



RE-400

***APPROACH PAPER:
EVALUATION OF REGIONAL
PROGRAMS AT THE IDB***

Office of Evaluation and Oversight, OVE

Inter-American Development Bank
Washington, D.C.
October, 2011

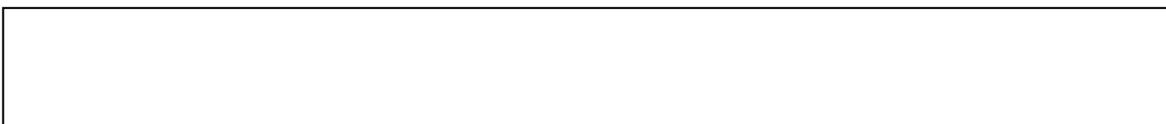


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I. INTRODUCTION

- 1.1 In a globalizing world, the number of challenges that go beyond national borders is increasing, and so is the need for countries to find coordinated solutions. One example of this is communicable diseases (*e.g.* avian flu). It is impossible for a single country to control them in isolation because disease agents cross borders. But this is not the only example: drug-related violence, natural disaster mitigation, and financial contagion all involve substantial cross-border externalities. In addition to addressing externalities, regional coordination can also enhance efficiency. For example, trade or financial integration results in wider markets and increased economic efficiency. In this case, countries get additional benefits from working in a coordinated fashion.
- 1.2 The Bank has long been aware of the potential benefits of promoting regional integration and the provision of regional public goods.¹ As a consequence of IDB-8, in 1994 the Bank created a dedicated department of Integration (INT). INT supports countries with policy-relevant research and technical support on integration, including loans and technical assistance in order to build national and regional trade capacities. INT also advises Bank management on regional developmental issues as well as strategies and programs in these areas.
- 1.3 In 2003, IDB approved its first “regional integration strategy”. That document (GN-2245-1) found that despite the increase in the number of formal trade agreements, the results of international integration were both mixed and unevenly distributed within individual sectors in specific countries: Non-tariff barriers persisted, regional infrastructure lagged behind, and regional institutions were weak. The strategy called for the Bank to strengthen the relationship between its national and sub-regional programming. It also identified new opportunities for collective action as economies became more intertwined.
- 1.4 In 2004 the Bank launched its Regional Public Goods Initiative (RPGI). With a yearly allocation of \$10 million, the RPGI finances small projects through grants assigned on a competitive basis. Since 2005, the initiative has proposed for approval 82 projects involving topics such as biodiversity, citizen security, rural development, human trafficking, and public debt management.² Typical outputs of RPGI projects include strategic plans, monitoring systems and regional information systems. Given the limited size of each project, RPGI sees itself as an “incubator” of regional public policies.
- 1.5 IDB has recently increased its commitment to working regionally. In the GCI-9 report (AB-2764), the Bank established “competitive regional and global international integration” as one of five sector priorities. This document also requested that management produce a new regional integration strategy (GN-2565-4). In addition to that, GCI-9 identified the areas of current involvement as

¹ In fact, IDB has been supporting integration since its foundation in 1959. In the evaluation of the implicit regional strategy (RE-265), there is a chronological account of the evolution of such support.

² In the 2011 report (OP-582), the administration informed that there were 73 projects approved and 9 projects recommended for approval in 2011. As of October 25th, 2011, 5 of these projects have been approved.

well as new business development areas for each of the sector priorities. For regional and global integration, the future development areas for the Bank include multi-country infrastructure projects, coordination of national sovereign operations featuring cross-border externalities, and large scale regional public goods. The Bank has further committed to increase “lending to support regional integration and cooperation” from 10 to 15 percent of total lending by 2015.³

