APPROACH PAPER

Projects with Regional Integration Elements

Regional

EvD ID: S519-136

May 2019

EBRD EVALUATION DEPARTMENT
Contents

1. Introduction .................................................................................................................. 2
   1.1 Scope and nature of the evaluation 
   1.2 Rationale for inclusion in the work programme 
   1.3 Background to this evaluation 
   1.4 Other relevant evaluation work

2. Monitoring and self-assessment ............................................................................... 11
   2.1 Monitoring reports 
   2.2 Transition monitoring 
   2.3 Self-evaluation

3. Evaluation methodology .......................................................................................... 11
   3.1 Evaluation questions 
   3.2 Methodology 
   3.3 Potential problems and limitations

4. Administrative arrangements ..................................................................................... 13
   4.1 EvD Team 
   4.2 Timetable 
   4.3 Budget

Annex 1: Study matrix for Integration Projects Evaluation ............................................. 15
Annex 2: Projects related to the evaluation projects ....................................................... 19
Annex 3: “Regional Integration” as transition quality ..................................................... 22
Annex 4: Two Regional Integration evaluations case studies from other IFIs .............. 25
1. Introduction

1.1 Scope and nature of the evaluation

This paper outlines the proposed approach for the evaluation of 10 projects supporting regional integration.

Integration is a new transition quality, formally introduced in mid-2017, as a part of Bank’s reshaped transition framework. The EBRD defines integration in relatively broad terms as “increased interactions and strengthened links between economies”, which can be applied to a broad spectrum of projects. However, this review will concentrate on a relatively small group of projects, which support physical connectivity among countries, through cross-border infrastructure or in-country infrastructure, which substantially contribute to the facilitation of international trade or people movement across borders.

Although formal recognition of integration as a source of transition is relatively recent, the Bank has for many years financed projects whose objectives include support for the integration of its countries of operation (COOs) with European or Eurasian economic systems through financing physical infrastructure and supporting systemic changes to bring institutional arrangements and practices in COOs in line with international standards. Therefore there exists a pool of recently completed projects (although limited to two sub-sectors only), which can be assessed under this evaluation.

This review will assess the extent to which the Bank has so far succeeded in helping to forge physical connectivity and in consequence contributed to regional integration among its COOs or with other countries by evaluating a cluster of projects from two sectors - transport (eight projects) and natural resources (two projects), which have been relatively recently completed and exemplify the Bank’s efforts in this respect to date.

The evaluation will start with a short historical background, presenting the evolution of the Bank’s approach to regional integration and briefly describing the Bank’s landmark regional integration projects from the early days. It will then examine how the projects fitted into the Bank’s strategies, and those of the relevant regions and affected countries, as well as how they specifically contributed to regional integration. This will be measured in physical terms (e.g. change in traffic/flow of goods/passengers, comparing pre and post project data!), as well as in terms of “soft” integration, i.e. the extent to which the Bank’s clients or COOs adopted international standards and practices. The assessment will be based on a review of relevant strategies and data, as well as interviews with government representatives, regulators, the Bank’s clients, consultants and other stakeholders.

In addition to assessing the impact of each project, the evaluation will also present three country case studies (Azerbaijan, Turkey and Croatia), each including 2-3 projects, examining how a set of Bank projects in different sub-sectors contributed to progressing each country’s integration agenda. The study will also take into account (to the extent possible) the impact of both older and newer (not yet completed) Bank projects, related to the core operations.

---

1 This will be possible for all but one cluster project (TAP), which will be almost completed by the time of its evaluation. Nevertheless, its gas flows can be estimated with high degree of probability based on infrastructure completed to date and thanks to its off-take agreements structure. Its expansion and interconnection capacity will provide further indicators of its potential regional integration impact.
Such associated projects would, for example, relate to sections of international routes financed by the Bank in the earlier years, or still under implementation, connecting to the route financed by the “core” cluster project. The experience of other IFIs co-financing projects will be also examined.

The key objective is to identify strategic and (to the extent possible) common issues in integration projects, to provide the Board and Management with useful information, which could contribute to strengthening the design and implementation of future projects supporting regional integration.

1.2 Rationale for inclusion in the work programme

Projects supporting regional integration are among the Bank’s largest and most challenging operations. They typically finance infrastructure of strategic importance for several countries, are implemented in phases, usually over a relatively long period. Many of them are technically complex and require close coordination among many co-financiers/IFIs.

Some integration projects are sensitive or even also controversial due to their political, economic, social or environmental nature. In short, they present a compendium of risks, which often materialise and therefore deserve better analysis and understanding.

Moreover, the main theme of the Bank’s 2019 AGM in Sarajevo is “Connecting Economies for Stronger Growth”. Yet, the Bank has never comprehensively assessed a set of projects with the common objective of supporting regional integration, particularly not one specifically designed to identify the extent of their “integrating effect”.

This evaluation attempts to fill this gap. It is considered timely as integration has begun to appear as a central theme in the Bank’s projects (supported by its recent introduction as one of the new transition qualities) and the number and quality of the Bank’s projects addressing it will probably increase.

1.3 Background to this evaluation

1.3.1. Regional landscape relevant to the Bank’s operations

There are various definitions of integration. The Bank uses a slightly more general definition of “economic integration”, rather than “regional integration” favoured by other IFIs, see box 1.

Box 1. Definitions of Integration

| Economic integration | can be defined as increased interactions and strengthened links between economies. An integrated economy is an economy where factors of production, goods and services encounter limited institutional or physical barriers to movement and therefore observed flows of goods, people and capital are high (EBRD) |
| Regional integration | can refer to an economic and monetary union of countries subordinated to a supranational entity (e.g. EU). In the institutional context regional integration can cover several dimensions, e.g. cooperation, coordination, harmonization, economic and monetary union. Its complexity extends from spatial and geographical aspects at the border, to financial and digital forms of integration across neighbouring countries (“Two to Tango. An Evaluation of the World Bank Group Support to Fostering Regional Integration”. IEG, World Bank) |
| Regional cooperation and integration (RCI) | is a process by which national economies become more interconnected regionally. It plays a decisive role in accelerating economic growth, reducing poverty and economic disparity, raising productivity and employment, and strengthening institutions. It can breach development gaps between countries by building closer trade integration, intraregional supply chains, and stronger financial links, enabling slow-moving economies to speed their own expansion. (AsDB). |
Integration can be a decentralised process (usually at company level) or an institutional one (at country level). This evaluation will concentrate on the latter, which occurs when countries create formal blocks with specific objectives. Typically such objectives include the development of trade and stimulation of investments among member countries, which is to be achieved through the elimination of trade and investment barriers and/or customs duties among member countries. Also, the member countries often agree on and adopt common standards, rules and laws, which have precedence over national laws.

