

SOME PROBLEMS IN ECONOMIC ANALYSIS

WORLD BANK EXPERIENCE

Introductory Course on Economic Analysis of Investment Projects

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Does it really affect decisions?

- For many projects decision to go ahead taken before economic analysis not after
- Limited time max 20 days preparation
- Analysis conducted by sponsors or consultants working for them
- Bank managers do not place high weight on analysis
- Weak incentive for Bank staff to do detailed work

Technical Problems

- Optimistic assumptions with no lessons drawn from experience of past projects
- Rationale public intervention not always explained
- Comparison of alternatives often not carried out properly
- Risks handled routinely with no influence on project design

Technical Problems

- Even in hard to value sectors no effort made to show how large unquantifiable benefits would need to be to justify project
- Little link with poverty reduction objective
- Project sustainability not always shown
- See IEG Report on Cost Benefit Analysis in World Bank projects 2010

Thank you.