PIA is that it integrates already established approaches, their terminology and procedures. Its novelty is that it merges them into one approach and the results of the assessment are visualised in relatively simple matrices. This allows stronger results-orientation, reduced costs and the possibility of sharing *ex ante* PIA exercises based on a common format across a number of agencies.

114. This in turn considerably reduces the burden on partner governments having to deal with competing methods and the often conflicting demands placed on them. It also provides an approach that could be taken on by partner countries to strengthen their own analysis for improved design of domestically funded interventions. Therefore, this concerted approach to *ex ante* PIA is in line with the spirit of the Paris Declaration on Aid Effectiveness.

115. The integration of the new approach into established donor procedures will improve the appraisal results significantly. However, a systematic integration clearly only takes place if it is seen as providing benefits which outweigh the implied resource costs. *Ex ante* PIA does not demand long research periods. The tests run by different bilateral donor agencies have shown that good results can already be achieved with minimal resource requirements involving one experienced international consultant and a knowledgeable local expert who are in the field for two to three weeks.

116. Empirical tests have shown that PIA can be an extremely useful instrument, but its outcomes are very much dependent on the quality of the consultative process, ownership of results and the “gender” and/or “target group” sensitivity of the persons carrying it out. It is easy to “misuse” this instrument by filling out the matrices as an intellectual exercise, but without any real understanding of how an intervention may affect the lives of poor women and men.

117. To ensure a professional use of PIA, capacity development needs to be organised for interested practitioners and decision makers in different developing regions. Practitioners and decision makers should be familiarised with the PIA approach in order to foster the systematic integration of PIA into the regular appraisal processes.

ANNEX 1

POSSIBLE OUTLINE FOR A STAND-ALONE PIA REPORT

Chapter 1: Summary and Recommendations

Chapter 2: Background (Module 1)

Chapter 3: Stakeholder and Institutional Analysis (Module 2)

Chapter 4: Results by Transmission Channels (Module 3)

Chapter 5: Results on Stakeholders' and Target Groups' Capabilities (Module 4)

Chapter 6: Results on MDGs and other Relevant Goals (Module 5)

ANNEX 2
EXAMPLES OF PIA MATRICES

Table 7. PIA Matrix 3: Transmission channels used and overall results by channel - Increase farm production

Transmission Channels & Details		Details of the Change initiated by the intervention	Results by Transmission Channel			Information Sources
			Short Term (+/-)	Medium Term (+/-)	details & risks that the results will not be achieved	
(1)		(2)	(3)	(4)	(5)	(6)
Prices	Production		+	++	If the tax change is implemented, firms can produce at a lower cost, but may collude with each other and not pass on price decrease If prices fall, farmers will be able to increase yields and use of marginal land; will take time to get increased production	
	Consumption			+	Prices of food stuff may decline for local consumers	
	Wages			+	Increase demand for workers raise wages	
Employment	Public formal					
	Private formal					
	Informal			+	Farmers may employ more landless workers	
Transfers	Taxes	Remove tax on inputs to fertilizer production	+		This should make it cheaper to produce fertilizer, however, unscrupulous tax collectors may not implement the tax change	
	Public welfare/subsidy					
	Private remittances					
Access	Public services					
	Other					
Authority	Formal organizations					
	Informal relations			0	Farmers may increase their influence	
Assets	Physical					
	Natural			--	Poor use of fertilizer may result in damage to water systems	
	Human	Training in use of fertilizer		+	Help farmers to maximize yields with out environmental damage, risk that farmers wont attend or wont apply new skills	
	Social					
	Financial					

KEY	Strength/direction impact	++	+	0	-	--
		Very positive	positive	not relevant	Negative	very negative

Table 8. PIA Matrix 3: Transmission channels used and overall results by channel - Empowerment of women

Transmission Channels & Details		Details of the Change initiated by the intervention	Results by Transmission Channel			Information Sources
		details of the change	Short Term (+/-)	Medium Term (+/-)	details & risks that the results will not be achieved	
(1)		(2)	(3)	(4)	(5)	(6)
Prices	Production					
	Consumption					
	Wages			+ / -	Women can now earn income working in the market, but might decrease wages for men working in the market	
Employment	Public formal					
	Private formal					
	Informal			++	May increase employment for women in the market, but might decrease employment for men – men may make it difficult for women to work in the market	
Transfers	Taxes					
	Public welfare/subsidy					
	Private remittances					
Access	Public services					
	Other					
Authority	Formal organizations	Law changed to allow women to sell in the market	+	++	Will provide a new livelihood active, risk ineffective market management fail to implement change	
	Informal relations		-	-	Could increase women's status in the village, but men could undermine the change in market access and/or weaken any increased status that women might gain	
Assets	Physical					
	Natural				Women able to earn income from their house plots, but may effect food for children	
	Human	Provide marketing training for women Provide awareness training for men		+	Women better able to make use of the new access to the market Men may be less opposed, but on other hand may not be appeased	
	Social			+	Women better able to develop supportive social networks	
	Financial				Women better able to access credit	

KEY	Strength/direction impact	++	+	0	-	--
		Very positive	positive	not relevant	Negative	very negative

ANNEX 3

THREE ILLUSTRATIVE EXAMPLES SHOWING THE ACTUAL USE OF THE PIA APPROACH

3.1 Assessing the Poverty Impacts of the ongoing Comprehensive Tribal Development Programme (WADI), India

99. For the last 10 years, German Development Cooperation has supported the Comprehensive Tribal Development Programme (WADI). A PIA was carried out in early 2006 drawing heavily on available monitoring data. In addition, interviews with stakeholders and target groups were conducted to complement the quantitative monitoring data. The PIA has shown which were most efficient and effective transmission channels for reaching the poor. The results of this PIA can now be used to design further interventions within the Natural Resource Management sector.³²

100. The **Comprehensive Tribal Development Programme (WADI)** has proven its quality as a targeted programme, able to assist poor farmers with little land or access to low quality land to cross the poverty threshold – measured in terms of monetary income – by establishing and operating orchards. Even the landless are targeted by employment generating activities. The holistic and participatory approach that includes components such as formation of self-help groups, processing cooperatives, trainings, processing of raw materials, and marketing support also stimulates local economic diversification and contributes to a more stable livelihood of the target groups.

