Post Evaluation Policy

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List of abbreviations

AEOR	Annual Evaluation Overview Report, a summary on PEO evaluation findings
BoD	Board of Directors (BSTDB)
BSTDB	The Black Sea Trade and Development Bank, also referred to as the Bank
CBA	Cost Benefit Analysis, an economic analysis
CR	Completion Reporting, a self-evaluation of the Operation Team upon completion
ECG	Evaluation Cooperation Group, a benchmarking organization of MDBs
ES	Evaluation Studies, performed by PEO on thematic, sector, country basis
ERR	Economic Rate of Return
FRD	Final Review Document
FRR	Financial Rate of Return (post-tax)
IFC	International Finance Corporation
IFI	International Financial Institution
MDB	Multilateral Development Bank
OPI	Overall Performance Index, prepared by PEO on the basis of 5 evaluation criteria
OCR	Operation Completion Report
OCRR	OCR Review, PEO validation of OCR
OPER	Operation Performance Evaluation Report, prepared by PEO
PEO	Post Evaluation Office, the independent Evaluation Unit at BSTDB
SWOT	Strengths, Weaknesses, Opportunities and Threats, analytical concept

Definitions

The terms used in this policy reflect the latest advancement of the evaluation profession and are consistent with the terms of the BSTDB policy framework. They have the following meanings:

Board Document: The entire set of operation information that is forwarded to the BoD for approval

BSTDB's investment: the BSTDB's financing instrument that is specific to the operation being evaluated: mainly loans, loan guarantees and equity investments;

Client: generally, the legal entity owning and implementing the project, and the BSTDB's investment counterpart;

Disclosure: the systematic distribution of evaluation findings through various media to the public at large, normally according to restrictions specified in the BSTDB disclosure policy;

Dissemination: the systematic distribution of evaluation findings through various media within the BSTDB, without restriction as to contents, with the aim of promoting awareness of lessons for improved results;

Evaluation Staff: The staff of the Post Evaluation Office, involved with independent evaluation

Early Operating Maturity: a) for non-financial sector operations: the year during which the substantially completed operation will have generated *at least* 18 months of operating revenues for the client; b) in the case of financial sector operations: the

project year when most sub-projects financed by the intermediary have reached at least 18 months past final disbursement of sub-loans (or sub-investments in the case of equity fund projects);

Independent Evaluation: evaluations undertaken by the PEO, including Operation Performance Evaluation Reports, Annual Evaluation Review Reports, Evaluation Studies, etc. Post Evaluation is a key component of it;

Operation: the BSTDB's objectives, activities and results in making and administering its investment as partial financing of the Client's project;

Operation Completion Report: a standard annual monitoring report for the year when the operation reaches *early operating maturity*, with an attached evaluative addendum. The addendum is executed according to a standard set of instructions prepared by PEO and featuring analysis of specified performance dimensions with rated indicators, and lessons learned. OCRs are executed on all "regular procedure" operations. OCR templates are prepared by PEO, in consultation with other Divisions of the Bank, and become part of the BSTDB's Operations Manual;

Staff Directly Involved with Operations: the staff involved in the identification, appraisal, implementation, supervision and monitoring of BSTDB operations;

OCR Review: the PEO's instrument for conveying the findings of its desk review of each OCR; scope addresses their quality (responsiveness to guidelines, depth and objectivity), appropriateness of assigned performance ratings, issues for discussion in a Management-led review meeting, and identified lessons;

Operation (or Program) Performance Evaluation Report (OPER): independent evaluation report prepared by the PEO on a sample of investment operations; it is based on a thorough on-site assessment and addresses in depth the scope, analysis and ratings of the OCR;

Post Evaluation Office (PEO): The BSTDB corporate unit charged with supporting and reviewing the products of the self-assessment system for investment operations, in addition to its independent evaluation studies, reports and other responsibilities.

Project: generally, the Client's capital project or program and related business activity that is partially financed by the BSTDB's investment[1];

Self-evaluation: evaluation of an investment operation (through an Operation Completion Report) that is undertaken by the staff of the Operation Team that has day-to-day responsibility for administering the investment being evaluated.