There are two main regional integration blocks (both economic unions) among the Bank’s COOs:

- **European Union** (EU) – whose members include 12 Bank’s COOs: Poland, Slovakia, Hungary, Slovenia, Lithuania, Latvia, Estonia, Romania, Bulgaria, Croatia, Greece and Cyprus. Moreover, five additional COOs currently have EU Accession State status: Albania, Northern Macedonia, Montenegro, Serbia and Turkey. Twelve other COOs are covered by the European Neighbourhood Policy: Egypt, Jordan, Lebanon, Morocco, Tunisia, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine and Russia (the last seven under the Eastern Partnership). Most of these countries signed Association or Partnership Cooperation Agreements with the EU. Moreover, the EU created a separate Customs Union with Turkey.

- **Eurasian Union** (EAU) – established in 2014, all five of its members are COOs: Armenia, Belarus, Kazakhstan, Kyrgyz Republic and Russia. Two of its prospective members are also COOs: Mongolia and Tajikistan, while Moldova has an observer status. The EAU introduced the free movement of goods, capital, services and people, and provided for common policies in many areas.

Moreover, the EU and neighbouring countries have established several regional programmes, aimed at improving the integration of these regions with Europe. Those most relevant for the Bank’s COOs are:

- **Union for the Mediterranean** (UfM) – established in 2008 between the EU and the countries around the Mediterranean Sea, this programme includes the Bank’s EU and SEMED countries, and Turkey. It is not yet an economic union, rather a looser block supporting integration through specific projects, aimed at increasing the countries’ socio-economic development and ensuring stability in the region.

- **Transport Corridor Europe-Caucasus-Asia** (TRACECA) – a programme established in 1993, involving the EU and 14 member States of the Eastern European, Caucasian and Central Asian region. Its members include the Bank’s Caucasus and Central Asian COOs, as well as Turkey and Ukraine. The programme aims to strengthen economic relations, trade and transport in the regions of the Black Sea basin, South Caucasus and Central Asia.

Finally, the relatively recent Chinese initiative – the Belt and Road Initiative, has been gradually impacting the cross-border transport infrastructure development strategies of selected COOs.
1.3.2. Types and key sectors of EBRD’s integration projects

The Bank has supported economic integration through a wide variety of projects, including loans to local companies to intensify their exports or imports, or financing foreign investors, who brought local producers into their international supply networks or by promoting clients’ compliance with EU standards and practices. This type of projects aimed to support integration of particular companies with the wider international economic system.

Another type of the Bank’s projects has been supporting regional integration, through physical improvements to cross-border infrastructure or local infrastructure, part of larger international corridors. Such closer integration was to be achieved by removing bottlenecks on international transport routes, increasing the capacity of transport hubs to stimulate transit of goods and passengers, or connecting regional energy systems. Most such projects were complemented by TC support for the development of new institutions, capacity building or adoption of EU standards on institutional level. This type of projects aimed to support integration of countries (whole economies, rather than particular companies).

This evaluation will focus on projects, which were designed to physically enable stronger regional integration, as requested by the Board.

So far, over 75 per cent² of the EBRD’s operations have been in the EU’s extended neighbourhood (EU and countries covered by the EU Neighbourhood Policy). Therefore the EU’s common economic policy has been the strongest factor influencing the integration of most of the Bank’s COOs and in turn, Bank projects, which include integration components.

In particular, the development of the Trans-European Transport Networks (TEN-T), including port/airport hubs related to them, strongly shaped investment priorities in the EU member and accession states. At the same time, the development of Pan-European corridors (independently or as part of TRACECA), has played a key role in the EU neighbourhood and other countries.

Moreover, the EU’s Energy policy, a central point of which is diversification of the energy supply, has been behind oil and gas pipeline mega-projects, which cross several countries.

The Bank’s infrastructure projects supporting regional integration fall generally into three sectors³:

- Transport
- Natural Resources
- Power and Energy

However, many of those which clearly aim to support regional integration are relatively recent (signed between 2015 and 2018). As they involve large infrastructure construction (and public procurement), most of them haven’t started disbursing yet or are in early stages of implementation and are not yet suitable for full impact evaluation. On the other hand, some relatively old projects (signed in the early 2000s) have been repaid, the team members have left the Bank and in many cases the EBRD has lost

---

² Pre-Feasibility Study on the Bank’s Mid-Term Direction, 9 April 2019
³ The Bank has also financed projects supporting the development of regional infrastructure in other sectors, e.g. project SEE Link, which substantially contributed to regional integration of Balkan stock exchanges (FI sector). However such projects were rare, while SEE Link’s evaluation was covered in EvD’s recent special study “EBRD Support for Local Capital Markets”, SS16-094, July 2017. This evaluation will concentrate on the core sectors supporting regional integration; however it will also mention important projects of such type from other sectors completed by the Bank in earlier years.
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

contact with the clients, making them also unsuitable for this evaluation. These (and the newer projects under implementation, mentioned above), if related to core cluster projects, will be part of the “associated projects” and will be reviewed to the extent possible (see more in section 1.3.1 and 3.2).

Therefore the pool of core projects supporting regional integration, suitable for this cluster, is relatively limited and strongly dominated by Transport sector projects. The following sub-sections present a brief analysis by sector.

1.3.3 Transport sector projects

EvD’s Special Study – “Transport Sector Strategy Review” (SS17-106), published in October 2018, identified 34 projects signed by the Bank during the strategy period (October 2013 – May 2017)\(^4\), which had as their immediate outcome to “strengthen integration [of a country in question] with European, Eurasian or SEMED region transport systems” (with subsidiary outcomes including “better EU or regional integration” and “alleviation of bottlenecks to international transport”).

Among these projects, 15 have not yet started disbursing or have disbursed very little, while four have disbursed approximately 50-60% of their total Bank financing and are still far from completion. One additional project was cancelled, while three are deemed less suitable for thematic evaluation due to their character, i.e. refinancing (of the project proposed for evaluation) or their focus on other objectives (a bond for balance sheet restructuring). Moreover, three other projects were very small (€1.7 million – €4.2 million), financing local logistics companies and therefore were also seen as less suitable for inclusion in an evaluation principally focused on larger infrastructure projects.

This left eight projects, which could be considered for this evaluation cluster. Following further discussions with the Operation Leaders (OLs), Portfolio Managers (PMs) and initial project reviews, some projects were dropped (e.g. Armenia Airport and Luka Ploce Port, Croatia) as they were repaid/pre-paid and the Bank was no longer in contact with the client). In their place, some older projects were suggested by the PMs as worth consideration for this cluster because they have been implemented relatively recently and they seem to fit well into a country-level cluster (Croatian part of Corridor Vc, Azeri Roads Reconstruction). The eight Transport sector projects, which are proposed for this cluster are briefly described in table 1.

