Economic Analysis Retrospective 2005: Strengthening Quality-at-Entry of ADB Operations

This report is the fourth in an annual series of retrospectives prepared by the Economics and Research Department to assess the quality of economic analysis as it is applied throughout Asian Development Bank (ADB) operations. Its aim is to help promote the use of rigorous economic analysis by ADB staff in formulating country strategies and programs and in designing projects to ensure quality-at-entry and achieve greater aid effectiveness.

This retrospective advances the analysis in three important ways. First, on the premise that improving project quality-at-entry starts at the identification stage, it extends its analysis to include both country strategy and program papers, and reports and recommendations of the President. Second, on the basis of “what cannot be measured cannot be managed”, it uses a numerical rating system for assessing the quality of economic analysis. Third, and more important, it employs the concept of “binding constraints” to elevate the linkage between shadow prices and distortions that underpin all economic analysis of programs and projects at the country and sector levels. This third point of departure from the previous retrospectives has two particularly attractive benefits. On one hand, it focuses on diagnosing causes of problems: market failures or government failures, the rationale for public sector involvement, and the value-added of ADB interventions. On the other, the diagnostic approach helps enable a seamless transition from country strategy, to country program, to country operations.

About the Asian Development Bank

The work of the Asian Development Bank (ADB) is aimed at improving the welfare of the people in Asia and the Pacific, particularly the nearly 1.9 billion who live on less than $2 a day. Despite many success stories, Asia and the Pacific remains home to two thirds of the world’s poor. ADB is a multilateral development finance institution owned by 66 members, 47 from the region and 19 from other parts of the globe. ADB’s vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their citizens.

ADB’s main instruments for providing help to its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. ADB’s annual lending volume is typically about $6 billion, with technical assistance usually totaling about $180 million a year.

ADB’s headquarters is in Manila. It has 26 offices around the world and has more than 2,000 employees from over 50 countries.

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ADF</td>
<td>Asian Development Fund</td>
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<tr>
<td>AFG</td>
<td>Afghanistan</td>
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<tr>
<td>BAN</td>
<td>Bangladesh</td>
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<td>CAPE</td>
<td>country assistance performance evaluation</td>
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<td>CSP</td>
<td>country strategy and program</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>DMC</td>
<td>developing member country</td>
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<tr>
<td>EIRR</td>
<td>economic internal rate of return</td>
</tr>
<tr>
<td>ERD</td>
<td>Economics and Research Department</td>
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<tr>
<td>ETSW</td>
<td>economic, thematic, and sector work</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>IND</td>
<td>India</td>
</tr>
<tr>
<td>MLD</td>
<td>Maldives</td>
</tr>
<tr>
<td>NPRS</td>
<td>national poverty reduction strategy</td>
</tr>
<tr>
<td>OCR</td>
<td>ordinary capital resources</td>
</tr>
<tr>
<td>PAK</td>
<td>Pakistan</td>
</tr>
<tr>
<td>PPTA</td>
<td>project preparatory technical assistance</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>RRP</td>
<td>report and recommendation of the President</td>
</tr>
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<td>SPD</td>
<td>Strategy and Policy Department</td>
</tr>
<tr>
<td>SRI</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>TA</td>
<td>technical assistance</td>
</tr>
<tr>
<td>VIE</td>
<td>Viet Nam</td>
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</table>
Foreword

This report is the fourth in an annual series of retrospectives prepared by the Economics and Research Department (ERD) to assess the quality of economic analysis as it is applied throughout Asian Development Bank (ADB) operations. Its aim is to help promote the use of rigorous economic analysis by ADB staff in formulating country strategies and programs and in the design of projects to ensure quality-at-entry and achieve greater aid effectiveness. The retrospectives seek to encourage and facilitate learning and knowledge sharing by identifying good practices and the areas that need improvement. It aims to enhance the interface between operations and research, and offer insights to Management.

This retrospective advances the analysis in three important ways. First, on the premise that improving project quality-at-entry starts at the identification stage, it extends its analysis to include both country strategy and program (CSP) papers and reports and recommendations of the President (RRP). Second, on the basis of “what cannot be measured cannot be managed”, it uses a numerical rating system for assessing the quality of economic analysis. Third, and more important, it employs the concept of “binding constraints” to elevate the linkage between shadow prices and distortions that underpin all economic analysis of programs and projects to the country and sector levels. This third point of departure from the previous retrospectives has two particularly attractive benefits. On one hand, it focuses on diagnosing causes of problems—market failures or government failures, the rationale for public sector involvement, and the value-added of ADB interventions. On the other, the diagnostic approach helps enable a seamless transition from country strategy, to country program, to country operations.

Expanding the scope of retrospectives to include both CSPs and RRP’s reflects an upstream shift in the focus of ERD’s operations support. By emphasizing economic analysis in the early stages of ADB’s operational cycle—with a greater emphasis on assistance strategies and programs—it moves from a piecemeal to a more system-wide approach. We hope the findings of this retrospective will provide useful inputs to upgrading the quality of economic analysis for economic, thematic and sector work, and at the CSP and RRP stages. We believe that by doing so, we can achieve a quantum improvement in the quality-at-entry of ADB operations, ultimately strengthening ADB’s aid effectiveness.

This retrospective is a team effort of ERD’s Economic Analysis and Operations Support Division and has benefited from interdepartmental reviews and discussions with the heads of ADB’s regional departments who generally concur with its findings and recommendations.

Ifzal Ali
Chief Economist
Chapter 1

INTRODUCTION

The Economics and Research Department (ERD) of the Asian Development Bank (ADB) prepares annual retrospective reviews to assess the quality of economic analysis applied throughout ADB operations. The aim is to promote the use of rigorous economic analysis in formulating country assistance strategies and programs, and in designing projects to ensure quality-at-entry and achieve greater aid effectiveness. The retrospectives seek to encourage and facilitate learning and knowledge sharing among ADB staff by identifying good practices and areas that need improvement. In particular, the retrospectives attempt to identify systemic, ADB-wide weaknesses in economic analysis that undermine quality-at-entry of ADB operations. The retrospectives also provide a basis for setting ERD’s priorities for policy research, analytic work, and operations support advisory services; and offer insights to Management on the stewardship of ADB operations.

The first retrospective (Economic Analysis in 2002: A Retrospective) reviewed all reports and recommendations of the President (RRPs) approved by ADB in 2002, covering the key areas of economic analysis as prescribed by ADB’s Guidelines for the Economic Analysis of Projects. The second retrospective (Economic Analysis Retrospective: 2003 Update) continued this assessment and reviewed RRP’s approved in 2003. In contrast to the first two, the third retrospective (Economic Retrospective 2004: Sector Diagnosis in Education) focused on a single sector and a narrower range of issues. The key findings of the three retrospectives were that (i) there is significant scope for improvement in the quality of economic analysis in ADB operations; and (ii) areas where improvements are needed most are in the articulation of project rationale, demand analysis, and analysis of alternatives. Findings of the retrospectives were disseminated across ADB to raise awareness and provide feedback on regional departments’ efforts to improve project quality-at-entry through strengthening economic analysis.

The objective of this retrospective (Retro 2005) is two-fold. First, it aims to assess whether or not the quality of project economic analysis has improved since the first retrospective. Second, it expands the scope of the review to include the country strategy and program (CSP) papers.

The rationale for reviewing the economic analysis in CSPs stems from the view that country focus, identification of binding development constraints, and linking these constraints to CSPs are at the heart of ADB’s ability to improve quality-at-entry.1

The Review of the Asian Development Bank’s Poverty Reduction Strategy (ADB 2004d) stressed the centrality of CSPs in determining ADB country assistance and the critical importance of achieving a high standard of analytical rigor in preparing CSPs. It mentioned that an analysis of the new CSPs approved to date shows that this standard had not yet been fully achieved, perhaps because the implementation of new business processes tended to focus more on procedural requirements than on the quality of the final product.
The premise for the change in focus is that improvement of project quality-at-entry starts with improvement in the quality of CSPs. The inclusion of CSPs in Retro 2005 is also a reflection of ERD’s upstream shift in focus to the earlier stages of the operational cycle. This shift places greater emphasis on the economic analysis of assistance strategies and programs.

Retro 2005 will complement two other ADB retrospective reviews, one recently completed by the Strategy and Policy Department (SPD), and the other currently being carried out by a panel created by the President. A key difference of Retro 2005 from these two is that it has a very specific focus and only examines the contents and quality of economic analysis as applied in ADB operations. The other two reviews either focus on business processes or cover a wider range of subjects and issues.

Retro 2005 reviewed six CSPs approved in 2004–2005 and 49 RRPs approved in 2005. Key findings can be summarized as follows: (i) there is significant scope for improving the quality of economic analysis in ADB operations; (ii) the areas where improvement is needed most in CSPs are in identifying binding constraints to growth and poverty reduction in developing member countries (DMCs), presenting country assessments in an integrated way to tell a coherent development story of a DMC, and demonstrating that country assistance strategies and programs are directly targeted at addressing country-specific binding development constraints; and (iii) the areas where improvement is needed most in RRPs are in the articulation of a project’s economic rationale, demand analysis, and analysis of alternatives.

Three issues should be noted when interpreting the findings of this report. First, although Retro 2005 is limited to examining the final documents of CSPs and RRPs submitted to the Board of Directors—including both main texts and appendixes—it is the culmination of a year-long process of ERD reviews of all CSP- and RRP-related documents, from inception to completion. Second, weaknesses in economic analysis in CSPs and RRPs highlight problems in economic, thematic, and sector work (ETSW) and technical assistance (TA) studies. But some could also be a reflection of a failure to adequately distill the findings of ETSW and TA studies when drafting CSPs and RRPs. Others could stem from the various constraints faced by country teams and project missions in preparing the two documents, or from poor presentation. Investigating the root causes is beyond the scope of this retrospective. Third, Retro 2005 is a retrospective review of the contents and intrinsic quality of economic analysis presented in CSPs and RRPs. It is not a review of whether or not country teams and project missions adhered to ADB business processes and guidelines in preparing these documents.

Retro 2005 argues that weaknesses in economic analysis in CSPs and RRPs raise concerns over whether ADB assistance strategies, programs, and operations in DMCs have a sound basis for ensuring quality-at-entry, which is a necessary condition for achieving maximum development impact. The report suggests several ways to address these weaknesses in economic analysis.

The rest of this report is organized as follows: Chapter II outlines the assessment framework. Chapter III presents findings from the CSP reviews. Chapter IV discusses findings from reviews of investment projects and program loans. Finally, Chapter V summarizes key findings and conclusions.

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2 The first documented review of project quality-at-entry was undertaken by ADB in 1994 and made a similar assertion. See Report of the Task Force on Improving Project Quality (ADB 1994).

3 The Stocktaking Report of the Results-Based Country Strategy and Program Process (ADB 2006b) covers seven CSPs approved during 2004–2006. The SPD review focuses on how well CSPs have followed results-based CSP methods and processes as recommended in its Practice Note on Results-Based Country Strategies and Programs (ADB 2005d), but not on the intrinsic qualities of the respective CSPs.

4 The first biannual assessment of CSPs and loan/technical assistance (TA) projects is currently being conducted by a panel established by the President in early 2006. It covers six CSPs, one regional cooperation strategy and program, and 20% randomly selected loan and TA projects approved during 2004–2005. The assessment is expected to examine a wide range of subjects, quality attributes, and business processes of CSPs and loans/TA projects.
A. CONCEPTUAL FRAMEWORK

ADB achieves its institutional goal of poverty reduction in Asia and the Pacific by promoting economic growth, inclusive social development, and good governance in its DMCs. ADB’s effectiveness in achieving this goal depends, first and foremost, on whether it can provide quality services at entry to meet DMCs’ development needs and priorities. Quality-at-entry requires ADB to devise relevant and responsive country assistance strategies and programs, and to identify and design economically viable interventions. The CSP and RRP are two key documents in which ADB establishes relevance and responsiveness of its operations and demonstrates economic viability of its specific interventions. The quality of economic analysis helps to determine how well ADB succeeds in these areas.

ADB establishes relevance and responsiveness of its operations in a DMC through a CSP. These involve the following interlinked steps (Table 1):

(i) Identifying key development challenges and binding constraints to growth and poverty reduction through a broad country diagnosis embedded in ETSW, leading to the identification of areas in need of government interventions (see the following Box on the concept of binding constraints and Appendix 1 on examples of how to identify binding constraints at a country and sector/project level).