101. In order to exploit the full poverty reduction potential of the Wadi approach, projects need to focus upon the following aspects:

- Strict application of the eligibility criteria by the implementing agencies
- Group specific trainings and skill development for landless and women
- Quality control of locally processed fruits in order to create branded products that find a sustainable market
- Provision of market information for cultivators and processors
- Medium term diversification of production in order to avoid local market gluts.

102. In general, the Wadi Programme has been successful in alleviating general poverty in the Programme Area and has equally addressed equity issues. It is widely replicated in India and has been promoted as one of the most successful Adivasi programmes.

32. Buhl, S. & R. Sen (2006), Indo-German Development Cooperation: Natural Resource Management – A Preliminary Poverty Impact Assessment. GTZ, Delhi, Eschborn (internal report).

Table 9. Comprehensive Tribal Development Programme - Overview on stakeholders' interest in a pro-poor agenda

Stakeholders / intermediaries	Main Tasks	Interests and pro-poor agenda, Aspects that might hinder them to have a pro-poor agenda	Rating
National NGO	Coordination and implementation	Mandated to help the advance of the rural poor, in this particular case, the Adivasi; interested in poverty reduction and equity issues	++
Local NGOs	Implementation, technical assistance	Mandated to work within the communities, implement the project together with the communities: the individual beneficiaries both landless and landholding, advisory services in technical and social issues. Motivated to reduce poverty. Need for implementation success and accountable for funds, therefore possibly reluctant in risk taking for the poorest (e.g. alcohol addicts are excluded of the project)	+
Village Committees	Implementation of project	Interest in implementing the project in a successful way, including poverty reduction; might not be too interested in helping the poorest	+
SHG, Wadi committees	Activities on individual and group level	Interest in alleviating their own poverty and that of their group members	++
National banking institution	Securing fund flows, coordination and M&E	Has proven interest in rural development and some interest in equity issues	+
National /provincial government	Programme approval / Fund flow / monitoring	Poverty reduction / equity is primary development objective.	+
Co-funding bilateral donor	Provision of funds, feasibility studies, M&E, Coordination	Overarching goal is poverty reduction and achieving MDGs	+

KEY	Strength/direction impact	++	+	0	-	--
		very positive	Positive	not significant	negative	very negative

Table 10. Comprehensive Tribal Development Programme - Transmission channels

Transmission Channels & Details		Transmission Channel Used	Output/Outcome/Impact by Transmission Channel Categories			
		Details	Short Term (+/-)	Medium Term (+/-)	Details	Risks
Prices	Production	Producer price and value of produce may rise	+	+	Improved marketing arrangements and the processing of products will lead to higher prices and revenues for farmers.	The poor and women will only benefit if they are incapacitated to fully participate in the programme.
	Supply/demand	Marketing support and branding of processed produce.	+	++	More stable and appropriate revenues for the wadi related produce.	Competitive pressure might lower prices.
Employment	Public formal					
	Private formal	Some wage employment when cooperatives are in operation and sales can be increased.		++		Local economic growth might be very limited and in turn limits local employment for casual labour.
	Informal	Self employment.	+	++		
Transfers	Taxes	Not significant.	0	0		
	Public welfare / subsidy	Establishment of orchards is subsidised.	+	+	From an equity point of view, it could be reconsidered whether it is fair that landed farmers receive saplings and trainings for free while the landless have to contribute 20% to the cost of tools in order to avoid reselling.	Marginal farmers and women may be neglected as they are often not in a position to make themselves heard.
Access	Public services	Adivasi gain access to training, funds. etc.	+	++		

Transmission Channels & Details		Transmission Channel Used	Output/Outcome/Impact by Transmission Channel Categories				
			Details	Short Term (+/-)	Medium Term (+/-)	Details	Risks
Authority	Formal organisations	SHG (Wadi Tukdis) are formed.	++	++	SHG are responsible for planning and implementing the project in their respective villages.	Social situation of marginal farmers such as landless and of women can aggravate if leadership and management problems cannot be mastered.	
	Assets	Physical	Productive capacities and capabilities of the land increases.	+	++	Cultivating fruit trees and planting of forest trees, various soil conservation methods help to reduce top soil erosion, improved water harvesting, construction of wells and protection of springs.	Lack of water and water management problems might jeopardise the sustainability of the orchards.
		Natural	Wasteland is cultivated and brought back into production.	++	++	Permanent and temporary check dams and water management enhance the productivity. Both check dams and springs/wells usually benefit a group of 4-5 participating households.	Yields might be low and would require costly soil improvement efforts which cannot be financed.
	Human	Trainings in various skills and health care components. The employability of the landless is specifically improved by skills development trainings. The landless are supported as individuals or as groups.	+	++	Programmes cover eligible land-owning and landless farmers and women. Improved socio-economic status leads to reduced migration pressure and also removes obstacles which have prevented poor Adivasi children to attend school.	Employment opportunities of the landless might not arise in local economy as the income effect of a project is too small to stimulate local economic growth.	

Table 11. Comprehensive Tribal Development Programme - Impact on capabilities of target group

Capabilities	Economic		Security		Human		Socio-cultural		Political	
Stakeholders	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)
Target Group:										
Land owning Adivasi, poor	+	++	+	+	+	++	++	++	+	+
Landless Adivasi poor	+	+	+	+	+	+	+	+	+	+
Women in general	+	+	+	+	+	+	+	+	+	+
SHG	+	+	+	+	+	+	+	+	+	+
Other possible beneficiaries										
Households with larger land holding	0	0	0	0	0	0	0	0	0	0

KEY Matrix 2:	++	+	0	-	--
Strength/direction impact	very positive	Positive	not significant	negative	very negative

Table 12. Comprehensive Tribal Development Programme - Outputs / outcome / impact by MDG++

