DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DAC Network on Poverty Reduction

A PRACTICAL GUIDE TO EX ANTE POVERTY IMPACT ASSESSMENT

15-16 November 2006

This draft guide is based on the report "Harmonising Ex Ante Poverty Impact Assessment" approved by the DAC on 15 March 2006. It is designed to assist planners, appraisers, and decision makers to plan, execute and understand a PIA. It is circulated for COMMENTS under item IV of the 15 - 16 November 2006 meeting agenda of POVNET [DCD/DAC/POVNET/A(2006)RD1]. POVNET is also invited to discuss the steps required for approval of this guide.

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A PRACTICAL GUIDE TO

EX ANTE POVERTY IMPACT ASSESSMENT

POVNET Cross Cutting Team on
Ex Ante Poverty Impact Assessment

November 2006

Acknowledgement

This guide to ex ante Poverty Impact Assessment (PIA) is based on the OECD document “Harmonizing ex ante Poverty Impact Assessment” DCD/DAC (2006)24 and reflects further empirical evidence in the application of the PIA approach. It is designed to assist planners, appraisers, and decision makers to plan, execute and understand a PIA. It suggests a standardised but flexible analytical framework for undertaking a PIA.

This guide has been developed and tested by the POVNET Cross Cutting Team. The participating countries have been: Finland, France, Germany, Ireland, Japan, Netherlands, United Kingdom, Sweden, and Switzerland.

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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AFD</td>
<td>Agence Française de Développement</td>
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<td>BMZ</td>
<td>German Ministry for Economic Cooperation and Development</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DFID</td>
<td>British Department for International Development</td>
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<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit</td>
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<td>JBIC</td>
<td>Japanese Bank for International Cooperation</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>PIA</td>
<td>Poverty Impact Assessment</td>
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<td>POVNET</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSIA</td>
<td>Poverty and Social Impact Analysis</td>
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<tr>
<td>SECO</td>
<td>Swiss State Secretariat for Economic Affairs</td>
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<tr>
<td>SDC</td>
<td>Swiss Agency for Development and Cooperation</td>
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<tr>
<td>SWAp</td>
<td>Sector-wide approach</td>
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<td>UN</td>
<td>United Nations</td>
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EXECUTIVE SUMMARY

1. This practical guide to *ex ante* Poverty Impact Assessment (PIA) is based on the OECD document “Harmonizing *ex ante* Poverty Impact Assessment”\(^1\) and reflects further empirical evidence in the application of the PIA approach. It is designed to assist planners, appraisers, and decision makers to plan, execute and understand a PIA. It suggests a standardised but flexible analytical framework for undertaking a PIA. 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.

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iv) An assessment of the likely results on stakeholder groups by the OECD Capabilities Framework, with particular emphasis on the target population.

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).

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 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.

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.

10. PIA is based on the principle “*better to be roughly right than precisely wrong*”. PIA 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 taking a few days based on readily available information, or a longer more detailed assessment requiring greater consultation and research. Whatever the level of detail, the process of conducting a PIA would be similar.
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. 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, and the overall result anticipated by each channel. The transmission channels are prices, employment, transfers, access, authority and assets.

iv) **Module 4: Assessment of Stakeholders’ capabilities:** 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. Chapter 1 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 it 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 2005 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. Even where an intervention may not be focussed directly on poverty reduction, 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 Cross-Cutting Team. 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 the well-being of different social groups, focusing on poor and vulnerable people.

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3. 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).
18. A multi-dimensional approach to poverty is taken as defined by the OECD DAC Guidelines on Poverty Reduction and engrained in the Millennium Declaration / MDGs.

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 chain 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 channels 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 chunk of the resources, similar attention is required to foster the dialog 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.

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

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 programme design where negative impacts may be expected.

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6. Transmission channels are explained in more detail in Chapter 3.3

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25. 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 and

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.

26. 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?**

27. PIA has a number of sources, particularly Asian Development Bank’s work on poverty impact, the Poverty and Social Impact Analysis (PSIA) approach, the OECD/DAC capabilities framework and the Sustainable Livelihoods Approach.

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28. 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.

29. 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.

30. The relationship between PIA and PSIA can best be characterised by understanding PIA as a light version of PSIA. PIA is less demanding in terms of data, time, personnel and financial resources than PSIA, but still provides a sound 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 full PSIA11.

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

31. 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.