(ii) On the basis of the country diagnosis, critically assessing a government’s development plan—or poverty reduction strategy—to determine if it can effectively address the identified development challenges and relax the binding constraints.

(iii) Assessing ADB’s past performance in assisting the DMC to identify lessons on what was done successfully in the past and should be continued, and what was not successful and should be discontinued.

(iv) Assessing the value-added of ADB operations against other aid agencies operating in the same country, with a view to promoting aid coordination and avoiding duplication.

(v) Formulating ADB’s assistance strategy to complement the government’s efforts or pilot-test new ideas and initiatives, including selecting sectors and thematic areas for ADB intervention. This is done on the basis of the development challenges and binding constraints, government development priorities, lessons learned from ADB’s past performance, and ADB’s value-added identified in the above four steps.

(vi) Designing ADB’s assistance program based on the assistance strategy by identifying specific interventions in each selected sector or thematic area to address the identified constraints.
Table 1. Key Attributes of Economic Analysis in CSPs and RRP

<table>
<thead>
<tr>
<th>Goal</th>
<th>Objective</th>
<th>Attribute of Analysis</th>
</tr>
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<tbody>
<tr>
<td>Establish Relevance and Responsiveness of ADB Operations</td>
<td>To identify development challenges and binding constraints to growth and poverty reduction in a DMC</td>
<td>Country diagnosis in terms of economic, thematic, and sector assessments</td>
</tr>
<tr>
<td></td>
<td>To assess the government development plan and implementation capacity in light of the country diagnosis</td>
<td>Assessment of government development plan or poverty reduction strategy</td>
</tr>
<tr>
<td></td>
<td>To identify lessons learned—strengths and weaknesses—from ADB’s past performance in assisting the DMC</td>
<td>Assessment of ADB’s past performance</td>
</tr>
<tr>
<td></td>
<td>To identify assistance activities of other aid agencies to establish the value-added of ADB operations, promote coordination, and avoid duplication</td>
<td>Assessment of donor coordination</td>
</tr>
<tr>
<td></td>
<td>On the basis of the assessments, to formulate ADB’s assistance strategy and program</td>
<td>ADB assistance strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ADB assistance program</td>
</tr>
<tr>
<td>Validate Economic Rationale of ADB Intervention</td>
<td>To diagnose problems and identify binding constraints in a targeted sector</td>
<td>Analysis of economic rationale</td>
</tr>
<tr>
<td></td>
<td>To establish justification for government intervention</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To establish justification for ADB assistance</td>
<td></td>
</tr>
<tr>
<td>Assess Economic Viability of ADB Intervention</td>
<td>To conduct economic analysis of project and sector loans</td>
<td>Demand analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alternatives analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cost–benefit analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sustainability analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sensitivity and risk analyses</td>
</tr>
<tr>
<td></td>
<td>To conduct broad economic and policy analysis of program loans</td>
<td>Analysis of government reform plan and capacity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Program design</td>
</tr>
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<td></td>
<td></td>
<td>Determination of loan size</td>
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<tr>
<td></td>
<td></td>
<td>Assessment of benefits and impact of reforms</td>
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<tr>
<td></td>
<td></td>
<td>Risk assessment</td>
</tr>
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</table>

Note: Donor coordination is not covered by this Retro 2005.

The CSP, through the cascading steps described above, establishes the relevance and responsiveness of ADB operations in a particular DMC, and also provides an economic rationale for each specific intervention—a policy reform program, an investment project, or a combination of the two. An RRP validates the economic rationale of each intervention established by the CSP, and demonstrates that the intervention is properly designed and economically viable. Validating the economic rationale of specific ADB interventions in an RRP involves

(i) Identifying constraints that the intervention intends to address. This requires a thorough sector diagnosis to identify the binding constraints in the sector.

(ii) Analyzing the rationale for government involvement. The main argument for public sector intervention is to address market failures. However, government failures are also common, so the role of the public sector needs to be carefully assessed.

(iii) Providing justification for ADB involvement. This involves examining whether the proposed project is in line with ADB’s strategic focus and the corresponding instrument and lending modality specified in the CSP, and identifying the value-added expected from the ADB intervention.
A country that is underdeveloped or underperforming often faces many distortions. These prevent the best use of resources, keep the economy far below its attainable production frontier, and constrain it from growing and developing. The distortions may be inherent to how certain markets function—such as externalities, public goods, monopoly, information asymmetry, and spillovers. They can also be government-imposed—such as taxes on production, restrictions on trade and market access, and price controls. Or they can be caused by government failures, such as poor economic management, poor governance, and weak institutions. Eliminating such distortions requires government actions. A development or reform strategy should aim to relax the development constraints caused by these distortions.

For a particular country at any particular point of time, some development constraints are binding while some may not be. Among binding constraints, some may have larger shadow prices than others and hence their relaxation would lead to greater development impacts. Given that the total amount of development resources available for the country is often limited, a key challenge for the government and aid agencies in devising the development or country assistance strategy is to identify those binding constraints, prioritize them, and allocate available development resources to relax the binding constraints with the highest shadow prices, thereby achieving the maximum possible efficiency gains and development impact.

In the context of a country strategy and program, a country’s binding development constraints are the country-specific conditions and factors—reflecting either market failures or government failures—that restrict the country from realizing its development potential. At an aggregate level, binding constraints can be of a sectoral nature (e.g., poor financial intermediation, inadequate infrastructure, or energy shortages); or a thematic nature (e.g., poor macroeconomic management, weak governance, or inadequate institutional capacity). At the sector level, binding constraints can mostly be classified into categories such as limited access to financing, low technological capability, a weak policy and regulatory framework, governance issues, or incentive and information problems. Careful diagnosis of the binding constraints to growth and poverty reduction at a country and sector level is one of the most fundamental steps in preparing a CSP, and one of the most important means of ensuring quality-at-entry of ADB assistance strategies, programs, and operations.

The idea of binding constraints is not new, and their importance has long been recognized in development economics literature (Ishikawa 1967, Johansen 1967). The calls for development efforts to target the relaxation of binding constraints in academic and policy discussions in recent years have been partly driven by the failures of the Washington Consensus’s laundry list of policy prescriptions to deliver anticipated development results (Hausmann et al. 2005). The importance of identifying binding constraints was highlighted in a recent World Bank study, *Economic Growth in the 1990s: Learning from a Decade of Reform* (World Bank 2005c). The study suggests moving away from formulaic policy making and focusing on country-specific binding constraints through experimentation and learning. The 2004 *Review of the Asian Development Bank’s Poverty Reduction Strategy* (ADB 2004d) cited the risk of diverting attention from removing binding constraints to poverty reduction arising from certain business practices at the time.

The need for identifying country-specific binding development constraints in preparing a CSP is in line with recent efforts by the development community to align development assistance with country-specific needs and to focus on development results. This should be an essential part of ADB efforts in searching for greater aid effectiveness.

Appendix 1 illustrates how to identify binding development constraints at the country and sector/project level.

Economic viability is a critical requirement for quality-at-entry. For investment projects, assessment of economic viability comprises the following steps:

(i) Demand analysis. A project that is relevant and responsive and can achieve intended results should be based on a thorough demand analysis, including how demand will be affected by changes in prices, incomes, and other factors.

(ii) Alternatives analysis. The selected design for a project should be cost-effective. Alternative designs should be assessed to ensure that the selected design meets demand and is the least-cost alternative.

(iii) Cost–benefit analysis. The economic benefits of the selected alternative need to be identified, quantified, valued, and compared with the economic costs of the undertaking to ensure that benefits sufficiently outweigh costs.

(iv) Sustainability analysis. For an intervention to achieve its intended results, economic benefits must be sustainable over its lifetime. A financial assessment of the intervention and implementing agency will indicate the intervention’s impact, the financial position of the agency, and its ability to fund recurrent costs. An assessment of institutional capacity to operate and maintain the intervention is another important indicator of sustainability.¹

(v) Sensitivity and risk analyses. Adverse changes in key variables can have an impact on results. Therefore, sensitivity and risk analyses should be conducted to test the robustness of economic viability.

For program loans—often designed to assist DMCs in policy and institutional reforms—establishing economic viability requires a broader economic and policy analysis, including assessments of government reform plans and capacity, program design, fiscal implications and basis of the loan size, benefits and impacts of proposed reforms, and risk assessments.

B. ASSESSMENT METHOD

The analytical framework outlined above provides a basis for assessing the quality of economic analysis in CSPs and RRPs. In addition, a numerical rating system is used, with each attribute of economic analysis (see Table 1), excluding donor coordination, assessed on a scale of 1–4. Specific rating definitions and corresponding scores are presented in Table 2.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Score</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Unsatisfactory (US)</td>
<td>1</td>
<td>The attribute concerned is discussed with simple statements but no analysis.</td>
</tr>
<tr>
<td>Partially Satisfactory (PS)</td>
<td>2</td>
<td>The attribute concerned is discussed with limited or insufficient analysis.</td>
</tr>
<tr>
<td>Generally Satisfactory (GS)</td>
<td>3</td>
<td>The discussion of the attribute concerned meets the minimum standard, i.e., it covers all key aspects with sufficient analysis.</td>
</tr>
<tr>
<td>Fully Satisfactory (FS)</td>
<td>4</td>
<td>The discussion of the attribute concerned contains analysis of all key aspects and can be considered as an example of good practice.</td>
</tr>
</tbody>
</table>

¹ The core ADB financial due diligence process covers financial viability and sustainability of projects through financial analysis and financial management assessments.
Chapter 3

ECONOMIC ANALYSIS IN COUNTRY STRATEGIES AND PROGRAMS

A. CSPs APPROVED IN 2004 AND 2005

During 2004–2005, ADB prepared and approved CSPs for six DMCs. These countries represent a diverse group, with per capita annual income ranging from $270 for Nepal to more than $1,000 for the Philippines; and with populations ranging from 0.8 million for Bhutan to 135 million for Bangladesh. They cover four of the five ADB regional departments at the time and fall under the full range of classifications for Asian Development Fund (ADF) eligibility. Table 3 provides a basic background on the six DMCs.

Table 3. Background Information on DMCs Covered by the Six CSPs

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (million)</th>
<th>Annual GDP per Capita (current $)</th>
<th>Poverty Rate (%)</th>
<th>GDP Growth (%)</th>
<th>Annual ADB Assistance during the CSP Period ($ million)</th>
<th>ADF Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>135.2</td>
<td>418</td>
<td>49.8</td>
<td>6.3</td>
<td>305.0</td>
<td>ADF/OCR mix</td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.8</td>
<td>775</td>
<td>25.3</td>
<td>6.8</td>
<td>33.4</td>
<td>ADF loan</td>
</tr>
<tr>
<td>Cambodia</td>
<td>13.1</td>
<td>296</td>
<td>35.9</td>
<td>5.2</td>
<td>55.5</td>
<td>ADF loan/grant</td>
</tr>
<tr>
<td>Mongolia</td>
<td>2.5</td>
<td>606</td>
<td>36.1</td>
<td>10.5</td>
<td>30.2</td>
<td>ADF loan</td>
</tr>
<tr>
<td>Nepal</td>
<td>24.8</td>
<td>271</td>
<td>42.0</td>
<td>3.6</td>
<td>121.0</td>
<td>ADF loan</td>
</tr>
<tr>
<td>Philippines</td>
<td>76.5</td>
<td>1043</td>
<td>24.7</td>
<td>6.1</td>
<td>573.4</td>
<td>OCR</td>
</tr>
</tbody>
</table>

ADF means Asian Development Fund; OCR means ordinary capital resources; GDP means gross domestic product.

Note: Data refer to the latest statistics reported in the CSPs.
Source: Compiled by ERD staff.

1 The five regional departments prior to the June 2006 realignment.

2 A results-based CSP is designed to improve development effectiveness and impact of ADB operations in a DMC in a sustainable manner through better managing for development results. Specifically, a results-based CSP will (i) identify the “CSP outcomes” that are expected to be achieved during the CSP period and (ii) provide a mechanism and indicators for monitoring the progress toward achievement of the intended successful outcomes (see ADB 2005d).
with varying levels of inputs from Headquarters-based staff. The only exception was Bhutan, where preparatory work was done at ADB Headquarters.

Most of these CSPs followed ADB’s prescribed template, with the exception of the Philippines CSP. A CSP following ADB’s prescribed template comprises six parts: (i) current development trends and issues, (ii) government development strategy, (iii) ADB’s development experience, (iv) ADB strategy, (v) ADB assistance program, and (vi) risks and performance monitoring and evaluation. Each part is supplemented by appendices that provide additional information and analysis. The Philippines CSP adopted a format different from this template, notably in the presentation of the country assessment.

