

# **Economic Analysis of Policy-Based Operations: Key Dimensions**

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# PREFACE

This volume is the result of an Asian Development Bank (ADB) Economics and Research Department (ERD) study: *Good Practice Analysis in Support of ADB's Policy-Based Lending*. It addresses various aspects of analysis and preparation of policy operations. Issues covered include understanding the macroeconomic context of sector policy reform operations using a macro-meso-micro perspective, sector analysis with emphasis on price policy and the institutional context, analytical approaches for assessing the impact of policy change including poverty impact assessment and political economy considerations of reform costs, and design considerations for ADB policy-based loans.

Working papers prepared by the Economic Analysis and Operations Support Division (EREA) are frequently cross-referenced: *Policy-Based Lending and Poverty Reduction: An Overview of Processes, Assessment, and Options* (Bolt and Fujimura 2002) and *Toward a Political Economy Approach to Policy-Based Lending* (Abonyi 2002). Both are part of the ERD working paper series. It is hoped that the works, combined, will contribute toward improving ADB's operations through better practice in policy analysis.

This volume was prepared by Richard Bolt, Manabu Fujimura, Cindy Houser, Franklin De Guzman, John Weiss, and Frederick Nixon, with support from Xianbin Yao (Assistant Chief Economist, EREA, ERD) and David Edwards (Director, Operations Evaluation Division 2). The following ADB staff reviewed and provided valuable comments on the draft paper: Douglas Porter, Stephen Curry, David Green, Christopher Edmonds, Peter Choynowski, and Chia-Hsin Hu. The paper is intended primarily for use by ADB staff but may be of interest to others engaged in development assistance.

The opinions and views expressed in the paper are those of the authors and not of ADB.

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# ABBREVIATIONS

ADB	Asian Development Bank
ADTA	advisory technical assistance
AIC	average incremental cost
BAS	Bureau of Agricultural Statistics
CGE	computable general equilibrium
DMC	developing member country
ERD	Economics and Research Department
EREA	Economic Analysis and Operations Support Division
ERIMU	education reform implementation monitoring unit
ESDP	Education Sector Development Program
ESW	economic and sector work
FDI	foreign direct investment
GSDP	Grains Sector Development Program (Philippines)
IFI	international financial institution
IMF	International Monetary Fund
kWh	kilowatt-hour
M&E	monitoring and evaluation
MTFF	medium-term fiscal framework
MWh	megawatt-hour
NFA	National Food Authority
NPC	National Power Corporation
O&M	operation and maintenance
OED	Operations Evaluation Department
PAM	policy analysis matrix
PBL	policy-based lending
PIA	poverty impact assessment
PPSRP	Philippines Power Sector Restructuring Program
REC	rural electrification cooperative
RRP	report and recommendation of the President
SAM	social accounting matrix
SDP	sector development program
SME	small- and medium-sized enterprise
SOE	state-owned enterprise
SSE	senior secondary education
T&D	transmission and distribution
TA	technical assistance

In this report, “\$” refers to US dollars, unless otherwise stated.