[1] In the case of financial markets operations, generally refers to the financial intermediary's lending or investment program that is partially financed by the BSTDB.

1. INTRODUCTION

This Policy provides the framework that defines the evaluation function distinctly from operations and other functions. Through emphasis on two key principles - independent accountability and transparency - the policy represents a pillar of the institutional integrity and quality improvement at BSTDB.

The evaluation policy and system have to stay abreast with prevailing best practice and internationally accepted standards in order to ensure maintaining and enhancing the Bank's operational quality as well as its public reputation, long-term credibility and ability to sustain the support of its shareholders as a first class development finance institution. For this purpose, the evaluation at the Bank is in line with the "*Good Practice Standards*" regularly updated by the Evaluation Cooperation Group of the Multilateral Development Banks. These standards capitalise on more than 40 years of evaluation experience.

Building on the experience of other Multilateral Development Banks, as well as having analysed its own evaluation experience, the BSTDB has designed an evaluation policy that reflects the international best practice and is harmonised with the evaluation systems of the other IFIs. The Policy outlines the evaluation function with clear objectives within an integrated framework that ensures a good balance of accountability (revealing the results of operations/programs) and learning (generating lessons from experience). It also describes how the evaluation system interacts with and fits within the Operations Cycle.

2. FUNCTIONS OF EVALUATION

2.1 DEFINITION

Evaluation at BSTDB is defined as the process of assessing operations, programs, activities and strategies through systematic and rigorous analysis of their outputs, outcomes and impact against expected results and the overall mission of the Bank.

While evaluation is mainly focused on completed operations (*post*-evaluation), in selected cases and in view of the need to learn from experience earlier in the cycle, the Post Evaluation Office (PEO) also performs Mid-Term Evaluations, upon President's request/approval.

2.2 OBJECTIVES OF EVALUATION

The evaluation function has two basic objectives, serving the overall purpose of assessing mandate fulfilment and drawing lessons for improved future operations:

a) **Accountability** – to reveal the results of the Bank's operations/activities, both intended and otherwise, and assess their contribution to the Bank's mission;

b) **Quality Management Improvement** – to derive significant lessons learned from past experience in view of using them for improving future operations.

The evaluation provides a basis for rendering judgements, for the benefit of the Bank's Staff, Management, Boards and Shareholders, concerning the relative success or failure of the Bank's operations vis-à-vis the BSTDB mission.

The Evaluation Policy and the subordinated evaluation system have as an ultimate goal the continuous improvement of the BSTDB productivity and effectiveness. Through their rigour and systematic approach, they ensure an increased confidence and credibility that the Bank, in addition to transparency and accountability, has the means to learn from an independent in-depth analysis. Therefore, the Bank relies on a key feedback process that provides the decision-makers at different levels with lessons learned from both own evaluations as well as other IFIs' evaluations.

2.3 MODUS OPERANDI: INDEPENDENCE, TRANSPARENCY AND ACCOUNTABILITY

The evaluation system has two tiers: (i) self-assessment by the Staff Directly Involved with Operations, resulting in Operation Completion Reports (OCR) and (ii) independent and rigorous evaluation performed by the PEO, resulting mainly in Operation Performance Evaluation Reports (OPER).

Because independence, equal ranking vis-à-vis other bank units and objectivity are vital for the credibility and prudence of the evaluation work, evaluation is performed and managed by a dedicated independent office, the PEO. While integrated into the organisational structure of BSTDB, the PEO functions independently from operations and related decision-making, according to this Board-approved policy that specifies its mission and key operating principles. While all evaluation reports are presented to the Credit Committee, the PEO reports directly to the President and through the President, to the Board of Directors. It is also accountable to the Audit Committee of the Board of Directors, which has an oversight role vis-à-vis the PEO and its evaluation function. In general, the PEO ensures the relevance, quality and impartiality of the BSTDB's evaluation system. To meet its responsibilities under this Policy, it has unrestricted access to the BSTDB's staff, records, co-financiers, Clients and operations.