The rest of this chapter is organized into six parts. Part B summarizes results of ratings of the five attributes of economic analysis of CSPs. Part C assesses the quality of country diagnoses consisting of economic, thematic, and sector assessments. Part D assesses the quality of assessments on government development plans. Part E examines assessments on ADB’s past performance in assisting DMCs. Part F assesses ADB assistance strategies. Lastly, Part G assesses ADB assistance programs. As shown in Table 1, the five cascading components, to be assessed in Parts B–G, plus donor coordination—also important but not assessed in this retrospective—enable ADB, in partnership with DMCs, to make informed choices on the thrust and composition of its assistance and operations.

### B. SUMMARY OF RATINGS

About three quarters of the attributes of economic analysis for the six CSPs as a whole were rated “partially satisfactory” on average. Ratings of the five attributes of economic analysis show that the overall quality of economic analysis in the CSPs reviewed needs major improvement in a number of areas (Table 4). About three quarters of the attributes were rated as “partially satisfactory (PS)” on average for the six CSPs as a whole, and only one quarter was rated as “generally satisfactory (GS)” or “fully satisfactory (FS).” Across the five attributes, the assessment on ADB’s past performance had the highest mean score (2.7), followed by assistance strategy and program (both at 2.3), and country assessment and assessment on government development plan (both at 2.2). A review of each attribute is discussed below.

### C. COUNTRY ASSESSMENT: DIAGNOSIS

The majority of economic, thematic, and sector assessments in the six CSPs involved desk reviews of previous studies, but a large number did not document the sources. Doing a thorough country diagnosis is a key requirement for preparing a CSP. ADB’s CSP guidelines require the country diagnosis to cover economic growth, poverty, cross-cutting thematic issues—gender equality, governance and institutions, environmental sustainability, private sector development, regional cooperation—and performance of key sectors. Retro 2005 found that

<table>
<thead>
<tr>
<th>Table 4. Rating Distribution by Attribute of Economic Analysis—CSPs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attribute</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Country Assessment</td>
</tr>
<tr>
<td>Government Development Plan</td>
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<tr>
<td>ADB’s Past Performance</td>
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<tr>
<td>Assistance Strategy</td>
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<tr>
<td>Assistance Program</td>
</tr>
</tbody>
</table>

US means unsatisfactory scored at 1; PS means partially satisfactory scored at 2; GS means generally satisfactory scored at 3; and FS means fully satisfactory scored at 4.

Note: Mean score is the simple arithmetic average of individual scores. Country assessment includes economic, poverty, sector, and thematic assessments.

Source: ERD staff estimates.
different approaches were adopted in preparing the country assessments across the six CSPs (Table 5). Out of a total of 42 economic and thematic assessments in the six CSPs reviewed by ERD, 18 (43%) were supported by stand-alone studies that were consequently published either online or in print; five (12%) were supported by stand-alone but publicly unavailable studies; 12 (28%) involved desk reviews of previous studies by ADB or other development partners with sources properly documented; and seven (17%) involved desk reviews of previous studies with sources undocumented. Of a total of 34 sector assessments reviewed by ERD, 32 (94%) involved desk reviews of previous studies. Half of these documented sources of previous studies and the rest did not.

In ERD’s view, if an assessment involves desk reviews of previous studies by ADB or other development partners, it is a good practice to properly document their sources in CSPs. If an assessment is supported by a stand-alone, in-depth study, it is a good practice to publish the study as the external publication will be a disciplining/incentive device for ensuring quality. Moreover, external publications of quality knowledge products are important public goods that ADB should offer to DMCs as part of its commitment to be a premier financial and knowledge intermediary in the region. In this regard, the Philippines CSP is a good example of publishing stand-alone studies to support most economic and thematic assessments.

Despite the central importance of understanding the growth process, growth assessments were among the weakest areas of country diagnoses. Economic growth is the most important means of achieving ADB’s overarching goal of poverty reduction in Asia and the Pacific. Understanding the drivers and binding constraints to growth is essential for providing relevant and responsive assistance to DMCs. A CSP growth assessment should at least answer the following questions: (i) How did the economy perform in recent years and what were the underlying factors driving the performance? (ii) How effective was government macroeconomic management in supporting growth and what are the policy issues for maintaining macroeconomic stability? (iii) What are the country’s growth prospects and, most important, the binding constraints to growth? Judged against these, there is significant room for improvement in growth assessments in most CSPs. This is detailed below.

(i) Analysis of growth performance should highlight more clearly the key drivers of past growth. Among the five CSPs that followed the official template, only the Bhutan CSP contains an appendix on the sources of growth, providing a detailed analysis of the key drivers of growth. The others assessed growth only in the main text. The Cambodia CSP provided brief but clear discussions of growth performance. In the other three, the analysis was weaker with the key drivers of growth not clearly identified. Results of analyzing growth performance using analytical techniques such as benchmarking with peers or growth accounting of sector contributions (agriculture, industry, and services) and functional contributions (capital, labor, and total factor productivity) were not commonly presented. The Philippines CSP, which follows a format different from the official template, did not discuss recent growth performance at all.

### Table 5. Alternative Approaches to Preparatory Country Assessments

<table>
<thead>
<tr>
<th>Type of Assessment</th>
<th>Economic and Thematic</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Stand-alone Study, Published</td>
<td>18</td>
<td>43</td>
</tr>
<tr>
<td>Stand-alone Study, Not Publicly Available</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Review of Other Studies, Sources Cited</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>Review of Other Studies, Sources Not Cited</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: ERD staff; compiled from CSPs; ADB website; and inputs from Bangladesh Resident Mission, Cambodia Resident Mission, Mongolia Resident Mission, Nepal Resident Mission, Philippines Country Office, and South Asia Department.
(ii) Analysis of macroeconomic management should be more forward-looking. All the CSPs except Mongolia reviewed and discussed macroeconomic management issues when assessing growth. Assessments typically involved reviewing trends in inflation, money supply, government revenue performance, fiscal deficits, and external payments positions. The Bangladesh and Nepal CSPs also assessed the efficacy of government fiscal policies. However, the analysis of macroeconomic management and policies would be more relevant in the context of a CSP if it were more forward-looking and if the challenges in maintaining monetary stability and debt sustainability were highlighted more clearly and linked to the analysis of growth constraints.

(iii) The lack of systematic analysis of binding constraints to growth was the most serious weakness in growth assessments. Growth assessments should assess growth prospects and, most importantly, the binding constraints to growth. Some CSPs provided growth projections, but most were based on growth targets found in government development plans. However, a greater concern was the lack of systematic analysis of the binding constraints to growth in many CSPs. In this regard, the Philippines CSP was unique in that it identified six binding constraints based on a country economic review and detailed analysis of findings in other economic and thematic studies. The Bhutan CSP provided discussions on constraints to growth in both the main text and appendix. In the other four, constraints to growth were only listed with limited analysis, or not highlighted when assessing growth.

Poverty assessments were generally more comprehensive than growth assessments, but there were also notable deficiencies. Poverty reduction is ADB’s overarching objective, and development effectiveness requires a good understanding of poverty at the country level. Poverty assessment plays an important role in CSPs for guiding ADB operations. Overall, poverty assessments were more comprehensive than those for economic growth. This could be explained partly by the fact that a poverty assessment is mandatory under ADB’s existing business process. The issuance of ADB’s Interim Staff Guidelines for Poverty and Social Analysis in Projects in December 2004 may have also had some effect. But there were also notable deficiencies in poverty assessments. Among the six, poverty assessments in the Bangladesh, Bhutan, and Philippines CSPs were supported by stand-alone, comprehensive poverty studies, and the Philippines study was published.3 Reviews of poverty assessments in the six CSPs indicate the following deficiencies.

(i) Some assessments did not examine trends in poverty reduction and did not critically assess the effectiveness of public policies or how the policies contributed to poverty reduction. The failure to examine poverty trends may be attributed to difficulties in comparing trends based on different poverty incidences estimated at different times. The data and methodology limitations were recognized in CSPs for Bhutan, Mongolia, and Nepal, and these pointed to a need for more ADB assistance in poverty estimations. In cases where there was a discussion of trends in income and nonincome poverty indicators, analysis of factors underlying the trends was weak. Many CSPs did not critically assess the effectiveness of public policies or how the policies contributed to the poverty reduction.

(ii) Causes of poverty and constraints to poverty reduction were often not well analyzed. A good understanding of causes of poverty is a precondition for identifying constraints to poverty reduction and designing appropriate interventions. Poverty can be caused by a lack of economic opportunities due to poor growth, the inability of individuals to participate in the growth process, and/or the absence of effective and adequate social safety nets. Overall, poverty assessments in these CSPs focused more on the inability of the poor to participate in the growth process due to lack of skills, landlessness, or physical constraints such as remoteness and poor transport. The analysis of institutional constraints and social safety nets was weaker. Some CSPs listed slow growth and the narrow growth base as a cause and constraint. However, the underlying reasons were not well articulated. As noted earlier, the constraints to growth were not well analyzed in many growth assessments. Among the six, poverty analysis in the Mongolia CSP was better than the others as it discussed

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3 At the time this Retro 2005 was prepared.
sources of poverty and constraints to poverty reduction, including labor market conditions and how these affected the poor.

(iii) Analysis of income inequality was generally poor. Although many CSPs provided measures of income inequality using indicators such as the Gini coefficient, there was usually only limited analysis of its causes and how it contributed to poverty.

A key weakness of many sector assessments was the lack of in-depth analysis of sector constraints. Sector assessments are key inputs in ADB’s formulation of strategies and programs for DMCs. As part of a country diagnosis, sector assessments should provide analyses of recent trends in performance and the constraints faced by the sectors concerned. These analyses should provide a basis for the recommendations for ADB priorities, forms, and sequences of interventions in each sector. While the Philippines CSP did not summarize sector assessments, the other five CSPs all provided sector assessments in appendixes. Each assessment typically comprised a sector profile and a discussion of sector performance, key sector issues, government development strategy, ADB experience, activities of development partners, ADB strategy, implementation and monitoring, and a sector road map. A sector road map usually outlines a 10–15 year development plan for the sector, including outcomes, outputs, issues and constraints, policy and institutional reforms, and a list of investment projects. A key weakness of many sector assessments was the lack of in-depth analysis of sector constraints, as evidenced below.

(i) Certain types of key sector constraints were often not examined. The most frequently cited sector constraints in the CSPs reviewed were weak institutional capacity and inadequate funding for investment. A DMC’s technological capability, effectiveness of the policy and regulatory framework, governance issues, incentive and information problems, and private sector capacity were often not examined.

(ii) When sector constraints were identified, there was often limited analysis to support conclusions or recommendations. For instance, the Mongolia CSP identified weak institutional capacity as one of the constraints in the transport, education, and health sectors, but there were no discussions of how it had constrained the development of these sectors or how the institutional capacity should be strengthened. The CSP also identified limited private sector participation as a constraint in the transport sector. Again, there was no analysis of the underlying reasons and causes or how private sector participation could be promoted in the sector. Almost all sector assessments in the CSPs reviewed identified inadequate funding as a constraint, but few provided information on total sector funding needs, government fiscal capacities, private sector financing contributions, or gaps to be funded by external donors.

(iii) In some cases, symptoms of problems were mixed with constraints. For instance, the Mongolia CSP identified the main constraints in agriculture as (a) subsistence orientation; (b) natural resource degradation and high risk; (c) inadequate public service provision; (d) low resource base of agricultural households, limited skills, and high risks; and (e) inappropriate approach to agriculture and rural development. Some of these appear to be more of symptoms of problems than root causes or constraints at this level of analysis, because they did not directly point to either market failures or government failures (see Box). The education sector assessment in the Bangladesh CSP provided a good example of identifying problems and constraints. It differentiated sector issues (symptoms) such as low quality, restricted access, and limited absorptive capacity from sector constraints (root causes) of weak policy, the lack of a regulatory framework, weak planning and management capacity, and a lack of interdepartmental coordination.

Most cross-cutting thematic assessments summarized in the CSPs were based on more in-depth, stand-alone reports. ADB has strategic interests in several cross-cutting issues, particularly governance and institutional capacity, gender equality, private sector development, environmental sustainability, and regional cooperation. In fact, assessments on some of these issues are mandatory. In most CSPs, these issues were assessed in the main text and supported by more detailed expositions in appendixes. Most assessments followed a uniform format, covering topics that included key issues and challenges or constraints, government strategy, ADB
experience, activities of other development partners, and ADB strategy. Some assessments on gender and governance discussed sector-specific gender or governance issues (in the Bhutan and Cambodia CSPs for the former and Bangladesh and Bhutan CSPs for the latter). Most of these assessments were based on stand-alone studies prepared by ADB, or jointly by ADB and the World Bank, or by the government with ADB support.