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**Comprehensive Tribal Development Programme and Watershed Development Programme, India**

For the last 10 years, German Development Cooperation has supported two successful programmes in India: the Comprehensive Tribal Development Programme and Watershed Development Programme. A PIA in 2006 drew heavily on the programmes’ monitoring data, held further interviews with stakeholders and target groups. The PIA has clearly shown which factors in each programme were most efficient in reaching the poor. The results of the PIA can now be used to design further interventions within the Natural Resource Management Sector12.

32. The basic approach used for ex ante PIA can also be used for an ex post PIA, or to guide a wider ex post evaluation: the importance of stakeholders, role of transmission channels, contribution to capabilities and national strategies as well as the contributions towards achieving the MDGs can all be evaluated. The major differences between ex ante and ex post PIA is (i) the forward looking risk analysis is

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11. For further information, please refer to Annex 2.

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?**

33. 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.

34. 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 (SWAps). Therefore there is a move towards programmatic lending,
such as SWAps, 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.13

35. 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?**

36. 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.

37. 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 about the potential
impacts of interventions on the well-being of people.

38. The resources allocated to do the assessment can be largely decided by the implementing agency
depending on the scale and significance of the proposed intervention.

39. 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 one or two days. 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.

40. 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.

### 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 appraisal. 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 feedback of results*.14

41. 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 full PSIA. The information gained and information gaps identified through the *ex ante* PIA provide a good starting point.

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CHAPTER 2
THE PIA ANALYTICAL FRAMEWORK AND PROCESS

42. Chapter 2 clarifies what we mean by results and results chain that we are attempting to understand in a PIA. The chapter then 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 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.

1. **What is the results chain?**

43. 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.

44. 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 chain of causation. The first round changes implemented by the intervention usually trigger second round changes which may be effected via secondary transmission channels.

45. This process is often referred to as results chain, in which transmission channels’ inputs trigger outputs, outcomes and impacts.

<table>
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<tr>
<th><strong>Components of the Results Chain</strong></th>
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<tr>
<td><strong>Inputs:</strong> The financial, human, and material resources used for the development intervention.</td>
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<tr>
<td><strong>Outputs:</strong> 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.</td>
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<tr>
<td><strong>Outcome:</strong> The likely or achieved short-term and medium-term effects of an intervention’s outputs.</td>
</tr>
<tr>
<td><strong>Impact:</strong> Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.</td>
</tr>
<tr>
<td><strong>Results Chain:</strong> 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.</td>
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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.

46. 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 caused the final impacts. This is a problem that is generally faced doing an impact assessment.

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.

47. One can differentiate between:15

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 expenditure16, and may buy more alternative products17; (ii) finding the trip 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.18 This may improve farmers’ income and lead to changes in the balance of power within the village.

48. The Logframe or other results based management tools used by donor 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.

49. In the interest of keeping the PIA process relatively simple, only two columns for results are included in the reporting matrices:19

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?**

50. 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

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15. 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

16. 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).

17. 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.

18. 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.

19. 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.
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.

51. 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.

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

52. 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.
53. 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.

54. 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.

55. 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.

56. 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.

57. 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.

58. 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?

59. 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?

60. 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.

61. 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?**

62. 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.

63. The work can be undertaken by anyone assessing the intervention and having the necessary skills: donor or country official, consultant, NGO staff, etc. 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.

64. Particular focus should be put on regular feedback to and discussion of results with decision makers and other important stakeholders. This is ideally done during the process or at least 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?**

65. 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

THE PIA MODULES

66. Chapter 3 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.

67. In the following sections, the five modules that are recommended for PIA are described. If one is preparing a stand-alone PIA, it is recommended that all of these modules are considered. 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 organizations appraisal process.

68. The five modules are:

   i) Module 1: General poverty situation and relevance of the intervention to national strategies and plans: outline of the poverty situation in the country, region or sector in which the intervention is situated; the reasons for choosing this area; an assessment of how the intervention is linked to national plans; a short description of the target groups of the intervention. 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 results anticipated by each channel.

   iv) Module 4: Capability of Stakeholders: outline of the likely results on stakeholder groups (targeted and others) by the OECD Capabilities Framework

   v) Module 5: Impact on MDGs and other goals: outline of impact of the intervention on the seven MDGs plus other key international objectives, as well as national objectives relevant to the intervention.

69. 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. Alternatively, some

columns can be used for codes, with footnotes in the text columns referring to more detailed text below the matrixes.