Table 1. Transport core projects supporting regional integration

<table>
<thead>
<tr>
<th>OpId</th>
<th>Project Name</th>
<th>Country</th>
<th>Bank’s loan ¤m</th>
<th>Signed, portfolio</th>
<th>Short description, status</th>
</tr>
</thead>
<tbody>
<tr>
<td>38716</td>
<td>Corridor Vc,</td>
<td>Bosnia and Herzëg.</td>
<td>205</td>
<td>10.2008, state</td>
<td>The Bank’s flagship, multi-phase project supporting integration of the Western Balkans with the rest of Europe. Construction/upgrading of several sections of the Mediterranean TEN-T corridor linking Budapest through Bosnia to the port of Ploce in Croatia. Fully disbursed and completed. The Bank provided four follow-up loans, totalling €346 million (see Annex 2), as well as to Croatian sections (see below). Co-financed with EIB and EU.</td>
</tr>
</tbody>
</table>

\(^4\) This study also took into consideration projects signed earlier, which became active during the Strategy period.
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

<table>
<thead>
<tr>
<th>Project Code</th>
<th>Project Title</th>
<th>Country</th>
<th>Amount</th>
<th>Year</th>
<th>Disbursement Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>41325</td>
<td>Corridor Vc Completion Project</td>
<td>Croatia</td>
<td>58.9</td>
<td>Nov.2010, state</td>
<td>Financing of two motorways sections required to complete the Croatian part of the Corridor Vc (see above), adjacent to the northern and southern borders with Bosnia and Herzegovina. Fully disbursed and completed.</td>
<td></td>
</tr>
<tr>
<td>43094</td>
<td>Azeri Roads Reconstruction and Rehabilitation</td>
<td>Azerbaijan</td>
<td>750</td>
<td>12.2011, state</td>
<td>Co-financing (with major IFIs) of Azerbaijan’s main highways. Part of the TRACECA corridor and of the Silk Road route, which connects Baku with Georgia, Turkey and EU, as well as the Russian Federation and Iran. Part of the Government’s priority programme to support connectivity and Azerbaijan’s integration into the global economy.</td>
<td></td>
</tr>
<tr>
<td>40185</td>
<td>Pan-European Corridors (tranche A only)</td>
<td>Ukraine</td>
<td>450</td>
<td>Nov 2010</td>
<td>Rehabilitation of two key Pan-European corridors connecting Ukraine to the EU. Tranche A is 90% disbursed and the component (Western connection) substantially completed. Tranche B (southern connection) is 50% disbursed. Only the impact of investments related to tranche A will be assessed.</td>
<td></td>
</tr>
</tbody>
</table>

### Sea ports

<table>
<thead>
<tr>
<th>Project Code</th>
<th>Project Title</th>
<th>Country</th>
<th>Amount</th>
<th>Year</th>
<th>Disbursement Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>45805</td>
<td>DCT Gdansk expansion</td>
<td>Poland</td>
<td>24.6</td>
<td>11.2014, private</td>
<td>Construction of a second deep-water container terminal at the port of Gdansk – the main port in the southern Baltic area, connecting to the Baltic-Adriatic TEN-T corridor. Fully disbursed and completed. Fastest growing container terminal in Europe. Recently sold by Macquarie. The Bank’s new loan (€46.25 million, Board-approved on 9.4.2019) is funding part of the acquisition and a further expansion of the DCT.</td>
<td></td>
</tr>
<tr>
<td>4417</td>
<td>Asya Port</td>
<td>Turkey</td>
<td>62.6</td>
<td>12.2013, private</td>
<td>Financing of a container terminal – the largest on the Sea of Marmara, linking to part of the Orient East Med TEN-T corridor and Pan-European corridor, connecting Turkey with EU. Asya port was to become a transhipment hub for cargo bound to the Black Sea, capable of handling large vessels. Co-financed with IFC.</td>
<td></td>
</tr>
<tr>
<td>42542</td>
<td>Port of Split Infrastructure Rehabilitation</td>
<td>Croatia</td>
<td>24.4</td>
<td>12.2012, state</td>
<td>Extension and development of the passenger wharves at the port of Split to allow large cruisers and ferries, linking Croatia to Italy and the main European cruise ports. One of the priorities of Croatia’s Pre-accession Strategy and part of Bank’s 3 Croatian ports rehabilitation programme (see annex 2).</td>
<td></td>
</tr>
</tbody>
</table>

### Airports

<table>
<thead>
<tr>
<th>Project Code</th>
<th>Project Title</th>
<th>Country</th>
<th>Amount</th>
<th>Year</th>
<th>Disbursement Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>46467</td>
<td>Dalaman Airport</td>
<td>Turkey</td>
<td>81</td>
<td>Dec 2014, private</td>
<td>Construction of a new terminal and financing of initial concession payment. Key hub airport in southern Turkey, linking it with the European hubs. Fully disbursed and completed.</td>
<td></td>
</tr>
</tbody>
</table>

In summary, the Transport sector projects proposed for this cluster would consist of four highway projects, three ports and one airport. They were signed between 2008 and 2014 and were completed relatively recently. The support for regional integration was a key argument in their transition rationale. A preliminary check confirmed that their quarterly (and in most cases annual) post-project traffic and other relevant data are available. Similarly, most TCs associated with these operations have been completed.

Moreover, during this review EvD will also take into consideration (to an extent possible) the impact of “associated projects” - the Bank’s older projects linked to the core projects listed above, as well as comment on the potential (expected) impact of associated projects under implementation. This is
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

particularly the case with the four highway projects as the Bank financed earlier projects, related to parts of the same international route systems, while other, recently contracted sections are under implementation. Also, most of the remaining projects are associated with others (see annex 2 for the list of old and ongoing projects related to the proposed cluster projects)\(^5\).

1.3.4. Natural Resources sector projects

Among the natural resources operations, two projects with a strong regional impact have been identified with the assistance of the Natural Resources team. Both are gas pipelines, which span a number of countries and both are mega-projects of very high geo-political and economic importance for the relevant countries, as well as potentially the whole of Europe. The projects will enable, for the first time, Azeri gas to flow from the Caspian Sea to Europe.

This is expected to strongly support the integration of the south-European and the Caucasian energy systems and enables diversification of European gas supplies. A brief description and status of both projects is presented below:

**Southern Gas Corridor project, Azerbaijan (48376)** – USD 0.5 billion loan to CJSC, a company owned by SOCAR, the Azeri state oil and gas company and the Azeri government. This sovereign- guaranteed loan was signed in October 2017 to co-finance part of the USD 5.4 billion costs of the Trans-Anatolian Pipeline (TANAP) – a Turkish part of the Southern Gas Corridor (SGC), which now delivers six bcm of gas to Turkey and will soon deliver a further ten bcm of gas to Europe. The entire SGC mega-project amounts to USD 13.7 billion (between 2014 – 2020) and it is objective is to transport gas from Shah Deniz I and II off-shore gas fields in the Caspian Sea (off-Baku), through Georgia (Southern Caucasus Pipeline - completed), Turkey (TANAP – this project), Greece, Albania and under the Adriatic (Trans-Adriatic Pipeline - TAP, see below) to Italy and Western Europe. In the past, the Bank has cofinanced the Shah Deniz II field development with three loans amounting in aggregate to almost USD 0.4 billion. The SGC project is co-financed by AIIB, the World Bank and EIB, as well as MIGA and the German government’s guarantees. TANAP, as part of SGC, has strong potential for cross-continental integration, linking Azerbaijan with Europe. However, according to the Board report, also on its own, it supports integration of the Turkish energy system with that of Europe. The loan has been fully disbursed and the project completed.