A key weakness of many cross-cutting thematic assessments was the inadequate analysis of whether and how the problems identified constrained growth and poverty reduction. The reason ADB emphasizes cross-cutting thematic issues is twofold. First, some—such as good governance, gender equality, and environmental sustainability—have “intrinsic value” as they can be ends in themselves. Second, these thematic issues have “instrumental value” as they can be an important means to achieve inclusive economic growth and poverty reduction in the country. The analysis of the latter aspect was weak in many cross-cutting thematic assessments.

Among the five cross-cutting thematic issues, assessments of regional cooperation and the private sector appear to be weaker. Overall, there was little or no analysis of shared regional problems or their causes in assessments of regional cooperation in many CSPs. Assessments often focused on the need to tap locational advantages. These confined assessments to national agendas and priorities, and often ignored potential collective actions in producing regional or subregional public goods and services. The analyses of regional cooperation would be improved considerably if factors that trigger cooperation—and the search for common opportunities and solutions—were discussed. In the case of private sector development, assessments of factors that impede private sector development were often weak.

A further problem of country diagnoses in the CSPs reviewed is that economic, thematic, and sector assessments were carried out and presented in a fragmented manner, making it difficult to tell a coherent development story of the DMC concerned. There is also significant room for improving CSP presentations for better clarity, logical flow, and readability. Under existing CSP guidelines and using the prescribed CSP template, economic growth, poverty, cross-cutting thematic issues, and sector performance were assessed under separate headings. The way these assessments were presented in the CSP makes the country diagnosis appear disjoint, lacking a cohesive analytical framework. The fact that different groups were often involved in producing various assessments without adequate consolidation and coordination may have also contributed to this fragmentation.

D. ASSESSING GOVERNMENT DEVELOPMENT STRATEGIES

Assessing government development strategies received significant attention in all the six CSPs, but the assessments could be improved in several areas. ADB assistance needs to be aligned with a government’s development strategy and to complement its development program. Therefore, a critical assessment of the government strategy is an important step in the preparation of CSPs. A government strategy assessment should clearly highlight key ingredients of the medium- and long-term development plan or national poverty reduction strategy (NPRS), including development challenges and constraints, strategy, and program. More importantly, a CSP should assess whether (i) these key ingredients are consistent with ADB’s own country diagnosis and institutional priorities, (ii) the government strategy and program are sound and targeted directly at relaxing binding constraints, and (iii) the plan is feasible in terms of the government’s financial and institutional capacities. The review of the six CSPs suggests that although the government development strategy received significant attention, the assessments could be improved in several areas if judged against these criteria.

The soundness of the government development strategy was assessed in most CSPs. But the weaknesses in country diagnoses outlined above raise concerns over whether these assessments were adequately informed. Development strategies and programs should be targeted directly at relaxing the binding development constraints to achieve maximum development impact. But the weaknesses in country diagnoses—specifically the lack of clear identification of binding constraints—could make it difficult to make an informed assessment of whether a government’s development strategy is sound. Many of the CSPs reviewed provided assessments on the soundness of government development strategies. The Bhutan CSP said that the NPRS provided a sound framework for guiding ADB assistance for
poverty reduction, but it explained that more concrete strategies and action plans would be needed to ensure a credible response to the many constraints and barriers to private sector initiatives. The Nepal CSP stated that the government’s development strategy seemed plausible; its 10th Five-Year Plan was built on sound diagnosis and was conceptually sound, but several of its targets appeared ambitious in light of the prevailing security situation and political instability. The Bangladesh CSP indicated that the NPRS was assessed jointly by ADB, DFID, Government of Japan, and the World Bank—with the four partners agreeing that the NPRS had the requisite ingredients of a sound poverty reduction strategy. But without clearly spelling out the binding development constraints, one could question whether these were informed assessments.

A further area for improving the assessment of government development strategies is to examine a strategy’s overall feasibility. Many CSPs did not assess a government’s institutional capacity for implementing prescribed development plans. In assessing the government’s financial capacity, the Bhutan CSP provided a good example by providing detailed information on the resource requirements of the Ninth Five-Year Plan, including planned outlays for capital investment and current expenditure, sector allocations, projected domestic revenues, funding gaps, and expected external assistance and borrowing requirements. A borrowing capacity assessment provided a detailed analysis of the government’s debt sustainability. The Nepal CSP identified resource requirements of the 10th Five-Year Plan and the funding gap. However, it did not indicate sector-level funding needs and gaps. The Cambodia CSP did not assess the feasibility of the development targets because the government’s Rectangular Strategy did not estimate resource requirements. In the Bangladesh and Mongolia CSPs, there was no discussion of resource requirements or a financing plan, and there were no assessments of the fiscal feasibility of government development plans.

E. ASSESSING ADB’S PAST PERFORMANCE

Assessments on ADB’s past performance in assisting DMCs should strengthen analysis of lessons learned and problems ADB encountered at the sector level. ADB has been a major donor for many years in the six DMCs for which CSPs were prepared, and in some sectors, it has been the lead agency. Assessing the performance of ADB’s past assistance and identifying lessons learned provide insights into what worked and needs to be continued, and what did not work and should be discontinued. Most CSPs drew on findings from country assistance performance evaluations (CAPEs) of the Operations Evaluation Department regarding lessons learned and recommendations for future operations. Because these findings were mainly described at an aggregate level in CSPs, they were insufficient to determine what had worked and should be continued, and what had failed and should be discontinued. Discussions of ADB sector experience in many of the sector assessments focused largely on what ADB provided, and paid inadequate attention to what problems ADB encountered or the challenges it faced.

In assessing the impact of ADB’s past assistance, the CSPs mostly focused on lending volumes, number of projects, and project performance ratings, not on development outcomes and impacts. Although it is not easy to isolate the impact of ADB assistance from those of efforts of the government and other development partners at a broad country level, it would be useful if some measures of development results directly attributed to ADB assistance could be provided—in addition to lending volumes, number of projects, and project performance ratings—to better assess the role and impact of ADB in key areas of operations. For instance, the Nepal CSP indicated that a hydroelectric project supported by ADB provided 27% of the country’s current total generating capacity. This is certainly a more useful way of indicating the role ADB played in the sector than simply providing information in terms of input indicators. As much as possible, assessments on ADB’s past performance should provide indicators of outputs, outcomes, and impacts.

Overall, among the six CSPs, the Philippines CSP did a better job in assessing ADB’s past performance. The Philippines CSP began with a short but clear summary of ADB’s changing pattern of lending volume and modalities and the factors underlying the changes. It assessed the overall appropriateness of past assistance strategies and identified major causes for the below-target outcomes on the basis of CAPE findings. The CSP then reviewed ADB experience in some key operational areas and, in each of these areas, highlighted ADB’s role against that of other donors; ADB’s major achievements in
investing and advising on policy and reforms and their importance to the country and government; problems encountered; and lessons learned. The CSP discussion thus provided a clear picture of the role of ADB assistance in the Philippines in areas where it was operating and the challenges faced.

F. ADB ASSISTANCE STRATEGY

There were some notable deficiencies in articulating ADB assistance strategies in some CSPs reviewed. A sound assistance strategy should be closely linked with a country’s key development challenges and targeted at addressing its binding development constraints. It should also be aligned, to the extent possible, with a government’s development plan and priorities. Furthermore, it should be structured based on lessons learned from ADB’s development experience to ensure that past mistakes would not be repeated, and in close coordination with other aid agencies to ensure that ADB adds value and avoids duplication. The assistance strategy should be articulated by bringing together findings from earlier diagnoses and assessments. Strategy formulation then involves making a number of choices, most importantly, strategic focuses, and sector and thematic areas for intervention. Judged against these, the following were some notable deficiencies in articulating assistance strategies in some CSPs reviewed (Table 6).

(i) There was a lack of clear identification and explanation of the binding development constraints when articulating assistance strategies in some CSPs. What binding development constraints are for a particular DMC depends on the level of analysis. In the context of a CSP, at an aggregate level, if poverty reduction is the overarching development goal, and broad-based economic growth and inclusive social development are identified as key development challenges, binding constraints are those inhibiting DMCs from achieving the goal and addressing the challenges, due to market or government failures. The Philippines CSP made a serious attempt to identify binding development constraints, and clearly spelled them out: fiscal imbalance, weak investment climate, inadequate infrastructure, weak institutional capacity, poor asset management, and geographical inequality.4 The picture for the other five CSPs was more mixed. One problem was that many constraints identified would be considered more as symptoms, in fact, than causes of economic illness: inadequate and narrowly based growth in the Cambodia CSP; a narrow economic base in the Bhutan CSP; social exclusion in the Nepal CSP; and low and unstable rural income in the Mongolia CSP. In the context of a CSP, binding constraints should be of a sector or thematic nature, should be causes rather than symptoms of economic illness, and should directly indicate whether they were due to market or government failures (see Box). Another problem was that, when constraints were discussed, too many of them were often listed without prioritizing, thus limiting their usefulness as a guide for ADB operational planning. The Mongolia CSP, for example, identified eight constraints. The Philippines CSP identified six.

(ii) There was no clear demonstration of the linkages between the strategic focus of ADB assistance and binding development constraints in the countries concerned in many CSPs. The Philippines CSP assistance strategy focused on assisting the government to address the two most binding constraints: fiscal imbalance and weak investment climate. For many of the other five CSPs, however, partly due to the inadequacy in identifying binding constraints, the linkages between the strategic focus chosen for ADB’s country assistance strategies and country-specific binding development constraints were not clearly demonstrated. This raises questions of whether the assistance strategies of these CSPs were sufficiently focused, whether they adequately differentiated the most urgent needs of each country (tailored to cater for country specificities), and whether they have a sound basis for generating maximum development impacts in light of the limited ADB resources available to these DMCs.

The weaknesses in country diagnoses and deficiencies in articulating assistance strategies make it difficult to judge whether the sector and thematic areas selected for ADB intervention were targeting the most urgent needs of the countries concerned.

4 Although it can be argued that geographical inequality is more a symptom than a constraint to poverty reduction at this level of analysis.
### Table 6. Summary of Key Elements of Assistance Strategies in the Six CSPs

<table>
<thead>
<tr>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Cambodia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Goals and Challenges</td>
<td>Poverty reduction through: • Accelerating economic growth • Fostering social development • Reforming institutions</td>
<td>Goal: poverty reduction through economic diversification</td>
</tr>
<tr>
<td>Development Constraints</td>
<td>• Not clearly specified in articulating assistance strategy</td>
<td>• Insufficient urban infrastructure • Growing number of educated, unemployed youth • Weak private sector capacity to tap national and regional market opportunities</td>
</tr>
<tr>
<td>Strategic Focus</td>
<td>• Sustainable economic growth by improving the investment climate • Social development • Good governance</td>
<td>• Investment and sector operations: pro-poor economic growth, social development, good governance • Capacity development • Effective donor coordination</td>
</tr>
<tr>
<td>Sector and Thematic Areas for ADB Intervention</td>
<td>Sectors: agriculture, transport, energy, finance (including small and medium enterprises), education, urban development, health • Thematic areas: governance, private sector development, gender, disaster mitigation, regional cooperation</td>
<td>Sectors: transport, energy, finance, private sector development, urban development • Thematic areas: governance, gender, environment, regional cooperation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mongolia</th>
<th>Nepal</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Goals and Challenges</td>
<td>• Stable, broad-based, economic growth • Inclusive social development</td>
<td>Poverty reduction and conflict reduction through: • Broad-based economic growth • Inclusive social development • Good governance</td>
</tr>
<tr>
<td>Development Constraints</td>
<td>• Inefficient allocation of financial resources • Low agricultural productivity • Widely dispersed population, geographical isolation • Human resource constraints to productivity growth • Limited access to capital • Unemployment • Limited job opportunities for unskilled workers; poor access to education • Limited access of services to poor and remote population</td>
<td>• Rural/urban and regional/ecological divide • Lack of employment opportunity • Social exclusion • Conflict and political instability • Weak implementation, enforcement and institutional capacity, over-centralization, corruption</td>
</tr>
<tr>
<td>Strategic Focus</td>
<td>• Stable, broad-based economic growth • Inclusive social development</td>
<td>Broad-based economic growth • Inclusive social development • Good governance</td>
</tr>
<tr>
<td>ADB Sector and Thematic Areas</td>
<td>Sectors: finance, agriculture, transport, education, health, urban development • Thematic areas: governance, gender, private sector development, administrative consolidation</td>
<td>Sectors: transport and communications; agriculture and rural development; finance and private sector development; energy; regional development; education; water supply, sanitation and urban development; social protection • Thematic areas: governance, gender, private sector development, regional cooperation</td>
</tr>
</tbody>
</table>

Source: Compiled by ERD staff based on the six CSPs reviewed.
An important step in formulating ADB’s country assistance strategy is to select sectors and thematic areas for intervention. In addition to the country diagnosis, this requires considering government development plans, lessons learned from ADB’s past experience, ADB’s value-added compared with that of other donors, and ADB’s institutional priorities and policies. For the Philippines CSP, the selection of sectors and thematic areas for interventions was drawn from the government’s poverty reduction strategy with filters from the ADB country strategy. The CSP, therefore, clearly established linkages between (i) strategic focus, (ii) sector and thematic interventions of ADB assistance, and (iii) binding constraints. For some of the other five CSPs, such linkages were not clearly demonstrated.

