

Economic Analysis Retrospective

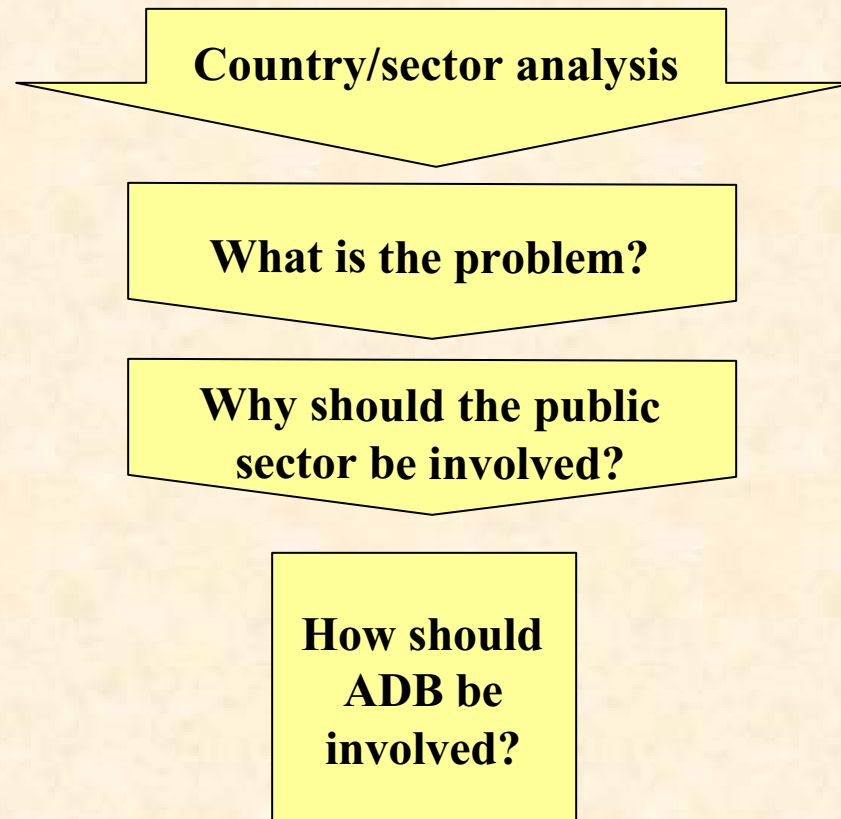


June 2004

Purpose of the Retrospective

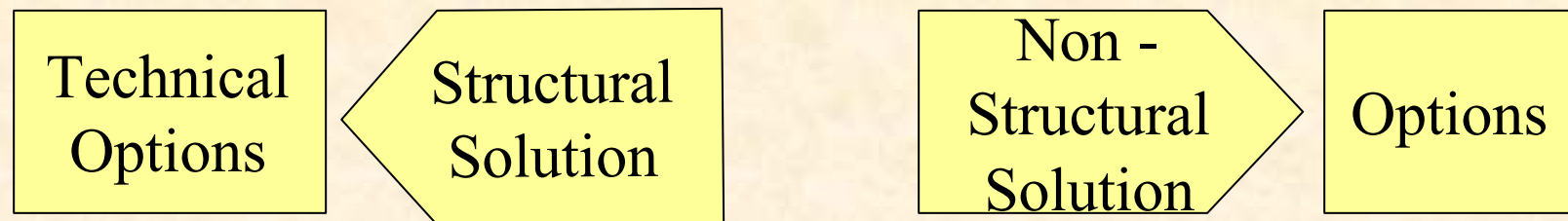
- Enhances the effectiveness of ADB operations by helping it learn from its own experience
- Examines and recommends on the responsiveness, relevance, and quality of ADB operations