The integrating effect was to be strengthened by the Bank’s TC assistance for the development of regulatory law in line with the EU’s Third Energy package and the establishment of an independent Azeri energy regulator, working in accordance with European best practice (including the promotion of third party access). This TC has been now completed and the regulator established. Moreover, the project was also part of the Bank’s work with the Azeri authorities on the adoption of the Extractive Industries Transparency Initiative (EITI), which was expected to help in the integration of this country’s oil and gas sector into the wider international energy system. The project was one of the first Bank operations to base its principal transition impact on the newly introduced TI quality “Integrated”.

\(^5\) To clarify, full integration of these older projects into this evaluation would be difficult as in most cases their OLs have left, loans have been repaid and the Bank has lost contact with most borrowers. Nevertheless, EvD will attempt to obtain traffic data for these projects and (to the extent possible) take the impact stemming from these older operations into account when assessing that of the “core” projects.
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

The evaluation will assess TANAP’s impact on the integration of Azerbaijan’s and Turkey’s energy systems into that of Europe.

**Trans-Adriatic Pipeline (TAP), 45690** – this is the third and last section of the Southern Gas Corridor (SGC) connecting Azerbaijan with Europe. The other two are completed: the South Caucasus Pipeline through Georgia (no Bank’s involvement) and TANAP (see above). This €0.5 billion financing was signed only in November 2018, however the project has been under implementation since 2015 and the Bank’s loan (currently 90% disbursed) retroactively financed the costs incurred after the Bank’s concept clearance in March 2017. The project comprises the construction of the last section of the SGC from the Turkish-Greek border, through Greece, Albania, under the Adriatic to Brindisi, Italy. The project was expected to have a strong impact on the integration of the Albanian and Greek energy systems to those of the EU. Moreover, the Bank provided a TC for a capacity building programme with a key focus on the legal and regulatory functions of the newly established transmission and distribution system operator in Albania – Algaz. Also, the TC was to contribute to the creation of a market-enabling regulatory framework by facilitating the relationship between the Albanian Ministry of Energy, the Energy Regulatory Agency and Albgaz.

It was envisaged that in addition to Greece and Albania, other countries in south-eastern Europe would be interconnected with TAP. At the latest check, Bulgaria had made the most progress in constructing such an interconnector.

The evaluation will focus on an assessment of TAP’s impact on the integration of the Albanian and Greek energy systems into that of Europe.

**1.3.5. Power and Energy**

The Bank has only recently started to finance Power and Energy cross-border projects and they are not yet ready for evaluation under this cluster. There were two such transmission projects signed, one in 2015 (FYR Macedonia – Albania Transmission, Id 46274, €37 million) and one in 2017 (Moldova-Romania Power Interconnection, Id 47087, for €80 million). The first project disbursed only one million, while the second has not started disbursing yet. Public procurement processes are the main reason for the long delay in beginning the actual implementation of these projects.

In summary, the proposed ten cluster projects are in eight countries, whose status in relation to the European Union’s integration policy is as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Stage/degree of integration with the EU</th>
<th>Cluster core projects</th>
<th>Number of associated projects*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Azerbaijan</strong></td>
<td>Cooperation Agreement (covered by Neighbourhood Policy)</td>
<td>- Azeri Roads &lt;br&gt; - TANAP</td>
<td>2</td>
</tr>
<tr>
<td><strong>Ukraine</strong></td>
<td>Association Agreement (covered by Neighbourhood Policy)</td>
<td>- Pan-European Corridors</td>
<td>3</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>Accession country</td>
<td>- Asya Port &lt;br&gt; - Dalaman Airport &lt;br&gt; - TANAP</td>
<td>0</td>
</tr>
</tbody>
</table>
The countries highlighted in the table - Azerbaijan, Turkey and Croatia - each at a different integration stage with EU, will be subject to country case studies, i.e. a more detailed, country-level analysis of their progress with regional integration measured based on their macro-economic data (e.g. changes in trade, FDIs and migration) and the Bank’s contribution to this process (more in section 2 and annex 1).

1.4 Other relevant evaluation work

So far, the Bank has not evaluated the extent of the impact its projects might have had on regional integration of its COOs. However, EvD evaluated in the past several older projects with integration elements (e.g. Almaty-Bishkek Road Rehabilitation Project of 2000, evaluated in 2009). Such older “landmark” projects, of which earlier evaluations exist, will be briefly presented in this evaluation, which would consider evolution of the Bank’s approach to regional integration, project conceptualisation and design, as well as lessons learned over the years, relevant for regional integration.

As mentioned the “Transport Sector Strategy Review” (SS17-106), published in October 2018, identified a set of projects signed by the Bank during the period of October 2013 – May 2017, which included “strengthening integration” as one of their immediate outcomes. This review was one of the main sources for identifying projects for this evaluation.

Most projects proposed for the evaluation have been completed relatively recently and have not been evaluated. However, three projects have had OPAs (self-evaluations) prepared and reviewed by EvD: Corridor Vc (BiH), DTC Gdansk (Poland) and Asya Port (Turkey). These self-evaluations are informative, but they do not assess the relevant project’s impact on the regional integration of the host country.

The World Bank’s Independent Evaluation Group has recently (April 2019) published “Two to Tango - An Evaluation of World Bank Group Support to Fostering Regional Integration”. This study had a much broader scope (as well as time framework and budget) than this evaluation, however some of its findings highlight issues, which might be of interest when conducting this evaluation. Also the ADB’s Mekong River Programme evaluation emphasised regional integration issues, which would be explored under this evaluation. Annex 4 summarises both these evaluations.
2. Monitoring and self-assessment

2.1 Monitoring reports

All projects proposed for this evaluation are stand-alone (rather than under frameworks) and have been subject to semi-annual or annual PMM and TIMS. All recent monitoring reports were obtained and provide information on the projects’ status or their completion. These documents will be useful, however they usually do not comment on a project’s regional integration impact (unless there are transition benchmarks specifically related to this quality).

2.2 Transition monitoring

As above, TIMS are available for all projects. About half of the benchmarks due have been met or are on track, while the other half is due only later this year or the following.

2.3 Self-evaluation

No self-evaluations are envisaged. The study team will rely on interviews with OLs, monitoring bankers in relevant Resident Offices (RO), and clients/consultant/stakeholders/government representatives to obtain relevant information and data. The self-evaluations prepared for three of the proposed evaluation projects (see section 1.4) will be taken into account.