The evaluation normally commences after an operation is completed. Therefore it is often referred to as *post*-evaluation. In addition to operations *post*-evaluation, the PEO also conducts various evaluation studies, which focus on a particular problem, issue, sector, country, programme, etc.

The evaluation process requires interaction among (i) the Bank's Staff Directly Involved with Operations, (ii) the Clients and (iii) the evaluator(s). A successful functioning of the evaluation system requires a clear-cut definition of the roles of those three players: Clients provide information and cooperate in the

evaluation process as per their obligations in the respective legal documents; the Staff Directly Involved with Operations provide all available information, along with an Operation Completion Report; and the PEO performs independent validation of self-evaluation and evaluates in-depth the respective operation, program or activity through a rigorous internationally harmonised methodology. This differentiation ensures another layer of checks-and-balances.

The transparency and independence of the evaluation system provide for timely, accurate and objective generation of lessons learned, as well as a prompt feedback of these lessons to all levels of management. For this reason, the evaluation function interacts with various units from each Division of the Bank. However, such interaction is performed at arms length, because if PEO intruded directly into operational matters or the decision-making process, there would be a conflict of interest, responsibilities will become unclear, and the operations manager(s) can no longer be accountable for outcomes.

3. ACTIVITIES OF EVALUATION

3.1 TIMING

To be effective, the evaluation should have appropriate timing. Post-evaluation requires a certain degree of evaluability, known as *Early Operating Maturity*[2], which may vary from case to case[3]. In the early years of the Bank's operation, i.e. by 2005, it will be natural to perform post-evaluations soon after operation's completion/disbursement[4]. This will allow for covering the need of early stage lessons that will ensure steering and fine-tuning of the BSTDB. The timing of Evaluation Studies and Mid-Term Evaluation Reports will be based on needs, demand/requests, and resource availability at the PEO.

3.2 THE OPERATIONS CYCLE AND THE EVALUATION FUNCTION

The focus of the evaluation function is at the end of the Operations Cycle, i.e. at Completion, when the post-evaluation results in Operation Performance

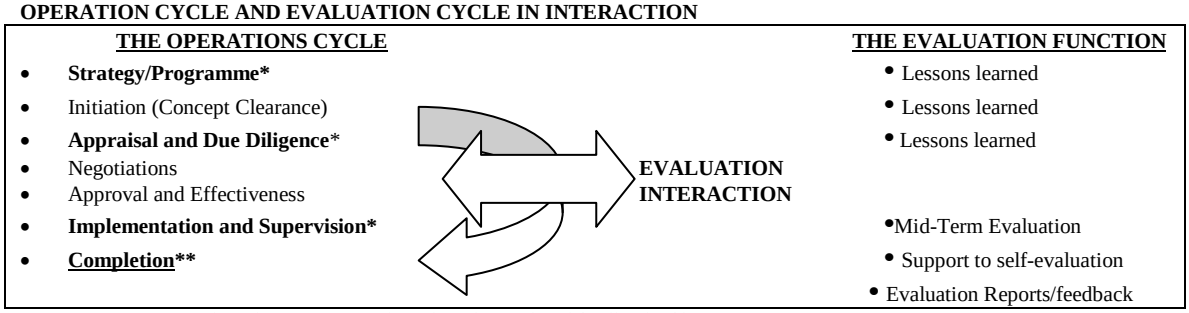
[2] Usually post-evaluation will commence after a period of at least 18 months of operating revenues for the Client (from the evaluated operation) or at least 18 months past final disbursement of sub-loans (or sub-investments in the case of equity investments). See definition.

[3] There is a recognized trade-off between delaying evaluation long enough to have a reliable basis for making updated projections for outcome and impact judgments (justifies later evaluation), and reviewing results as early as possible for their lessons, relevance to evolving corporate priorities and accountability uses (justifies earlier evaluation). As empirical evidence suggests that projections tend to be optimistic, earlier evaluations will tend to reflect better outcomes than will true ex-post ratings.