MDGs "Plus" "Plus"	Outputs/Outcomes/Impacts		Details & Risks
	Short Term (+/-)	Medium Term (+/-)	
MDG 1: eradicate extreme poverty/hunger	0	+	Through income generation, improvement in nutrition through training and kitchen gardens, malnutrition will be reduced
MDG 2: universal primary education	0	+	By reducing migration, school attendance increases
MDG 3: gender equality empower women	+	+	Through the formation and support of SHG, the socio-economic situation of women improves. Women are also targeted individually through improvement of kitchen gardens, kitchen improvements, etc.
MDG 4: reduce child mortality	0	0	
MDG 5: improve maternal health	0	0	
MDG 6: combat HIV/AIDS, malaria, etc.	0	+	By reducing migration of Adivasi, the risk of contracting HIV/AIDS is reduced. However, as long as the fruit trees do not yet produce enough for the household to earn a sufficient income, part of the household might migrate and a part might stay behind in order to care for the trees. If this is the case, the spread of HIV/AIDS might even be increased. Through Health Workers, vaccination schemes might be more successful and higher awareness on illnesses secured.
MDG 7: environmental sustainability	+	+	By reducing erosion further degradation of lands is reduced
Pro-poor growth	0	+	Modest contribution, as project areas are relatively small
Protecting the vulnerable	+	+	Adivasi are a vulnerable group in India (<i>Scheduled Tribes</i>)
Peace, security and disarmament	0	0	
Human rights, democracy and good governance	0	0	
Protecting the global environment	0	0	

KEY Matrix 3:	++	+	0	-
Strength/direction impact	very positive	positive	not significant	negative

3.2 Initial Assessment of Poverty Impacts of a Private Public Partnership Programme for Biofuel, India

103. The *ex ante* Poverty Impact Assessment shows that the PPP on bio fuel has a potential to reduce poverty if bio fuels from non edible oils are produced and collected by resource poor farmers, landless farmers and poor women

- Who have access to suitable land which enlarges their overall production capacity,
- Who have access to the required inputs, know how and technology,
- Who have access to subsidies and/or credit,
- Who are underemployed and can engage in self or wage employment which is being created by a growing rural based industry along its total value chain
- Who have an assured marketing channel
- Who are paid cost covering and fair prices by the industrial buyers, and
- Who can freely associate in Self Help Groups and/ or cooperatives.

104. In order to assure the highest possible impact of the planned PPP relevant stakeholders such as the Provincial Government, local commercial company, the foreign investor and patent holder, an international public research centre, the co-financing bilateral donor agency, the concerned local government institutions and local NGOs need to maintain a pro-poor standpoint. Stakeholders should also be aware of the risks that poor farmers take when investing in the new bio fuel industry and its raw material production.

105. A full analysis of the profitability of the non edible oil production requires more and information about production cost, yields, risks, industry structure, competition, and the agronomic specificities of the *Jatropha* and *Pongamia* trees.

106. A number of risks of the bio fuel programmes need to be addressed in order to make it successful investment for the target groups:

- **Seeds costs are high.** It is essential to distribute seeds of high purity, having a high germination rate. For this, selection of superior germplasm from the existing population and to get seeds with superior genetic quality should be a priority.
- Numerous feeding experiments with different animal species have demonstrated that ***Jatropha seed is highly toxic***. Studies have demonstrated the toxicity of the oil, the fruit and the pressed cake. Oil extracted could result in allergic conditions of the workers. It is essential that proper knowledge about the safe handling of bio fuels is made available to any person or corporation dealing with these fuels.
- **Currently price of biofuels are not competitive to fossil fuels.** Increase in the crude oil prices and technological advancements being made on the biofuel production could make green fuels to economically vie with fossil fuels in the near future.
- **Up scaling of acreage under *Jatropha* and *Pongamia*** depends on the availability of fallow or wasteland and the possibility of farmers to engage in a profitable and secure economic activity.
- **Present yield levels of 1-2 t/ ha further constrain the production** potential. Unless crop productivity can be enhanced and farmers can be convinced to grow bio fuel crops on private wastelands, bio diesel is not likely to make any significant impact as transport fuel.

- *To develop bio diesel into an economically viable and significant option as renewable energy* in India, biotechnological innovations to increase the seed yield are required. Ensuring good prices for by-products is central to making bio diesel production an economically viable enterprise.
- *No detailed studies on diseases and pest attacks on Pongamia and Jatropha*, hence it is difficult to quantify the pesticide use for growing of these plants.

Table 13. PPP Bio fuel - Overview on stakeholders' interest in a pro-poor agenda

Stakeholders / intermediaries	Main Tasks	Interests and pro-poor agenda, aspects that might hinder them to have a pro-poor agenda	Rating
Provincial Government	Provide legal framework and support in terms of grants and subsidies	Strongly interested in poverty reduction, but does not see bio fuel production as the main way to do so However, it is providing high level subsidy (free plantation material / plantation cost / assured irrigation source) to below poverty line families to take up Jatropha plantation	0+
Local Commercial Company	Buy seedlings and produce bio diesel	No particular interest in poverty reduction	0
International public research centre	Capacity Development Research & Development	Mainly interested in developing viable, sustainable agronomic approach, but also interested in poverty reduction	+
Foreign investor	Technology Transfer	No particular interest in poverty reduction	0
NGOs	Organising village level groups to ensure equity	By their mandate interested in poverty reduction and equity issues	++
Local banking partner	Not yet defined, but could be integrated to feed experience continuously	Has proven interest in rural development and some interest in equity issues	+
Co-financing bilateral donor agency	Coordination and funding	Overarching goal is poverty reduction and achieving MDGs . Further, fostering economic cooperation with India	+

KEY	Strength/direction impact	++	+	0	-	--
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Table 14. PPP Bio fuel - Transmission channels

