

Approach Paper

Two to Tango: An Evaluation of World Bank Group Support for Fostering Regional Integration

December 12, 2017

Background and Context

1. **Three overlapping forces shape economic and political systems in the contemporary world order: globalization, regionalism and nationalismⁱ.** The first wave of regionalism in the 1960-1980 was primarily driven by the trade and tariff agenda, followed by the second wave in the 1980-2000 when regionalism was seen as a useful supplement to multilateralism. Today, in the context of emerging market and developing economies, the new dimensions of regionalism include interactions beyond trade, and can potentially encompass hard infrastructure, institutional alignments, labor and capital flows.
2. This evaluation focuses on regional integration (RI), which the World Bank Group (WBG) defines as “economic interactions”ⁱⁱ across at least two sovereign jurisdictions that are geographically close and resulting in integration of factors and goods, and coordination of policyⁱⁱⁱ. According to the 2013 World Bank Group Strategy, “transformational engagements are about regional integration, involving both game-changing investments and actions to address policy constraints that require a coordinated response by several countries. Most transformational engagements entail partnerships in which the WBG may play a leading or supporting role.” This evaluation is classified under the IEG Strategic Engagement Area (SEA), Inclusive and Sustainable Economic Growth.
3. **RI takes many forms in terms of depth and scope such as regional cooperation, coordination, and economic union.^{iv}** It can be a useful mechanism to create common-markets within a region and across regions, reduce inefficiencies in regional economic flows (factor and goods), thereby furthering sustainable development. Within a region, countries faced with cross-border and/or domestic economic challenges also turn to RI to potentially reduce conflicts and increase economic opportunities. At the Tripartite Summit in Sharm El-Sheikh, Egypt (June 10, 2015), for example, WBG President Jim Yong Kim highlighted the vital role that regional integration plays in helping countries reduce conflict and achieve greater economic growth: “In the Great Lakes Region, the Sahel, and the Horn of Africa, we’re designing programs that will help entire regions, including support for multi-country sustainable energy projects and improvements to cross-border trading, which promote peace and stability.”
4. **Yet, RI implementation is complex as it requires the continued involvement of a diverse set of public and private actors, at multiple levels (for e.g. national, sub-regional and regional level), and across various industries and sectors to align sectoral and institutional interests.** Further, other overlapping forces, e.g., globalization and nationalism,

shaped through global interests and regulations, political economy and polarization based on national interests, may create unintended consequences of RI concerning national security and loss of sovereignty^v, immediate loss of fiscal resources (e.g. abolishing tariffs on intra-regional trade could result in deepening of budgetary deficits) and unbalanced distribution of benefits among participating entities. Today's policy environment has become increasingly complex following the global financial crisis in 2008. The perceived costs and benefits of globalization, and nationalism are being questioned. On balance, a study of RI related activities and its underlying complexity is critical and urgent.

5. International organizations, multilateral development banks, bilateral agencies, regional economic communities, sovereign agencies or the private sector support RI through different channels. The support can be categorized into three major intervention types:

(a) **Regional Infrastructure:** Lack of physical infrastructure and digital connectivity along the supply chain, ineffective tariffs and regulatory arrangements among neighbors impede accessibility to consumers, increase the cost of imports and exports, and limit factor mobility across borders. In the landlocked countries of Sub-Saharan Africa and Central Asia, for example, transport costs represent an average of 45 percent and 40 percent of the value of imports and exports respectively, an order of magnitude higher than the global averages of 5.4 percent (imports) and 8.8 percent (exports). Regional infrastructure including regional transport corridors, in such cases, can generate economies of scale, increase access and quality of service, and improve economic flows.

(b) **Regional Public Goods^{vi}:** Poor management of regional public goods generates negative externalities and potentially leads to conflicts. For example, mega-droughts affecting over 500,000 hectares of paddy fields and eroding food security along the Mekong delta may threaten its sustainability and quality of development as early as 2020. Harmonization and collaborative actions among neighboring countries to improve the quality of regional public goods management, including natural resource endowments, can generate economic opportunities for a broader population base, and increase the level of trust between border-countries and/or between the public and private sectors.

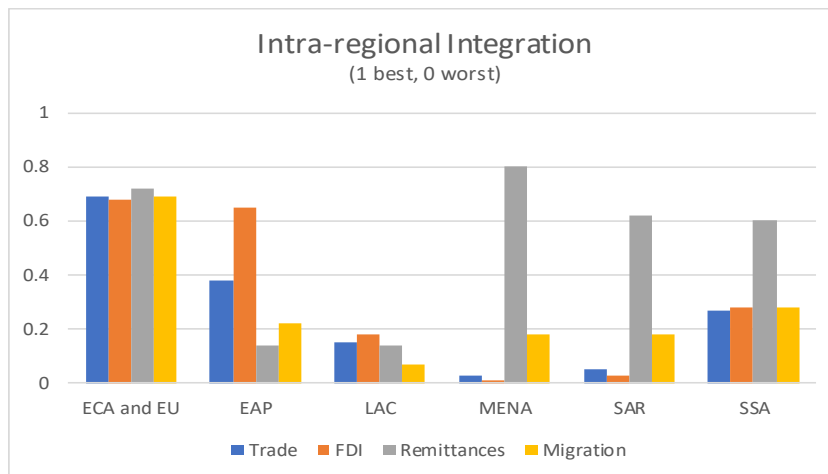
(c) **Institutional Capacity Development^{vii}:** Weak institutional capacity, together with uncoordinated actions among regional institutions and sovereign agencies, can increase governance and implementation-related failures at the regional and national level. Enhancement of institutional capacity can increase collaboration among various actors, decrease opportunity costs within the region or among neighbors and foster coordinated and targeted actions. For example, capacity building efforts in the recent five-year period at the Pacific Islands Regional Economic Community, was designed to potentially enable and increase both capital flows and knowledge flows to the regional tourism sector.

6. There is no globally agreed standard set of indicators to assess the performance of RI^{viii}. Regional development banks, such as Asian Development Bank and African Development Bank, have developed their own sets of RI performance indicators and results frameworks.^{ix}

Trade levels, foreign direct investments (FDI), remittances, and migration are examples of intra-regional economic flows often used to measure regional integration (Figure 1).

7. **The types and levels of integration^x within regions^{xi} are not uniform.** Europe and Central Asia (ECA) region, especially the European Union (EU), are characterized by a high degree of RI when measured by trade, FDI, migration and remittances. Eastern Asia and Pacific (EAP) region is deeply integrated on a global and intra-regional level in terms of FDI, trade and migration. Latin America and the Caribbean (LAC) region is relatively less open based on the same indicators. Despite several regional economic arrangements, intra-regional interaction is limited to trade in sub-regions: South America for global commodity markets & Central America and the Caribbean for trade with the USA. In the Middle East and North Africa (MENA) region, countries are generally open to migration and remittances. Despite increasing ties to the global markets (especially by India), South Asia (SAR) is one of the least integrated regions, except for remittances.

Figure 1. Intra-regional Integration levels, by World Bank regional lending groups



Source: Technical Briefing to ED from Trade & Competitiveness GP, September 2017

Rationale, objectives and audience of the evaluation

8. **Several considerations back a new analysis^{xii} of WBG support to fostering RI:**
- *Influencing Change in a timely manner:* Scheduled to be delivered in Q1-FY19, this evaluation would provide timely inputs to the *IDA18 mid-term review* and the next IDA replenishment cycle (IDA19). In addition, the WB’s Africa team is updating the *Africa Regional Integration strategy (2008)*, the rationale and timing of this evaluation relates to the above strategic shifts and related implementation challenges. Further, WBG Forward Look^{xiii} emphasizes new approaches, such as Creating Markets (or *Cascade*), “to allow policy reforms and institutional-building support to be complemented by private sector investments”. These new approaches can support RI.
 - *Identifying lessons for future engagement:* Given that fostering RI requires longer term resource commitments and partnerships with diverse set of actors, this evaluation will identify the opportunity, challenges and lessons of experience from fostering RI to inform

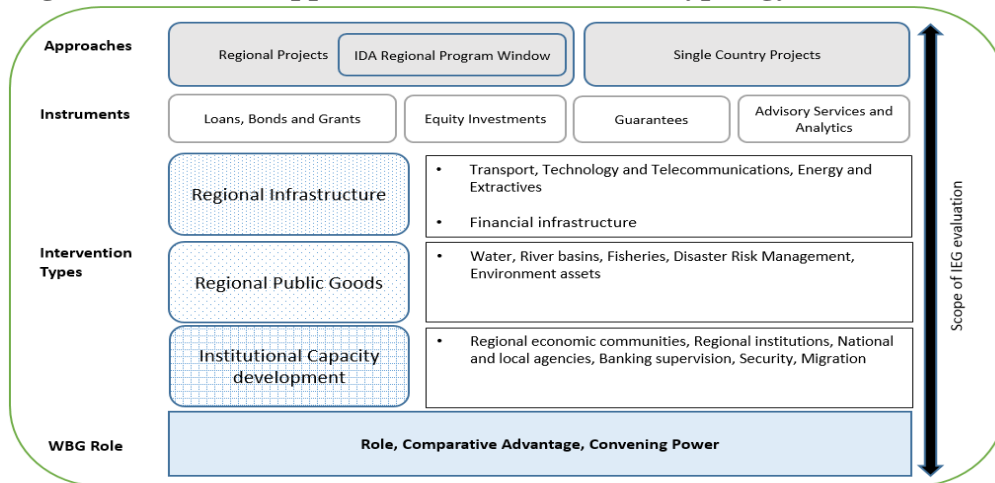
the WBG Board and Management the new WBG approaches, including insights towards execution of new IDA18 program windows.