3. Evaluation methodology

3.1 Evaluation questions

The overarching question of this evaluation will be: To what extent and how effectively, has the EBRD contributed to regional integration of eight COOs – hosts to the evaluation projects?

From this overarching question stem the following key sub-questions:

- How has the Bank’s understanding of “regional integration” evolved and how the past experience shaped its current approach? To what extent has the support for regional integration been reflected in the Bank’s country strategies (those relevant to the evaluation projects)?

- Have the Bank-financed projects fit into strategic objectives of relevant countries (and/or the regional blocks they belong to or aspire to belong) in terms of forging closer regional integration? How, in the countries’ view, did these projects contribute to closer regional integration?

- What impact did the Bank-financed projects make on strengthening each country’s integration, in terms of (i) the increase of cross-border traffic/goods movement pre- and post-project, (ii) the adoption of international standards and practices, or the creation of institutions (the latter related mainly to the impacts of the Bank’s TCs)?

---

* See more details on the proposed evaluation criteria and indicators in Annex 1.
What lessons can be drawn from the evaluation projects’ design and implementation to strengthen the impact of the Bank’s future projects on regional integration?

3.2 Methodology

This will be in principal a “cluster evaluation” of selected projects. However, as it will be EvD’s first attempt at the assessment of the Bank’s impact on regional integration, the first part of the evaluation will briefly present a strategic context of the Bank’s support for regional integration. It will start with a brief historical background, present the evolution of the Bank’s thinking on regional integration and briefly describe the Bank’s landmark regional integration projects from the early days. It will also analyse how subsequent country (and to a certain extent sector) strategies treated regional integration, whether they have gotten clearer/more serious over time and whether they were supported by appropriate diagnostics on cross-border/regional integration issues. The evolution of the Bank’s approach to regional integration will expand on the preliminary review contained in annex 3.

The second part of the study will consist of an evaluation of the cluster projects. EvD will request traffic, goods flow and other data for the projects’ and it will prepare a list of issues for each one, to be clarified during the interviews with stakeholders (a preliminary check confirmed that such data will be available). Post-project/current data will be compared with pre-project traffic data. The impact of associated projects will be also reviewed, depending on the availability of information.

This will be followed by four field missions (each combining two countries), where the evaluation projects were implemented. EvD will interview government representatives to establish how the projects fitted into their own integration strategies and what impact they made (from the government’s point of view).

Then the evaluation projects’ stakeholders will be interviewed - clients and TC consultants, to clarify key issues related to each project and identify common themes. In most cases, other stakeholders, e.g. regulators, other TC beneficiaries, local government, civic community representatives, will be also interviewed, depending on the issues, to assess the impact of “soft” components on integration.

The experience of IFIs co-financing the projects will be explored, both in terms of the types of implementation/operation issues and coordination with the EBRD. Annex 1 presents the general (indicative) evaluation criteria, against which this evaluation proposes to assess the impact of the evaluation projects on regional integration. However, the final criteria and indicators will be different for each project and will depend on the nature of a specific operation (as almost all of them are different). The evaluation will focus on impacts and long-term outcomes (e.g. increased movement of people or goods, increased speed of movement, decreased costs, or practical impact stemming from the application of new laws or regulations adopted under the project), rather than outputs or short-term outcomes (completed road extension/airport/bridge, increased access to infrastructure, creation of new institutions and adoption of new laws or regulations, etc.).

7 This will be possible for all but one cluster project (TAP), which will be almost completed by the time of its evaluation. Nevertheless, its gas flows can be estimated with high degree of probability based on infrastructure completed to date and thanks to its off-take agreements structure. Its expansion and interconnection capacity will provide further indicators of its potential regional integration impact.
The projects will be primarily rated for their “integrating impact” on the 4-level scale: “Very Strong”, “Strong”, “Medium” and “Weak”. Moreover, to take advantage of site visits and client interviews, three standard performance categories will be assessed for each project: relevance (including additionality), effectiveness (achievement of outputs and outcomes) and efficiency (financial performance to date). An overall performance rating for each project will be also provided in accordance to EvD’s practice. The Findings and Recommendations from this evaluation will be presented in a concise report and will focus on selected practical issues, which might help the Bank strengthen the regional integration aspects of its future projects.

3.3 Potential problems and limitations

The main challenge for this study is that many of the evaluation projects were implemented for a relatively long time (some by several OLs, some of whom are no longer with the Bank), while local counterparts have also changed, making it difficult to obtain full and reliable information on the evolution of these projects.

This is particularly the case with the “associated projects”, most of which are no longer monitored by the Bank, while the expected impact of those still under implementation can only be indicatively assessed.

Reliable macroeconomic data (for country case studies) might also be difficult to obtain.

Moreover, large highway and pipeline projects have typically been co-financed by many IFIs, ECAs and commercial banks and it might be difficult to attribute impacts on a higher level (regional integration) to any one project.

4. Administrative arrangements

4.1 EvD Team

This evaluation will be led by Tom Bartos, Senior Evaluation Manager. Alejandra Palma, Principal Evaluation Manager will be an active member of the team. Natalia Lakshina, Assistant Analyst, will provide research and administrative support, while Stephanie Crossley, Analyst, will provide editorial support. Barry Kolodkin, Deputy Chief Evaluator will act as peer reviewer. An external panel member (to be identified) may be requested to review the draft report.
4.2 Timetable

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach paper prepared, circulated and approved</td>
<td>April-May 2019</td>
</tr>
<tr>
<td>Background documentation review</td>
<td>April-May 2019</td>
</tr>
<tr>
<td>Internal and external data collection and internal interviews</td>
<td>May-June 2019</td>
</tr>
<tr>
<td>Field work</td>
<td>June, Sept-Oct 2019</td>
</tr>
<tr>
<td>Drafting of the report</td>
<td>June-Nov 2019</td>
</tr>
<tr>
<td>Draft submitted to CE</td>
<td>End Nov 2019</td>
</tr>
<tr>
<td>Draft circulated for Management Comments</td>
<td>Beginning of Dec 2019</td>
</tr>
<tr>
<td>Final editing and final distribution</td>
<td>End Dec 2019</td>
</tr>
</tbody>
</table>

4.3 Budget

EvD travel budget – up to £24,000. No consultancy budget required.
Annex 1: Study matrix for Integration Projects Evaluation

This matrix covers the first part of the study.