[4] It is assumed that final disbursement and physical completion (i.e. when the physical investments are in place and are operational) occur in the same time. However, depending on the operation nature, the physical completion, when the facilities are operational, might occur after the final disbursement. In this case, the evaluation process will use this later date as a starting point, rather than the date of final disbursement.

Evaluation Reports. However, through its feedback system, the evaluation function affects indirectly the other phases of the Operations Cycle, as well as some conceptual/programming activities.

OPERATION CYCLE AND EVALUATION CYCLE IN INTERACTION



** "Arm's-length" interaction, based on demand and feedback of lessons*
*** Substantial interaction*

The PEO provides, upon request, a variety of relevant Lessons Learned from internal and external (other IFIs) evaluations. It also provides support to the process of self-assessment through guidance and templates for the preparation of Operation Completion Reports.

3.3 KEY EVALUATION STAGES AND ACTIVITIES

The evaluation process has three distinguished stages: (i) Self-Assessment, also known as Completion Reporting; (ii) Independent Evaluation, known as Performance Reporting, and; (iii) Synthesis of Evaluation Findings also known as Evaluation Overviews.

(i) Self Assessment

Self-assessment of the operation's performance is performed by the Staff Directly Involved with Operations and results in an *Operation Completion Report (OCR)*. An OCR is produced once in the lifetime of each operation. The due date typically falls after operation's completion, upon reaching *Early Operating Maturity*. The OCR represents the only comprehensive and systematic *self-assessment* of an operation upon its completed implementation, which looks at performance in the light of the Bank's mandate and reveals lessons learned. It is an important starting point of the post-evaluation process.

(ii) Independent Evaluation

The completed operation, for which an OCR has been issued, is thoroughly and systematically evaluated by the PEO. This results in various types of evaluation reports, depending on their depth, called Operation Performance Evaluation Reports (OPER). When a full-fledged OPER is not produced, due to a large portfolio of completed operations that will require sampling of operations to be evaluated, the PEO will, at least, prepare a review of the OCR in order to independently verify the validity of its statements. Thus it ensures an important independent validation of contents, lessons and self-evaluation ratings. Apart from post-evaluation upon completion, *Mid-Term OPERs* can be conducted by

the PEO on operations prior to their completion, upon initiative/approval by the President. Evaluation of still disbursing operations may result in analysis of any implementation problems or policy issues encountered and include insights that will facilitate the decision-makers in their effort to ensure enhancement, steering, or restructuring.

(iii) Synthesis of Evaluation Findings and Evaluation Studies

In this stage, subject to a critical mass of evaluated operations, the PEO synthesises evaluation findings in annual, sector, country, and/or thematic-focused reports. These analyse patterns of experience, distil lessons learned and provide suggestions for systemic improvements. A typical form of synthesis evaluation is the *Annual Evaluation Overview Report.* It is produced in order to compare essential evaluation findings and distil strategic lessons, based on such comparisons. It contributes to the overall BSTDB accountability and public visibility, as aggregated evaluation findings allow a more open dissemination and comparisons with other IFIs. This report is the key document for presenting emerging patterns of experience that may affect entire segments of the Bank's portfolio of operations. Based on its findings, as well as external (IFI) sources of relevant lessons, the PEO feeds past experience and lessons learned into the operation cycle.

3.4 EVALUATION AND COUNTRY/SECTOR STRATEGIES, PROGRAMS AND POLICIES

Evaluation Staff are not involved in the process of preparing strategies and programs but only provide relevant lessons learned upon request. Such lessons from experience, distilled by PEO from both internal and external evaluations, should be used. For this purpose, the Operation Team contact the PEO in order to obtain a review of past experiences and incorporate it in the respective programme or strategy. When doing post-evaluation of operations, the evaluation staff verifies to what extent a particular operation is in compliance with the relevant current strategies and programmes and this results in a judgement on its relevance. In order to assess the effectiveness of existing programs and strategies, and in view of suggesting measures for enhancement, the PEO evaluates their implementation. This requires a sufficient portfolio of operations and is expected to take place after 2005.