70. 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.

71. It is very much recommended to offer decision makers a chapter on final summary and recommendations, which is described in the last subchapter.

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

72. 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.

73. 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.

74. 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 (given the multidimensional nature of poverty, not only economic dimensions other measures should, where possible, be included), what baseline information is available, and what has been done to improve it, number of people covered, broken down by poor and non-poor, men/women, young/old and other categories of vulnerable people as is relevant to the intervention.

ii) 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).

iii) 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.

75. 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.

21. 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.

22. 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.
### PIA matrix 1: General poverty situation and relevance to national strategies and plans

<table>
<thead>
<tr>
<th>General poverty situation (in country, province, etc.)</th>
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</thead>
<tbody>
<tr>
<td>Existing national strategies (programmes) relevant to the intervention</td>
<td></td>
</tr>
<tr>
<td>Short description of the intervention and how it aligns to national strategies</td>
<td></td>
</tr>
</tbody>
</table>

## 2. Module 2: Stakeholder and institutional analysis

76. 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.

77. **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. Target groups are thus a key stakeholder group for consideration. 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.

78. **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.

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

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

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24. For further information, please refer e.g. to DFID (2003) Promoting Institutional & Organisational Development.
81. Institutions may enable or disenable 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 skills of those working in the institution. Strengthening skills, however, without a clear understanding of the rules, may result in the institution becoming an even greater hindrance to a successful intervention. The box contains more details on the analysis of stakeholders and institutions.

### 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.

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

**PIA matrix 2: Stakeholder and institution analysis**

<table>
<thead>
<tr>
<th>Stakeholders (target groups/intermediaries)</th>
<th>Main tasks of stakeholder/main role of institution</th>
<th>Interests and pro-poor agenda, Aspects that might hinder them to have a pro-poor agenda (details and risks)</th>
<th>Rating of their pro-poor agenda (+/-)</th>
<th>Mitigating and/or reinforcing measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td></td>
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**KEY**

<table>
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<th>+</th>
<th>0</th>
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<td>very positive</td>
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<td>Positive</td>
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<td>not significant</td>
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<td>very negative</td>
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</table>

83. **Notes on using matrix 2:**

84. In column 1 (“stakeholders & institutions”) the various stakeholders and institutions that are of relevance to the intervention should be listed.

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

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

87. 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.

88. In column 5 potential mitigating measures can be identified. What could be done to get some potentially opposing stakeholders into the boat?
**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 it may not have a particular pro-poor agenda, in which case the rating might be “0”. If the legal framework assists poor and uneducated farmers to involve in oil production without 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.

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

89. 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.

**Single primary channel**

Building a road would increase access to transport (primary channel). This activates the secondary channel: people make use of this road and may increase trading. This in turn usually results in lower prices for goods from outside and improved 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.
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.
90. It is recommended to use matrix 3 to describe the transmission channels and the overall results by channel.

### PIA Matrix 3: Transmission channels used and overall results by channel

<table>
<thead>
<tr>
<th>Transmission Channels &amp; Details</th>
<th>Transmission Channel Used</th>
<th>Results by Transmission Channel</th>
<th>Information Sources</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>Short Term (+/-)</td>
<td>Medium Term (+/-)</td>
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<td><strong>Transmission Channels &amp; Details</strong></td>
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<td><strong>Prices</strong></td>
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<td>Wages</td>
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<td><strong>Transfers</strong></td>
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<td>Public welfare/subsidy</td>
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<td>Private remittances</td>
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<td><strong>Access</strong></td>
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<td>Other</td>
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<td><strong>Authority</strong></td>
<td>Formal organizations</td>
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<tr>
<td>Very negative</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

91. **Notes on using matrix 3:**

92. The first and second columns (“transmission channels & details”) indicate the transmission channels that can be used for 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 6. In column 3 only list the details and risks for the primary channels, as these are the ones we are concerned with for the implementation.
Example 1: The intervention intends to lower the wholesale price of fertilizer produced in the city, say by removing certain taxes; the primary round channel used is thus prices. Risks associated with this intervention, could include collusion by traders who do not pass on the lower price to rural areas (enter in column 3).

Example 2: The intervention changes the law so that women are allowed to sell their products in the market – using the authority channel. Risks might include local customs or ineffective market management so that women are not able to claim their new rights (enter in column 3).