Elements of Effectiveness: Relevance



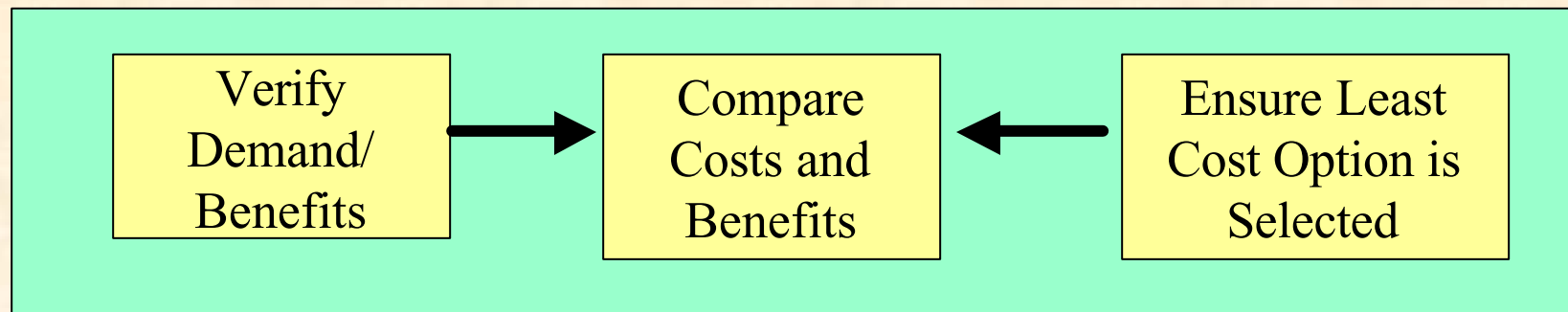
**Setting appropriate goals in relation to DMC
needs and institutional priorities**

Elements of Effectiveness: Responsiveness



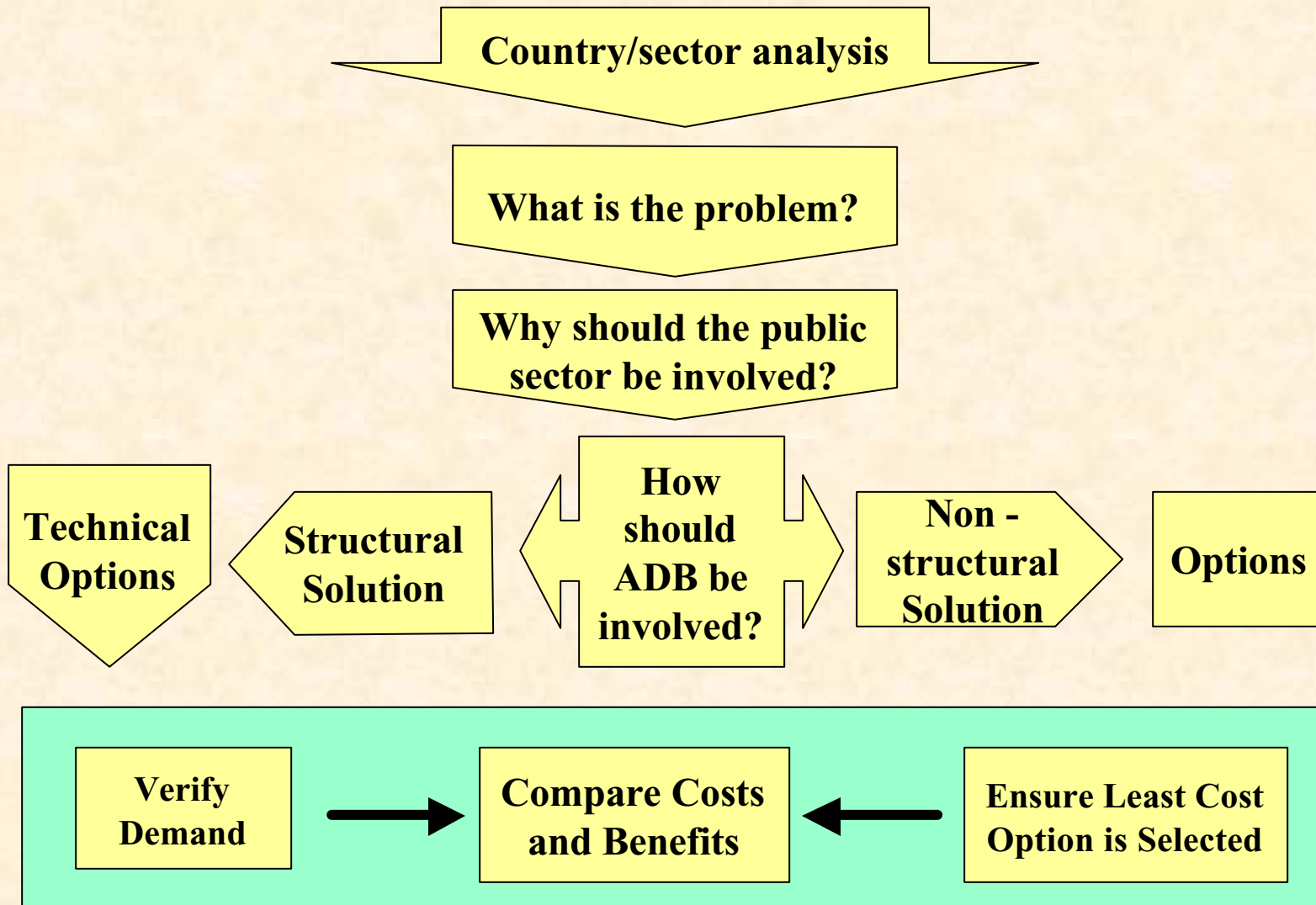
Devising the right instruments and deploying them in proper sequence to achieve agreed goals.