3.5 EVALUATION AND OPERATIONS QUALITY AT ENTRY

During operation's design, preferably immediately after the Concept Clearance stage, the Staff Directly Involved with Operations consult with the PEO Manager in order to obtain and include in the operations documentation a list of relevant lessons learned. This information, as independently provided by PEO, becomes part of a dedicated section (in the FRD and the Board Document) on Past Experience and enhances the quality at entry.

Evaluation Staff, due to the independence of the evaluation function, are not directly or actively involved in the preparation of any operation. The PEO involvement is limited to the provision of past experience and lessons learned (external and internal). In the first decade of the BSTDB functioning, a strong emphasis on external lessons will be placed, as the stock of internal lessons would not have reached a critical mass. For this reason the PEO will maintain regular contact with other IFIs.

3.6 EVALUATION AND OPERATIONS IMPLEMENTATION

Evaluation Staff, due to the PEO's independent position, are not involved during the operation implementation stage. They only provide relevant lessons learned upon request from Staff Directly Involved with Operations. In selected cases, when the implementation prospects of an operation are considered critically important, the PEO performs, upon obtaining the approval of the President, a Mid Term Operations Performance Evaluation Report, which may focus on a particular issue of concern.

3.7 EVALUATION AND OPERATIONS COMPLETION

Staff Directly Involved with Operations prepare an *Operation Completion Report* (OCR) as a replacement of the regular Supervision/Monitoring Report. The OCR is due within six months upon completion of an Operation. For partially or fully disbursed investment operations, which are exited, cancelled, prepaid or terminated for other reasons, an OCR is prepared within *three months* thereafter. This is an important requirement, since the Bank can learn a great deal from operations that could not be completed (because of unexpected problems) or those that implied an early exit or termination for other reasons. When a (BoD approved) operation has been cancelled before a disbursement has taken place, within three months of the date of cancellation the Operation Leader prepare a Lessons Learned Memorandum that reveals what has been learned from the experience and if there are any implications for future operations. The Operation Leader sends a copy of this memorandum to the PEO so that an evaluation can start as early as possible.

Evaluation Staff develop and maintain, in consultation with other relevant units, the template of the OCR and provide it, along with guidance/training on how to prepare the OCR, to the Staff Directly Involved with Operations. The template is basically identical with the regular Monitoring Report template, but contains an additional section that addresses self-evaluation issues. The OCR Template will be included in the BSTDB's Operations Manual. The OCR becomes the basic self-evaluation record at BSTDB, ensuring the primary accountability of operation's performance. The PEO validates and rates the quality and objectiveness of those OCRs, which concern operations not selected for subsequent full-fledged evaluation[5].

[5] This will apply from 2005 on, as prior to this year the PEO will prepare for each and any operation a full Operation Performance Evaluation Report.

The core activity of the PEO is to evaluate the performance of completed operations, revealing their contribution to the BSTDB mission. The Operation Performance Evaluation Reports have a uniform format that includes but is not limited to the following:

- *Executive Summary;*
- *Overview of the Evaluated Activity;*
- *Main Method/Criteria Used;*
- *Main Findings and Ratings;*
- *Lessons Learned;*
- *Conclusions and recommendations* (may be separated from the report)
- *Annexes*, containing data, notes and other supporting material (optional).

The evaluation ratings are derived via internationally harmonised methodology and represent the accountability function of evaluation while the section of lessons learned represents the learning function. The reports provide a comprehensive judgement on operation's, Client's and Bank's performance. Findings are based on the OCR, all relevant files/documents and consultation with sponsors, Clients, Bank staff and other relevant parties. When required by the PEO, specialised industry consultants will also support the evaluations.

3.8 EVALUATION AND WORKOUTS

Workout operations are among the best sources of important Lessons Learned and their evaluation has proven to contribute a lot towards the performance of future operations. The timing of evaluation of workout operations is a sensitive issue, as evaluation may interfere with ongoing recovery work and thus increase the cost of exit.