<table>
<thead>
<tr>
<th>Study questions</th>
<th>Evaluation criteria</th>
<th>Indicators</th>
<th>Sources of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How has the Bank’s understanding of “regional integration” evolved?</td>
<td>N/A</td>
<td>N/A</td>
<td>- OCE/EPG and other memos, 2019 AGM papers</td>
</tr>
<tr>
<td></td>
<td>To what extent has support for regional integration been reflected in the Bank’s country and sector strategies (those relevant to evaluation projects)?</td>
<td>- extent of coverage of regional integration in relevant strategies</td>
<td>Country strategies (Albania, Azerbaijan, Bosnia and Herzegovina, Croatia, Greece, Poland, Turkey, Ukraine)</td>
</tr>
<tr>
<td></td>
<td>How did the evaluation projects fit strategically?</td>
<td>- existence of meaningful diagnostics supporting prioritisation (or not) of regional integration issues</td>
<td>Sector Strategies (Transport, Energy)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- projects clearly in line with operational priorities of country and sector strategies</td>
<td>Board Reports and relevant strategies</td>
</tr>
<tr>
<td>2. Have the Bank-financed projects been among strategic priorities for relevant countries in terms of forging closer regional integration?</td>
<td>-existence of regional integration/development strategy for each country</td>
<td>-Bank-financed project part of given country’s integration/development strategic priorities</td>
<td>- relevant countries’ own integration or development strategies</td>
</tr>
<tr>
<td>Have the Bank-financed projects been among strategic priorities for regional blocks they belong to (or aspire to belong/cooperate with)?</td>
<td>-existence of EU strategy related to regional integration of a given country</td>
<td>-Bank-financed projects part of EU’s regional integration strategy</td>
<td>- EU strategies relevant to a given country (e.g. Neighbourhood Policy, Accession</td>
</tr>
</tbody>
</table>
### Study questions

How, in the countries’ view, did these projects contribute to closer regional integration?

<table>
<thead>
<tr>
<th>Study questions</th>
<th>Evaluation criteria</th>
<th>Indicators</th>
<th>Sources of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>- government’s representative’s opinion</td>
<td>- government’s representative’s opinion</td>
<td>Policy</td>
<td>- interviews with governments’ representatives</td>
</tr>
<tr>
<td>- private sector/industry associations’ opinion</td>
<td>- private sector/industry associations’ opinion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Evaluation criteria

- Increase of goods/people movement due to the project
- Increase in speed of goods/people movement due to the project
- Decrease of cost of transport/operation of facilities
- Improvement of quality/modernisation of facilities related to the movement of goods/people
- Increased interconnection capacity of gas pipelines (for NR projects)

### Indicators

- Pre and post project data on quantity and speed of goods and passenger movement
- Evidence of improvement of facilities related to goods or passenger movement (in line with modern/EU standards)
- Evidence that the use of new standards, practices, laws, or regulations improves completion – lower costs of goods/people movement (e.g. market coupling for gas)
- Number of international interconnection options

### Sources of Data

- Data from clients, client, stakeholder interviews, site inspections
- Consultants and clients interviews, consultants reports, site visits

3. What impact did the Bank-financed projects make on strengthening each country’s integration, in terms of:

(i) the increase of cross-border traffic/goods movement pre- and post-project

- Increase of goods/people movement due to the project
- Increase in speed of goods/people movement due to the project
- Decrease of cost of transport/operation of facilities
- Improvement of quality/modernisation of facilities related to the movement of goods/people
- Increased interconnection capacity of gas pipelines (for NR projects)

(ii) adoption of international standards, practices, laws, regulations or creation of institutions?

- New standards, practices, laws, or regulations being adopted and utilised
For each project the EvD team will prepare a simplified Theory of Change organigram, focused on regional integration.

In addition, for the three country case studies (Azerbaijan, Turkey and Croatia) the following three country-level pre and post Bank projects indicators will be compared (absolute numbers and as a percentage of GDP):

- trade flows - exports/import
- foreign direct investments

The performance of projects in other categories than regional integration will be assessed in accordance with EvD’s standard evaluation methodology (although slightly abbreviated). The projects will be evaluated based on three key criteria:
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

(i) **relevance** – alignment with the project’s framework objectives, broader country and sector strategies and the Bank’s strategic initiatives. The strength of the additionality case will be also assessed;

(ii) **effectiveness** – achievement of the projects’ operational and transition objectives to date;

(iii) **efficiency** – achievement of the projects’ financial objectives to date and Bank handling.

Ratings for each of the above categories will be based on EvD’s current scale of: Excellent – Fully Satisfactory – Partly Unsatisfactory – Unsatisfactory. The overall performance rating scale is: Outstanding – Good – Acceptable – Below Standard – Poor – Very Poor.
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

Annex 2: Projects related to the evaluation projects

The impact on integration at a regional level can be rarely observed based on a single project. Many infrastructure projects aiming to physically connect countries or develop international transport hubs have been financed and implemented in stages. Therefore, to fully assess the impact of the evaluation projects, EvD will also take into account the Bank’s earlier projects (although in most cases full evaluation of their impact is not possible as the Bank no longer has contact with many of these clients).

Moreover, EvD will also comment on the potential impacts of the projects currently under implementation, related to the evaluation projects.