- *Addressing accountability and evaluation gaps:* No systematic assessment or independent evaluation has been conducted on the development effectiveness of WBG’s support to RI estimated to be a US\$37 billion portfolio (FY2003-17). Likewise, no formal evaluation has been conducted to date on the evolution of the IDA Regional Program Window.
 - *Complementing ongoing evaluations:* IEG’s ongoing evaluation of WBG Support to trade facilitation will focus on interventions at the border and related outcomes from a single country’s perspective. The RI evaluation will complement the above by assessing trade and transport corridors including logistics, and related outcomes from the intra-regional and multi-country perspectives.
9. The evaluation’s objectives are to shed light on the comparative advantages of WBG in the context of regional integration and to influence future operations.
10. The internal audience and stakeholders include Board members, WBG Senior Management including Country Directors and Regional Advisors, IDA resource mobilization team as part of DFI, and the staff involved in the design and implementation of RI operations. Externally, IDA clients, new sovereign and multi-lateral initiatives (PRC’s Belt Road Initiative and Silk Road Fund, USA’s New Silk Road, Korea’s Eurasia Initiative, and Japan’s Quality Infrastructure), and new regional development banks (Asian Infrastructure Investment Bank, New Development Bank) are in the early stages of designing/ implementing/ financing RI activities through their own approaches and instruments. They would be key consumers of lessons of experience from WBG support in this area. External audience also includes leadership teams of Regional Economic Communities (for e.g. EU, EAC, SAARC, CAREC), Regional Development Banks, and sovereign agencies working on RI initiatives.

RI Activities and Portfolio Description

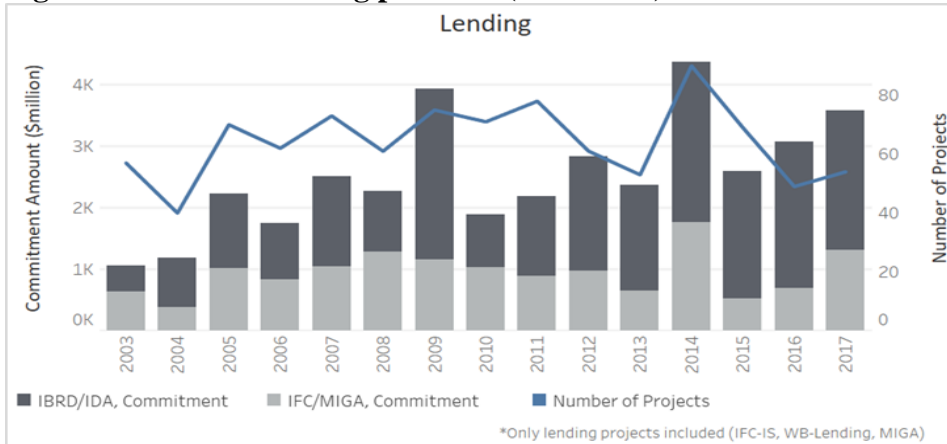
11. **WBG support to fostering RI takes place through a combination of approaches, interventions and instruments, which contribute to the role of the WBG in the RI space, as summarized in Figure 2.** *Approaches* include regional projects or programs, single country projects; *interventions* include the three categories mentioned above (regional infrastructure, regional public goods, institutional capacity development). While overlap is possible, IEG has sought to define the three types clearly enough to be mutually exclusive, although a single World Bank Group supported RI project may include multiple types of interventions; *instruments* include loans, guarantees and advisory services. The role of the WBG in the RI space depends on its comparative advantage and ability to exercise its convening power^{xiv}.

Figure 2: WBG RI approaches and intervention typology



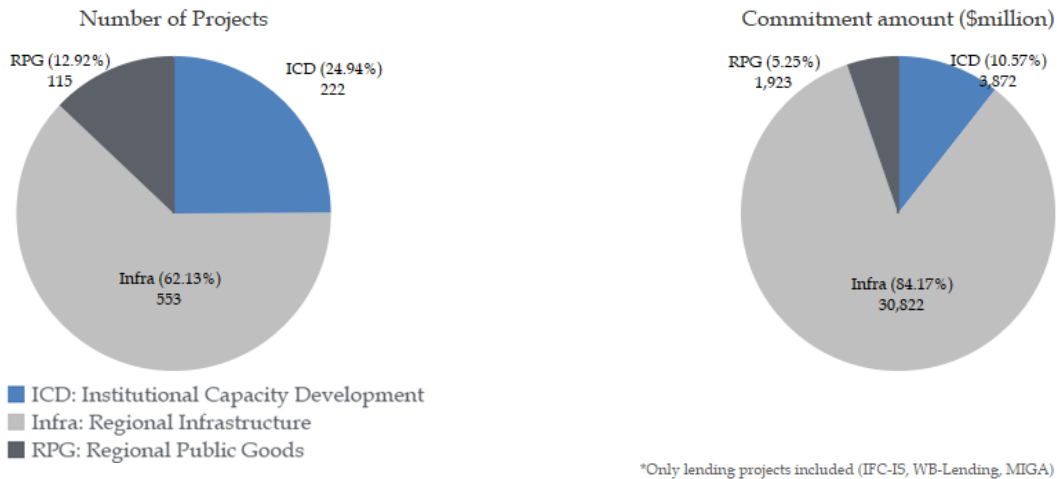
12. **WBG does not have a explicit corporate-level strategy on RI. The support to RI activities is discussed primarily in Regional Strategy documents.** A preliminary review of WBG regional strategies suggest a focus on areas where there is political will to advance integration efforts and related themes. The WBG’s Sub-Saharan Africa Regional Integration Strategy (2008), which is being updated, is the most comprehensive of the various WBG strategy documents. In several other regional strategies, themes address both regional and global issues to which the WBG is dedicating resources (e.g., growth and inclusion, shared prosperity, climate change, refugees, renewable energy, disaster response and relief, etc.). The WBG strategy for the 11-country Pacific Island Community (PIC), a more challenging environment, has a highly selective RI focus on industries and sectors (e.g. tourism, the services sector) instead of a comprehensive approach. Three successive OECS strategies^{xv} blend a mix of cross-cutting themes (e.g., disaster risk management, climate change, etc.) and the role of RI.
13. **Using RI-specific criteria^{xvi}, a preliminary screening of WBG lending, advisory and guarantee operations approved during FY2003-2017 produced a set of 1,617 RI projects accounting for \$36.9 billion^{xvii}.** Of the 1,617 projects, 870 (54 percent) are loans, 727 (45 percent) are ASA interventions, and 20 (1 percent) are guarantees. IBRD and IDA have a \$23.5 billion (64 percent) RI lending portfolio, while IFC and MIGA have committed \$10 billion (27 percent) and \$3.2 billion (9 percent), respectively. WBG lending commitments to RI have been steadily growing since 2003, reaching peaks in 2009 and 2014 (Figure 3).

Figure 3: WBG RI lending portfolio (2003-2017)



14. **Regarding types of interventions, support for Regional Infrastructure has the largest shares in terms of both commitment and number of RI focused projects, 62.1 percent and 84.2 percent respectively, followed by support for Institutional Capacity Development and Regional Public Goods (Figure 4).**

Figure 4: RI lending and guarantee portfolio by intervention types



15. **By regional and sector split, Africa and ECA are the main clients of the WBG with 72 percent of commitments (Figure 5). Regarding sector split, Transport & ICT and Energy and Extractive received most (about 68 percent) of RI support (Figure 6).**

16. **WBG’s advisory and knowledge products contribute to fostering RI in its client countries through both regional and single-country approaches.** Africa and Europe and Central Asia regions, which account for about 50 percent of the total number of projects, are the main recipients of WBG advisory services (Figure 7).

