Evaluation of the IDB action in the Initiative for Integration of Regional Infrastructure in South America (IIRSA) (documents RE-338 and RE-338-1)

1. The Policy and Evaluation Committee met on June 9th, 2008 to consider OVE’s Evaluation of IDB action in the Initiative for Integration of Regional Infrastructure in South America (IIRSA).

2. This evaluation comes two-and-a-half years before the initiative is scheduled to expire, and at a time when one of the 14 projects conducted with Bank financing has been fully disbursed. This provided, as acknowledged by OVE, a limited basis for assessing the initiative’s effectiveness, particularly given the long-term nature of the efforts being evaluated: the contribution to the integration of South America through the development of regional infrastructure.

3. The Bank’s role within this initiative, as also observed by OVE, was particularly difficult to evaluate. First, because of the changing regional integration context; and second, because the Bank did not set its own goals and objectives for its participation in IIRSA and instead adopted IIRSA’s ones.

4. With these important caveats, the Committee as well as Management believes that OVE’s evaluation has provided useful insights and sensible recommendations that will be helpful as we prepare to decide on the continuation of the initiative after 2010, a discussion that will likely begin next year. In this regard, it should be noted that Directors were unanimous in expressing their strong support for the Bank’s continuing involvement in the integration process in South America.

5. In terms of the evaluation’s findings, OVE recognized the considerable success achieved by IIRSA in structuring, by consensus, a portfolio of integration infrastructure projects organized around eight integration and development hubs (IDH), an accomplishment applauded by virtually all of the Directors.

6. Other OVE findings, however, were somewhat less encouraging. For example:

   a. Most IIRSA projects have been concentrated in the area of transport, with relatively little activity in the initiative’s other target sectors: energy and telecommunications.

   b. Not all IIRSA projects are exclusively integration-related; in fact, most have impacts that are distributed in varying degrees between the purely national and the interregional scope. Compounding to this problem, no criteria has been developed to rank projects by reference to their integration impact risk and benefits. An additional constraint for evaluating the integration-furthering effectiveness of the projects is that while most of them do state specific integration objectives, none sets out specific benchmarks against which to measure their regional integration impact so their effective impact on those processes cannot be gauged.
c. The Bank’s value-added contribution to the Initiative has been modest in terms of the development of new analytical tools and studies of regional integration. An exception to this, as mentioned by OVE, is the Fund for Financing for Integration of Regional Integration (FIRII). Management and several Directors have emphasized the importance of this fund.

d. The Bank has failed to effectively integrate the initiative in its country and regional strategy processes and within its staff.

7. Going forward, OVE advanced three recommendations that were endorsed without exception by Directors as well as Management:

a. *First, the Bank should frame a strategic analysis of IIRSA within the South American integration dynamic.* As noted, this dynamic has been complex and subject to shifting political priorities, making IIRSA operations and priorities remain unclear and requiring close study over the months ahead.

b. *Second, the Bank should take steps within its realigned structure to bolster internal ownership of the initiative.* While Management reported good progress on this front, and smooth interaction among relevant departments within the new matrix structure, this was an issue Directors have asked to revisit later in the year.

c. *Third, the Bank should tailor new products and programs to the particularities and needs of integration infrastructure projects.* On this point, Management differed with OVE on the progress achieved to date.

8. In response to the evaluation, one Director suggested the development of an action plan to implement OVE’s recommendations; however, it was noted that the scope of these recommendations extends well beyond the IIRSA initiative per se, raising issues of structure and operating methods to be addressed by the institution as a whole.

9. Nonetheless, the Vice President for Countries indicated his commitment to include OVE’s recommendations in his department’s work program and to make every effort to comply with them to the extent permitted by current Bank structure and practice. It was agreed to assess progress in that regard during the preparation of the 2009 budget, when the various Bank units engaged with IIRSA present their annual business plans.

10. With that understanding, as Vice Chairman of the Policy and Evaluation Committee, I ask that the Board take note of OVE’s evaluation, as well as Management’s response, as set out in documents RE-338 and RE-338-1, and endorse the recommendations included therein.

---

1 The FIRII is a US$20 million fund created in 2005 as a financing support designed to meet integration-infrastructure project pre-investment needs.

2 Including the introduction of a major new regional initiative—the Union of South American Nations (UNASUR)—signed by regional governments on May 23rd, 2008.

3 In this respect, Management cites a number of innovative tools for consensus-based portfolio structuring, guarantees to encourage private-sector participation, results-based project management, and environmental impact planning methodologies.