The table below presents the list of 21 projects associated with 8 of the core evaluation projects – old ones and under implementation, briefly explaining their relation to the core evaluation projects.
<table>
<thead>
<tr>
<th>Id</th>
<th>Associated Project</th>
<th>Country</th>
<th>EBRD finance €</th>
<th>Date signed</th>
<th>Relation to the evaluation project</th>
</tr>
</thead>
<tbody>
<tr>
<td>35264</td>
<td>M6 Motorway</td>
<td>Hungary</td>
<td>25.3</td>
<td>7.2005</td>
<td>Corridor Vc is a TEN-T linking Budapest through Bosnia to the port of Ploce in Croatia. The Bank first co-financed the Hungarian part of this corridor from Budapest to the Croatian border (with M60 branch to Pecs) as a private concession. It recently provided financing for M6 PPP (2015 projects)</td>
</tr>
<tr>
<td>35256</td>
<td>M6 Refinancing</td>
<td></td>
<td>32</td>
<td>3.2006</td>
<td></td>
</tr>
<tr>
<td>38376</td>
<td>M6-M60 Motorway</td>
<td></td>
<td>74.6</td>
<td>5.2008</td>
<td></td>
</tr>
<tr>
<td>47490</td>
<td>M6 Duna</td>
<td></td>
<td>6</td>
<td>6.2015</td>
<td></td>
</tr>
<tr>
<td>47530</td>
<td>M6 Tolna</td>
<td></td>
<td>19</td>
<td>6.2015</td>
<td>In 2008 the core project co-financed the first 66 km of Corridor Vc in BiH. Subsequent loans financed the remaining sections, including part of ring road off Sarajevo and a part crossing Republica Serpska. The core Croatian project financed two sections connecting Hungarian and Bosnian Republics and Bosnia and the Port of Ploce at the end of Corridor Vc, linking it to the Adriatic. The Bank has also financed the modernisation and extension of the liquid and the bulk cargo terminals at this port.</td>
</tr>
<tr>
<td>47372</td>
<td>Corridor Vc 2</td>
<td>Bosnia and Herzeg.</td>
<td>80</td>
<td>12.2015</td>
<td></td>
</tr>
<tr>
<td>48999</td>
<td>Corridor Vc Extension</td>
<td></td>
<td>76</td>
<td>12.2016</td>
<td></td>
</tr>
<tr>
<td>49053</td>
<td>Corridor Vc R. Serbska</td>
<td></td>
<td>70</td>
<td>12.2017</td>
<td></td>
</tr>
<tr>
<td>49058</td>
<td>Corridor Vc FBH 3</td>
<td></td>
<td>120</td>
<td>9.2018</td>
<td></td>
</tr>
<tr>
<td>36127</td>
<td>Ploce Port Bulk Terminal</td>
<td>Croatia</td>
<td>11.2</td>
<td>11.2007</td>
<td></td>
</tr>
<tr>
<td>46695</td>
<td>Luka-Ploce Liquid Cargo Terminal</td>
<td></td>
<td>9.6</td>
<td>5.2015</td>
<td></td>
</tr>
<tr>
<td>3683</td>
<td>Azeri Roads Reconstruction and Rehabilitation, Azerbaijan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34723</td>
<td>Silk Road</td>
<td>Azerbaijan</td>
<td>35.7</td>
<td>7.2004</td>
<td>M2 highway is strategically important rout, part of TRACECA road network and the Silk Road, connecting Baku to Georgian border and further to Turkey and EU. The Bank’s 2004 loan financed the section from Sumgait to Zarat and the second loan, a northern branch from Baku to Samur (towards the Russian border). The core project (2011) co-financed the main sections – Mingachevir – Bahramtap, as well as Ganja –Gazakh – Georgian Boarder</td>
</tr>
<tr>
<td>31928</td>
<td>Kiev-Chop Road Rehab.</td>
<td></td>
<td>100</td>
<td>2.2005</td>
<td></td>
</tr>
<tr>
<td>36547</td>
<td>3rd Project-Kiev-Chop</td>
<td></td>
<td>200</td>
<td>12.2006</td>
<td></td>
</tr>
<tr>
<td>39749</td>
<td>Port of Sibrenik</td>
<td>Croatia</td>
<td>10</td>
<td>4.2010</td>
<td>The Bank financed modernisation and extension of 3 main ports in Croatia – Dubrovnik, Sibenik and Split (the latter is the core project). All projects encompassed berth extensions to increase space for cruise ships – key for connecting Croatia to the lucrative cruising market, and in some cases, cargo handling.</td>
</tr>
</tbody>
</table>

**CORE: Port of Split, Croatia**
### Projects with Regional Integration Elements – Evaluation Cluster (Regional)

<table>
<thead>
<tr>
<th>CORE: DCT Gdansk, Poland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>50798</td>
<td>Project Felicjan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CORE: TANAP and TAP, Azerbaijan, Turkey, Greece, Albania</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>45599</td>
<td>Lukoil Overseas: Shah Deniz Gas Condensate Field Develop. II</td>
</tr>
<tr>
<td>46766</td>
<td>Lukoil Shah Deniz Stage II</td>
</tr>
</tbody>
</table>
Annex 3 - “Regional Integration” transition quality

One of the six qualities defined in 2017 is Integrated: “An integrated market economy has the policies, institutions and connectivity (energy, infrastructure and IT links) to minimise the transaction costs of trade, support competition in product and services markets, and tap a wide range of financing channels”. Integration is regarded as a facilitator to the upgrading of institutional arrangements to higher standards, and it provides a coordination framework to governance, legal, regulatory and other institutions.

The level of openness to trade and investment and the quality of cross-border and domestic infrastructure (e.g. quality urban roads) are considered indicators of the extent of integration in a country. Integration is a central element in an economy’s competitiveness. It supports the movement of factors of production as well as goods and services at greater speed and lower cost.

Economic integration can be defined as increased interactions and strengthened links between economies. An integrated economy is an economy where factors of production, goods and services encounter limited institutional or physical barriers to movement and therefore observed flows of goods, people and capital are high.

EBRD’s EPG proposes to assess the Integration quality from two perspectives: (i) an external (trade) dimension focused on cross-border exchanges (trade, investment and finance), and (ii) an internal (infrastructure) dimension focused on within country and cross border infrastructure.9

---

8 SGS17-114 (Addendum 2)
9 Integrated Quality
Examples of project features and their link to the *Integrated* quality by sector relevant to this evaluation\(^\text{10}\)

**Energy and Natural Resources**

- A significant part of the loan is used to finance *network extension to previously not connected populations* in terms of electricity networks, petrol station coverage etc.
- Project *improves infrastructure bottleneck(s) or contributes to the gasification* of some areas not currently linked to the national gas network (including SSLNG).
- Cross-border *interconnection* capacity for gas and power increases and energy is traded through use of *market coupling* or in full compliance with EU Congestion Management Procedure guidelines.

**Infrastructure**

- Project to finances transport network extension to *previously not well connected regions* (including metropolitan areas) and cross-border connection.
- Project improves infrastructure and *relieves bottlenecks* to meet increasing transport demand for trade in goods, foreign direct investment and cross-border non-FDI flows such as road, rail and logistics and maritime port infrastructure improvements, municipal infrastructure projects specifically dedicated to attracting and supporting FDI and export (e.g. industrial parks and zones) and in support of the local economy.

---

\(^{10}\) SGS17-114 (Addendum 2)
Projects with Regional Integration Elements – Evaluation Cluster (Regional)

- Project supports soft integration measures such as integrated ticketing for urban transport through the introduction of a fair and transparent fare collection system, effective ticketing and information solutions for the public transport system.

- Project leads to market expansion through enhancement of physical capacity of border control.

- Project introduces a range of improvements in standards and implementation of the Integrated Border Management Plans.

- Project leads to the adoption and implementation of Customs Strategy and achieving full compliance with the world customs organization.
An Evaluation of World Bank Group Support to Fostering Regional Integration

This recent (April 2019) Independent Evaluation Group’s (IEG) evaluation assesses the World Bank Group’s effectiveness and comparative advantage in fostering regional integration during FY2003–17 and draws lessons that can be used to inform future regional integration operations.

In summary:
Client countries of the World Bank Group have turned to regional integration as one of the pathways toward faster economic development and peace, and to help overcome development challenges. The World Bank Group fosters regional integration, playing three overlapping roles:

• enabling clients through advisory and analytical work,
• financing projects through policy and investment loans, and
• convening state and non-state actors for coordination and collective actions.

Main Findings

• Overall, the Bank Group’s efforts to foster regional integration have led to mostly positive development outcomes in the Sub-Saharan Africa Region and in infrastructure sectors. Bank Group regional integration efforts in other regions and sectors have been sporadic and not prioritized according to regional needs or client demand.
• Though the IDA Regional Window program has also contributed to regional integration (mainly in the Africa Region), the development outcomes of its interventions are not significantly different from similar projects co-financed outside the program.