Transmission Channels		Transmission Channel Used	Output/Outcome/Impact by Transmission Channel Categories			
		Details	Short Term (+/-)	Medium Term (+/-)	Details	Risks
Prices	Production	The project intends to enhance the production of Jatropha and Pongamia for oil extraction as raw material for bio fuel.	+	++	Contract farming plus initial subsidies will help resource poor farmers to enter into business.	Cultivation losses partially covered by crop insurance
	Supply/demand	Before the PPP had started, the local commercial company fixed the price for oil seeds (3 INR per kg) and pressed oil (14.5 Pr/kg). It is not sure whether this contract is taking into account inflation and other upward pressures on market prices.	0	-	The profitability of contract farming under present conditions might be questionable. Energy prices might go up due to economic growth. Therefore demand for bio fuels might increase. If acreage under Jatropha and Pongamia will significantly increase the supply of raw materials might counteract upward market price. Inflationary pressure might persist.	Contractual arrangements will have to be monitored in terms of their effects on the poor
Employment	Public formal		0	0		
	Private formal	Some farmers might find employment in refinery		+	Employment effects depend upon the overall growth of the bio fuel industry. Demand for unskilled labour will provide opportunities for landless rural poor.	Technology choice might minimise employment effects and demand for unskilled labour.
	Informal	<p><i>Collection of seeds from existing trees and Cultivation of Jatropha and Pongamia on private land and common land:</i></p> <p>Different research estimate that one hectare of Jatropha plantation will generate between 200 and 313 person days in the first year itself and about 50 person days in the subsequent years. However, there is no empirical evidence yet what the gains of this work could be.</p> <p>Local Governments could possibly supplement their revenue earnings by leasing out village common lands to local community groups for bio fuel plantations.</p>	+	++	<p>Employment effects will be most pronounced for cultivators commanding land resources. Landless farmers might earn additional income as collectors and wage labour.</p> <p>Employment effects for landless and for poor women can be enhanced by fostering self help groups who produce oil seeds on leased lands and venture into the processing of seeds.</p> <p>SHGs could be formed and trained to form cooperative societies</p>	Net impact on poverty depends upon a clear pro-poor political agenda of the Provincial Government, the donor agencies and the involved NGOs.

Transmission Channels		Transmission Channel Used			Output/Outcome/Impact by Transmission Channel Categories			
		Details			Short Term (+/-)	Medium Term (+/-)	Details	Risks
Transfers	Taxes	Tax rebates on bio fuel			+	+	Provides a competitive edge for bio fuels	Government may cancel tax rebate
	Public welfare / subsidy	Subsidies for the establishment of plantations and irrigation facilities			+	+	Poor farmers can start an oil seed business if basic investment costs are borne.	Intransparent and corrupt handling of subsidies might bias equity consideration of the Provincial Government. Subsidies might be reduced
Access	Public services	Access to seedlings, irrigation water, production credit, extension services			++	+	Provision of inputs and advice to cultivators	
	Other	Innovative technologies, research results			+	++	PPP provides access to advanced bio fuel technologies along the value chain from production to processing	Limited capacities for technology transfer into local production
Authority	Formal organisations	Establishment of self-help groups which specifically address women and the landless poor. Cooperatives could be established				++	The socio-economic status of the poor target groups could be strengthened	
Assets	Physical	Enlargement of capital stock by investing into oil extracting machinery				+		
	Natural	Use of wastelands and fallow lands for producing oil seeds				+	Bringing wastelands and fallow under permanent cultivation will enlarge the productive capacity of the available lands without foregoing other production.	Equity considerations may be neglected by PRI when promoting cultivation
	Human	Know how transfer				+	Additional skills help to diversify production and contribute to additional income or higher wages	
KEY	Strength/direction impact	++ very positive	+ Positive	0 Not relevant	- negative	-- very negative		

Table 15. PPP bio fuel - Impact on capabilities of target groups

Capabilities	Economic		Security		Human		Socio-cultural		Political	
Stakeholders	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)	Short Term (+/-)	Medium Term (+/-)
Poor Target Groups:										
Land owning poor	+	+	+	+	0	+	0	+	0	0
Landless poor	+	+	0	0	0	+	0	0	0	0
Women (married, poor)	0	0	0	0	0	0	0	0	0	0
Women (single headed households)	0	0	0	0	0	0	0	0	0	0
Other Stakeholders										
SHG	+	++	0	0	0	+	0	+	0	+
Land owning wealthier households	+	++	0	0	0	+	0	0	0	0

KEY Matrix 2:	++	+	0	-	--
Strength/direction impact	very positive	positive	not significant	negative	very negative

Table 16. Bio fuel - Outputs / outcome / impact by MDG++

MDGs "Plus" "Plus"	Outputs/Outcomes/Impacts		Details & Risks
	Short Term (+/-)	Medium Term (+/-)	
MDG 1: eradicate extreme poverty/hunger		+	If poor / landless farmers are in a position to collect and sell enough seeds at a reasonable price to gain a substantial income
MDG 2: universal primary education	0	0	
MDG 3: gender equality empower women		+	If women self help groups are given priority and support when establishing oil pressing units and / or usufruct rights to plant Jatropha and Pongamia is granted on common lands
MDG 4: reduce child mortality	0	0	
MDG 5: improve maternal health	0	0	
MDG 6: combat HIV/AIDS, malaria, etc.	0	0	
MDG 7: environmental sustainability	+	+	The plantation of Jatropha and Pongamia could contribute to put wasteland and fallow land back into production
Pro-poor growth	0	0+	As this is just a pilot project, the impacts are limited
Protecting the vulnerable	0	0+	
Peace, security and disarmament	0	0	
Human rights, democracy and good governance	0	0	
Protecting the common environment	0	0	Compare to MDG 7: If the approach is successful and replicated on a larger scale, long term beneficial effects might be possible

