



UNDP - KENYA

Poverty and Social Impact Analysis (PSIA)

by Ms Elizabeth Lwanga, UNDP Resident Representative

Nairobi, Wednesday 6 December 2006.

Seminar Participants,
Ladies and Gentlemen.

A very warm welcome to Kenya and this seminar on Poverty and Social Impact Analysis (PSIA) co-organized by UNDP and the World Bank.

Let me start by saying that a good understanding of social outcomes of policy changes on different groups is critical in designing effective poverty-reduction strategies. It is therefore important to make poverty and macroeconomic policy links, as well as the trade-offs more explicit. PSIA can help in this respect and contribute to the design of more effective pro-poor policies and better define appropriate compensatory measures where appropriate, while supporting country ownership of reforms and promoting public debate on policy choices.

The development platform is today increasingly emphasising poverty reduction strategies that address the adverse effects and negative social impacts of policies on the poor as key features in planning, social policy formulation and incorporating these dimensions in the budget process. The World leaders at the World Social Summit for Development (WSSD) endorsed these cardinal elements within the development agenda and declared a similar commitment in the Millennium Declaration. They made a promise to undertake and monitor commensurate social expenditures in public budgets to reach the core set of international development goals. To forge ahead in delivering this commitment, the world community is continuously support capacity building and developing tools to help in understanding how best policy

responses can be targeted to these challenges based on an informative analytical framework.

PSIA offers such potentially rich social policy instrument for analysing the intended and unintended consequences of policy reform on the well being of different social groups, with a special focus on the vulnerable and poor. PSIA can enable countries evaluate different policy options before they are implemented; modify ongoing policies based on follow-up monitoring of performance. The method has been usefully employed in the design of countervailing measures to alleviate adverse impacts on the poorer groups in the society. The PSIA framework aims at continuously informing policy dialogue, choice and implementation within the broader objective of promoting sustainable poverty reduction and social inclusion. This could immensely contribute to the countries' PRSP policy articulation processes. The PSIA adopts a multi-dimensional concept of poverty, by considering deprivations in health, nutrition and educational standards as seriously as low income. The analysis also recognizes insecurity and social exclusion as important dimensions of poverty, deriving these from the findings of poor people's own perceptions.

The PSIA focuses on distilling the poverty and policy links and the social impacts of major reforms to promote evidence based policy-making and choices that are pro-poor. It is an approach designed to help policy makers understand the linkages between the impact of policy reforms and public actions on social and poverty outcomes. It is seen as playing an important role in the elaboration and implementation of poverty reduction strategies,

complementing the Participatory Poverty Assessment processes and other research instruments such as surveys.

It has positioned itself as an important tool for creating awareness on the importance of carrying out poverty and social analysis of macro policies as part of poverty eradication agenda by presenting evidence of macro-policy and poverty links and impacts. For instance, it has been observed that cuts in spending on health services or the introduction of user fees for health services, raises the workload for women, particularly the poor women. If families no longer have access to or can no longer afford user fees for health services, women must dedicate more time to taking care of the sick members of the family. As a result, behind the praise in efficiency gains in the health sector, costs often shift onto women in the households. In another example, it has been demonstrated that inequality limits the effectiveness of macro-economic policies, in terms of productivity, efficiency and economic growth. Such evidence, derived from PSIA's can be useful to convince economic decision makers of the need for mainstreaming poverty dimensions into economic policy development.

In many country case studies undertaken, for example in Uganda (Strategic Export Initiative – STRATEX- to raise export earnings and reduce aid dependency); Tanzania (Crop Boards reforms); Ghana (Fiscal and social costs of higher fuel prices); Rwanda (Electricity Tariff reform); Mozambique (School fees and Primary school enrolment and retention, and also, the impact of higher fuel taxes); Burkina Faso (Cotton Sector reform); the PSIA

methodology has demonstrated the inter-connectedness of macro and sectoral policies, strategies and programmes. It has also served to bridge the gap between different institutions and actors in policy making. In this way, it has served as a powerful tool to promote evidence-based policy choices and fosters debate on policy reform options.

PSIA helps to (a) analyse the link between policy reforms and their poverty and social impacts (b) consider trade-offs among reforms on the basis of their distributional impacts (c) enhance the positive impacts of reforms and minimize their adverse effects (d) design mitigating measures and risk management systems (e) assess policy reform risks. PSIA is a systematic analytic approach that starts with an ex-ante analysis of expected poverty and social impacts of policy reforms in order to help in their design, advocates monitoring of results during implementation and suggests evaluating ex-post the poverty and social consequences of reforms.

I believe that this seminar offers the participants an opportunity to appreciate this important analytical framework for social policy analysis. In this way we can position such a powerful tool at the centre of methodologies that can be useful in the future designs of appropriate pro-poor policies in countries within the African Continent.

Colleagues, distinguished participants, ladies and gentlemen, I thank you once again for listening and wish you a fruitful and rewarding seminar.