Figure 5: RI portfolio by region

Figure 6: WB RI lending by GP

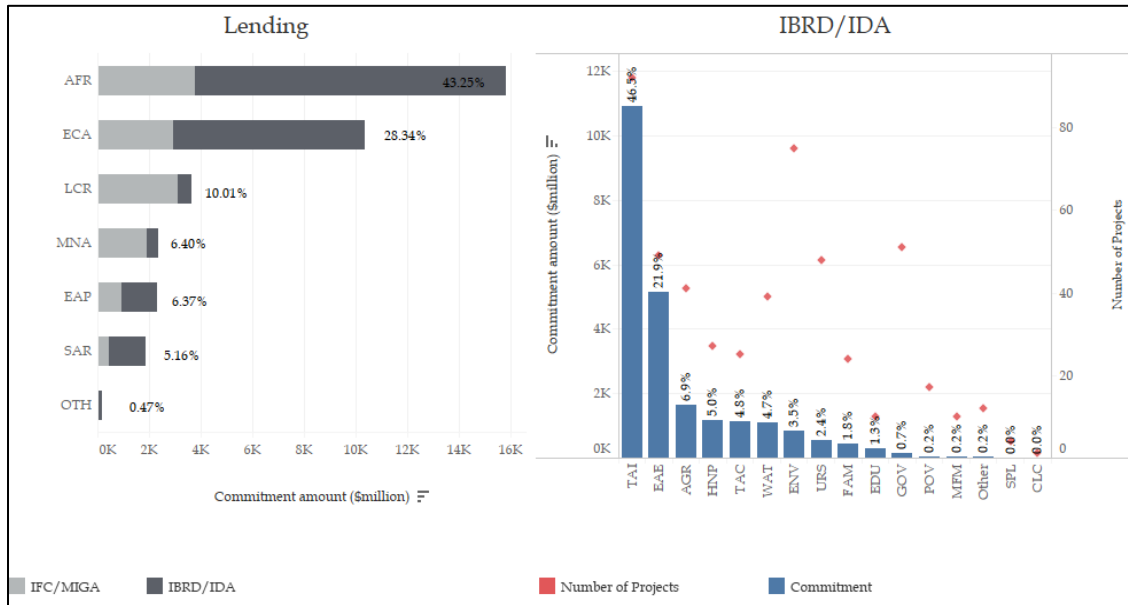
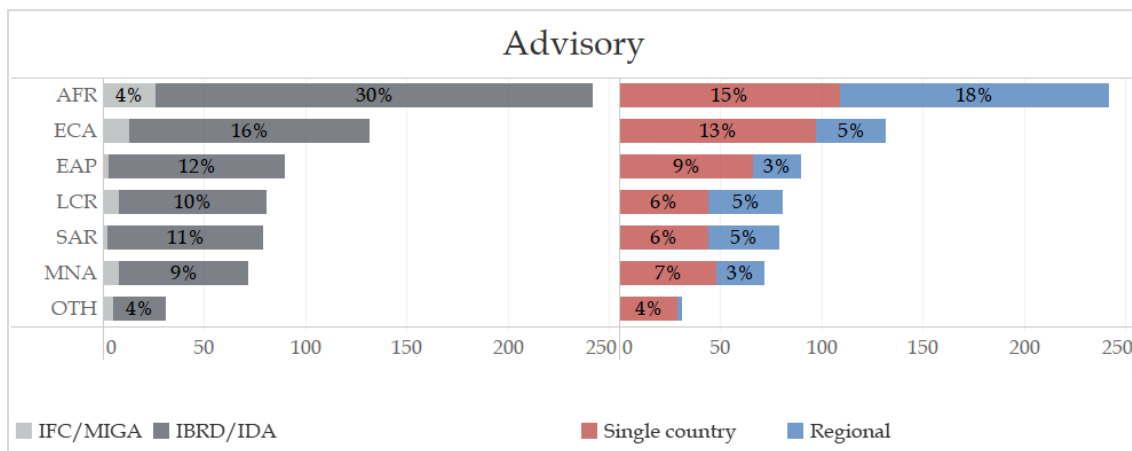


Figure 7. RI Advisory service (number of projects) by regions



17. **WBG provides additional support to RI through IDA regional program which was launched in 2003 under IDA13 to support RI in the world’s poorest countries. In the past 15 years, this program has expanded in terms of size, sector and geographic coverage (Box 1).**

Box 1: IDA Regional Program Evolution

The WBG enhanced its support to regional integration by launching a regional program pilot in 2003 under IDA13 replenishment. In the last 14 years, the IDA regional program expanded substantially in terms of resources allocation and geographical and sectoral coverage. Under IDA13, the RP pilot financed a total of US\$435 million in commitments for seven projects, of which five were in the SSA and two in the ECA region. Under IDA16 (2011-2013), the total commitments of regional projects supported by the IDA regional program reached US\$4.3 billion to support 48 projects across five regions. And while infrastructure still represented the largest share (92 percent in number) of projects financed by the IDA regional program, the

support to the health sector and fragile and conflict-affected states (FCS) experienced a notable increase. The project eligibility criteria were revised to better serve the purpose of supporting regional integration. IDA14 introduced a 20-percent cap on national IDA contributions to regional projects to provide additional incentive for countries with small allocations to participate in RI efforts. IDA15 launched the regional grants of up to 10 percent of the regional IDA envelope on a pilot basis in 2009 to regional institutions supporting the implementation of IDA regional projects. Under IDA16, to support FCS, the minimum number of countries required to leverage regional IDA program funding was adjusted from three to two, provided one country is an FCS.

Under IDA18 (2018-2020), the IDA Regional Program was increased significantly to SDR5 billion, given the persistent unmet demand for the program. This envelope includes SDR1.4 billion for a newly established refugee sub-window for IDA countries that host refugees, with the aim to promote more effective, equitable and sustainable solutions to the refugee crisis.

Source: IEG summary based on IDA reviews and WBG Strategy documents.

18. The WBG supports RI using its convening power and comparative advantage to mobilize internal and external resources, and brings together a diverse set of state and non-state actors to support RI. Through its convening power, WBG fosters key stakeholders' understanding of and involvement in RI issues or helps define RI solutions together with other MDBs and the private sector. IEG preliminary review of the WBG's RI support in Africa region, for example, found that the WBG has partnered with other multilateral banks and donors, and regional organizations in financing regional public goods and regional infrastructure projects in about 25 percent of its RI operations. Another example is WBG's ongoing work in Central Asia related to a regional electricity transmission system ("Central Asia-South Asia 1000"), or regional gas pipeline corridor in collaboration with Asian Development Bank ("Trans-Anatolian Natural Gas Pipeline"), and the EBRD respectively; a regional transport corridor ("East-West Roads Project") potentially links to the PRC's Belt Road Initiative. IFC and MIGA crowd in investors through the direct lending, support of regional investment funds and guarantee instruments to facilitate valuable cross-border FDI. Most recent examples are support to Panama Canal development, East Africa submarine fibre-optic cable system and Byblos Bank expansion for small and medium enterprise financing support.

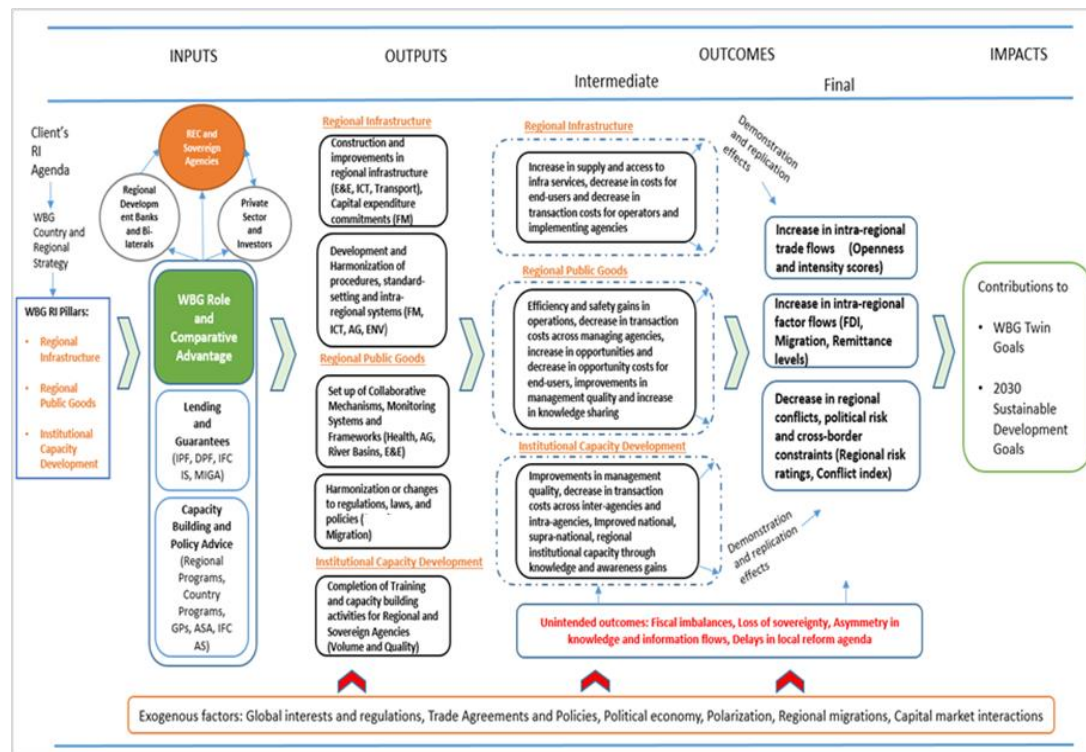
19. WBG structural support for RI has evolved. In a high priority region like Sub-Saharan Africa, for example, the Bank refined its business model to support RI efforts. An eight-person Africa Regional Integration Department was established in 2004, which also included operations officers stationed in Accra, Lusaka, Pretoria and Nairobi. They liaised with a wide range of regional institutions and help monitor the progress of regional integration projects. This department spearheaded the development of the Africa Regional Integration Assistance Strategy in 2008. Later, responsibility of developing regional program was assumed by Country Directors (CD) to ensure the mainstreaming of the regional program in the country program. The CD of Nigeria and the Democratic Republic of Congo (DRC) are responsible for regional program development for West Africa and East Africa. In each region, there are regional program focal points or advisors coordinating with Country Management Units

(CMUs) on regional program development and implementation. Within the IDA Resources Mobilization Team at DFI Vice Presidential Unit, staff members are dedicated to manage the IDA regional window program to ensure the use of window is in line with the objectives and design intent of the IDA Regional Window.

Evaluation Design

20. A preliminary theory of change (figure 8) is based on IEG’s literature review, WBG Management’s stated objectives in IDA regional program documents, Strategy documents, Management updates to the Board (May 2015 and September 2017) and preliminary portfolio review. The outputs and outcomes in the theory of change follow the logic around the three types of RI intervention, namely, Regional Infrastructure, Regional Public Goods and Institutional Capacity Development. IEG will review and refine this theory of change during the evaluation and as evidence emerges. This evaluation will focus on the early and intermediate outcomes, and will consider proxy macroeconomic indicators to assess the WBG’s contribution to final outcomes at the regional level.