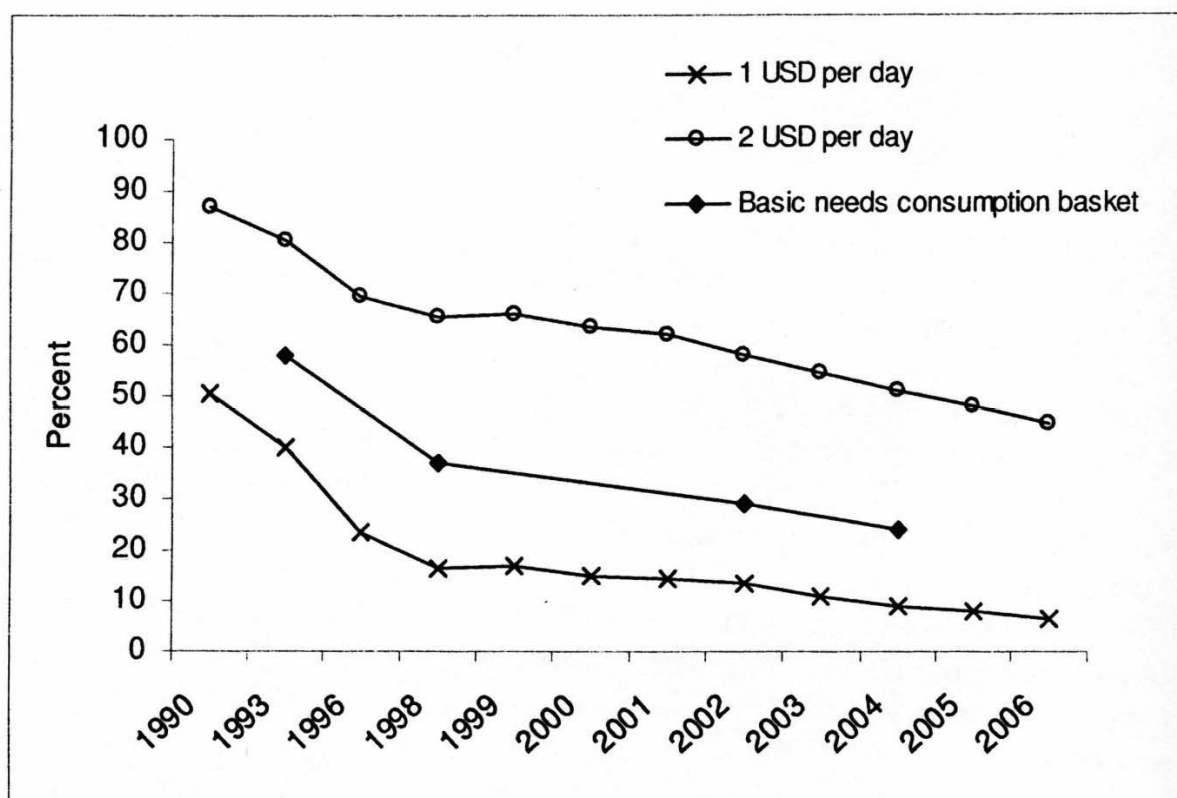
KEY Matrix 3:	++	+	0	-
Strength/direction impact	very positive	positive	Not relevant	negative

3.3 Ex-ante Poverty Impact Assessment as part of the Ba Ria Vietnam Wastewater Collection and Treatment Project Appraisal, Vietnam

Present Poverty Situation

107. Parallel to the ongoing and successful transition from a centrally planned economy to a social market economy, Vietnam's human development is increasing country-wide and the poverty rate is declining. According to [1] the poverty rate fell from 53 % in 1993 to 37 % in 1998 and to about 25 % in 2005.

Figure 4. Percent of Vietnam's population below the poverty line



Source : GSO and World Bank estimates

108. The generally optimistic development does however not imply that all population groups equally profit from a decreasing poverty. In this context, ethnic minorities, highly vulnerable people living just above the poverty line, rural households affected or exposed to natural disasters, rural urban migrants etc. are of special concern and their situation should possibly be assessed separately. However, specific information on different groups of poor people is not yet collected systematically.

National Poverty Reduction Strategy

109. Vietnam's national poverty reduction strategy is based on the internationally accepted MDGs, which should be achieved by 2015 and with regard to the present project can be summarized as follows:

MDG 1: Eradicate extreme poverty and hunger

MDG 2: Achieve universal primary education

MDG 3: Promote gender equality and empower women

MDG 4: Reduce child mortality

MDG 5: Improve maternal health

MDG 6: Combat HIV/AIDS, malaria and other diseases

- Halt and begin to reverse the incidence of malaria and other major diseases

MDG7: Ensure environmental sustainability

- Integrate principles of sustainable development into country policies
- Reverse loss of environmental resources
- Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation
- Achieve significant improvement in lives of slum dwellers

MDG8: Develop a global partnership for development

- Promote good governance
- Address the least developed countries' special needs
- Provide a more generous official development assistance

110. On the basis and in addition to the MDGs, Vietnam has committed itself in its Five-Year Socio-Economic Development Plan 2006 – 2010 to achieve by 2010 the following project related poverty reduction and social development targets:

- Ensure vital infrastructure works (*e.g.* domestic water supply, hygienic latrines) for poor people, poor communities and communes.
- Generate jobs, *e.g.* reduce the proportion of unemployed in urban areas to below 5 % of the total number of people in the working age.
- Push up administrative reforms, *e.g.* perfect reform strategies related to the public sector, jurisdiction and financial management to better support the poor.

Target Population

111. The target population represents the group of people whose living conditions should be improved by the project. Within the target population, particular attention should be given to poor and vulnerable groups of people, who are part of the target population.

112. The target population of the Ba Ria Wastewater Collection and Treatment Project consists of the about 100'000 people that shall live in the project area by 2010. As a matter of fact, the target population is not homogenous but consists of several sub-population groups, *e.g.* urban people living and working in the central part of the town, peri-urban population in the outskirts of Ba Ria generating part of their income from agricultural activities etc. As Ba Ria is a relatively wealthy area, the number of extremely poor people is relatively small. Indeed, according to the information from the Women's Union, hunger does generally not represent a problem in Ba Ria.

113. The approximately 15 poor families presently living on the site of the planned WWTP represent a population group of special concern. These people shall be relocated during project implementation. As most of these families presently live in poor illegal constructions and because the foreseen compensation payments from the local project budget are expected to be relatively high, it is most likely that the living conditions of these people will improve. This is particularly true because their housing status will be legalized.

114. The farmers and the people getting their income from aqua culturing represent two other subpopulation groups, which shall profit from the increased surface water quality in the project area. Indeed, the use of less polluted surface water for irrigation and aquacultures shall increase the quality of the corresponding produces and probably also increase the production yields.

115. Finally, the present and future staff of the Ba Ria – Vung Tau Urban Sewerage and Drainage Company is also a population group directly benefiting from the project, *e.g.* from increasing employment and salaries.

116. The women living in the project area could be defined as a specific target population. This was however not done, because the differences of the project's impact on women and men are not considered as very significant. The involvement of the Women's Union in the project will certainly have a positive effect on gender equality (see Matrix 3).

Poverty in the Project Area

117. Poverty is normally defined in terms of income. The nature of poverty is however multidimensional and can be characterized *e.g.* by a lack of opportunities, lack of capacity, social exclusion, ethnic and/or gender discrimination, lack of good governance, vulnerability.