G. ADB ASSISTANCE PROGRAM

A well-articulated assistance program should state clearly (i) ADB’s overall financial commitment and financing sources; (ii) issues and binding constraints for each of the selected sectors, thematic areas, and the desired sequences to relax these constraints; (iii) general approaches to selecting operational instruments and lending modalities, considering lessons learned from past experience; and (iv) a list of planned projects and TAs designed to relax the sector-specific binding constraints, including project rationale, financing size, and modality. Judged against these criteria, there were several notable weaknesses in articulating assistance programs in some of the CSPs reviewed.

In some CSPs, sector constraints were not clearly defined in articulating assistance programs, making it difficult to assess the economic rationale of proposed interventions. The issue of sequentially relaxing binding constraints was often not highlighted. The articulation of assistance programs mostly focused on ADB strategies and what ADB planned to do in each sector, ignoring sector-specific constraints. In the Mongolia CSP, for example, emphasis was on country-wide rather than sector-level constraints. The weak discussions on sector constraints in the articulation of assistance programs make it difficult to establish the economic rationale for planned interventions. Because constraints were often not discussed, the sequence required to relax constraints was also absent.

Not all the CSPs adequately discussed the general approach to the selection of operational instruments and lending modalities. This may have something to do with the inadequate analysis of sector constraints, because the type of instruments should be linked to the nature of targets (binding constraints). For example, if the binding constraint is institutional or informational issues, a TA might be the most appropriate instrument of intervention. If the binding constraint is a lack of incentive, policy-based program loans should be considered. Sector or project loans are more appropriate for investment-type binding constraints.

Another weakness in the articulation of assistance programs was that details of planned projects or programs usually were not clearly spelled out, making assistance programs appear to be disconnected from the pipelines of planned interventions. All the CSPs provided lists of pipeline TAs, projects, and programs for the CSP period. Concept papers for the pipeline interventions were also included as appendixes. But in many cases, these proposed interventions were not discussed when articulating assistance programs. This was coupled with the lack of discussion on sector constraints, making it difficult to assess the economic rationale of proposed interventions. This could have serious implications for the next stage of ADB’s operational cycle, particularly in the preparation of project preparatory technical assistance (PPTAs) and RRP’s. ERD’s past retrospectives (2002, 2003, and 2004) suggested that articulation of economic rationale was one of the weakest areas of project economic analysis in RRP’s. The inadequate analysis of sector constraints and insufficient details of proposed interventions in pipelines could partly explain this.5

Among the six CSPs, the Philippines CSP also provides a good example for articulating an assistance program. It clearly showed the link between strategic objectives and sector intervention and the binding constraints that it aimed to relax, and effectively integrated the discussion of the assistance program with the strategy, with a focus on how strategic objectives would be achieved in partnership with the government. The justification of lending modalities was also clear.

5 Retro 2005 also found that the World Bank’s Country Assistance Strategy papers provide much more detailed information about pipeline projects.
A. RRP s APPROVED IN 2005

In 2005, ADB approved 61 public sector projects and programs, amounting to $6.8 billion. Of these, 14 (50.9% of the total value of loan approvals) were in transport and communications; eight (9.1%) in water and sanitation; eight (4.6%) in agriculture, environment, and natural resources; six (11.6%) in governance-related interventions; five (1.7%) in education and health; and four (9.3%) in energy. The balance were in finance, industry, and trade, or were multisector projects or programs (Table 7). In terms of lending modality, there were 35 (42% of the total value of loan approvals) project loans; seven (33.9%) sector loans; nine (12.4%) policy-based program loans; and 10 (10.8%) other

Table 7. Basic Information on RRP s Reviewed

<table>
<thead>
<tr>
<th>By Sector</th>
<th>Loan Amount Approved in 2005 (million)</th>
<th>Percent share</th>
<th>Number</th>
<th>Percent share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and natural resources</td>
<td>314.40</td>
<td>4.6</td>
<td>8</td>
<td>13.1</td>
</tr>
<tr>
<td>Education</td>
<td>58.06</td>
<td>0.9</td>
<td>3</td>
<td>4.9</td>
</tr>
<tr>
<td>Energy</td>
<td>636.50</td>
<td>9.3</td>
<td>4</td>
<td>6.6</td>
</tr>
<tr>
<td>Finance</td>
<td>185.50</td>
<td>2.7</td>
<td>4</td>
<td>6.6</td>
</tr>
<tr>
<td>Health, nutrition, and social protection</td>
<td>57.90</td>
<td>0.9</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Industry and trade</td>
<td>25.00</td>
<td>0.4</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>Law, economic management, and public policy</td>
<td>793.00</td>
<td>11.6</td>
<td>6</td>
<td>9.8</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>3,462.80</td>
<td>50.9</td>
<td>14</td>
<td>23.0</td>
</tr>
<tr>
<td>Water supply, sanitation, and waste management</td>
<td>618.00</td>
<td>9.1</td>
<td>8</td>
<td>13.1</td>
</tr>
<tr>
<td>Multisector</td>
<td>657.32</td>
<td>9.7</td>
<td>11</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>By Lending Modality</strong></td>
<td><strong>6,808.48</strong></td>
<td><strong>100</strong></td>
<td><strong>61</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Project loan</td>
<td>2,819.68</td>
<td>42.0</td>
<td>35</td>
<td>59.0</td>
</tr>
<tr>
<td>Program loan</td>
<td>843.50(^a)</td>
<td>12.4</td>
<td>9</td>
<td>14.8</td>
</tr>
<tr>
<td>Sector loan</td>
<td>2,407.50</td>
<td>33.9</td>
<td>7</td>
<td>9.8</td>
</tr>
<tr>
<td>Credit line</td>
<td>25.00</td>
<td>0.4</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>Technical assistance loan</td>
<td>36.00</td>
<td>0.5</td>
<td>3</td>
<td>4.9</td>
</tr>
<tr>
<td>Special assistance loan</td>
<td>321.80</td>
<td>4.7</td>
<td>3</td>
<td>4.9</td>
</tr>
<tr>
<td>Sector development program – program loan</td>
<td>300.00(^a)</td>
<td>4.4</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>Sector development program – project loan</td>
<td>30.00</td>
<td>0.4</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>Sector development program – sector loan</td>
<td>25.00</td>
<td>0.4</td>
<td>1</td>
<td>1.6</td>
</tr>
</tbody>
</table>

\(^a\) Includes only amounts for the first tranche.
Source: ADB Project Processing Information System database.

\(^1\) Fifty-eight RRP s were approved, three of which were concerned with two operations.
loan types (credit line, TA loans, special assistance loans, among others). Retro 2005 did not cover RRP's for credit lines, TA loans, and special assistance loans. The rest of this chapter is organized into two parts. Part B covers 39 project and sector loan RRP's and Part C reviews 10 program loan RRP's.

B. PROJECT AND SECTOR LOANS

1. Summary of ratings

Each of the six attributes of economic analysis for the 39 project and sector loan RRP's (35 project loans and 4 sector loans)—economic rationale, demand analysis, alternatives analysis, cost–benefit analysis, sustainability analysis, and sensitivity and risk analyses—was rated on the 1–4 point scale. Table 8 summarizes the results.

About half of the attributes of project economic analysis were rated “partially satisfactory” or “unsatisfactory”, with the other half “generally satisfactory” or “fully satisfactory” on average for the 39 project and sector loan RRP's as a whole. Among the six attributes of project economic analysis, cost–benefit analysis2 scored highest (a 3.2 average), followed by sensitivity and risk analyses and sustainability analysis (both 2.7), demand analysis (2.4), analysis of economic rationale (2.3), and alternatives analysis (2.0). More than half of the RRP's were rated either “generally satisfactory” or “fully satisfactory” in the cost–benefit analysis and sensitivity and risk analyses, while more than half were rated either “unsatisfactory” or “partially satisfactory” in the other four attributes. The weakest area of economic analysis was alternatives analysis, with 30 projects (77%) rated as either “unsatisfactory” or “partially satisfactory.”

For most attributes, more projects in transport, energy, water supply, and sanitation were rated as “generally satisfactory” or “fully satisfactory” than in agriculture, natural resources, education, and health. Regional departments need to make greater efforts to improve analysis of economic rationale and of alternatives in social sector and agriculture projects. As shown in Table 9, across economic sectors, hardware projects in transport, energy, water supply, and sanitation showed consistently higher ratings relative to agriculture and social sector projects. The biggest difference is seen in demand, alternatives, and cost–benefit analyses. Agriculture and social sector projects did particularly poorly in demand analysis and alternatives analysis, with barely 9% and 14% of projects rated “generally satisfactory” and “fully satisfactory”, respectively. There may be a temptation to explain the poorer economic analysis of social sector and agriculture projects on the grounds that techniques for economic analysis are better established for hardware infrastructure projects than for other projects. This may be true in areas such as cost–benefit analysis and demand analysis.3 However, there seems to be little reason for the social and agriculture sector projects to have weak

### Table 8. Ratings and Average Scores by Attribute of Economic Analysis—Project and Sector Loans

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Number of RRP's Rated as</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US (1)</td>
<td>PS (2)</td>
</tr>
<tr>
<td>Analysis of Economic Rationale</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td>Demand Analysis</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Alternatives Analysis</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Cost–benefit Analysis</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Sustainability Analysis</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Sensitivity and Risk Analysis</td>
<td>1</td>
<td>18</td>
</tr>
</tbody>
</table>

US means unsatisfactory scored at 1; PS means partially satisfactory scored at 2; GS means generally satisfactory scored at 3; and FS means fully satisfactory scored at 4.

Note: Mean score is the simple arithmetic average of individual scores.

Source: ERD staff estimates.

---

2 Cost–benefit analysis as defined here only involves identifying and, wherever possible, quantifying and valuing economic benefits and costs, and calculating the expected internal rate of return (EIRR). This definition applies throughout the discussions in this chapter.

3 For instance, computer programs are widely available for forecasting demand, assessing project benefits, and conducting sensitivity tests and risk analysis for transport and energy projects. This is not the case for many social and agriculture projects.
analysis of economic rationale and of alternatives. Similar findings were highlighted in the retrospective reviews of 2002 and 2003.

2. Analysis of economic rationale

In many RRPs reviewed, problem diagnosis was generally adequate, but the justification for public sector intervention was often not compelling. At the project or sector level, establishment of economic rationale involves diagnosing problems to be addressed, rationalizing public sector intervention, justifying ADB’s involvement, and assistance modality. A link between the proposed project and the CSP should be established. Problem diagnosis in most RRPs reviewed was generally adequate, but the justification for public sector intervention was often weak. Many failed to discuss issues related to market failures as a result of the public good nature of goods and services, economies of scale, natural monopoly, or externalities; or government failures, such as poor economic management or weak institutions. For example, in the RRP for PRC: Jilin Water Supply and Sewerage Development Project, the discussions centered on water pollution and scarcity and the project’s potential contribution to controlling these problems. A detailed discussion of the public “bad” nature of these environmental problems and the relative efficiency of the public sector would have provided a better justification for public sector intervention.

Some RRPs were poor in justifying ADB involvement in the project and choice of financing modality. Justification for ADB involvement in the RRPs reviewed was typically limited to general statements such as “the project had social benefits” and “the government lacked the means to implement it” and, therefore, “ADB’s assistance was needed.” The justification for choice of lending modality was ignored in many RRPs. As such, opportunities to showcase ADB core competencies and value-added were lost.