Elements of Effectiveness: Quality



Assuring that services delivered meet (or exceed) standards.

Assuring Effectiveness



Key Messages

- Strong analysis of relevance and responsiveness of ADB operations cascades down to the coherence of the analysis of quality at the project level
- Focus on the quality of operations, without the link to relevance and responsiveness, is blind targeting

The Retro 2002 : Focus on Quality

Project/program-specific analysis needs to be less mechanistic.

- More rigor is required in benefit identification, attribution, and valuation.
- Costs (financial and economic) need to be completely identified and properly quantified
- In testing for sustainability, the choice of the range at which values of key variables are tested should be guided by past experience

The Retro 2002: Focus on Quality

- Appropriateness of parameters regularly used, like shadow rates, need to be periodically verified.
- Individual operations need to be more strongly linked to country operational strategies.

A coherent analytical process is more convincing than simply overcoming the 12% hurdle rate

Retro 2003: Key Findings and Recommendations

- Initiatives and good practices are encouraging... but project-level economic analysis continues to need strengthening
- Project level analysis is preconditioned on solid country/sector level studies... the linkage needs to be strengthened
- Rationale and Alternative Analysis are critical links...yet still weak links

Retro 2003: Good Practices and Room for Improvement

- Regional departments are taking initiatives towards improving quality-at-entry
 - SARD's Quality and Assurance Facilitation Meetings
 - Informal peer consultations
 - Project teams in PAK, VIE and PRC used innovative approaches for analyzing distribution impacts and project sustainability

Retro 2003: Good Practices and Room for Improvement

- Challenges presented in Retro 2002 persist, but more time is required for assessment.

Retro 2003: Getting It Right Early

Improving quality would be futile if the operation is not relevant and responsive.

Country/sector analysis

What is the problem?

Why should the public sector be involved?

Technical Options

Structural Solution

How should ADB be involved?