Main Aspects of Poverty

118. From our discussion with the head of the Women's Union as well as from the visits of a poor neighbourhood and the poor people presently living near the planned WWTP our picture of the poverty in the project area can be summarized as follows:

- Extreme poverty and hunger does not seem to be significant.
- Most of the poor people seem to have access to the urban public water supply, however the poor living in the outskirts of the town, *e.g.* the 15 families living on the site of the planned WWTP,

are often not connected to the water supply system and thus depend on polluted surface water or shallow groundwater as drinking water resource.

- The poor generally do not have access to land for housing and gardening. They thus mainly live in poor illegal constructions making them vulnerable to the often harsh weather conditions (*e.g.* tropical rain storms) and also to administrative sanctions (*e.g.* relocations). As they often do not have a piece of land where they can grow vegetables, fruits etc., they generally need to buy their food at the market.
- The housing and living conditions in the poor neighbourhoods are often precarious and characterized by large families living on very limited space, the absence of proper sanitary installations, pollution from waste and wastewater in open channels, frequent flooding during the rainy season etc.
- Frequent health problems (*e.g.* waterborne diseases, respiratory diseases, limited cases of malaria) but no access to medical infrastructure.
- No access to higher school education (if at all, children of poor families can only finish five years of primary school where they learn to read and write).

119. The general poverty situation is summarised in Matrix 1

Table 17. Matrix 1- General poverty situation and relevance to national strategies and plans

General poverty situation (in country, province, etc.)	Vietnam's national poverty reduction strategy is based on the internationally accepted MDGs, which should be achieved by 2015.
Specific observations on political, socio-cultural, and protective dimensions of poverty	<p>Extreme poverty and hunger does not seem to be significant. Most of the poor people seem to have access to the urban public water supply, however the poor living in the outskirts of the town, <i>e.g.</i> the 15 families living on the site of the planned WWTP, are often not connected to the water supply system and thus depend on polluted surface water or shallow groundwater as drinking water resource.</p> <p>The poor generally do not have access to land for housing and gardening. They thus mainly live in poor illegal constructions making them vulnerable to the often harsh weather conditions (<i>e.g.</i> tropical rain storms) and also to administrative sanctions (<i>e.g.</i> relocations). As they often do not have a piece of land where they can grow vegetables, fruits etc., they generally need to buy their food at the market.</p> <p>The housing and living conditions in the poor neighbourhoods are often precarious and characterized by large families living on very limited space, the absence of proper sanitary installations, pollution from waste and wastewater in open channels, frequent flooding during the rainy season etc.</p> <p>Frequent health problems (<i>e.g.</i> waterborne diseases, respiratory diseases, limited cases of malaria) but no access to medical infrastructure.</p> <p>No access to higher school education (if at all, children of poor families can only finish five years of primary school where they learn to read and write).</p>
Existing national strategies (programmes) relevant to the intervention	<p>On the basis and in addition to the MDGs, Vietnam has committed itself in its Five-Year Socio-Economic Development Plan 2006 – 2010 to achieve by 2010 the following project related poverty reduction and social development targets:</p> <ul style="list-style-type: none"> • Ensure vital infrastructure works (<i>e.g.</i> domestic water supply, hygienic latrines) for poor people, poor communities and communes. • Generate jobs, <i>e.g.</i> reduce the proportion of unemployed in urban areas to below 5 % of the total number of people in the working age. • Intensify administrative reforms, <i>e.g.</i> perfect reform strategies related to the public sector, jurisdiction and financial management to better support the poor.
Short description of the intervention and how it aligns to national strategies	Ba Ria Wastewater Collection and Treatment Project. The project will provide access to sewerage services. The whole target population, including the poor, shall at mid- to long-term be connected to the sewage system. The project will lead among others to an improvement of the natural resources, more employment, better housing and thus to an improvement of the poor peoples livelihood as they may drink groundwater from shallow wells and can get more healthy fish from the river.

Identification of Transmission Channels and Outcomes

120. As mentioned above, the PIA methodology focuses on the multi-dimensional aspect of poverty and thus proposes the assessment of different transmission channels, through which changes are transmitted to the target group and the condition of the poor shall be improved.

121. The following matrix summarizes the transmission channels, through which the project shall reach its poverty alleviation targets.

Table 18. Matrix 2 - Transmission Channels

Transmission Channels	Used Channels	Results / Outcomes			Information sources
	Details and risks that may influence the effectiveness of this channel	Short term	Medium term	Details and risks that the results will not be achieved	
Prices	T1	-	+ /	D1.1, D1.5	S1, S2
Employment	T2, T3	+	+	D1.2	S1, S2
Transfers	T4	+	+	D1.3	S1, S2
Access	T5	+	++	D1.4	S1, S2
Authority	T6	+ / -	+	D1.5	S1, S2
Assets	T7, T8	+	+	D1.6, D1.7	S1, S2

Matrix 2: Transmission channels and outcomes, for further details see following tables (++ very positive, + positive, +/- not significant, - negative, -- very negative)

Detail of Transmission Channel used by the intervention and potential risks that may affect the ability to use that channel and its effectiveness		Significance of risks	Quality of information
T1	Tariff increase: Although considered as affordable for the average household, the increased tariffs may not be affordable for the poor. A progressive tariff system with low rates for the vital base consumption and higher tariffs for high consumption shall be implemented (people consuming a lot of water “subsidize” the low base rate for people only using the vital minimum). In addition to this the poorest population group could also be exempted from the payment of water tariffs.	mod	mod
T2	The project will lead to the creation for new job opportunities during planning, implementation and operation. It will be important to also engage poor people, e.g. for less qualified works (e.g. sludge disposal).	lo	mod
T3	The resettlement of the 15 poor families will most probably lead to a temporary loss of job opportunities for relocated people. Some of these people could probably be engaged for the project (see T2)	hi	mod