Although the articulation of economic rationale leaves a lot to be desired overall, one RRP, VIE: Preventive Health System Support Project, stands out as a good example of economic rationale analysis. The RRP presented a clear and coherent problem diagnosis. The proposed solution to the identified sector problems was based on an analysis of preventive and curative health care, and an assessment of the country’s health system and public institutions. The RRP justified public sector intervention by clearly explaining the lack of incentives to invest adequately in preventive health care because of its public goods nature and positive externalities. ADB involvement was justified by a clear link between the proposed intervention, the CSP, and ADB’s country sector strategy and past experience.

3. Demand analysis

Demand analysis was one of the weakest areas of project economic analysis, and this is especially true for agriculture and social sector projects. Demand analysis assesses consumer demand for goods or services and provides a basis for estimating

<table>
<thead>
<tr>
<th></th>
<th>Analysis of Economic Rationale</th>
<th>Demand Analysis</th>
<th>Alternatives Analysis</th>
<th>Cost–benefit Analysis</th>
<th>Sustainability Analysis</th>
<th>Sensitivity Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Natural Resources</td>
<td>63.6</td>
<td>9.0</td>
<td>9.0</td>
<td>72.7</td>
<td>45.4</td>
<td>45.4</td>
</tr>
<tr>
<td>Energy, Water Supply, and Sanitation</td>
<td>62.5</td>
<td>50.0</td>
<td>50.0</td>
<td>100.0</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Transport</td>
<td>61.5</td>
<td>76.9</td>
<td>23.0</td>
<td>92.3</td>
<td>53.9</td>
<td>53.9</td>
</tr>
<tr>
<td>Education and Health</td>
<td>28.6</td>
<td>14.3</td>
<td>14.3</td>
<td>71.4</td>
<td>28.6</td>
<td>57.1</td>
</tr>
</tbody>
</table>

Note: Transport also includes rural and urban roads.
Source: ERD staff estimates.
economic benefits. A project that does not meet consumer demand will not meet its objectives or generate benefits, resulting in resource wastage and misallocation in the economy. Analysis of tariffs and pricing policy is also an important component of a demand analysis.

Of the 39 RRPs reviewed, eight were rated “unsatisfactory” (as there was no demand analysis), 15 “partially satisfactory”, and another 16 “generally satisfactory” or “fully satisfactory.” Typically, RRPs classified as “partially satisfactory” conducted some analysis of demand, but the presentation lacked substance. For example, the RRP for IND: Chhattisgarh Irrigation Development Project presented at length the results of user surveys, but only briefly discussed farmers’ willingness to pay for water. The RRP for PRC: Central Sichuan Roads Development Project was rated “fully satisfactory” and clearly explained how traffic forecasts were prepared. It also analyzed changes in projected demand based on different prices and economic growth scenarios.

4. Alternatives analysis

Alternatives analysis was not presented in many RRPs, and thus continued to be the weakest area of economic analysis. This is an area of economic analysis that is in critical need of attention by regional departments. Weak alternatives analysis was also a major theme in the 2002 and 2003 retrospective reviews. Alternatives analysis assesses the best way to meet the objectives of a project from a set of alternative, mutually exclusive options such that the project is least-cost or cost-effective. As in the retrospective reviews of 2002 and 2003, alternatives analysis continued to be the weakest area of economic analysis with an average score of 2.0. Of the 39 RRPs, 13 were rated “unsatisfactory” because alternatives analysis was not mentioned, and 17 were rated “partially satisfactory.” Given the importance of selecting the right option for project quality and development impact and ensuring the cost effectiveness of proposed project designs, this is an area of economic analysis that is in critical need of attention by regional departments. Weak alternatives analysis was also a major theme in the 2002 and 2003 retrospective reviews. The RRP for BAN: Gas Transmission and Development Project was the only project with a “fully satisfactory” rating. A thorough comparison of costs for different project designs made clear that the planned investment derived from an analysis of transmission networks using alternative technical specifications. The analysis was supported by computer simulations of locations, lengths, pressure regimes, and scales of compressors and pipelines to identify the least-cost solution.

5. Cost–benefit analysis

Cost–benefit analysis was the most satisfactory of project economic analyses, with about 85% of projects rated as “generally satisfactory” or “fully satisfactory.” A project selected for ADB financing must ensure that its economic benefits sufficiently outweigh its economic costs. This is usually done by comparing project economic costs with benefits and, when possible, calculating an economic internal rate of return (EIRR). A key step in comparing benefits with costs is to establish a counterfactual or “without project” scenario that helps identify the incremental nature of the intervention. Detailed cost and benefit identification and valuation are required when project costs and benefits can be clearly identified, quantified, and valued. When this is not possible, economic viability may be demonstrated on the basis of a project’s economic rationale and cost effectiveness. Important economic benefits that cannot be quantified should also be considered in the analysis. In sector loans, where project activities have yet to be identified, it is important to establish selection criteria for subprojects based on economic considerations such as cost effectiveness and cost-benefit comparisons.

Overall, cost–benefit analysis scored the highest with an average of 3.2 points. Of the 39 projects, only four were rated “partially satisfactory” and two “unsatisfactory”; the remaining 33 projects (85%) were rated as “generally satisfactory” or “fully satisfactory.” The RRP for BAN: Gas Transmission and Development Project is a good example of a cost–benefit analysis. The project was designed to extend gas transmission pipelines into less developed regions of the country. The project conducted the analysis of costs and benefits on the basis of detailed demand forecasts for new and existing end users. Economic benefits were identified based on a counterfactual scenario, quantified, and valued accordingly.

6. Sustainability analysis

Weaknesses in sustainability analysis were largely due to inadequate discussions on a project’s fiscal
implications and the government ability to meet the financial and institutional requirements for operating the project and maintaining output. Project output and development impact will be realized only if the project implementing agency is on a sound financial footing and has the institutional capacity to implement and operate the project over its lifetime. Therefore, a sustainability analysis must assess the financial health of the implementing agency and the effect the project will have on its financial position. In case of revenue-earning projects, the financial sustainability of executing agencies should be carefully reviewed in terms of different revenue sources and their levels (for example, tariffs in a public power utility project). In the case of nonrevenue-earning projects, usually implemented by government departments, the financial analysis should be geared toward assessing the budgetary impact of the project on the implementing agency and the government’s longer-term commitment to it. Similarly, an assessment of institutional sustainability determines whether the implementing agency has the capacity to implement and operate the project over its lifetime.

More than half of projects (21) were classified as either “partially satisfactory” or “unsatisfactory” in sustainability analysis. Some of the RRP’s with a “partially satisfactory” rating only provided very brief discussions to demonstrate the central or local government’s financial capacity to provide required counterpart funds. Some discussed only institutional matters to show that the government had the capacity to operate the project. An example that discussed both is MLD: Regional Development Project II – Environmental Infrastructure and Management. This RRP carefully conducted an affordability analysis of the tariffs and studied consumers’ willingness to pay. It also discussed the project implementation capacity of community-based organizations and nongovernment organizations. Similarly, the RRP for the PRC: Fuzhou Environmental Improvement Project discussed in detail institutional reforms and financial autonomy of the implementing agency to charge wastewater tariffs that covered operation and maintenance costs and loan repayments.

7. Sensitivity and risk analyses

Sensitivity analysis was rated “partially satisfactory” or “unsatisfactory” in about half of the RRP’s, where only simple scenarios of project costs and benefits increasing or decreasing by certain percentages were studied. Sensitivity and risk analyses assess the robustness of the economic viability of a proposed project, given the uncertainties in the future value of certain defined variables. In particular, sensitivity analysis identifies parameters sensitive to the project decision and the extent to which changes in these parameters would result in rejecting the project; and risk analysis assesses the probability that the project EIRR falls below the opportunity cost of capital given simultaneous changes of key sensitive variables. Moreover, sensitivity and risk analyses need to be supported by discussions on mitigating measures that should be incorporated in project design.

Sensitivity analysis was “partially satisfactory” or “unsatisfactory” in about half of the RRP’s. Typically, sensitivity analysis in these RRP’s only looked at scenarios of project costs and benefits increasing or decreasing by certain percentages. One case where the sensitivity analysis was good is SRI: Technical Education Development Project. In this RRP, project benefits were found to be most sensitive to changes in the employment rate of graduates, promotion and completion rate of students, and number of students enrolled. An analysis was then undertaken to determine the extent to which the EIRR would be affected by changes in these key variables. The simulated distribution of EIRRs was presented.

Very few RRP’s performed risk analysis. Regional departments should make greater efforts to ensure that an assessment of risk is part of economic analysis. Only four of the 39 RRP’s performed a risk analysis, three of which were energy projects and one transport. The risk analysis in these four RRP’s indicated the probability that the EIRR would fall below the critical value of 12%. There was no attempt to perform risk analysis in the other 35 RRP’s. For social sector projects, risk analysis may not be easy because some variables, such as those of economic benefits, are not easily quantifiable. However, for those infrastructure projects that did not conduct a risk analysis, costs and benefits were generally well defined and a risk analysis was possible.

C. PROGRAM LOANS

1. Summary of ratings

The assessment of the quality of economic analysis for ADB’s policy-based lending operations covered
10 program loans (including one sector development program loan) approved in 2005 (Table 10). Most program loans were related to governance and financial sector reforms. Among the six attributes of economic analysis, analysis of economic rationale scored the highest (3.5 points), followed closely by program design (3.4), risk assessment (2.9), government reform plan and capacity (2.8), benefit and impact of reform (2.7), and determination of loan size (2.2). A review of each individual attribute is discussed below.

Table 10. Rating Distribution by Attribute of Economic Analysis—Program Loans

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Number of RRPs Rated as</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US (1)</td>
<td>PS (2)</td>
</tr>
<tr>
<td>Analysis of Economic Rationale</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Government Reform Plan and Capacity</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Program Design</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Determination of Loan Size</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Benefit and Impact of Reform</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

US means unsatisfactory scored at 1; PS means partially satisfactory scored at 2; GS means generally satisfactory scored at 3; and FS means fully satisfactory scored at 4.

Note: Mean score is the simple arithmetic average of individual scores.

Source: ERD staff estimates.

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2. Analysis of economic rationale

Many program loan RRPs contained reasonably adequate problem diagnosis. Program loans often involve significant policy reform components. Analysis of economic rationale should focus on problem diagnosis and justification for ADB involvement. Problem diagnosis should assess key institutional, incentive, infrastructural, and informational problems that constrain sector performance. With a few exceptions, most of the reviewed program loan RRPs contained reasonably clear analysis and discussions on major issues, problems, and constraints. In the case of three loans where the program was a series of subprograms or clusters, issues anticipated after the initial intervention were also identified and discussed. Nevertheless, improvement in the treatment of the macroeconomic context could be considered in some RRPs.

Analysis of the justification for ADB involvement could be improved. ADB’s support for policy reform is based on the relevance of the reforms to the government’s macroeconomic and sector objectives and to ADB’s strategic priorities in the DMC. Thus, an RRP should explain why ADB supports the government in its reform efforts. This should be considered in the context of the CSP and experience from previous interventions in the DMC. If other donors are involved, donor coordination should also be assessed. Most RRPs were able to justify ADB involvement, but the justification could have been better explained. In the three RRPs where weaknesses were observed, justifications were not well articulated and the link between ADB interventions and the concerned CSPs was not clearly established. There were also cases where the ADB role in a multi-donor setting was not adequately discussed. The RRP for AFG: Fiscal Management and Public Administration Reform Program is a case in point. There were many donors involved in the areas where the ADB program loan was targeted. As duplication was a significant risk, the rationale for the ADB program should have been more clearly explained.

3. Government reform programs and implementation capacities

There were also weaknesses in the assessments of government reform programs and implementation capacities. The rationale for program lending is to support policy and institutional reform in a DMC or a sector over the medium to longer term. Therefore, the policy reform measures to be implemented under a program loan must be consistent with the government’s own reform plan, the government’s commitment to reform and its capacity to implement the reform measures must be ensured. Most RRPs discussed government reform plans and strategies, but there were several cases where discussions were inadequate. In some instances, the government’s vision and long-term strategy for the sector were
simply listed and an implicit assumption seemed to have been made that the government held ownership and was committed to the reform plan. In others, implementing agencies were simply identified, but their capacity to implement the reform plan was not assessed. For example, in the RRP for AFG: Fiscal Management and Public Administration Reform Program, the executing agency and the oversight and coordinating agency were described and working arrangements between them explained. But there was no assessment of the capacity of these agencies to implement and coordinate the program activities.

