

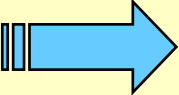
**Education and Development:
Learning from the Past in
Preparing for the Future**

**Economic Retrospective
October 2005**

ADB

Purpose of the Retrospective

Enhance the effectiveness of ADB operations by:

- Helping staff learn from their own experience
 - Disseminating newest and best thinking on relevant economic research
-  Strengthen effective interface between operations and research

Background

Follow-Up to Earlier ERD Work

- Economic Analysis in 2002: A Retrospective (Retro 2002)
- Economic Analysis Retrospective: 2003 Update (Retro 2003)

Key Differences

- More focused: single sector, sector diagnosis
- Includes literature review exercise

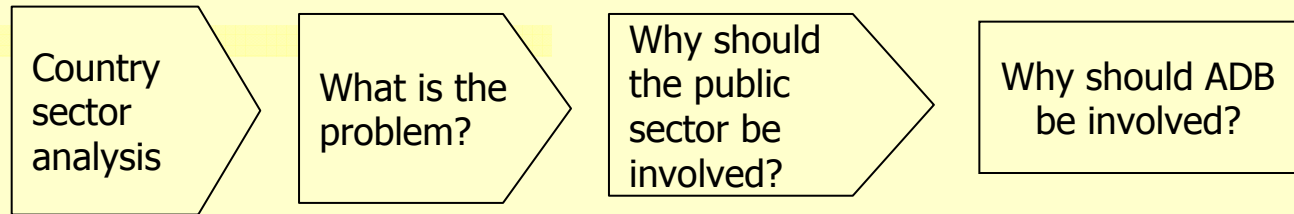
Key Findings from 2002 and 2003 Retros



Importance of Getting it Right Early!

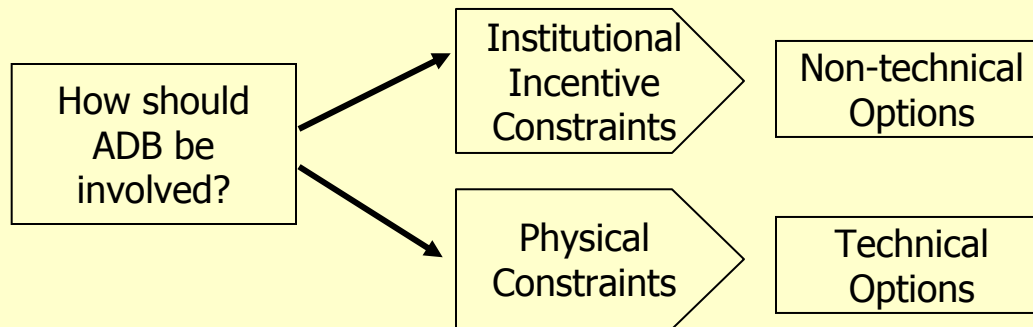
RELEVANCE

Establishing project rationale



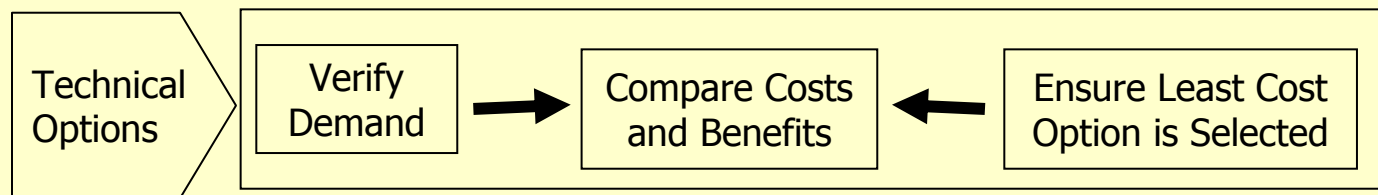
RESPONSIVENESS

Ensuring that the chosen option is most appropriate



QUALITY

Ensuring that the proposed intervention adds value



1. **Economic analysis encompasses much more than benefit and cost analysis.**
2. **ADB operations often work on quality but pay insufficient attention to ensuring relevance and responsiveness**
3. **This is often due to weaknesses in underlying sector analysis.**



Implications for ADB Operations

Importance of Economic and Sector Work (ESW) as a diagnostic tool

- What are the problems?
- What are the binding constraints?