T4	The revolving fund for financing the house connections can be understood as a transfer (transfer of funds to the target population including the poor to facilitate access to the sewage system).	mod	mod
T5	Access to sewage services: the whole target population, including the poor, shall at mid- to long-term be connected to the sewage system. The house connections works shall be facilitated by soft loans from the revolving fund. The revolving fund shall be managed in a way that the house connection is affordable for the poor (e.g. interest payments used to finance grants for the poor). To reduce the connection costs and increase the affordability, the construction of septic tanks should be omitted. To achieve high sewage coverage within time, the house connection works need to be planned, managed and supervised closely.	mod	mod
T6	The project's success will depend on the customer's willingness to pay the sewage tariffs. Efforts to improve the customers' awareness must therefore be undertaken. The customer awareness campaigns foreseen under the project's TA component can be understood as an "authority transfer channel". It will be important to also reach the poor with these campaigns, e.g. to limit their water consumption to an affordable level.	mod	mod
T7	Housing assets: The 15 poor families to be relocated will get legal houses or apartments. Their living status will be legalized making them less vulnerable, e.g. to administrative sanctions. The risk of decreasing living standard is rather low.	lo	mod
T8	Land and natural resources are the most important livelihood assets for poor people, particularly in rural and peri-urban areas. The poorer the people, the more likely they are to derive their livelihoods from a diverse set of activities and to rely on diverse set of natural resources. The project leads to an improvement of the natural resources and thus to an improvement of the poor peoples livelihood (e.g. they can drink groundwater from shallow wells, they can get more healthy fish from the river).	mod	mod

Matrix 2a: Details on transmission channels (lo = low risk / quality of information, mod = moderate risk / quality, hi = high risk / quality)

Details of Output/Outcome/Impact by each Transmission Channel Category and Potential Risks they will not eventuate; plus any mitigation measures to address negative results for Target Groups and Other Poor		Significance	Quality Info.
D1.1	To allow for cost recovery the tariff increases must be implemented without delay. To avoid "tariff shocks" and a corresponding decrease of the willingness to pay, the tariff increase must be implemented stepwise over the project implementation period. Exemption of the poorest population from water tariff payment could reduce the other customer's willingness to pay. Tariff exemptions should therefore be avoided or applied only very restrictively.	hi	mod
D1.2	To avoid an overstaffing situation at the wastewater utility and high personnel costs the number of new staff shall be limited. The poor people may not be qualified, even for the less qualified work. Special recruiting policy could be discussed.	hi	mod
D1.3	The provision of grants from the revolving fund to finance the house connections of the poor only works, if sufficient income from interest payments from the non-poor target population can be generated.	mod	mod
D1.4	The Women's Union is not capable to properly manage the revolving fund. Fund management and house connection works shall therefore be closely supervised by the General Contractor and/or the consultant for TA	mod	mod

D1.5	There is a risk that the customer awareness campaigns do not reach the target population, particularly the poor and that the willingness to pay will be insufficient. The planning and implementation of the campaign must therefore be supervised closely.	mod	mod
D1.6	If the compensation to the relocated poor families is not sufficient or if the relocation is not planned and implemented carefully, the living standard of the relocated people could decrease. The elaboration of the relocation plan and its implementation must be closely supervised, <i>e.g.</i> by the consultant for TA.	lo	mod
D1.7	If other polluters, <i>e.g.</i> the industries, continue to pollute the surface waters, the poor will not profit from improved natural resources. Project management shall thus emphasize on the strict enforcement of the regulatory framework and the implementation of a monitoring concept.	hi	mod

Matrix 2b: Details on expected results, corresponding risks and mitigation measures (lo = low risk / quality of information, mod = moderate risk / quality, hi = high risk / quality)

Sources of Information		Quality Info.
S1	Data from interviews during appraisal mission	mod
S2	Data from studies, papers, project documents, official data	mod

Matrix 2c: Details on sources and quality of baseline information, (lo = low quality, mod = moderate, hi = high)

Analysis of Population Groups and their Poverty Escaping Capabilities

122. Based on the definition of the target population and the relevant sub-population groups, the project's impact on the different target or stakeholder groups are discussed in this section. According to the PIA methodology, the outcomes are rated with regards to poverty escaping capabilities as briefly described in the following.

Table 19. Matrix 3 - Capabilities

Stakeholder Groups	Outcomes in terms of capabilities										Details & risks and mitigation measures (see Matrix 2.1)	Information source (see Matrix 1.3)
	Economic		Human		Political		Socio-cultural		Protective			
	short term	medium term	short term	medium term	short term	medium term	short term	medium term	short term	medium term		
Target population	-	+	+	+	+/-	+	+/	+/	+/	+/	D2.1	S1, S2
Poor	-	+	+	++	+/-	+	+/-	+	+/-	+/	D2.2	S1, S2
Relocated people	-	+	+	++	+/-	+	+	+	+	+	D2.3	S1, S2
Employed staff	+	+	+	+	+	+	+/-	+/-	+	+	D2.4	S1, S2
(Shrimp)-farmers	+/	+	+	++	+/-	+/-	+/-	+/-	+/-	+	D2.5	S1, S2

Matrix 3: Outcomes by selected stakeholder groups (++ very positive, + positive, +/- not relevant, -negative, -- very negative)

Details of Output/Outcome/Impact by Capabilities and Stakeholders and Potential Risks they will not eventuate; plus any mitigation measures to address negative results for Target Groups and Other Poor		Significance	Quality of information
D2.1	Economic: Due to the necessary significant tariff increases a slightly negative economic impact must be expected at short-term for the target population as a whole (mitigation measure: assure affordability of tariffs, step-wise increase of the tariffs). At mid-term the improved sewage infrastructure should however help to strengthen the economic development of Ba Ria and to increase the living standard in the project area. Human: Particularly at mid- to long-term, the project will significantly improve the environmental and hygienic conditions in the project area. It will thus have a positive impact on the people's health, allowing them to make better use of their human potential. Political: The foreseen awareness campaigns shall lead to better information of the target population, helping them to have a stronger voice and to influence water policy in the area. Socio-cultural: No significant impacts / risks are expected Protective: No significant impacts / risks are expected	mod	mod
D2.2	Economic: Under the condition that a progressive tariff schedule with limited costs for the vital base water consumption / wastewater production and free of charge house connections for the poor will be implemented, the project's impact on the poor's economic capabilities should be similar to the one of the whole target population. Human: As a part of the poor will still depend on surface water or shallow groundwater as drinking water resource, the expected improvement of the surface water quality will be particularly beneficial for the poor and ameliorate their health condition and working capability. Political: If the foreseen awareness campaigns will also reach the poor, they could also benefit from being better informed and less marginalised. The poor could for example also take part in water user associations. Socio-cultural: The involvement of the poor into the project (e.g. during house connection works managed by the Women's Union and the awareness raising by NGOs) the socio-cultural integration of the poor shall be improved. Protective: The legal connection of the poor to the sewage system will make them less vulnerable. On the other hand, if the poor will not (be capable to) pay for the water services, they could be sanctioned by the utility / authorities.	hi	mod
D2.3	Economic: In addition to the poor which are not relocated, the poor families to be relocated will probably lose temporarily/partly their income opportunities, which are closely linked to the neighbourhood they live in. A negative impact on their economic capabilities should be compensated as part of the relocation, e.g. by engaging family members in the project. Human: As the relocated people will be connected to the water supply and the sewage systems their sanitary condition, health and working capability will significantly improve. Political: see D2 Socio-cultural: The involvement of the relocated into the project (e.g. during the elaboration and implementation of the relocation plan) their socio-cultural integration shall be improved. Protective: In addition to the impacts as described in D2, the relocated people will benefit from the legalization of their housing status and thus make them less marginalized and vulnerable to administrative sanctions.	hi	mod
D2.4	Economic: The staff employed during project planning, implementation and operation will within short-term improve their economic capabilities (e.g. due to increasing salaries and relatively stable job conditions). Human: As most of the staff to be employed under the project do not belong to the category of poor people and thus already have relatively good human capabilities, the additional benefit of the project is less pronounced for this category of people. Political: As the employed staff is directly involved in the project, it can participate in decision taking and thus gains an increasing "political" weight. Socio-cultural: No significant impacts / risks are expected. Protective: Due to the relatively high salaries paid under the project and the rather safe working conditions, the employed staff is less vulnerable and more resistant to withstand economic shocks.	hi	mod