4. Program design

Discussions on program design were generally comprehensive in many RRPs, with activities and program components linked to the identified problems. A well-designed program loan is responsive to the objectives of policy and institutional reforms. To ensure that objectives are achieved, the design of the program must (i) link the problem diagnosis with program scope; (ii) link the policy framework with the actions to be undertaken; and (iii) link implementation arrangements with outcomes. Discussions of program design in many RRPs were generally comprehensive and activities and program components were linked with the identified problems. The RRP for PAK: Punjab Resource Management Program (Subprogram 2) is a good example of a well-articulated program with the linkage between activities and outcomes to policy objectives clearly presented.

5. Determination of loan size

Program loan RRPs should provide a sound basis for determining loan size. In the past, loan size was often determined on the basis of estimated adjustment costs arising from policy reforms supported by particular operations. The advantage of estimating adjustment costs is that it requires the government and project mission to thoroughly understand possible economic and social consequences of the policy reforms concerned, and to take such consequences into consideration in designing the program. In practice, however, it is often difficult to obtain credible adjustment cost estimates as a basis for the program loan size due to the complexities of policy reforms and uncertainties involved. Therefore, in recent years there has been a move away from adjustment cost estimation in determining the size of policy-based lending among aid agencies.4 The general approach now is to identify financing needs (including adjustment costs if applicable) of a particular development or reform package supported by a program loan concerned, with portions met by the government and donor agencies, and the amount covered by the loan concerned.5 This can be done by analyzing the government’s medium-term budgetary or expenditure framework or through other budget analyses. In ERD’s view, whichever approach is followed, program loan RRPs should provide and justify the basis of the loan size.

Determination and justification of loan size was the weakest part of the economic analysis of program loans among the RRPs reviewed. Among the 10 program loan RRPs reviewed, five provided estimates of adjustment costs, but there was often a lack of adequate discussion on the basis of the estimates or the distribution of adjustment costs. For instance, in the RRP for PAK: Punjab Resource Management Program (Subprogram 2), a generic statement on the main components of adjustment costs was provided with no explanation. The reference to a supplementary appendix was inappropriate for a matter that comprises the main rationale for the size of the program loan. The other five program loan RRPs did not provide adjustment cost estimates, nor was an alternative basis for the loan size provided. There were either no or only limited discussions on justifications for loan size in terms of budgetary analysis.

6. Benefit and impact of reforms

Analysis of benefits and poverty impacts could be improved by identifying channels through which the benefits and impacts were to be achieved. The benefit and poverty impacts of policy and institutional reforms depend on the nature of the reforms and may not be immediate. Interventions may also be long-gestating, or could be only one part of a sequence of measures to remove constraints to improved economic and sector performance. In these instances, economic analysis should highlight channels and mechanisms through which the proposed reform measures will work. Presumptions regarding the long-run benefits of reforms should not substitute for a detailed analysis of their impact.

4 Such as the World Bank.
5 ADB is currently reviewing the business process for program loan lending, including the determination of loan size.
In many of the program loan RRPs reviewed, benefits and poverty impacts were enumerated and, in some cases, explained at length. However, the channels through which these benefits and impacts were to be achieved were often not mentioned, although channels were sometimes implicit in the discussion of expected benefits. The time dimension of impacts and degree to which the benefits are direct or indirect were also often not explained. A good example of a discussion of benefits and impacts is found in *PAK: Punjab Resource Management Program (Subprogram 2)*. The RRP clearly presented how the effects will work through public sector expenditures and enhanced incentives for service delivery.

7. Risk assessment

The main weakness in risk assessment was in the discussion of risk mitigation. Most program loan RRPs adequately assessed risks to achieving program objectives. They also discussed major factors of the political economy. For example, the RRP for *MON: Financial Regulation and Governance Program* recognized possible resistance from vested interests and the risk of delay in passing legislation (tax reform, new laws against money laundering, and amendments to securities market and cooperatives laws). The recognition of the delay risk was important because delays in legislation were a recurrent problem in Mongolia and would likely have a serious adverse impact on program implementation. The main weakness in many risk assessments was in the discussion of risk mitigation. The RRP for *PHI: Microfinance Development Program*, for example, listed risks, but did not discuss risk-mitigating measures.
Chapter 5

SUMMARY AND CONCLUSIONS

This Retro 2005 reflects three major points of departure from the previous retrospectives. First, on the premise that improvement of project quality-at-entry starts at the identification stage, it extends the coverage to include both CSPs and RRPs. Second, on the basis of “what cannot be measured cannot be managed”, it introduces a numerical rating system. Third, and more important, through the introduction of the concept of binding constraints—a concept as old as development economics itself, but gaining renewed attention—the retrospective elevates the linkage between shadow prices and distortions that underpin all economic analysis of projects to the country and sector levels. This third point of departure has two particularly attractive benefits: (i) it focuses attention on a diagnosis of problem causes (market failures or government failures), the rationale for public sector involvement, and the value-added of ADB interventions; and (ii) the diagnostic approach enables a seamless transition from country strategy to country program to country operations. It is against this analytical framework that the CSPs and RRPs were assessed.

A. MAJOR FINDINGS

Through a systematic review of economic analysis contained in the six CSPs approved in 2004–2005 and the 49 RRPs approved in 2005, Retro 2005 shows that there is significant scope for improving the quality of economic analysis applied in ADB operations. Major areas for improvement are highlighted below.
Findings on Country Assessments, and Assessments on Government Development Plans and ADB’s Past Performance

The most serious weaknesses of country assessments in the CSPs reviewed were, first, a lack of systematic analysis of binding constraints to growth and poverty reduction; second, the often fragmented presentations of economic, thematic, and sector assessments, making it difficult to tell holistic development stories on the concerned DMCs. These problems raise concerns over whether the country assessments provided ADB assistance strategies and programs with sound foundations for achieving maximum development impacts. Some areas for improvement are as follows.

- Growth assessments should more clearly identify and highlight the drivers of growth and binding constraints to growth, and the analysis of macroeconomic policy issues should be more forward-looking.
- Poverty assessments should lead to a better understanding of poverty trends and causal factors, country-specific causes of poverty and constraints to poverty reduction, and income inequality.
- Sector assessments should more systematically diagnose and highlight sector constraints; and cross-cutting thematic assessments should focus more on analyzing how the identified problems constrain growth and poverty reduction.
- Significant efforts are needed to integrate economic, thematic, and sector assessments in CSPs in order to better present coherent development stories on the countries concerned.

On government development plans and ADB’s past performance, the insufficient attention to identifying binding development constraints in ADB’s own country diagnosis raises the question of whether a CSP could make an informed assessment on the government development strategy. The assessment on the feasibility of a government development plan, both in terms of financial and institutional capacities, is another area for improvement. In assessing ADB’s past performance, there is a need for more critical analysis of the problems ADB encountered and the challenges it faces at the sector level, and better demonstration of development outcomes and impacts of ADB assistance.

Findings on ADB Assistance Strategy and Program

For many CSPs reviewed, there was a lack of clear demonstration that country assistance strategies and programs directly target binding development constraints and cater to country-specific needs. This may be partly due to the failure to adequately identify binding constraints in country assessments. This raises questions of whether the assistance strategies of these CSPs were focused enough, whether they have differentiated sufficiently the most urgent needs of each country, and whether they have sound basis for generating maximum development impacts in light of limited ADB resources available to DMCs. This also raises the question of whether the selected sector and thematic areas for ADB intervention and assistance programs designed to implement the strategies could most effectively help DMCs address their development challenges. There were also other weaknesses in articulating assistance programs in several CSPs, as identified below.

- In some cases, sector constraints were not clearly spelled out, making it difficult to assess the economic rationale of proposed interventions. This could have serious implications for the next stages of ADB’s operational cycle—PPTAs and RRP. Many CSPs did not discuss issues of the sequences required to relax binding constraints.
- Not all the CSPs discussed the general approach to the selection of operational instruments and lending modalities.
- The assistance programs sometimes did not clearly spell out details of planned interventions, making assistance programs look disconnected from pipelined projects.
Findings on Economic Analysis of Investment Projects

On economic analysis of investment projects, past successive retrospectives found that the articulation of economic rationale, demand analysis, and alternatives analysis in RRP's were the weakest areas among key areas of economic analysis prescribed by ADB's Guidelines for the Economic Analysis of Projects. This retrospective found that the three remained the weakest areas of economic analyses in RRP's. Specific areas for improvement are as follows.

- There is a need for improving analysis of rationale for public sector involvement and justification for ADB interventions.
- Demand analysis was one of the weakest areas of project economic analysis, and this is especially true for agriculture and social sector projects.
- Alternatives analysis was not presented in many RRP's, and there is need for greater efforts in demonstrating the cost effectiveness of proposed project designs.
- Sustainability analysis needs to improve the discussions on a project's fiscal implications and the government ability to meet financial and institutional requirements for operating projects and maintaining output.
- In many RRP's, sensitivity analysis involved only simple scenarios of project costs and benefits either increasing or decreasing by a percentage.
- Very few RRP's performed risk analysis, and there is a need for greater efforts to ensure that an assessment of risk is part of an economic analysis.

For most attributes, more transport, energy, water supply, and sanitation projects were rated as "generally satisfactory" or "fully satisfactory" than agriculture, natural resources, education, and health; regional departments need to make greater efforts to improve economic analysis in social sector and agriculture projects.

Findings on Economic Analysis of Policy-based Program Loans

On economic analysis of policy-based program loans, although the average score of program loan RRP's was higher than that of project and sector loan RRP's, there were also weaknesses in economic analysis of policy-based program loans.

- The justification for ADB involvement should be better explained.
- There were also weaknesses in the assessments of government reform programs and implementation capacities.
- Determination and justification of the loan size was the weakest part of the economic analysis of program loans in the RRP's reviewed.
- Analysis of benefits and poverty impacts could be improved by identifying channels through which the benefits and impacts can be achieved.
- The main weakness in risk assessment was in the discussion of risk mitigation.
B. STRENGTHENING QUALITY-AT-ENTRY: FUTURE DIRECTIONS

Improving the quality-at-entry of ADB operations hinges on strengthening the quality of economic analysis upstream in ADB’s operational cycle.

Getting it right at a very early stage will lead to large payoffs. Based on the findings summarized in the preceding, the following key messages point to the future directions for improving the quality of economic analysis applied in ADB operations.

- Improving the quality of economic analysis in CSPs starts with strengthening ADB’s ETSW. The adoption of a diagnostic approach in ETSW requires a change in mindset when analyzing development problems and focusing on the identification of binding constraints to growth and poverty reduction in DMCs (see Appendix 1 for examples of how to identify binding constraints).  
- Key ETSW findings need to be carefully distilled and presented in final CSPs in an integrated and coherent manner.
- Insights emerging from ADB’s diagnostic economic analysis should be the basis for critically assessing a government’s development plan and program.
- Strengths and weaknesses emerging from ADB’s past performance in a DMC combined with the above diagnostics should determine the contours of the country assistance strategy.
- Country assistance strategies and programs targeted more directly at assisting DMCs in relaxing binding development constraints will clearly establish ADB’s development role in a DMC.
- Ensuring quality-at-entry of ADB operations requires good economic analysis in CSPs as well as in RRRs. Analysis of economic rationale for a project emanates from linking ADB intervention to the relaxation of binding constraints identified in the CSP; the demand analysis provides the basis for valuing the output stream resulting from relaxing the constraint; the alternative analysis strengthens the adoption of the least-cost option; and the sensitivity and risk analyses are the basis for identifying mitigating measures to reduce risks at the project, sector, and country levels. All of these are areas for future improvement.

1 A diagnostic of ADB’s approach and system for producing ETSW can help strengthen the process. The diagnostic could clarify, among others, the following issues: (i) Has ADB committed enough resources to producing ETSW? (ii) Does the system give adequate incentives to staff to produce quality ETSW products? (iii) Has senior Management given sufficient attention and adequate oversight to ETSW? (iv) Is the existing ADB business process conducive to producing quality ETSW? (v) What can ADB learn from other development partners in ETSW? ETSW is the central part of World Bank’s country and sector analysis, absorbing approximately 75% of World Bank resources devoted to preparing new lending. The World Bank estimated that $1 spent on ETSW on average yields between $12 and $15 of development impact (see Deininger et al. 1998).