Figure 8. Regional Integration Theory of Change



Evaluation Objectives, Questions, Scope and Methods

21. This evaluation will assess the results of WBG RI interventions and identify relevant lessons. The Overarching Question which this evaluation will try to answer is: *To what extent, and how effectively, has WBG contributed to regional integration of its client countries?* This overarching question includes a series of sub-questions:

- **Question 1:** *To what extent has WBG achieved its intended outcomes on fostering RI?*
 - a) How effective have the three types of RI interventions (regional infrastructure, regional public goods and institutional capacity building) been in achieving the intended RI results at project level and sector level?
 - b) What type of approaches and interventions reflect good practices and can serve as examples to replicate or scale-up support to RI?
 - c) To what extent has WBG engaged with the private sector to foster RI?

 - **Question 2:** *What is the WBG role in fostering RI and to what extent is it grounded in the comparative advantages of WBG?*
 - a) To what extent has WBG convening power supported RI interventions?
 - b) To what extent has WBG business model (organization, policies and resources) supported RI interventions?

 - **Question 3:** *What do the lessons of experience (from Question 1 and 2) mean for the future WBG strategies, and RI interventions?*
22. This evaluation will cover the WBG support for RI from FY2003 to FY2017 to align the evaluation exercise with the start of the IDA13 Regional Pilot and be able to assess WBG RI activities in IDA countries supported by successive IDA regional programs.
23. While the WBG has supported its client countries through hundreds ASAs over the fifteen-year period, this evaluation will only review ASA projects with available, final, completion reports that fit the RI evaluation portfolio criteria. The evaluation will cover projects that indicate partnerships with other development banks and regional organizations, triangulate from other sources as relevant, to inform the audience on the extent that the WBG leveraged partnerships to support RI.
24. The WBG support for RI covers many sectors, and may have contributions to other sectors/themes including trade facilitation, forced migration, renewable energy, and carbon finance. There are four ongoing IEG evaluations on the above sectors/themes; this evaluation will triangulate the relevant findings of other evaluations to assess WBG effectiveness.
25. Execution of this evaluation will be framed around two building blocks (Table 1) laid out in greater detail along with evaluation sub-questions, in Appendix 2. The two building blocks are analyses of (i) effectiveness of WBG's contribution to regional integration and (ii) WBG's role and comparative advantage.

Table 1: Evaluation building blocks, questions and methods

| <i>Building Blocks</i> | Contributions to fostering Regional Integration | Role and Comparative Advantage |
|--------------------------------------|--|--|
| <i>Evaluation Questions</i> | 1. To what extent did WBG achieve its intended outcomes on fostering regional integration? 3. What do the lessons of experience mean for the future WBG strategies, and RI interventions? | 2. What has been the WBG role and comparative advantage in fostering regional integration? 3. What do the lessons of experience mean for the future WBG strategies, and RI interventions? |
| <i>Methods</i> | | |
| Portfolio Analysis | ✓ | |
| Social Network Analysis | ✓ | ✓ |
| Regional Cases | ✓ | ✓ |
| Client and Staff Surveys | | ✓ |
| Statistical and Econometric Analysis | ✓ | |

26. In the first building block, WBG contributions to fostering RI, the evaluation will assess the effectiveness of the three main types of interventions (regional infrastructure, regional public goods and capacity building) at the intermediate outcome level. The effectiveness assessment will be based on portfolio review and analysis, semi-structured interviews of TTLs (of flagship RI projects) and clients, country and regional strategy reviews, regional/country case studies. Regarding portfolio review and analysis, the team will analyze the characteristic of the universe of RI portfolio, e.g., their distribution by region, sector, types (regional infrastructure, regional public goods and institutional capacity development), country income level, etc. In addition, the evaluation will develop a portfolio review template for a more in-depth review of a set of sampled RI operations (refer to “sampling strategy” section and Attachment 3 for details) with the objective of analyzing in detail the WBG’s support for RI and its evolution, including the extent in which the results, both at outputs and intermediate outcome level, have been achieved. For WBG’s contribution to RI, this evaluation will use indicators of regional economic flows (e.g. data from UN Economic Commission for Africa, Africa Development Bank Regional Integration Index), and apply statistical and econometric models to carry out contribution analyses, if relevant data is available.
27. The second building block is WBG role and its comparative advantage in fostering RI. WBG is one of many development actors that foster RI; other active stakeholders include other MDBs, National governments and Regional Economic Communities. The evaluation will use key informant interviews including client and stakeholder interview to understand how WBG’s influence in enabling and/or fostering regional cooperation and integration among its client countries is perceived. It will also assess the extent to which WBG plays, or could play, a leadership role in mobilizing state and non-state actors to work together on RI related solutions across the three intervention types (regional infrastructure, regional public goods, and institutional capacity development). In addition, the evaluation will trace how the Bank exercised its convening power in selected regional cases (including the option of a case study focused on regional partnerships) throughout the entire cycle of the program/projects.

28. The evaluation will use Social Network Analysis (SNA) method to map out flows of knowledge and patterns of WBG contribution and collaboration with multi-lateral institutions, regional economic communities, existing supra-national institutions. SNA is a set of techniques for analyzing social systems to understand networks and their actors, to measure and understand relationships among individuals, groups, and organizations. SNA analyzes relationships of actors in both visual and mathematical terms. The value-add of using SNA is that it allows systems-perspective and stakeholders-perspective, rather than WBG-centric perspective. To further strengthen the findings from SNA, the team will consider the option of undertaking a political economy analysis.

29. The evaluation will also review WBG RI-specific organizational aspects, policies and resource allocation to assess the efficiency of RI support, including whether the WBG's relevant business model enhances or limits its role and comparative advantage.. This evaluation will build on, and triangulate findings from, the recent IEG work on “*World Bank Joint Projects*” and “*World Bank Group Country Engagement – An early-stage assessment*”. The quantitative assessment will include the analysis of RI operation-related budget, HR data, indicators of RI-related corporate performance. Key staff (Regional Advisors, selected CMUs, selected TTLs, key corporate Vice Presidential Units) interviews and the examination of specific instances of collaboration constitute the qualitative part of the methodology. Specific areas relevant for this review are:

- *Integrated, cross-sectoral solutions at the regional level:* How are staff collaborating across GPs to identify issues, define and execute “regional solutions” that require collaboration across WBG entities, Regions, or GPs at country level? The interactions between sector/GPs with CMUs, between regional program and country programs, the organization set up and its evolution will provide additional data point.
- *Staff Incentives:* What are the motivations and obstacles to working inter-regionally or intra-regionally?
- *Country engaging model:* How does the WBG articulate strategies and approaches to RI priorities of the client countries; how are the RI needs and priorities incorporated in Regional strategies and SCD/CPFs.

30. Finally, this evaluation will derive key lessons of experience from the two building blocks intended to inform future WBG RI strategies, RI activities, and WBG approaches and intervention types. SNA and case study methods will draw lessons that could be replicated regarding WBG's role and comparative advantage.

Sampling Strategy

31. The WBG support for RI is diversified and covers several sectors/ GPs and multiple regions. To ensure acceptable levels of generalization of findings and manage the trade-offs between depth and breadth of analysis, the evaluation will carefully consider the following sampling/selection issues at multiple levels:

- Selection of portfolio for in-depth review and analysis:** The team will conduct in-depth portfolio review and analysis to assess the evolution, effectiveness and role of WBG RI support using a robust sampling strategy. The portfolio subject to in-depth review and analysis will be randomly selected but statistically representative of: (i) the three institutions of the WBG (IBRD/IDA, IFC and MIGA); (ii) the type of interventions (regional infrastructure, regional public goods and institutional capacity development); (iii) the status of the interventions (active, closed, matured^{xviii}); (iv) geographical coverage (regional or single country intervention); and (v) regional lending groups (AFR, EAP, ECA, LCR, MNA, and SAR). The sampling method generated a total of 392 projects. In addition, 97 closed and evaluated operations were added for a total of 489 projects (Table 2) that will be subject to in-depth review and analysis. A more detailed sampling method is in Appendix 3.

Table 2: Sample by RI intervention types

| Intervention Types | Portfolio selection | | |
|------------------------------------|------------------------------------|-----------------|---------------------|
| | Lending and Guarantee Projects (N) | Sample size (n) | Additional projects |
| Institutional Capacity Development | 233 | 80 | 29 |
| Regional Infrastructure | 603 | 236 | 59 |
| Regional Public Goods | 127 | 76 | 9 |
| Total | 963 | 392 | 97 |

- Selection of regions and countries for case study:** The inherent nature of this evaluation calls for regional case studies instead of country case studies. The study proposes AFR, SAR, and ECA for case studies (Table 3). The selection of the regions, sub-regions and countries was based on the following criteria: (a) Assessment on the availability of country and regional data; (b) IEG literature review on regional strategies, key interviews, and available IEG evidence; (c) Illustrative nature of the case for certain intervention types; (d) Representativeness of the WBG RI portfolio and the high/low intensity of WBG support and (e) Representativeness by RI intervention types. In addition, this evaluation will triangulate RI-specific findings from a series of IEG-Project Performance Assessment Reports (PPARs) that are currently in progress, based in sub-regions like Western Africa, Central Africa, Southern Africa and the Caribbean islands.