- 1.6 This approach paper presents the framework for the evaluation of IDB’s regional operations between 2000 and 2011. The objective of the evaluation is to assess the Bank’s role in identifying and contributing to the coordinated solution of transnational challenges. In this context, the evaluation will pay special attention to the role of the Regional Public Goods Initiative. Since this evaluation comes at a time when the Bank is increasing its financial involvement in regional and global integration, it will focus on distilling lessons from the strategic and operational experience of the Bank. In areas where this experience is scant, the evaluation will be complemented by an analysis of activities of other Multilateral Development Banks (MDBs).⁴

II. THE EVALUATION

A. Definition and Scope

- 2.1 This evaluation takes a relatively narrow approach by limiting its scope to activities with a specifically transnational character. For the purposes of this evaluation, a project will be considered transnational if it aims to tackle a problem for which there is value-added if multiple countries act together. In other words, **a project is transnational if there are additional benefits to a country from having a coordinated approach with other countries.** For instance, a single housing project or a housing project replicated in a few countries would not be transnational, as the nature of the problem is such that it can be efficiently tackled at a national level. In contrast, the protection of biodiversity in a multi-country area (*e.g.* Central America) would in principle be transnational, as no individual country could reap the same benefits acting alone.
- 2.2 This definition of transnational projects includes only a fraction of the trade and integration projects of the Bank. In particular, it excludes any national intervention that does not involve substantial cross-border externalities, irrespective of whether such interventions contribute to the Bank’s regional and global integration priorities. The typical transnational intervention is related to the regional public good initiative (RPGI) or the regional technical cooperation program of the Bank.
- 2.3 Based on the definition of transnational projects stated above, the evaluation will distinguish between the projects that involve multi-country execution and those that do not. This distinction is relevant as execution challenges tend to be more

³ IDB, 2010, Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764). See “IDB Results Framework” (p.3) within that document for the lending targets.

⁴ The World Bank and the African Development Bank have recently been evaluating their multi-country operations.

severe in projects with multi-country implementation.⁵ More specifically this evaluation will distinguish between:

- a) **Non-transnational projects:** Projects that do not meet the evaluation definition of transnational.
- b) **Transnational projects with independent single-country implementation.** Projects that are transnational in the sense defined above but involve independent national execution. For instance, a *regional* plan for disaster prevention and mitigation would be considered a transnational project irrespective of whether the program is implemented by a single execution agency or by several agencies in individual countries.
- c) **Transnational projects with multi-country implementation.** This is the purest form of transnational projects. Not only does the challenge require a common approach, but this common approach is accompanied by multi-country implementation. An example of this would be the construction of an integrated electricity network or other large multi-country infrastructure projects.

B. IDB's Transnational Portfolio

- 2.4 The Bank does not have a pre-defined portfolio based on the above classification. Rather, IDB has an operational classification of regional projects based on a definition of whether there are regional or national benefits.
- 2.5 The universe from which the evaluation portfolio will be selected includes loans, guarantees and technical cooperations (RG and RS operational codes) classified as regional by the Bank. Other national operations that are unequivocally linked to transnational challenges are also included. The evaluation will explicitly exclude operations whose purpose is to generate lessons learned for the region (*e.g.* “best practices” in a specific sector), unless they refer to a transnational challenge as defined above.
- 2.6 The universe for the evaluation portfolio will include all regional operations approved between 2000 and 2011. The year 2000 heralded a new stage in Latin American integration characterized by new institutions (like UNASUR founded in 2008) and an export-oriented focus. In this new logic of increased competitiveness, the Bank supported initiatives like IIRSA—in 2000—and PPP—in 2001—that tried to address the region’s secular underinvestment in

⁵ In 2007, the World Bank evaluated its multi-country operational portfolio. The evaluation found that designing projects that distribute costs and benefits equitably and implementing them in a coordinated fashion posed many challenges. Similarly, the African Development Bank (AfDB) found that executing regional operations was up to 50% more expensive than single-country operations. See AfDB, 2008, “Strategic and Operational Framework for Regional Operation”, January 8th. and IEG-World Bank, 2007, “The Development Potential of Regional Programs, An Evaluation of the World Bank Support of Multicountry Operations”.

infrastructure.⁶ The perspective over a decade will provide a useful medium-term view of the Bank’s response.