2 Earlier ADB efforts to identify binding constraints to growth and poverty reduction, such as those by Pacific Department and SPD, are noted. See Duncan and Pollard (2002).
C. POSSIBLE RESPONSES

Economics and Research Department: Reorienting Its Approach to Advisory Services

- Strengthen its research and analytical work, focusing on pilot growth diagnostic studies in selected DMCs
- Undertake focused economic analysis retrospective reviews of ADB operations
- Develop and improve economic analysis methodologies and act as a focal point/resource center for such methodological issues
- Offer learning programs on the economic analysis of projects and programs to ADB staff

Economic analysis retrospectives are targeted at ERD staff, regional departments, and Management. ERD’s responses will focus on strengthening its efforts to bridge literature with operations and bringing knowledge distilled from operations to literature. In this regard, ERD is in the process of reorienting its advisory services toward providing quality support at earlier stages in the operational cycle. This reorientation is an outcome of previous retrospectives of economic analysis, which indicated that ERD’s advisory services are likely to be most useful at the CSP and PPTA stages when missions have the greatest potential to respond. ERD will support this reorientation process through the following actions.

ERD will continue to review and comment on key ADB operational documents, with a particular focus on CSP initiating papers, CSPs, and TA papers. The comments on draft RRPs will focus on key issues identified in CSP and TA papers. Through this reorientation, ERD aims to develop a more constructive relationship with regional departments, with a view to contributing more effectively in improving quality-at-entry of ADB operations.

ERD’s country-specific studies on binding development constraints and their sequential relaxation should be complemented by similar sector studies. The lessons learned and insights gained would be very useful in preparing sector road maps with good and bad practices identified as applicable to sectors in countries at similar stages of development. In this regard, the Regional and Sustainable Development Department would have an important role to play.

Retro 2005 highlights the importance of the knowledge and analytical content of CSPs for informed decision-making. The distillation in a CSP of the knowledge and experience gained in working with a DMC enables ADB to take a view and, on that basis, adopt certain positions with respect to the DMC. The subsequent policy dialogue would be pivotal in shaping ADB strategy, program, and operations. The insights from Retro 2005 indicate the directions of introspection and action that the regional departments might wish to consider in order to strengthen ADB’s relevance and responsiveness to both bolster quality-at-entry and demonstrate ADB’s uniqueness and distinctiveness. While Retro 2005 identifies directions for improvements, it is for the regional departments to determine their plan of action.

Management is sensitized to the major shortcomings in economic analysis of ADB operations, and the implications for establishing relevance and responsiveness at the strategy and program stage, and economic viability at the project level. This information is relevant in Management’s decision-making on strengthening their stewardship over ADB operations.

Retro 2005 has expanded the scope of economic analysis to include both CSPs and RRPs. In doing so, it has initiated a fundamental shift in terms of moving from a piecemeal to a systems approach, where each component is explicitly linked to other components in a cascading manner. It is hoped that the findings of Retro 2005 could be used as a basis to undertake major changes in applying economic analysis at the ETSW, CSP, and RRP stages, in order to achieve a quantum improvement in the quality-at-entry of ADB operations. In turn, this should contribute toward strengthening ADB aid effectiveness.
The work on growth diagnostics, pioneered by Harvard professors Ricardo Hausmann, Dani Rodrik, and Andres Velasco (2005), represents a key element in the efforts to search for new approaches to growth strategy. Their framework—a strategy for discerning policy priorities and their desired sequence—was based on three considerations. First, while development is a broad concept entailing the raising of human capabilities in general, they believe increasing economic growth rates is the central challenge that developing nations face. Second, trying to come up with an identical growth strategy for all countries, regardless of their circumstances, is not likely to prove productive. Third, it is not helpful to provide governments with a long, unprioritized list of reforms, which may not be targeted at the most binding constraints on economic growth and development.

The growth diagnostics framework is aimed at identifying binding constraints on economic activity, and hence a set of policies, which once targeted on these constraints, is likely to have the greatest impact. The methodology developed can be conceptualized as a problem tree (Figure A1). It begins by asking what keeps the level of domestic investment and entrepreneurship low. Is it inadequate returns to investment, inadequate private appropriability of the returns, or inadequate finance? If it is a case of low returns,
is that due to insufficient levels of complementary factors of production (such as human capital or infrastructure)? Or is it due to poor access to appropriate technologies? If it is a case of poor appropriability, is it due to high taxation, poor property rights and contract enforcement, labor-capital conflicts, or learning externalities? If it is a case of poor finance, do the problems emanate from domestic financial markets or external ones? And so on.

At each node of the problem tree, the method looks for diagnostic signals that would help answer the question one way or another on the basis that “If story A is correct, signals x, y, and z must be present.” There are two types of diagnostic signals that one can look for: price signals and nonprice signals. Examples of price signals are returns to education, interest rates, and cost of transport. For instance, if education is undersupplied, returns to skills/education should be high and the unemployment for skilled people should be low. If investment is constrained by savings, interest rates should be high and growth should respond to changes in available savings (for example, the inflow of foreign resources). If poor transport link is a serious constraint, bottlenecks and high private costs of transport would be observed. The use of nonprice signals is based on the idea that when a constraint binds, it results in activities designed to get around it. Here are few examples: high tax tends to lead to high informality; poor legal institutions result in high demand for informal mechanisms of conflict resolution and contract enforcement; and poor financial intermediation leads to internalization of finance through business groups. Cross-country and cross-period benchmarking can be used to gauge whether particular diagnostic evidence signals a binding constraint for the country concerned.

The growth diagnostics approach provides a useful analytical framework for thinking about development challenges and binding constraints in developing member countries (DMCs) when working on country strategy and programs (CSPs). But realizing its operational potential remains a challenging task and requires the creativity of the analysts and repeated use. This approach also suggests that identifying binding constraints is more a “disciplined art” than “science.” It points to the importance of in-depth knowledge of the economy being analyzed and the need for in-depth, country-specific studies.

The diagnostic approach can also be applied at a sector or project level. One report and recommendation of the President (RRP) reviewed by Economics and Research Department (ERD) recently proposed a program loan to a DMC to assist in debt resolution for the cotton sector. According to the RRP, the country’s cotton sector has been suffering from a debt overhang problem in recent years, and this undermines the sector’s long-term sustainability. ERD developed the following problem tree that would be a useful road map for diagnosing the root causes or binding constraints of the debt overhang (Figure A2). It starts by asking whether the debt overhang is due to the legacy of state-owned farming or low profitability of the cotton sector. If due to low profitability, is it because of low cotton prices, low productivity of cotton production, or high input prices? If it is a problem of low productivity, is the problem caused by low farmer incentives (due to, say, insecure land tenure, excessive taxes, or production restrictions); poor technology; deteriorating land quality; or adverse weather conditions? If low profitability is due to high input prices, are they caused by government controls on intermediate input prices, monopolistic market structure of grining services, high transport cost due to poor infrastructure, or poor financial intermediation? And so on. By going through the problem tree and looking for signals and evidence, binding constraints to improving financial performance of the country’s cotton sector, due to either market failures or government failures, can be identified and policy responses devised.
Figure A2. Identifying Binding Constraints at a Sector/Project Level

- Debt overhang
  - Low profitability
    - Low cotton prices
    - Government price controls
    - Adverse weather conditions
    - Poor technology
    - Poor land quality
    - Salinity and water-logging problems
    - Deteriorating irrigation facilities
  - Low productivity
    - Sluggish world demand
    - Insecure land tenure
    - Inadequate cotton grading system
  - High input costs
    - High costs of financial services
    - High cost of transport services
    - High costs of processing services
    - Excessive taxes
    - Production quotas and restrictions
    - Monopolistic structure of ginning services
  - High costs of transport services
    - Poor transport
    - Insecure land tenure
  - Debt legacy on state-owned farms
    - High costs of processing services
    - Inadequate cotton grading system and classification
    - Monopolistic pricing and state-price controls on intermediate inputs

- Adverse world conditions
  - Low productivity
  - Low profitability

- Low productivity
  - Low profitability
  - Low cotton prices

- Low profitability
  - Low cotton prices
  - Government price controls

- Low cotton prices
  - Debt overhang
  - Government price controls

- Government price controls
  - Debt overhang
  - Low profitability

- Debt overhang
  - Low profitability
  - Low cotton prices

- Low profitability
  - Low cotton prices
  - Government price controls

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  - Government price controls

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  - Low profitability

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  - Low cotton prices

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  - Government price controls

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  - Low profitability

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  - Low profitability

- Low profitability
  - Debt overhang
  - Low cotton prices
Appendix 2

REVIEWED COUNTRY STRATEGY AND PROGRAM (CSP) PAPERS

Appendix 3

REVIEWED REPORTS AND RECOMMENDATIONS
OF THE PRESIDENT (RRP)
(Project/Program Title)

Investment Projects and Sector Loans

1. AFG: Power Transmission and Distribution Project
2. AFG: Western Basins Water Resources Management Project
3. AZE: East-West Highway Improvement Project
4. BAN: Agribusiness Development Project
5. BAN: Gas Transmission and Development Project
6. BAN: Second Urban Primary Health Care Project
7. BAN: Southwest Area Integrated Water Resources Planning and Management Project
8. BHU: Road Network Project
9. PRC: Central Sichuan Roads Development Project
10. PRC: Fuzhou Environmental Improvement Project
11. PRC: Henan Wastewater Management and Water Supply Sector Project
12. PRC: Hunan Roads Development III
13. PRC: Jilin Water Supply and Sewerage Development Project
14. PRC: Sanjiang Plain Wetlands Protection Project
15. PRC: Zhengzhou-Xi’an Railway Project
16. FIJ: Alternative Livelihoods Development
17. IND: Chhattisgarh Irrigation Development Project
18. IND: Kerala Sustainable Urban Development Project
19. IND: Rural Roads Sector II Investment Program
20. INO: Community Water Services and Hearth Project
21. INO: Road Rehabilitation-2 Project
22. INO: Rural Infrastructure Support Project
23. LAO: Greater Mekong Subregion Nam Theun 2 Hydroelectric
24. MLD: Regional Development Project, Phase II — Environmental Infrastructure and Management
25. PAK: Agribusiness Development Project
26. PAK: National Highway Development Sector Investment Program
27. PAK: Rawalpindi Environmental Improvement Project
28. REG: Establishment of the Pacific Aviation Safety Office Project
29. SAM: Education Sector Project II
30. SRI: Local Government Infrastructure Improvement Project
31. SRI: National Highways Sector Project
32. SRI: Technical Education Development Project
33. SRI: Tsunami Affected Areas Rebuilding Project and the Northeast Community Restoration and Development Project II (Special Procedure)
34. TAJ: Dushanbe-Kyrgyz Border Road Rehabilitation Project (Phase II)
35. UZB: Information and Communications Technology in Basic Education Project
36. VIE: Central Region Transport Networks Improvement Sector Project
37. VIE: Central Region Water Resources Project
38. VIE: Northern Power Transmission Expansion Sector Project
39. VIE: Preventive Health System Support Project

Program Loans

1. AFG: Fiscal Management and Public Administration Reform Program
2. CAM: Financial Sector Program
3. INO: Development Policy Support Program
4. INO: Local Government Finance and Governance Reform Sector Development Program
5. KGZ: Banking Sector and Capital Market Development Program
6. MON: Financial Regulation and Governance Program
7. PAK: Balochistan Devolved Social Services Program
8. PAK: Punjab Resource Management Program (Subprogram 2)
9. PHI: Microfinance Development Program
10. VIE: Support the Implementation of the Poverty Reduction Program II

Legend:

AFG: Afghanistan AFG: Afghanistan
AZE: Azerbaijan AFG: Afghanistan
BAN: Bangladesh BAN: Bangladesh
BHU: Bhutan BHU: Bhutan
CAM: Cambodia CAM: Cambodia
PRC: People’s Republic of China JAP: Japan
PHI: Philippines PHI: Philippines
IND: India IND: India
INO: Indonesia INO: Indonesia
KGZ: Kyrgyz Republic KGZ: Kyrgyz Republic
LAO: Lao People’s Democratic Republic Lao People’s Democratic Republic
MNL: Malaysia MNL: Malaysia
MON: Mongolia MON: Mongolia
PAK: Pakistan PAK: Pakistan
PHI: Philippines PHI: Philippines
REG: Regional PHIL: Philippines
SAM: Samoa SAM: Samoa
SRI: Sri Lanka SRI: Sri Lanka
TAJ: Tajikistan TAJ: Tajikistan
UZB: Uzbekistan UZB: Uzbekistan
VIE: Viet Nam VIE: Viet Nam

Economic Analysis Retrospective 2005 Strengthening Quality-at-Entry of ADB Operations