Table 3: Case studies by regions

| <i>Case Typology</i> | Region | Focus Areas |
|------------------------------------|--|--|
| Illustrative and Representative | Europe and Central Asia – Central Asia | Regional Infrastructure and Institutional Capacity Development |
| Illustrative and Representative | Sub-Saharan Africa – East Africa | Regional Public Goods and Regional Infrastructure |
| Illustrative; Flagship initiatives | Asia and Pacific – South Asia | Regional Infrastructure |

- **Selection of Interviewee Groups:** The purposive samples of relevant interviewee groups will be developed for each interview exercise at regional, sub-regional and country level. The number of stakeholder interviews will be optimized to achieve a diverse and cost-efficient coverage of key stakeholders. The principles of triangulation and reaching the “point of theoretical saturation” will be used to decide on the number of interviews to be conducted. The team will identify stakeholder groups for interviews in the following two categories:
 - (a) *Internal Stakeholders:* Relevant internal interviewees are Country Management Units, Regional Advisors, key corporate VPUs, targeted staff in IFC’s Country Economics and Engagement department , Task Team Leaders of selected RI operations.
 - (b) *External Stakeholders:* Relevant external interviewees are regional case study countries, Inter-governmental Regional Institutions, Regional and Bi-lateral Development partners, and Private Sector Co-financiers.

32. The evaluation will triangulate all relevant data sources, including portfolio information, various engagement and surveys (external), budget and HR data, qualitative and documentary sources, and operational effectiveness literature.

33. **Limitations:** The risks to the evaluation include limited number of evaluated RI operations; absence of structured evaluations for non-lending activities; lack of macro-level data on RI and challenges of linking very diversified WBG project-level RI support to the macro-economic level RI progress; potential mitigants include limited contribution analysis to intermediate outcome level. The ability to capture and interpret perceptions of clients on WB involves geopolitical imperatives is a risk that will be mitigated through third-party surveys and findings from other regional development banks .

Quality Assurance Process

34. The evaluation will go through IEG’s regular quality assurance process, additional checkpoints (30% , 50% and 80% completion) and key inputs from three external peer reviewers. The peer reviewers of this evaluation are Dr. Philippe De Lombaerde (Associate

Director of Regional Studies, United Nations University), Ms. Trudi Hartzenberg (Executive Director, TRALAC, South Africa), Dr. Pradumna Bickram Rana (Former Director, Regional Integration, Asian Development Bank), Dr. Michael Klein (Former Chief Economist, IFC) and Dr. Christian Kingombe (Director, COMESA Secretariat, and former Chief Regional Integration Officer, African Development Bank).

Expected Outputs, Outreach and Tracking

35. The main output will be an evaluation report with recommendations that adheres to IEG's quality standards. Outreach will be done to all offices of Regional Vice-Presidency and Advisors, offices of Regional Directors, select Country Management units and select GPs during the evaluation, ensuring the inclusion of perspectives from all sides. Dissemination of the evaluation findings will be done via regional consortia forums, annual meetings of regional economic communities and institutions, World Bank Group events, and IEG blogs. A complete outreach and dissemination plan will be prepared ahead of the One-Stop review meeting for the draft final report.

Timeline and Resources

36. A revised version of this draft Approach Paper will be e-submitted for sharing with the Board in December 2017. Draft report will be shared with WBG Management for comments in August 2018 and submitted to CODE in September 2018. The estimated budget including dissemination activities is \$990,000, of which significant portion will be expensed in FY18, approximately 85% and a minor portion in FY19, approximately 15%.
37. The evaluation team is composed of individuals with operational knowledge (infrastructure, financial markets, agriculture, environment, private sector), and deep skills in evaluation methods, economic analysis, write-up, and evaluation execution. The team includes the following IEG staff: Fang Xu (Overall Task management), Raghavan Narayanan (Overall Task Management) complemented by Kavita Mathur, Alexandra Horst, Katsumasa Hamaguchi (evaluation officers), Richard Kraus (administration and logistics), Eric D. Cruikshank (private sector analysis), Sanjivi Rajasingham (public sector analysis), and other IEG consultants. Jozef Leonardus Vaessen (Methods Advisor, IEG) will provide methodological guidance. Dr. Indermit Gill, Professor Of Practice of Public Policy in Duke University, is the advisor for this evaluation. The report will be prepared under the direction of Midori Makino (Manager, IEGSD) and José Carbajo (Director, IEGSP) and the overall guidance of Caroline Heider (Director General, IEG).

Appendix 1

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Appendix 2

Evaluation Design Matrix

As described above, this evaluation will be conducted using mixed-methods approach, through a combination of portfolio analysis, contribution analysis, social network analysis, semi-structured interview, stakeholder surveys, deep-dive regional case methods and statistical analyses.

The evaluation design is geared towards a triangulation of primary surveys, quantitative and qualitative data, and framed around two building blocks.

WBG Contributions to Regional Integration: this block uses quantitative and qualitative methods to assess the performance of projects, with an intent to analyze the IDA Regional Program Window in more depth, from IDA13 through IDA17. The rationale for this approach is two-fold: (i) demand from operational teams and Board of Executive Directors to understand IDA Regional Window performance and (ii) potential value-add to upcoming IDA windows (public sector and private sector windows) through lessons learned from past experiences. In addition to the Regional Window analyses, the evaluation will conduct portfolio review, deep dive cases, desk and field-based, on regions and sectors that were selected by IEG, through portfolio identification, as providing rich data to assess both the accountability and learning aspects, namely: (i) Sub-Saharan Africa, (ii) Central Asia, (iii) South Asia, and (iv) Island states (Pacific Islands, Organization of Eastern Caribbean States). In areas where trade-facilitation and customs-specific interventions are key components of the projects, the RI evaluation will defer to other upcoming evaluations on Trade Facilitation, Forced Displacement, Renewable Energy conducted by IEG.

WBG's role and comparative advantage: Since the Bank Group is small relative to the size of the development challenges, it must choose its own activities based on comparative advantages and development effectiveness, as discussed in IEG reports in the recent past. The Bank Group and other international organizations could play a role in effective changes for regional integration through their convening role. For example, in conflict prevention, the Nile Basin Initiative has brought many riparian countries of the Nile River to work together towards peaceful and sustainable sharing of that river's resources. Similarly, through the Chad-Cameroon pipeline, the Bank Group helped establish standards for environmental safeguards as well. Such a role becomes even more significant in the Bank Group's efforts by convening both state and non-state actors including the national security establishment and Ministries of Economy, Finance and Foreign Affairs. The evaluation will assess the convening power of the Bank Group through network analysis supported by quantitative (CPIA scores, IICRR ratings, portfolio review) and qualitative data (enterprise surveys, client surveys on perception about Bank Group, and stakeholder interviews).

This evaluation intends to review WBG business model for RI to assess whether the business model enhances or weakens the WBG’s role and comparative advantage in RI. The evaluation intends to interview Country Management Units, Country Directors, Regional Directors and Advisors, and TTLs to assess if the current Bank Group business model is fit for purpose to foster regional integration. In addition, the evaluation will collect and assess quantitative data from budget systems, HR systems, client systems, documents relating to Country Diagnostics and probe incentive structures. Within this building block, the priority focus is on generating lessons learnt and to propose ways for designing and implementing regional solutions better in the future. This exercise will work closely with the ongoing Knowledge Flow and Collaboration Under the World Bank’s New Operating Model evaluation conducted by IEG.

Lastly, lessons of experience for the future WBG strategies, and RI interventions will rely on the quantitative and qualitative methods supporting the first two building blocks and may derive additional, generalizable lessons from stakeholder interviews and regional cases.

Detailed evaluation questions and design matrix: The table below (Table A2.1) outlines the detailed evaluation sub-questions and how the methodological building blocks will contribute to answering them.

1. Overarching Question: *To what extent, and how effectively, has WBG contributed to regional integration of its client countries?*
 - a) How effective were the three types of RI interventions (regional infrastructure, regional public goods and institutional capacity building) in achieving the intended RI results at the project level and sector level?
 - b) What type of approaches and interventions can be considered as good practices and serve as examples to replicate or scale-up support to regional integration?
 - c) To what extent did WBG engagements with the private sector foster RI?
2. What is the WBG role in fostering RI and to what extent is it grounded in the comparative advantages of WBG?
 - a) To what extent did WBG convening power support RI interventions?
 - b) To what extent did WBG business model (organization, policies and resources) support RI interventions?
 - How supportive was the WBG business model (internal factors) to regional integration if regional integration was considered as an important agenda of the WBG?
 - To what extent is the organization structure and incentive mechanisms aligned with the WBG ability and efficiency to design and implement regional solutions?
 - c) What do the lessons of experience (from Question 1 and 2) mean for the future WBG strategies, and RI interventions?