D2.5	Economic: At mid-to long-term, the farmers and people working in aqua culturing shall profit from the better quality of the surface waters used for irrigation and aquacultures, <i>e.g.</i> by means of increased income from better quality produces and higher production yields) and under the condition that industrial pollution is also reduced. Human: The better quality of the surface waters shall also influence positively the health of the farmers and workers in aquacultures. Political: No significant impacts / risks are expected. Socio-cultural: No significant impacts / risks are expected. Protective: With an increasing surface water quality, the losses of aquaculture breeds due to toxic effects shall be reduced reducing the vulnerability of the people working in this sector.	lo	mod
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Matrix 3a: Details on expected results, corresponding risks and mitigation measures (lo = low impact / risk/ quality of information, mod = moderate impact / risk / quality, hi = high impact / risk / quality)

Impact Assessment regarding MDG and Strategic Goals

123. In this section, the projects impacts as regards to the overall poverty reduction objectives, as listed in Section 3.1.1, will be summarized. As the project and its positive impacts regarding poverty reduction are mainly limited to the project area, overall national impacts are expected to be limited.

Table 20. Matrix 4 - Impacts regarding MDGs and other Strategic Goals

Strategic Development Goals	Impacts	Details & Risks	Information Sources
MDG1: Eradicate extreme poverty and hunger	+ / -		S1, S2
MDG2: Achieve universal primary education	+ /		S1, S2
MDG3: Promote gender equality, empower women	+	D3.1	S1, S2
MDG4: Reduce child mortality	+	D3.2	S1, S2
MDG5: Improve maternal health	+	D3.2	S1, S2
MDG6: Combat HIV/AIDS, malaria, other diseases	+	D3.3	S1, S2
MDG7: Ensure environmental sustainability	++	D3.4	S1, S2
MDG8: Develop global partnership for development	++	D3.5	S1, S2
Ensure vital infrastructure works*	++	D3.6	S1, S2
Generate jobs*	+	D3.7	S1, S2
Push up administrative reforms*	+	D3.8	S1, S2

Matrix 4: Aggregated impacts in terms of MDGs and other strategic goals, e.g. the goals from the national poverty reduction strategy [1], which are related to the project and marked with (*), (++) very positive, + positive, +/- not relevant, -negative, -- very negative)

Details of Output/Outcome/Impact by MDG++ and Potential Risks they will not eventuate; plus any mitigation measures to address negative results for Target Groups and Other Poor		Significance national level	Quality Info.
D3.1	By assigning the Women's Union as the responsible organization for the management of the revolving fund for house connections, the women in the project area and in the province are empowered. To assure successful implementation of the revolving fund the Women's Union needs to be assisted by the project.	lo	mod
D3.2	The expected improvement of the environmental conditions, e.g. the replacement of open sewage channels, will certainly have a positive impact on child health and mortality, e.g. in poor neighbourhoods where sanitary conditions are often precarious.	lo	mod
D3.3	The project shall help to reduce waterborne diseases (e.g. Enterocolitis, Hepatitis, Salmonellosis). As the project is not known as an area with malaria epidemics, the corresponding benefit is limited.	lo	mod
D3.4	If the project is properly planned and implemented it shall have a direct positive impact on the environmental sustainability and thus on poverty reduction. It e.g. promotes good governance, reverses the loss of environmental resources (surface and groundwater) and improves the living condition in the poor neighbourhoods.	mod	mod
D3.5	The joint implementation of the project by local and Swiss counterparts represents a significant contribution for establishing a global partnership for development and does e.g. promote good governance and address Vietnam's specific needs. The conditions for the foreseen mixed financing by Switzerland are considered as fair with regard to Vietnam's financial possibilities.	mod	mod
D3.6	Even though Ba Ria is located within a relatively wealthy region, the project is in line with the national strategy aiming at the improvement of vital infrastructures (e.g. domestic water supply, hygienic sanitation) particularly in poor areas. Indeed, the poor people in the project area are part of the target population and shall thus also benefit from the enhanced infrastructure.	mod	mod
D3.7	With regard to the national and provincial level, the project's direct job creation potential is limited. It is however expected that the improved infrastructure shall promote the region's further economic development and thus indirectly create additional employment.	low	mod
D3.8	The project represents an excellent opportunity to enforce and improve the regulatory framework	mod	mod

Matrix 4a: Details on expected results, corresponding risks and mitigation measures (lo = low impact / risk/ quality of information, mod = moderate impact / risk / quality, hi = high impact / risk / quality)

Summary Assessment and Recommendations

124. The assessment shows that a positive effect can be expected for the project's target population. As the poor living in the project area are part of the target population and because their specific needs shall be further assessed and addressed during project planning and implementation, the project shall also contribute substantially to the improvement of the poor's living conditions.