4. EVALUATION OUTPUTS AND THEIR DISSEMINATION

4.1 OUTPUTS

Each evaluation activity results in the production and dissemination of a written document that may have the form of a Report, Study or Memorandum. The main output of evaluation is the Operation Performance Evaluation Report, either final or mid-term. Its production and nature are described under 3.7. above.

The PEO also produces other relevant outputs through which it delivers its findings and recommendations on issues that were subject of evaluation. These include the following:

- *Evaluation Studies*. Evaluation of the quality, effectiveness and efficiency of implementing various Bank Programmes, Strategies and Policies results in Evaluation Studies. They provide independent in-depth analysis and suggest amendments and measures that would improve the overall Bank performance and achievement of its mission. Some Evaluation Studies analyse and compare the findings of evaluations of individual operations

in order to reveal trends as well as to distil lessons that have implications beyond the particular operation or sector. Other Evaluation Studies look at key issues of interest for the Bank and may focus on international/IFI best practice, experience or lessons learned. Evaluation Studies may analyse specific sector- or country- related issues, or both.

- *Annual Evaluation Overview Reports*. These reports aggregate and compare the findings of the Operation Performance Reports on an annual basis. Thus, an overall picture of performance by countries, sectors, and types of operations, will be revealed for the attention of relevant staff, management and the Board of Directors. These reports will not contain commercially sensitive / operation specific information and therefore will represent the main vehicle for broader disclosure and accountability on the Bank's overall performance. It will also allow for comparison with the performance of other IFIs as all of them use harmonised methods for measuring performance and this performance is disclosed through such Reports.

- *Technical Cooperation Evaluation Reports.* They are prepared in view of the Bank's responsibility towards the donors of funds used for Technical Cooperation, as well as in order to improve the effectiveness and efficiency of such cooperation. These reports analyse the performance of Technical Cooperation Operations, usually in the context of the operations they are related/relevant to.

A summary of the timing, coverage and resource requirements of the main PEO outputs is provided within the PEO Work Program.

4.2 DISSEMINATION

4.2.1 OPERATION PERFORMANCE EVALUATION REPORTS

The draft evaluation report is signed by its author and transmitted to draft distribution recipients through the PEO Manager. Allowing at least 10 working days for comments, the PEO Manager invites comments from a list of reviewers from various relevant units, such as, but not limited to:

- Operation Leader
- Office of the Chief Economist
- Risk Management Department
- Environmental Unit
- Internal Audit
- General Council
- Procurement Unit
- Project Implementation and Monitoring Department

If one or more reviewers do not agree with the judgements expressed in the draft evaluation report, and if differences of opinion cannot be

reconciled and accommodated through discussion/evidence, the differing views are registered in the final version of the evaluation report. This can be achieved by adding relevant footnotes that highlight such differing views, or by a reference in the main text to an appended memorandum by the Operation Leader or other reviewers explaining their views.

The draft evaluation report, amended as a result of the relevant comments, is finalised and cleared by the PEO Manger, who submits the final report together with a cover memo/note to the President for dissemination. The evaluation report is circulated by the President to members of the Credit and Management Committees, with a copy to the relevant Operation Leader. Any additional copies are made available to Bank staff by the PEO Manager upon request.

4.2.2 LESSONS LEARNED

The PEO distributes various other reports/memoranda on evaluation findings and lessons Bank-wide. It also contributes relevant past experience and lessons learned (internal and external) to the Staff Directly Involved with Operations after concept clearance in aid of their further preparations of new operations. The PEO maintains the Bank's Internal Lessons Learned Database and prepares external lessons dissemination. Regular workshops are organised with operations and other staff, including newly recruited bankers. Confidential case presentations are made intermittently to Directors on the Audit Committee of the Board upon their request or upon the initiative of the Post Evaluation Manger. Other recurrent dissemination includes case reviews with the Management/Credit Committees.