Table A2.1. Design Matrix

| Evaluation questions | Information required | Information sources | Data collection methods | Data analysis methods | Limitations |
|--|---|--|---|--|---|
| Overarching question: To what extent, and how effectively, has WBG contributed to regional integration of its client countries? | | | | | |
| Question 1: To what extent has WBG achieved its intended outcomes on fostering RI? | | | | | |
| | <p>WBG Corporate Strategy, Regional Strategy and Country Strategy</p> <p>Project data on World Bank Group portfolio and IDA Regional Program Windows approved in the FY03 – FY17 period</p> <p>Bank strategy papers and Project level data on IFC investment and MIGA guarantee portfolio approved in FY03 – FY17 period</p> <p>ASA portfolio project data from FY03-FY12</p> <p>Performance of countries and regions vis-à-vis its neighbors and intra-regional data</p> | <p>WBG Policies and Procedures</p> <p>WBG portfolio data and project-level documents (e.g.: PAD, ICR, ICRR, ISRs, CLRRs)</p> <p>Country Assistance Strategies, Country Partnership Framework Documents</p> <p>Forward Look</p> <p>WBG staff and Investors (private capital providers) survey</p> <p>Annual Reports of regional development banks and multi-lateral agencies</p> <p>IMF, UN reports</p> | <p>Research and Data extraction from WBG databases, institutional databases, and WBG institutions’ key project-level and institutional documents</p> <p>Data extraction from Regional Development Banks (e.g. AfRI) and UN Databases (e.g. UNECA)</p> <p>Structured interviews of relevant stakeholders and experts</p> | <p>Literature and Portfolio review of qualitative and quantitative data</p> <p>Synthesis and analysis of interview qualitative data outputs</p> <p>Descriptive statistics of portfolio: internal benchmarking by specific instrument</p> <p>Content and IEG Survey Response Analysis</p> <p>Benchmarking performance against macro-scores and ratings</p> <p>Statistical and</p> | <p>Linking project level data to macro-economic performance data</p> <p>Data analysis may be limited due to missing, unavailable, incomplete, and/or mixed quality data</p> <p>Interviewee bias</p> <p>Lack of intra-regional trade, FDI, migration, remittances and private-sector relevant data</p> |

| Evaluation questions | Information required | Information sources | Data collection methods | Data analysis methods | Limitations |
|----------------------|----------------------|---------------------|-------------------------|-----------------------|-------------|
| | | | | Econometric Analysis | |

Question 2: What is the WBG role in fostering RI and to what extent is it grounded in the comparative advantages of WBG?

| | | | | | |
|--|---|--|---|--|---|
| | <p>County and regional level activities and performance in key sectors</p> <p>Activities of multi-lateral agencies, regional development banks, national development banks, national agencies, key Ministries, National and Regional forums</p> <p>WBG’s strategic goals, guidelines and strategies on utilizing non-financial instruments to supporting regional integration</p> <p>WBG strategic priority areas, country strategies, regional and sectoral strategies</p> | <p>WBG ASA portfolio data and project-level documents (e.g.: PAD, ICR, ICRR, ISRs)</p> <p>Benchmark data for WBG instruments and products and</p> <p>Internal or independent evaluations of regional integration carried out by other MDBs or other development agencies</p> <p>Survey of stakeholders</p> <p>RI research at the global level and in selected countries and regions.</p> <p>WBG internal databases and project documents, external databases where appropriate</p> | <p>Case study based review</p> <p>Literature review regarding comparative advantage in regional integration, historical trends in utilizing WBG instruments</p> <p>Synthesis from relevant literature and research reports on Role and Contribution indicators</p> <p>Data extraction from internal and external databases</p> <p>Structured interviews</p> <p>Gov-related data</p> | <p>Social Network Analysis</p> <p>Key informant interviews and stakeholder surveys</p> <p>Statistical analysis of data at portfolio and institutional level</p> <p>Synthesis and analysis of interview outputs</p> <p>Analysis of external databases and case studies</p> <p>Synthesis and analysis of interview outputs</p> | <p>Harmonization of data derived from external sources with WBG data</p> <p>Insufficient response to case interviews</p> <p>Data analysis may be limited due to missing, unavailable, incomplete, and/or mixed quality data</p> <p>Interviewee bias</p> <p>Availability of client and partner support to IEG engagements</p> <p>Proxy indicators and proxy data would be utilized in such situations.</p> |
|--|---|--|---|--|---|

| Evaluation questions | Information required | Information sources | Data collection methods | Data analysis methods | Limitations |
|----------------------|--|--|--|--|---|
| | <p>HR, Budget Data on RI portfolio</p> <p>Innovations outside the WBG</p> <p>WBG project pipeline review (quantity, quality and design)</p> <p>Regional Integration activities by top players in both public and private sectors.</p> <p>Data from regional economic communities and statistical agencies of supra-national agencies</p> | <p>WBG HR, Budget and Financial systems</p> <p>Pre-approval, Appraisal and Risk assessment documents</p> <p>Literature review</p> <p>Annual reports of AUC, ASEAN, COMESA, MERCOSUR, SADC etc.</p> <p>Staff profiles and incentives related documents</p> <p>Reports from other DFIs</p> | <p>Internal and External Database Analysis</p> <p>Semi-Structured Interviews of existing and prospective Bank Group TTLs, Managers and RM staff</p> <p>Interviews of WBG leadership team members and WBG staff</p> <p>Interviews of key members from regional economic communities</p> <p>Interviews with senior leadership of other DFIs</p> <p>Key informant consultation and interviews</p> | <p>Regional Case studies obtain contextual information on the success and failures of efficiency measures</p> <p>Survey response analysis</p> <p>Interview response analysis</p> <p>Quantitative Analysis of data pertaining to economic capital uses, staff time spent on RI activities vs. single country operations</p> <p>Qualitative Analysis of incentives and processes in place for RI design and implementation</p> | <p>Survey respondent bias</p> <p>Interviewee bias</p> <p>Implementation of efficiency measures, accounting measures and availability of decisions relating to pricing, fees, economic capital uses</p> <p>In such cases, analysis is limited to the context of field-visit based cases.</p> |

Appendix 3

RI Portfolio Screening and Portfolio Review Sampling Strategy

While this evaluation will cover both regional and single-country operations supporting RI, only those projects that fit specific criteria are screened and will be reviewed, e.g., projects stating regional development objectives or listing RI as expected development impact, or single-country projects listing activities as part of a regional program (Tables 1 and 2 list specific criteria). An in-depth portfolio review process is currently ongoing, consequently, the numbers presented in this file will be changed.

Table A3.1: Criteria for Evaluation portfolio selection

| WBG | Regional projects | Single-country projects | World projects |
|---------|---|---|----------------|
| WB-Lend | All | With RI theme, meeting RI criteria | Excluded |
| IFC-IS | | In most relevant sectors, meeting RI criteria | |
| MIGA | | In 5 main sectors, meeting RI criteria | |
| WB-ASA | With RI theme | | |
| IFC-AS | Linked to RI-relevant IFC-IS projects or with REC client* | | |

Source: IEG

Table A3.2: Specific RI criteria

| Screening Criteria | Decision |
|--|----------|
| IFC regional funds or WB TA/DPL activities supporting the players involved in the regional development | Include |
| Projects listing RI as expected development impact or regional development objectives | Include |
| Single country projects activities as part of regional program | Include |
| projects improving regional infrastructure (roads, ports, regional airports, ICT, power, extractives) | Include |
| Projects involving the management of natural resources or regional public goods (river basin, regional forest) | Include |
| Disaster risk preparedness/resilience with regional implications | Include |
| Small island/land locked countries where regional infrastructure and services are important | Include |
| Regional refugee, labor migration and peace | Include |
| Trade finance accessible to business in the region | Include |
| Development of regional capital markets | Include |
| Regional insurance/ real estate | Include |
| GHG and CO2 emissions reduction in a single country | Exclude |
| Don't require coordination/collaboration between the countries | Exclude |
| IFC or MIGA operations with no clear regional benefits | Exclude |
| IFC regional funds financed single country operation but without regional impact. | Exclude |

Source: IEG elaboration based on theory of change of RI interventions.

The preliminary screening of all WBG projects approved during FY2003-2017 resulted in a set of 1,617 RI operations accounting for \$36.9 billion, of which 870 are lending operations, 727 are ASA operations and 20 are Guarantee projects.

RI Portfolio Review Sampling Strategy

- A different strategy will be used for three different population groups: 1) closed regional projects, 2) closed single-country projects, and 3) active projects.
- Each sample will be statistically representative with a 90% confidence interval and 10% of margin of error, i.e. with 90% of confidence, population parameters are expected to fall within the interval of 10% up and above the point estimates calculated with the sample.
- For population group 1, the sample will be statistically representative for each segment of the following individual criteria: i) region, ii) intervention, iii) fund. Individual means that we do not intend to produce statistically representative estimates of subgroups, e.g. the IFC's regional ECA RPG projects.
- The criterion “region” divides the population in maximum 7 regions.
- The criterion “intervention” divides the population in regional infrastructure, regional public goods, and capacity building projects.
- The three interventions are not overlapping with each other at the conceptual level, however, it is well understood that at the WBG project level, a RI project design can have a combination of any or all three types of interventions but with a focus on one certain intervention type. The reference population of each intervention segment was estimated using the WBG practices and sectors of projects as follows:
 - a. Regional infrastructure: practices “Energy & Extractive Industries”, “Agriculture”, “Infrastructure & Natural Resources”, “Infrastructure”, “Transport & ICT”, “TMT, Venture Capital & Funds”, “Finance & Markets”, “Global Industry and Financial Markets”, “Global Industry, Manufacture, Agribusiness & Services”. Transport and non-assigned sectors in “Trade & Competitiveness”, non-assigned sectors in “Education”, “Social, Urban, Rural and Resilience”, “Poverty and Equity”, and “Social Protection & Labor”, and Energy and Mining sector.
 - b. RPGs: practices "Environment & Natural Resources" and "Water", and sectors "Water" and "Environment", "Health, Nutrition & Population".
 - c. CB: practices "Governance", "Macro Economics & Fiscal Management", and sector Economic Policy". Assigned sectors in "Social, Urban, Rural and Resilience", "Education", "Poverty and Equity", "Social Protection & Labor". Other assigned sectors in practice “Trade & Competitiveness”.
- The criterion “funds“ divides the population in IBRD/IDA, IFC, MIGA, and other WB Funds (RETF, IDF, GEF, GEFM and CARB).
- WB’s additional financing projects, as well as IFC’s ‘swaps’ and ‘rights issuances’ are excluded from the sample frame.
- Finally, there will be a forced inclusion of regional African infrastructure projects (approved by the practices of Water, Transport, Infrastructure and Energy).
- The sampled projects will be subject to detailed review and coding, the project activities will be classified into the three intervention types, e.g., the infrastructure activities of a regional transport corridor project will be classified as regional infrastructure

interventions and the capacity building activities of the same project will be classified as institution and capacity building interventions.