- 2.7 The two criteria explained above (2.5 and 2.6) define a universe of 2,003 loans and technical cooperations (TCs), to which the definition of transnational project will be applied (2.1). This universe represents about 28 percent of the operations approved in the period (7,194) but only 6 percent of the amounts approved (\$98 billion).⁷ Most of the projects are grants (1,922), while the rest are loans and guarantees (81). Though small in number, the latter represent about 84% of the total amounts approved. The portfolio is relatively mature, with 70 percent of the TCs and 38 percent of the loans completed. In terms of size, 18 percent—370 projects—correspond to loans and TCs for over \$750,000, 24 percent—475 projects—to TCs with amounts approved between \$150,000 and \$750,000, and 58 percent—1,158 operations—correspond to TCs of less than \$150,000.

C. Evaluation Questions

- 2.8 The evaluation will use the standard OECD-DAC criteria of relevance, effectiveness, efficiency, and sustainability. The desk review analysis of the Bank involvement with Regional Public Goods suggests that issues of both internal organization and beneficiary demand are recurrent in regional projects. Therefore, the evaluation will consider the additional *ad hoc* evaluative criterion of “incentives” explained below. In addressing sustainability, the evaluation will pay special attention to the role of the Bank supporting long-term institution building for regional cooperation. The key evaluation questions for each category are outlined below.

2.9 *Relevance*

- a. Programming
 - i. To what extent did the Bank’s programming process (including country and sub-regional strategies) address the main transnational development priorities?
 - ii. For what challenges are transnational interventions called for? (For instance, a regional design is indispensable in the case of shared natural resources or a regional public good, but it might be redundant in cases where a specific intervention model is replicated in the region).
- b. Design: To which extent did the bank take into account the relevant context in the design of transnational operations?

⁶ Strictly speaking, PPP included not only infrastructure integration but also social and environmental development. More specifically, PPP included initiatives on two axes of integration: Productive Integration and Competitiveness (transportation, energy and telecommunications) and Social and Environment Development (Human development, sustainable development, natural disaster prevention and tourism). In practice, the vast majority of the PPP portfolio was concentrated in infrastructure integration (87%) and particularly transportation (76%) and energy (11%). See OVE, RE-350, p.5.

⁷ The presented 6 percent is not incoherent with GCI-9 baseline of 10 percent as this last figure was calculated for a different period (*i.e.* 2006-2009). These years, particularly 2006-2007, saw important approvals under IIRSA that increased the amount of regional lending.

- i. Did the Bank identify the key partners for the challenge that it is trying to tackle?
- ii. Did the objectives specified for programs and individual operations address the key issues?
- iii. Was the program design consistent with the institutional capacity of the participating countries and regional institutions?
- iv. Was the cost-sharing mechanism proposed consistent with full ownership of each of the participating countries?
- v. To what extent was the participation of the Bank relevant to the solution of the challenge (*e.g.* key comparative advantage, expertise, geographical scope)?
- vi. How does the Bank project fit with other donors' and national programs?

2.10 *Effectiveness*

- a. Were the objectives of the interventions achieved or are they likely to be achieved?
- b. Did the Bank contribute to the coordination of national and regional activities?
- c. Was the monitoring and evaluation system adequate to measure results both at a country and regional levels?
- d. How did the Bank's involvement in particular regional initiatives (*e.g.* IIRSA, PPP) contribute to the Bank's national portfolio and operations?

2.11 *Efficiency*

- a. Were the benefits of the programs commensurate with the costs?
- b. To what extent did the Bank help to minimize transaction costs during implementation?
 - i. What execution models worked well (*e.g.* single multinational execution agency, multiple national agencies)? Under which conditions?
 - ii. Did the Bank support coordination of activities in different countries?
 - iii. Did the Bank strengthen national and regional capacities before and during execution so as to minimize time and costs?
- c. To what extent did the internal organization of the Bank affect the costs of the program?
 - i. Were Bank processes and the internal division of labor cost-effective?
 - ii. Was the mix of instruments supplied by the Bank appropriate?