Experience has shown that achieving awareness and internalisation of lessons and their systematic application in new operations, is the weakest link in the evaluation learning cycle. It is the responsibility of Operations Leader to ensure that past lessons have been systematically researched, documented and applied in new operations. Standard processing documentation for new operations includes a prompt, in early stage documents, for relevant past lessons, complemented by a prompt, in final decision-stage documentation, for how the past lessons have been addressed in the appraisal and structuring of the new operation. PEO periodically reviews and reports annually to Management and the Board in its Annual Evaluation Overview on the quality of responsiveness to these prompts.

4.2.3 EVALUATION ABSTRACTS FOR BSTDB STAFF

The PEO distributes to all Staff Directly Involved with Operations brief summary abstracts of all OPERs.

4.2.4 OTHER EVALUATION OUTPUTS

Such outputs, as relevant, are distributed by the PEO Manager to the Management/Credit Committees, as well as to the relevant Staff Directly Involved with Operations.

4.2.5 DISSEMINATION TO THE BOARD OF DIRECTORS

The Annual Evaluation Overview Reports, as well as executive summaries of all Performance Evaluation Reports are submitted by the PEO Manager to the President and transmitted by the President to the Board of Directors (BoD).

4.2.6 RAISING THE AWARENESS ON EXISTING EVALUATION OUTPUTS

Targeted and regular dissemination of all evaluation outputs/reports is an essential activity that keeps the evaluation feedback system in operation. Therefore, awareness on the value of reports, as well as accompanying dissemination/clarification measures, e.g. discussions and seminars, is ensured by the PEO Manger in order to foster utilization and impact. Particular role is allocated to workshops and seminars on key lessons learned. They target both new and current staff with the aim to gear internal and external lessons to concrete improvements of operations. Such occasions may include appropriate joint activities/workshops with partner IFIs.

Adequate performance of the accountability function and the importance of networking with other IFIs require a continuous effort to ensure wider dissemination, outside the Bank. This implies the need of preparing summaries, case studies and sanitised reports that are in line with the BSTDB disclosure policy and do not compromise sources or Clients. In order to ensure a high degree of connectivity with the development community, the PEO deploys a variety of means and channels for dissemination, including a dedicated page on the BSTDB website. Connections with relevant development forums and gateways should also be maintained.

To perform effectively its quality management function, the PEO ensures the establishment, development and deployment of a *systematic and comprehensive knowledge base* that serves the needs of both senior and operational management. This base will consist of key lessons and policy implications, stored in electronic or paper forms. Awareness on the existence and value of the evaluation knowledge base will be raised and maintained by the PEO with the support of the senior management.

Initially it will be natural to feed the knowledge base with carefully selected and studied relevant international experiences of other institutions. At a latter stage, when the BSTDB portfolio's size and diversity allow, the focus will be shifted from external lessons to insights

from own operations, as well as relevant comparative reviews vis-à-vis external lessons and practices.

5. EVALUATION METHODOLOGY

5.1 CREDIBLE COVERAGE

Initial evaluation coverage, i.e. by 2005, will be very high due to the smaller size of the statistical population as well as the specific institution-development needs of the Bank. It will also depend on the type of report to be produced and will have the following indicative share:

- PEO reviews of OCRs - performed on each operation for which an Operation Performance Evaluation Report (OPER) will not be produced;
- OPER – 100% by 2005, then gradually reduced to 40% of the non-Technical Cooperation operations and; 70% by 2005, then gradually reduced to 30% for the Technical Cooperation OPERs;
- Mid-Term OPER – up to 20% of ongoing operations.

5.2 SYSTEMATIC SAMPLING

Sample selection criteria are part of the methodology and include the following: high Bank commitment, new sector/country/instrument, balanced sector/country coverage, potential for lessons and problem operations, a degree of randomness. The samples should be representative. Upon its discretion the PEO will include in the OPER sample operations of particular interest, e.g.:

- Operations with a OCR (or other source of information) that reveals potential for lessons or controversies;
- Operations that are expected to reveal key lessons and policy implications;
- Newly introduced procedures, practices, methods, etc.