What can we do with these samples?

- What kind of indicators do we want to use for our estimates?
 - Proportions, shares, and ratios.
- Can we compare the relative indicators between two or more segments according to one of the criteria used?
 - Yes
- Can we do estimates of an absolute indicator for the population of the segment?
 - Yes, applying factors (sample size)
- Can we do estimates of relative and absolute indicators for the whole population of reference?
 - Yes, applying factors (population distribution by segments and sample size). For total population estimations factors need to be applied to maintain the actual distribution of the portfolio in active and closed projects.
- Can we do estimates for subgroups within a segment?
 - Probably not.

Minimum sample size n

The sample size of each segment in which a statistically representative sample needs to be drawn can be determined using the following formula:

$$n = \frac{Z_{\alpha}^2 N p q}{e^2 (N - 1) + Z_{\alpha}^2 p q}$$

Where:

- N is the size of the population of reference
- Z_{α} is the value of a $\alpha\%$ (significance level) probability of a type-I error in a normal standard distribution.
- e represents the margin of error (affecting the confidence interval of estimations)
- p is the expected proportion of success. q is 1-p.

Assumption about p

The estimator of a proportion is $p=X/N$, where X is the number of 'positive' observations. When the observations are independent, this estimator has a (scaled) binomial distribution (and is also the sample mean of data from a Bernoulli distribution). The maximum variance of this distribution is $0.25/n$, which occurs when the true parameter is $p = 0.5$. In practice, since p is unknown, the maximum variance is often used for sample size assessments.

Stratified sample size

With more complicated sampling techniques, such as stratified sampling, the sample can often be split up into sub-samples. Typically, if there are H such sub-samples (from H different strata) then each of them will have a sample size n_h , $h = 1, 2, \dots, H$. These n_h must conform to the rule that $n_1 + n_2 + \dots + n_H = n$ (i.e. that the total sample size is given by the sum of the sub-sample

sizes). Selecting these n_h optimally can be done in various ways, using (for example) Neyman's optimal allocation. I have used my own method selecting the minimum sample sizes to have a sample representative at the highest level and then increasing the number of observations to be sampled within each subsegment (subgroups resulting from the combination of segments from multiple criteria) in several iterations until meeting the restrictions for all the segments.

Reference populations and sample size

RI Portfolio selection

| WBG member | RI Evaluation Portfolio (narrower universe)* | | |
|------------|---|---|-------|
| | Regional | Single country | World |
| WB-Lend | All | With RI theme, meeting RI criteria | None |
| IFC-IS | Meeting RI criteria | In most relevant sectors, meeting RI criteria | |
| MIGA | | In 5 main sectors, meeting RI criteria | |
| WB-AAA | With RI theme | | |
| IFC-AS | Linked to RI-relevant IFC-IS or with REC client | | |

Total RI portfolio

| WBG member | RI Evaluation Portfolio (narrower universe)* | | |
|--------------|--|------------|----------------|
| | Total | Regional | Single country |
| WB-Lend | 525 | 423 | 102 |
| IFC-IS | 345 | 130 | 215 |
| MIGA | 20 | 1 | 19 |
| WB-AAA | 662 | 271 | 391 |
| IFC-AS | 65 | 19 | 46 |
| Total | 1617 | 844 | 773 |



Sample frame and sample sizes for the RI lending portfolio

According to the sampling strategy described, the minimum sample size for each segment is a restriction that needs to be satisfied by the drawn sample.

| Region | Total | |
|--------------|------------|------------|
| | N | n |
| AFR | 401 | 180 |
| EAP | 92 | 34 |
| ECA | 128 | 50 |
| LCR | 207 | 69 |
| MNA | 60 | 27 |
| OTH | 22 | 11 |
| SAR | 53 | 21 |
| Total | 963 | 392 |

| Region Type | Total | |
|----------------|------------|------------|
| | N | n |
| Regional | 618 | 301 |
| Single country | 345 | 91 |
| Total | 963 | 392 |

| Funds | Total | |
|--------------|------------|------------|
| | N | n |
| IBRD/IDA | 222 | 108 |
| IFC-IS | 377 | 121 |
| MIGA | 20 | 8 |
| WB Funds | 344 | 155 |
| Total | 963 | 392 |

| Project Status | Total | |
|----------------|------------|------------|
| | N | n |
| Active | 422 | 141 |
| Closed | 541 | 251 |
| Total | 963 | 392 |

| Intervention | Total | |
|--------------|------------|------------|
| | N | n |
| CB | 233 | 80 |
| Infra | 603 | 236 |
| RPG | 127 | 76 |
| Total | 963 | 392 |

Appendix 4

Regional Integration, by level of scope, interactions and timespan

IEG's literature review suggest that two out of the five types of interactions among countries are purely economic in nature, and three types of RI are both economic and political in nature (Figure 7.1). Further, the loss of sovereignty varies by the type of engagement, as the scope of RI increases, there is a loss of sovereignty (figure 7.2).

Figure 7.1. Types of Interactions Among Neighboring Countries

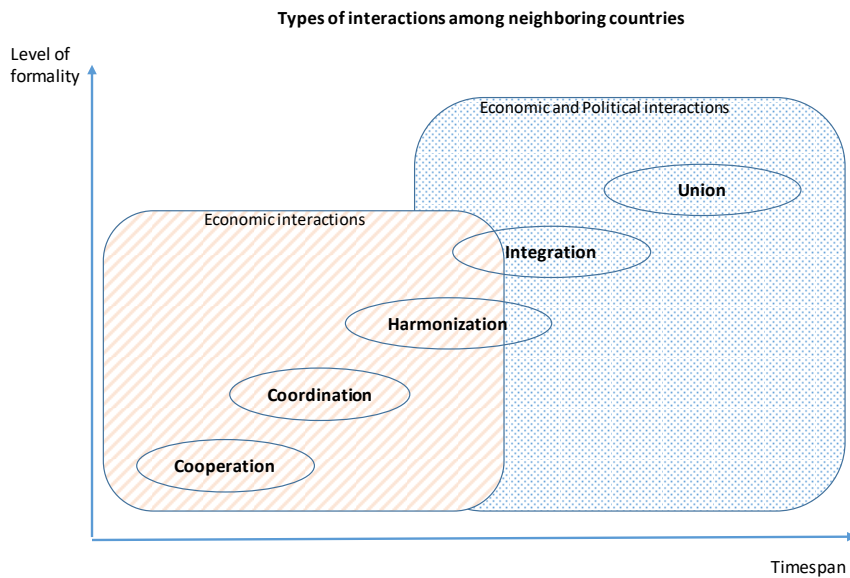
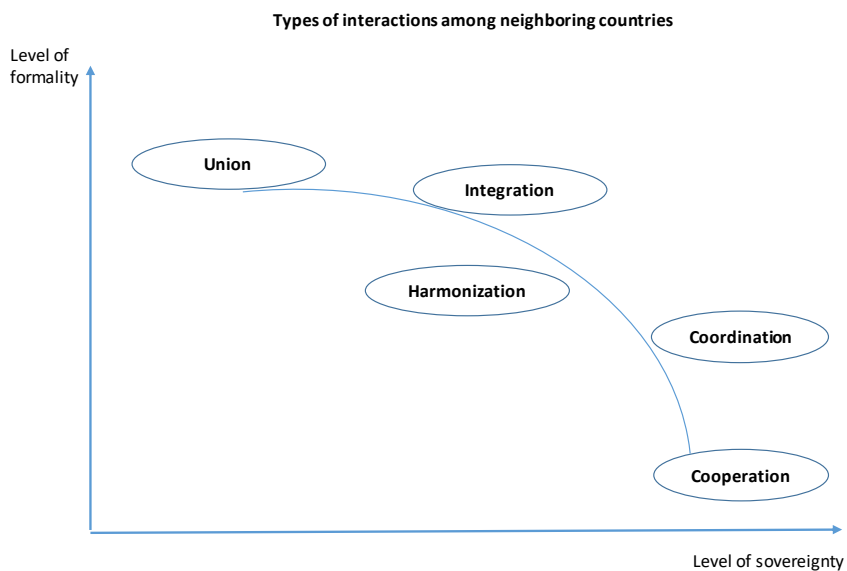


Figure 7.2. Regional Integration, by level of scope and level of sovereignty loss



Appendix 5

Regional Development Banks' Support to Regional Integration:

Among the regional development banks, ADB and AfDB completed independent evaluations of their respective support to RI activities in the recent five-year period. The following sections provide a synthesis of the findings related to the RI in Asia and Sub-Saharan Africa as evidenced by the respective regional development banks.