93. For each primary transmission channel, columns 4 and 5 (“short term” / “medium term”) 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: The lower price will allow farmers to produce more thus increasing employment, enter rating against employment in columns 4 and 5.

Example 2: Women are able to increase their wages. This may allow them to gain greater informal authority in the community, in addition to the formal authority gain by the change in law. In time they will gain more experience i.e. improve their human assets. These would require ratings in columns 4 and 5 against the relevant channels.

94. Column 6 (“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: 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. 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.

95. The last column offers space to indicate the information source and its quality. This column is of importance since it highlights gaps in our knowledge and possible areas for further data collection required before or during implementation.

This highlights the interactive nature between undertaking the assessment and how it informs the design of the intervention.
4. Module 4: Assessment of stakeholders’ and target groups’ capabilities

96. 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.

97. **OECD has identified five capabilities** 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.

---

**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) The DAC Guidelines: Poverty Reduction

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

---

(http://www.oecd.org/dataoecd/47/14/2672735.pdf)
## Matrix 4: Assessment of stakeholders’ and target groups’ capabilities

<table>
<thead>
<tr>
<th>Stakeholder/Target Groups</th>
<th>Outcomes in terms of capabilities</th>
<th>Details &amp; risks</th>
<th>Information sources</th>
<th>Mitigation or reinforcing measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Economic (+/-)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Human (+/-)</td>
<td></td>
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<td></td>
<td>Political (+/-)</td>
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<tr>
<td></td>
<td>Socio-cultural (+/-)</td>
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<td></td>
<td>Protective Security (+/-)</td>
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</table>

<table>
<thead>
<tr>
<th>Stakeholder/Target Groups</th>
<th>short term</th>
<th>medium term</th>
<th>short term</th>
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</table>

### KEY

<table>
<thead>
<tr>
<th>Strength/direction impact</th>
<th>+ +</th>
<th>+</th>
<th>0</th>
<th>-</th>
<th>- -</th>
</tr>
</thead>
<tbody>
<tr>
<td>very positive</td>
<td>Positive</td>
<td>not significant</td>
<td>negative</td>
<td>very negative</td>
<td></td>
</tr>
</tbody>
</table>

### Notes on using matrix 4:

99. 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, need to be identified.

100. Under each capability (column 2-11), the same two columns for short and medium term results are included. These can be used to show a rating (+/-) for the extent that results in this area may be positive or negative for that particular stakeholder group. Do not feel obliged to use all the cells. The same rating system applies as for matrices 2 and 3.

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

102. Column 13 (“information sources”) provides the assessment of the quality of the information.

103. 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: 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; while men might feel they loose out, and may try to undermine progress – a risk.

105. In both examples, mentioned above, investing in human capabilities might be recommended to include in 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

106. 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.

107. 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.

The seven MDG goals are:

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

### Matrix 5: Aggregate impacts in terms of the MDGs, and other strategic goals

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

**KEY**
- Strength/direction impact:
  - **++** = very positive
  - **+** = positive
  - **0** = not significant
  - **-** = negative
  - **--** = very negative

### Notes on using matrix 5:

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

110. **Column 2 and 3 is provided for the summary rating indicating how positive (or negative) the contribution is (+/-). 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. The analyst should indicate how short term and medium term is defined.**

111. **Column 3 allows details of the impacts on each goal, with notes on any risks that these impacts may not arise.**

112. **Column 4 contains the information source and its reliability.**

6. **Summary of assessment and recommendations**

114. **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

115. The integration of a new approach, such as PIA, into established donor procedures will clearly only take place if it is seen as providing benefits which outweigh the implied resource costs. 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 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. 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.
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:
COMPARISON PSIA – PIA