Non Structural Solution

Options

Verify Demand

Compare Costs and Benefits

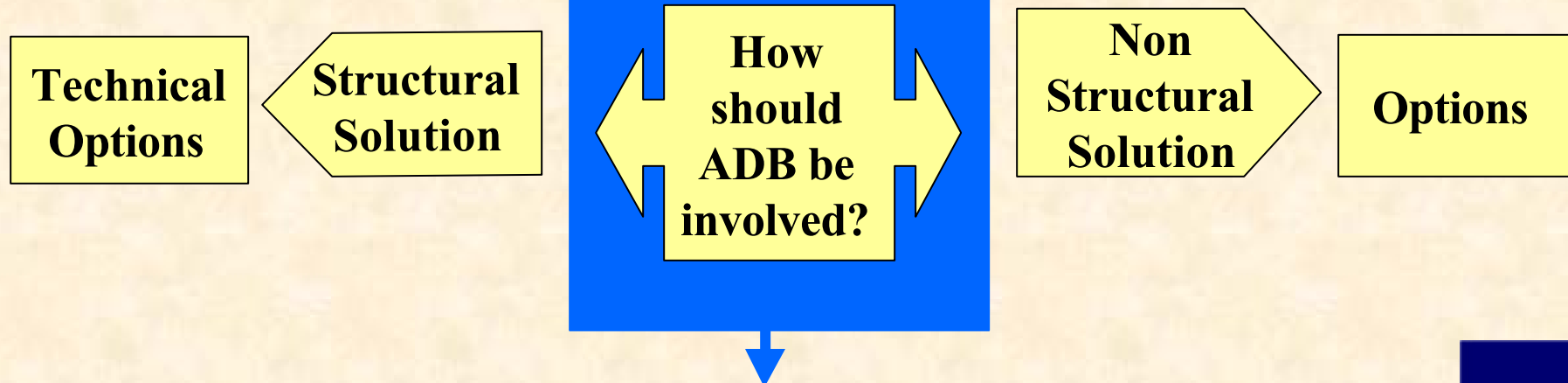
Ensure Least Cost Option is Selected

Retro 2003: Establishing Rationale

Country/sector analysis

These questions identify whether the binding constraints are in institutions, incentives or investment, and ADB's appropriate role.

Establishing rationale ensures RELEVANCE.



These questions are not sufficiently addressed.

Retro 2003: Analyzing Alternatives

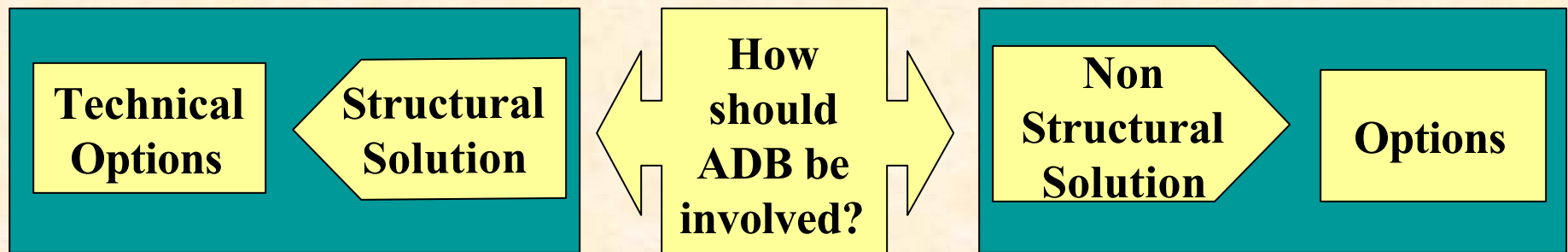
Country/sector analysis

There is a menu of choices for ADB operations; one of them is most appropriate.

What is the problem?

Considering all options ensures **RESPONSIVENESS.**

How is the public sector involved?



Structural solutions are assumed, thus only technical options are considered.

Moving On

- RD's selection of Loan/TA pipeline should result from the assessment of binding constraints in the CSP/ sector work.
- RSDD and RDs need to jointly strengthen sector work underpinning sector/ subsector strategies.
- If RDs deem it appropriate, EREA is willing to partner in clearly establishing rationale, and thoroughly analyzing alternatives.

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