2.12 *Sustainability*

- a. To what extent are the outcomes likely to be sustainable?
- b. To what extent did the Bank contribute to developing institutions to support the sustainability of the intervention?

- 2.13 *Incentives*: Was the structure of incentives compatible with multi-country lending?
- a. Country Incentives: Do MDBs—and the IDB in particular—provide countries with positive incentives for regional coordination?
 - b. Bank Incentives: To which extent do internal incentives within the Bank affect transnational operations?

III. ORGANIZATION, ACTIVITIES, AND TIMELINE

- 3.1 *Defining the Evaluation Sample*: The evaluation will be conducted in stages. In the first stage, OVE will identify the relevant transnational portfolio of operations that fulfill the basic criteria through an application of a brief questionnaire to exclude misclassified operations. The criteria will be applied to all operations above \$150,000 and to a 10 percent sample of the operations below \$150,000.
- 3.2 Only operations that are considered transnational will pass on to the second stage; the rest will not be analyzed other than in aggregate financial terms. Of the remaining operations, OVE will choose a sample of 10 to 25 percent—the final number depending on how many operations are discarded in the first stage. This sample will be representative of the sectors. When possible, multi-country implementation projects will be oversampled. It is expected that these steps will result in a final portfolio of 100 to 200 operations for analysis.
- 3.3 As one of the goals is to evaluate the Regional Public Goods initiatives, all the TCs approved (or in pipeline) under this modality—82 operations—will be included in the evaluation portfolio irrespective of whether they meet the evaluation’s transnational criteria.
- 3.4 *Learning from other MDBs*: The assessment will look in detail at the experience of other MDBs trying to operate regionally both in LAC (e.g. Corporación Andina de Fomento, Central American Bank of Economic Integration, WB-LAC region) or in other regions (e.g. AfDB, Asian Development Bank (ADB), European Investment Bank (EIB)). It will also look at other cases of integration, particularly infrastructure integration (e.g. Trans-European Networks, EU). The purpose of these investigations will be to understand both the structure of incentives that influences regional operations and the solutions other organizations have found (e.g. instruments).
- 3.5 *Interaction with Other Evaluations*: OVE evaluated IIRSA and PPP in 2008 and 2009 (RE-338 and RE-350). This evaluation will draw on their results, updating them as necessary. Other related evaluation is that of the MIF that OVE is now carrying out. To the extent possible, this evaluation will draw on project-level information gathered by it.⁸
- 3.6 The evaluation will use to the following main **sources of evidence**:

⁸ There are many other related evaluations like the evaluation of regional technical cooperations (RE-253), the implicit Bank strategy for integration (RE-265), the evaluation of regional policy dialogue networks (RE-316), the processes managing technical cooperation (RE-364). Only the most directly related are mentioned in the text.