<table>
<thead>
<tr>
<th>Aspects</th>
<th>PIA</th>
<th>PSIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General objective of investigation</td>
<td>Inform the design of <em>interventions</em> to improve their poverty orientation and identify interventions which have a positive impact on poverty reduction. <em>PIA is a “PSIA light”</em></td>
<td>Investigate the distributional impact of <em>policy reforms</em> on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable.</td>
</tr>
<tr>
<td>2. Main focus of PIA/PSIA</td>
<td><em>Poverty</em> as a multi-dimensional concept&lt;sup&gt;27&lt;/sup&gt;</td>
<td><em>Welfare</em> (monetary and non-monetary dimensions) and <em>distributional impacts</em>.</td>
</tr>
<tr>
<td>3. Harmonization</td>
<td>Key objective of <em>PIA</em></td>
<td>Less of an objective for <em>PSIA</em></td>
</tr>
<tr>
<td>4. Level of application</td>
<td>Focus on projects, programmes, possibly SWAPs and policy reforms</td>
<td>Focus on policy reforms such as macroeconomic reforms, structural and sectoral reforms.</td>
</tr>
<tr>
<td>5. Time Frame</td>
<td>Between 2-3 days and 2-3 weeks</td>
<td>Between 6-18 months.</td>
</tr>
<tr>
<td>6. Required resources</td>
<td>Very flexible approach but usually cost-efficient input of resources (“better to be roughly right than precisely wrong”).</td>
<td>In-depth multidisciplinary impact analysis, requiring considerable resource input.</td>
</tr>
<tr>
<td>7. Involvement of stakeholders</td>
<td>Both approaches intent to raise participation of stakeholder (target group, national/ governmental agencies, CSOs, private partners) by including them in the process.</td>
<td></td>
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<tr>
<td>8. Assessment areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1. Stakeholder</td>
<td>Distinction between <em>target groups</em> of interventions and <em>social actors</em> affected by or affecting the intervention.</td>
<td>Distinction between <em>groups that may be affected</em> and <em>groups that may affect</em> (support, resistance) the reform.</td>
</tr>
<tr>
<td>8.2. Institutions</td>
<td>Analysis of formal and informal institutions</td>
<td></td>
</tr>
<tr>
<td>8.3. Transmission Channels</td>
<td><em>Six Transmission Channels</em>: Employment, prices, access to goods and services, assets, transfers and taxes, authority.</td>
<td></td>
</tr>
<tr>
<td>8.4. Impacts</td>
<td><em>Short term</em> (more direct) and <em>medium term</em> (more indirect) impacts.</td>
<td><em>Short term</em> (direct), <em>medium and long term</em> (indirect) impacts.</td>
</tr>
<tr>
<td>8.5. Risks</td>
<td>Yes.</td>
<td></td>
</tr>
<tr>
<td>8.6. Capabilities</td>
<td>Five OECD/DAC Capabilities.</td>
<td>Not explicitly mentioned.</td>
</tr>
<tr>
<td>8.7. MDGs</td>
<td>Assessment of impacts on seven MDGs and other development goals (MDG++).</td>
<td>Not explicitly included in PSIA framework.</td>
</tr>
<tr>
<td>8.8. General poverty situation and national PRS</td>
<td>Part of the structure of PIA-reports.</td>
<td>Usually not part of PSIA report but considered in PSIAs that involve LICs.</td>
</tr>
<tr>
<td>8.9. Mitigating measures</td>
<td>Suggested in case of potential negative impacts of intervention.</td>
<td></td>
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<tr>
<td>8.10. Costs of intervention</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>8.11. M&amp;E needs</td>
<td>Identification of key areas for monitoring and evaluation of impacts of interventions.</td>
<td></td>
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<tr>
<td>9. Methods of data collection and analysis</td>
<td>Mainly use of <em>existing data</em> (qualitative and quantitative).</td>
<td><em>Existing data</em> and <em>data collection</em> (qualitative and quantitative).</td>
</tr>
<tr>
<td>10. Use of Matrices</td>
<td>Use of <em>five matrices</em> allowing a good comparability between PIAs.</td>
<td>Use of <em>summary matrix</em> recommended but not compulsory.</td>
</tr>
<tr>
<td>11. Stage in programme cycle</td>
<td>Strong focus on <em>ex ante</em> but PIA/PSIA can also be used as an assessment tool <em>during and after</em> implementation of intervention.</td>
<td></td>
</tr>
<tr>
<td>12. PIA as part of a wider assessment?</td>
<td>PIA as <em>one component of a wider appraisal process</em>, rather than a stand alone activity.</td>
<td>PSIA can be a stand alone product but they are usually <em>only one input to inform the national policy dialogue</em>.</td>
</tr>
<tr>
<td>13. Use of PIA / PSIA results</td>
<td>Specific <em>recommendations</em> to be used in policy dialogue on how to improve poverty impact of interventions.</td>
<td>PSIA results <em>inform national policy dialogue</em>.</td>
</tr>
</tbody>
</table>

<sup>27</sup> As defined by OECD/DAC Capabilities: Economic, human, political, socio-cultural, protective.