Need to strengthen quality of ESW to make it a more effective tool

- How to improve the design of ESW?
- What kind of techniques can be used?

Why Education?

Education is critical for poverty reduction

- “Ultimately, the poor are poor because they earn too little from what they do”. (Fields 2004)
- 500m underemployed in Asia, 245m more to join labor force by 2015. (ADB, 2005 KI)

 Improving labor market opportunities for workers is key to reducing poverty in Asia

Education is Key to Address the Employment Challenge

3 main types of policies are required to improve labor market outcomes:

- Labor market policies
- Growth-promoting policies
- Human capital / education policies

Source: ADB Key Indicators 2005.



Part I: Operation Review

Scope and Methodology

- Review of selected ADTAs, PPTAs and RRP processed since 2002
- Dynamic process

Limitations

- Did not include systematic review of consultant reports
- Hard to accurately track ESW:
 - No centralized data on ESW
 - Links between ESW and operations not well documented

Key Findings

☞ Rationale and alternatives analysis are still weak links...

- Problems are not always well articulated and/or substantiated
- Proposals do not clearly demonstrate why public sector involvement is called for
- Proposals do not explicitly state why a particular project design or modality is adopted

The Underlying Problem

👉 Weak Sector diagnosis

- Solutions seem to be proposed before problems are clearly articulated and/or understood
- This may lead to projects that address symptoms rather than real causes
- Lack of clear identification of the underlying causes may result in inappropriate solutions

Three Specific Areas with Room for Improvement

➤ Macroeconomic linkages:

budget framework

labor market analysis

➤ Social dimensions:

What factors affect enrollment and attendance?

➤ Institutional framework:

What are key institutions involved?

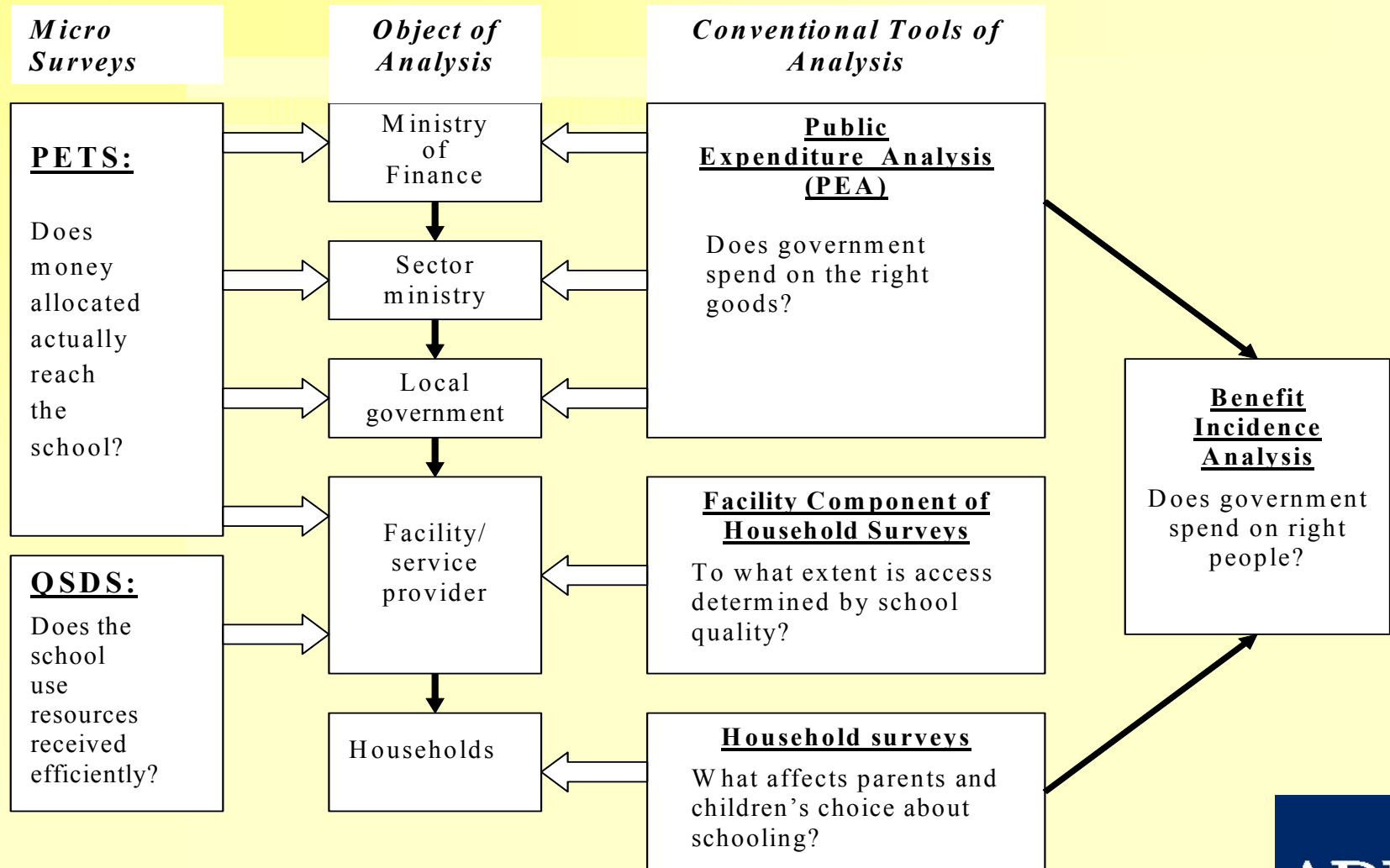
What is their role?