- a. *Literature review*: The evaluation will look at the available evidence on cross-border externalities and public goods (especially regional public goods), focusing on two aspects: 1) the conditions under which a common approach makes sense and, 2) the most relevant cross border externalities in the LAC region. The document will also review the literature on trade and integration, stressing the recent evolution of the Latin America integration process in relation to more advanced integration processes (EU, ASEAN).
- b. *IDB's operational policies, programming documents and strategies*: The evaluation will assess IDB's intent through programming documents such as sub-regional and country strategies approved during the period.⁹ These include the Bank's regional integration strategy (GN-2245-1) approved in 2003 and the more recent sector strategy to support competitive global and regional integration (GN-2565-4) approved in 2011. Finally, in order to assess intra-bank incentives, the evaluation will examine procedural aspects and Bank policies.
- c. *Project Documentation*: A sample of projects—see discussion above—will be chosen for further analysis. The evaluation will analyze all available project documentation (Loan Document, PPMRs and PCRs). The evaluation will look at all available administrative and financial information including amounts approved, amounts cancelled, time to disburse, staffing, and budget allocations.
- d. *Interviews/Field Visits*: Project documentation will be complemented with interviews with key Bank actors (*e.g.* project teams, integration department), sub-regional institutions (*e.g.* MERCOSUR), and other multilateral financial institutions in the region (*e.g.* CAF and CABEI) or in other regions with more experience with multi-country operations (*e.g.* WB, AfDB, ADB, EIB). The evaluation will include a sample of field visits to Bank projects (particularly RPGs) that is representative of the Bank's activities by sector and region.
- e. *Case studies*: The evaluation will conduct two to four case studies in order to have a holistic understanding of the Bank's role in addressing common regional challenges. The idea is to look at the full cycle of the Bank intervention, from identification to sustainability. In particular, each case study will look at the role of the Bank in the identification of the regional challenge, the consensus building process that led to the common approach, the financial contribution of the Bank, the operational challenges related to multi-country implementation, and the role of the Bank in strengthening post-project coordination—possibly through regional institutions—so as to ensure the sustainability of the investments. Possible case studies include the Bank's contribution to the common

⁹ IDB produces regional strategies for Mercosur, Caribbean Community, Central America and Andean Community. Regional programming, that had gained momentum after IDB-8, was weakened after the realignment. All the regional papers are now outdated.

management of the Lempa River Basin (CA0034) or SIEPAC electrical interconnection (CA0035). In both of these cases the Bank support was extended and involved the use of different instruments (regional TCs, RPGs, MIF TCs, loans).

- f. *Quality of Analytical outputs*: In some cases, to assess effectiveness it may be necessary to consider the quality of outputs (e.g. standards, frameworks). This is particularly important for RPGs and other “software” interventions. Experts will be hired as needed to assess the quality of outputs.
- g. *Bank Staff Survey*: As part of the evaluation, an internal survey to Bank staff will be conducted. It will include questions about the internal organization and corporative incentives related to multi-country operations.

3.7 **Evaluation Matrix**: The next table presents the relationship between key questions and the main sources of evidence that will be used to answer them.

<i>Criteria</i>	<i>Question</i>	<i>Lit. review</i>	<i>Policies and strategies</i>	<i>Project documentation</i>	<i>Interviews</i>	<i>Case studies</i>	<i>Quality</i>	<i>Survey</i>
Relevance	a	✓	✓	✓	✓			
	b	✓	✓	✓	✓			
Effectiveness	a	✓		✓	✓	✓	✓	
	b			✓	✓	✓	✓	
	c		✓	✓	✓	✓	✓	
Efficiency	a			✓	✓	✓		
	b			✓	✓	✓		✓
	c		✓	✓	✓	✓		✓
Sustainability	a	✓		✓	✓	✓	✓	
	b			✓	✓	✓		
Incentives	a	✓				✓		✓
	b		✓			✓		✓

3.8 **Team and Timetable:** The evaluation will be led by Juan Manuel Puerta with the support of Maria Elena Corrales, Laura Atuesta, and Julia Sekkel. Extra consultants will be hired as needed to classify projects, to analyze specific regional challenges (*e.g.* trade and integration, climate change and disaster prevention, security, etc.), and to help with case studies. The timeline for the evaluation is as follows:

Definition of the portfolio	September and October, 2011
Preparation and Review of the Approach paper	September-November, 2011
Desk review <ul style="list-style-type: none"> - <i>Template</i> - <i>Analysis of projects</i> - <i>Interviews with team leaders</i> 	October-November, 2011
Case studies <ul style="list-style-type: none"> - <i>Preparing terms of reference</i> 	November, 2011
Visits to other multilateral organizations	November, 2011-January, 2012
Country visits	November, 2011-February, 2012
First draft	April, 2012
Review Process	June, 2012
Submitted for Board discussion	July, 2012