Findings by Region, Sector, and Instrument
Spanning 867 projects with a combined commitment volume of $37+ billion during the 15-year evaluation period, the regional integration lending portfolio includes a wide spectrum of practice areas, multiple instruments, regional institutions, and sectoral approaches.

This upstream support at the local, national, subregional, and regional levels was evidenced in:

• enhanced capacity and client knowledge on regional integration;
• regional and cross-border policy, regulation, and harmonization of standards; and
• setting up new regional integration agencies and institutions.
The most promising outcomes were increased knowledge exchange and clients’ enhanced understanding of regional benefits and regional issues. The Bank Group contributed, to a lesser extent, to regional policy harmonization and formation of new regional institutions or functional agencies.

A share of 69 percent of World Bank regional integration lending (by commitment volume), 51 percent of IFC investment, and 89 percent of Multilateral Investment Guarantee Agency (MIGA) guarantees were in the infrastructure sector, particularly in the transport sector.

The performance of the regional integration portfolio across sectors is summarized as follows:

- Seventy percent of transport operations were successful in improving regional transport infrastructure, leading to reduced transit time and user costs. The Bank Group’s portfolio in other sectors has achieved mixed results;
- The Bank Group’s support for regional transport and trade integration projects had a weak, yet positive, effect on intraregional trade volumes.
- In the energy sector, the Bank Group was more successful in improving regional energy infrastructure and service reliability, whereas developing regional energy markets for improved trade remains unfinished business.
- In the information communications technology (ICT) sector, the Bank Group has been successful in developing regional infrastructure and increasing the region’s access to services.
- Beyond such sectoral efforts, there is little evidence on the wider economic benefits of the spillover effects of Bank Group interventions at the subregional or regional level to foster economic integration.

Recommendations

If the Bank Group institutions want to prioritize their regional integration engagements, the evaluation offers the following six recommendations to address key barriers and support clients’ regional integration aspirations:

1. Initiate high-level, strategic commitments to regional integration in all operational regions in addition to Sub-Saharan Africa, with tailored approaches.
2. Realign the Bank Group’s business model to achieve managerial accountability both at country management unit and Global Practice levels, and create incentives for project teams.
3. Rebalance the Bank Group regional integration projects to emphasize regions with high integration potential, and regional public goods.
4. Create and promote universally accepted frameworks at the region and sector levels, and crowd-in new partners, most notably the private sector, international industry associations, and regional institutions.
5. Strengthen the design of projects supported by the IDA Regional Window, to improve the assessment of spillover effects and to generate evidence based on robust indicators.
6. Recalibrate the IDA Regional Window’s resource allocation to expand support for subregions with high untapped potential for integration.
Asian Development Bank’s the Greater Mekong Subregion Programme – Summary of the evaluation

Background
The Greater Mekong Subregion (GMS) program is an activity-based subregional economic cooperation program. It started in 1992 with the Asian Development Bank (AsDB) as its secretariat, facilitator, financier, honest broker, and technical adviser, and had support from development partners from around the world. It covers six countries—Cambodia, Lao People’s Democratic Republic, Myanmar, Thailand, Viet Nam, and Yunnan Province and Guangxi Zhuang Autonomous Region of the People’s Republic of China.

For the first ten years, the program encapsulated sector-specific initiatives instead than a holistic vision. In 2001, the countries adopted a 10-year GMS Strategic Framework (GMS-SF) covering 2002–2012. AsDB developed the regional cooperation strategy and program (RCSP) in 2004, focused on the support to the GMS-SF in incorporating regional priorities into the operational pipeline and to complement country strategies and programs. Then in 2006, an AsDB-wide regional cooperation and integration strategy (RCIS) was presented, with its main objective being to move away from a standalone projects and programs emphasis towards a more strategic approach.

At inception, the design of the GMS program was that of relatively flexible “activity-based” rather than a “rules-based” form of cooperation. This meant that member countries cooperated on specific projects and activities that accounted for limited joint action and few key sectors lending. These were mainly road and power infrastructure, and less on tourism. This was considered different to closer rules-based groupings which targeted trade and investment harmonization (e.g. the Association of Southeast Asian Nations [ASEAN]/ASEAN Free Trade Area) or tighter forms of political and economic integration (European Union). Approximately 90% of AsDB lending for the GMS had gone to road transport, and only 9% to energy.

Technical assistance (TA) operations were dispensed more widely across sectors. The GMS can be considered a grouping to provide regional public goods, that benefit at least two member countries, but that would be undersupplied by countries acting alone, as they would be unable to take into account the costs of their actions on others or capture all of the benefits on an individual basis.

Evaluation

AsDB’s Independent Evaluation Department conducted an impact evaluation of the program in 1999. The study found that the overall progress in the first seven years of operation was satisfactory. As of early 2009, only a third of the evaluation lessons had been adopted.

Projects with Regional Integration Elements — Evaluation Cluster (Regional)

In 2008, the AsDB’s Independent Evaluation Department conducted the first regional cooperation assistance program evaluation. It provided directional inputs toward the next regional cooperation strategy and program for the GMS program. It evaluates the AsDB-cofinanced GMS operations for the 1992–2007 period. It used the evaluation framework developed for country assistance program evaluations involving a combination of “top–down” (strategic and institutional performance) and “bottom–up” assessments (project and operational performance).

The evaluation indicated that AsDB provided 40% of the funds (around $3.5 billion including GMS loan and grant projects and technical assistance) for the AsDB-sponsored GMS program, 35% came from member countries and 25% from other development partners.

**Key findings of the evaluation:**
- The overall assessment for the GMS program was "successful."
- The program did well in its early phase of development. The strategic focus on connectivity was aligned with AsDB corporate strategies on infrastructure sector.
- The activity, rather than rules-driven cooperation, worked well during the first stage of development, building trust among partners and allowing flexibility in understating subgroup activities.
- AsDB performance was substantial, with some aspects that could be improved.

**Recommendations:**

The evaluation’s key recommendations were split between GMS strategy and institutional arrangements and GMS program- and project-level operations:

<table>
<thead>
<tr>
<th>Improving Strategic &amp; Institutional Performance</th>
<th>Improving Program &amp; Project Level Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take Stock and Chart a Revised GMS Strategy with a Holistic Approach</td>
<td>Emphasize Regional Benefits</td>
</tr>
<tr>
<td>Develop and Strengthen development member country and Regional Institutions under the Revised GMS Strategy</td>
<td>Engage in Greater Policy Dialogue</td>
</tr>
<tr>
<td>Expand Cofinancing</td>
<td>Support the Implementation of Policy and Procedural Reforms</td>
</tr>
<tr>
<td>Make Coordination More Effective</td>
<td>Pay More Attention to Results Monitoring and Evaluation</td>
</tr>
<tr>
<td>Bring Greater Clarity to Translation of Strategy 2020 for Regional Cooperation and Integration</td>
<td></td>
</tr>
</tbody>
</table>

---