What is their capacity to carry that role?

Part II: What does the Literature tell us?

- ☞ **Increasing spending is not enough to ensure education outcomes**
 - Governments spend on the wrong goods or people – **Budget Allocation Problem**
 - The money fails to reach the provider – **Expenditure Tracking Problem**
 - Providers fail to provide adequate services – **Monitoring/Accountability Problem**
 - Parents/students do not take advantage of the service provided – **Demand-side Constraints**

Public Spending and Service Delivery: Tools of Analysis



Public Expenditure Analysis: 5 Key Principles

1. Ensuring consistency with country's long term financing ability
2. Public spending should be allocated as to maximize social welfare
3. Public spending should complement rather than substitute for private activities
4. Impact on the poor should be analyzed
5. Input mix should be analyzed in an integrated manner (capital versus recurrent expenditures)

Microeconomic Surveys: PETS and QSDS

Why are surveys so important as diagnostic tools?

- Limited impact of public spending on educational outcomes – to rigorously analyze why?
- New demands for evidence on efficiency of spending and performance in service delivery
- New approaches in aid delivery
 - ✓ Move toward budget support
 - ✓ Related fiduciary and accountability concerns

Evidence from PETS

Leakage is a Major Issue

Country	Year	Sample Size	Capture
Ghana	1998	126	49
Peru	2001	100	30
Tanzania	1998	45	57
Uganda	1995	250	78
Zambia	2001	182	10
Zambia	2001	182	76

Note: Sample size is the number of schools surveyed. Capture is the average share (in %) of entitled funds not reaching the schools.

Evidence from QSDS

👉 *High Provider Absence Rates*

	Primary Schools (%)	Primary Health Centers (%)
Bangladesh	16	35
Ecuador	14	-
India*	25	40
Indonesia	19	40
Papua New Guinea	15	-
Peru	11	23
Uganda	27	37
Zambia	17	-

*Average for 19 states

World Bank has taken the lead...

- 21 PERs conducted in ADB DMCs between 2000-2005. ADB participated in only 6.
- 20 PETS/QSDS conducted or in progress (strong focus on Africa). ADB to participate in 1 under BAN 2nd PEDP (SWAP).

Key Message

ADB should invest more in this type of work to:

- Provide more rigorous analysis of problems ultimately leading to more effective interventions.
- Provide firmer basis for policy dialogue in countries.
- Help ensure that ADB remains a relevant, responsive and effective development partner in our DMCs.

It is worth the costs!

- Lack of resources is often perceived as binding constraint, but is it really?
- Fear of potential trade-off between lending quality and volume may be overstated:
 - ✓ Quality ESW should reduce need for preparatory resources
 - ✓ ESW benefits more than one projects
- Staff should be encouraged to participate directly in ESW (to enhance their skills and morale)

For More Information

**Economics and Research Department
Asian Development Bank
Web site: www.adb.org/economics**

The logo of the Asian Development Bank (ADB), consisting of the letters "ADB" in white, serif font, centered within a dark blue square.

ADB