

FOREWORD

This report is a follow-up to the two retrospectives on the quality of economic analysis conducted by the Economics and Research Department (ERD), entitled *Economic Analysis in 2002: A Retrospective (Retro 2002)* and *Economic Analysis Retrospective: 2003 Update (Retro 2003)*. The two previous retrospective reports concluded that the Asian Development Bank (ADB) should put more emphasis on improving country- and sector-level economic analysis that underpins project operations. Thus, such analysis focuses on the rationale for external assistance, i.e., identifying the relevant and optimal role for foreign aid, and explores alternative approaches and instruments for effecting development assistance. In so doing, economic analysis must substantively contribute to ensuring quality at entry in that ADB operations are relevant, responsive, and results focused.

Ensuring quality at entry gives ERD an interest in disseminating to ADB's operations the newest and best thinking on relevant economic research. Likewise, the interactions between ERD and ADB's operations departments keep ERD staff informed about operations leading to relevant research. The present retrospective report has been prepared in this spirit of enhancing an effective interface between operations and research.

In contrast to the two earlier Retrospectives, *Sector Diagnosis in Education: Economic Retrospective 2004 (Retro 2004)* is more focused—on a single sector (education) and on a narrower range of issues (sector diagnosis). *Retro 2004* underlines the findings of *Retro 2002* and *Retro 2003*. In the majority of projects reviewed, attention was found wanting to establishing a sound project rationale. A primary factor in the analytical weakness of project rationale seems to be lack of prior and critical analysis of problems and their underlying causes. Solutions seem to be proposed before problems are clearly articulated or understood. So, in order to improve quality at entry, ADB needs to further strengthen country and sector studies. For this purpose, *Retro 2004* proceeds in bringing together a set of diagnostic tools for strengthening sector analysis.

While *Retro 2004* focuses on the education sector, the research tools and findings presented are relevant for a much broader audience than education sector practitioners. Ultimately, the issues discussed are at the core of ADB's poverty reduction agenda. The provision of education, health, and other social infrastructure services to empower the bypassed and marginalized, enabling them to participate in and benefit from the opportunities of growth, is a political and social imperative in many developing member countries of ADB. Yet governments, saddled by growing budget deficits that are compounded by substantial leakages, are in a quandary on what to do. *Retro 2004* focuses on these important human development goals and provides some tools for analyzing the underlying causes and designing relevant and responsive interventions to address poor public service delivery performance. I am confident that ADB staff, consultants, and others will find *Retro 2004* to be of immediate application.



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