Asia

Macro-economic developments and Strategic issues: First, regional integration outcomes have varied considerably across the Asian sub-regions. East Asia and Southeast Asia have much higher levels of integration than other Asian sub-regions (and most non-Asian sub-regions) do. By comparison, the Pacific, South Asia, and Central Asia are among the least integrated sub-regions in the world. Second, the main driver behind Asia's regional integration has been the growth of trade and investment, while monetary and financial integration has lagged. Except for the more developed East Asia sub-region, integration has mainly occurred through inter-sub-regional trade. Third, at the institutional level, regional integration in the Asia and the Pacific region is still at the stage of forming free trade agreements and doesn't seem to be heading toward more advanced forms of integration (such as customs, monetary, and economic unions), except for the Association of Southeast Asian Nations' (ASEAN) planned economic community set to start at the end of 2015 and some attempts in Central Asia by the Russian Federation to form a customs union. Despite progress in free trade agreements, intra-sub-regional trade shares in Asia and the Pacific, which are driven mainly by availability of cross-border infrastructure and related software, have not increased significantly.

ADB effectiveness and role: The independent evaluation reports indicate that the performance of completed and evaluated ADB's RI projects was on average 81% successful, compared with ADB's average success rate of 61%, and a non-RCI success rate of 59%. This positive performance is significant, given that RCI projects are usually more complex and have more stakeholders. Further analysis using project evaluation sub-criteria indicates that part of the explanation is that RCI project designs were better than those of many non-RCI projects. This may reflect the more careful preparation of RCI projects to meet the needs of multiple stakeholders. The value addition of the RCI work was assessed positively across the four RCIS roles, particularly ADB's role as a financial institution and as an honest broker, although the capacity builder role still needs improvement.

Recommendations for ADB: The key recommendations accepted by ADB from the review were (a) to deepen the RI agenda with in the country-level strategies and project design by paying greater attention to FCS, (b) to improve the intra-sub-regional, inter-sub-regional coordination among ADB departments, (c) to strengthen country ownership in ADB-led secretariats and ADB-led RI programs and (d) to develop more sophisticated RI projects cutting across multiple sectors, countries and themes and not overly concentrate on transport and power sectors.

Africa

Macro-economic developments and Strategic issues: There is a lack of strategic focus in addressing the soft constraints of regional integration among participating countries. These include

institutional, regulatory and administrative bottlenecks that need to be addressed for infrastructure assets to fully benefit regional integration. At the same time, there is limited elaboration of the areas where the Bank could bring its strengths and value added to bear in addressing specific regulatory and administrative constraints to the development of integrated regional markets. The strategic areas for providing Regional Public Goods (RPGs) – defined as goods or services whose benefits are shared by a group of countries in the same region in a non-rival and non-excludable way – are too broadly defined. There are no references to the specific sectors in which regional cooperation could be enhanced. Although the regional integration strategies at the country-level acknowledges the role of the private sector, there is no systematic analysis of how private sector operations contribute to the goal of regional integration.

AfDB effectiveness and role: The Bank’s capacity to implement its mandate on regional integration has significantly improved with the creation of the NEPAD, Regional Integration and Trade Department (ONRI). The business model of the Bank is still a single-country operation model and is not adapted to the specific requirements of multi-country operations. Existing information demonstrates the effectiveness of multi-country operations mostly at the output level, but is not sufficient to assess their contribution to higher development outcomes, including strategic outcomes defined by the RIS (competitiveness, increased intra-regional trade, etc.) Operations aimed at developing capacity building and institutional development have been relatively less successful, with some exceptions such as the Common Market for Eastern and Southern Africa’s (COMESA’s) Public Procurement Reform and Capacity Building Project.

Recommendations to AfDB: The Bank should develop a distinct definition, consistent across the Bank, of MOs as operations contributing to regional integration. This definition could be based on a set of criteria related to the results chain of the strategic framework. These criteria should be applied equally to private and public sector operations. The same criteria should also be used to identify single-country operations contributing to regional integration. The Bank should define the role of private sector operations, considering the contribution that such operations – and the private sector more generally – can bring to fostering regional integration. The Bank should clearly define the roles, responsibilities and division of labor among ONRI, regional departments and sector departments.

Appendix 6

Summary of Existing Evaluations related to RI

The IEG 2007 evaluation on “The Development Potential of Regional Programs, An Evaluation of World Bank Support of Multi-Country Operations” assessed the World Bank support for regional development programs between FY1995-FY2005, which consisted of both regional projects and regional partnerships. The evaluation results showed that the World Bank played an important convening, advisory and financial role in supporting regional programs, and that these had generally been effective in achieving most of their development objectives. However, these efforts had largely not led to complementary country ownership and policy changes to sustain outcomes, particularly for the case of regional partnerships. Furthermore, IEG concluded that the World Bank could be more strongly positioned on regional programs, if it engaged in a more strategic approach by incorporating the regional programs into the country programs and adapted processes and funding to incentivize regional operations.

The IEG 2012 Cluster Evaluation Review on IFC Support for South-South Investments found that most the 23 evaluated IFC’s South-South investments are intraregional, which perform as well or better than other IFC interventions. Supported activities take place in home and host countries that are similar in economic and institutional conditions and have small gaps in technologies and knowledge. The review concluded that the value added of IFC’s South-South investments for the participating countries are mainly (i) governance risk mitigation and knowledge services promotion, (ii), financial additionality, (iii) standards setting, and (iv) organizational aspects.

The IEG 2016 Clustered Country Evaluation on World Bank Group Engagement in Small States includes regional program evaluations of the World Bank Group programs that addressed small state capacity limitations through coordination in the six Organization of Eastern Caribbean States (OECS) and the nine Pacific Island Countries (PICs). While the focus of the evaluation was not to directly assess aspects of regional coordination per se, it highlighted the important role the World Bank Group has played in small states in engaging regionally -through, for example, IFC regional funds- for public good delivery, harmonized development solutions, joint regulatory approaches, and lowering transaction costs. Furthermore, it considered the allocation increases to the IDA Regional Program as “invaluable” for tailored and scaled support to small states.

ⁱ IEG literature review

ⁱⁱBased on the context of WBG senior management technical briefing to the Board; the phrase “economic interactions” includes social sectors as well such as Education, Health/Pandemics and related regional public goods.

ⁱⁱⁱ The Organization for Economic Co-operation and Development (OECD) describes RI as “the process of overcoming barriers that divide neighboring countries, by common accord, and of jointly managing shared resources and assets. Essentially, it is a process by which groups of countries liberalize trade, creating a common market for goods, people, capital and services.”

^{iv} RI typically could be classified in five forms (Kritzinger-van Niekerk, 2005; Holden, 2003): namely (i) cooperation: consultative process for a specific issue; River Basin initiative being an example; (ii) coordination: time-bound consultative process for single/multiple economic issues; (iii) harmonization: addressing regulatory and policy inconsistencies across economic and political issues, for e.g. standardization of shipping and freight-forwarding policies; (iv) integration : formal interaction with partial loss of sovereignty to a supra-national entity, for e.g. operation of Economic Commission for Africa (ECA); (v) union: most formal form when supra-national entity makes all decisions for member countries, for e.g. European Union.

^v See Appendix 4 for trade-offs between intensity of RI and sovereignty

^{vi} Regional Public Goods (RPGs) are goods or services or resources whose costs and benefits are shared by neighboring countries or a group of countries within a region (i.e. trans-national attributes). The benefits of RPGs should satisfy two primary criteria: (a) “non-rival” (i.e. one country’s consumption doesn’t subtract from the amount available to others), and (b) “non-excludable” (i.e. no country in the region should be excluded from benefitting, except at prohibitive costs) among others (refer below for all six). Support to RPGs require collective actions that engages all members of the group with ownership rights. Exceptionally, RPGs initiatives may be led by one country or a smaller group of countries motivated by a combination of self-interests and broader regional objectives. Regional public goods in the context of this evaluation refers to regional water resources, regional knowledges such as agriculture technology, regional natural resources, etc. Regional infrastructure while by nature is public goods, it is treated as a separate category in this evaluation.

^{vii} Capacity development (ICD) is a locally driven process of learning by leaders, coalitions and other agents of change that brings about changes in sociopolitical, policy-related, and organizational factors to enhance local ownership for and the effectiveness and efficiency of efforts to achieve development goal (Source: World Bank Group, 2009).

^{viii} IEG literature review

^{ix} Refer Appendix 5 for Synthesis of ADB and AfDB evaluations

^x See Appendix 4 for RI typology based on literature review

^{xi} Regions refer to World Bank Group regional lending groups

^{xii} 1. Three previous IEG evaluations are relevant to RI include the Development Potential of Regional Programs, An Evaluation of World Bank Support of Multi-Country Operations (World Bank Group 2007), Cluster Evaluation Review on IFC Support for South-South Investments (World Bank 2012), and Clustered Country Evaluation on World Bank Group Engagement in Small States (World Bank 2016). A brief description of the findings from the IEG evaluations is in Appendix 6.

^{xiii} Forward look – A vision for the World Bank Group in 2030, World Bank, March 2017

^{xiv} Convening power is an ability to bring various international and national actors and stakeholders together to address some of the most critical global development challenges.

^{xv} CAS for OECS (FY06-09), Regional Partnership Strategies for OECS (FY10-14) and Regional Partnership Strategies for OECS (FY15-19).

^{xvi} Specific criteria are: (1) projects stating regional development objectives or (2) listing RI effects as expected development impacts, or (3) single-country projects listing RI activities as part of a regional program (further elaborations on criteria in Appendix 3).

^{xvii} The preliminary portfolio identification will be subsequently revised during the evaluation based on in-depth portfolio review, and consultations with the WBG operational teams.

^{xviii} Operational maturity in IFC projects is defined as at least 18 months of financial performance in the underlying projects or at least five years after IFC commitments.