5.3 SOUND RATING SYSTEM

A sound *rating system* is at the core of a prudent evaluation as it ensures accountability and comparability. It is a standardized set of (evaluation) *rating criteria* and a rating scale of predefined categories. The system includes (i) appropriately and clearly defined *rating criteria* and *rating factors*, as addressed under 5.5. / 5.6. below and; (ii) an *even* number[6] of at least four categories/scores on the rating scale.

[6] This is to require the evaluator to come to a positive or a negative judgment, just as operational decision makers are required to make a "go" or "no-go" decision at the time of appraisal.

The four rating categories have numerical expression that allows calculations/aggregation. These categories form the basis for all ratings and could be summarised as follows:

➢ ***Category 1:*** (Excellent or equivalent; 4 scores): Most of the key operation's objectives were achieved or it is highly likely to achieve substantial development / cooperation results, without major shortcomings;

➢ ***Category 2:*** (Satisfactory or equivalent; 3 scores): Most of the key operation's objectives were achieved and satisfactory development / cooperation results were, or are expected to be achieved with only a few shortcomings;

➢ ***Category 3:*** (Partly Unsatisfactory or equivalent; 2 scores): Operation failed to achieve most of its key objectives, has not yielded and is not expected to yield substantial development / cooperation results, and has significant shortcomings;

➢ ***Category 4:*** (Unsatisfactory or equivalent; 1 score): Operation failed to achieve any of its key objectives and is not expected to yield worthwhile development / cooperation results.

5.4 EVALUATION RATING CRITERIA

The evaluation rating system is based on *5 core rating criteria,* commonly used by the Multilateral Development Banks*.* It also includes an aggregate rating indicator – the Overall Performance Index, derived from the ratings on these 5 criteria. The OPI ensures that each operation will have an aggregated rating that allows for further calculation of ratings for entire portfolios and sectors. It will also allow for comparisons with earlier periods, as well as other IFIs' performance. The essence of the evaluation *rating criteria* could be summarized as follows:

a) **RELEVANCE:** Consistency of operation objectives with the BSTDB overall cooperation and development mission and relevant strategies/programs. It is based on BSTDB priorities as they stand at the time of evaluation.

b) **EFFECTIVENESS:** Extent to which an operation has achieved its objectives articulated at approval and specified in categories such as policy goals, physical, operational, institutional, social and environmental, recognizing any change introduced since Board approval.

c) **EFFICIENCY:** Extent to which operation's benefits, actual or expected at time of evaluation, are commensurate with inputs, looking at cost and implementation time. Economic and financial rates of return should be used or, if not possible (social operations, sovereign operations), other measures of cost effectiveness.

d) **SUSTAINABILITY:** Likelihood that operation's results, actual and expected at time of evaluation, will be maintained over the intended useful project life.

e) **INSTITUTIONAL DEVELOPMENT IMPACT:** Extent to which the operation has contributed to improvements or other changes in norms and practices (institutional capacities, policy framework, externalities, etc.) that encourage cooperation and development and enable the member country(s) to make more effective use of its human, financial and natural resources, whether these changes were intended under operation's objectives or otherwise.

f) **OVERALL PERFORMANCE INDEX (OPI):** A single measure of overall operation's performance taking into account the evaluation findings under the 5 criteria listed under a) through (e) above.

5.5 RATING FACTORS

To rate each *rating criterion*, a number of *rating factors* (i.e. sub-criteria) are assessed and rated. The combined rating of the factors, associated with each criterion, comprises the rating of the *criterion* itself. When *factor* ratings are being combined, a specific *weighting* is applied, in order to prioritise the importance of those factors. Details on the rating of the underlying factors that results in the rating of each criterion are presented in the *Evaluation Rating Manual*, maintained by the PEO.

5.6 METHODOLOGICAL MILESTONES AND CORE TECHNIQUES

5.6.1 MILESTONES

PEO deploys adequate evaluation methods, tailored to each specific case. These methods are continuously enhanced following international best practices and harmonisation of evaluation at IFIs. The utilisation of specific evaluation instruments will vary depending on the nature, type, and functional character of the operations and programs examined. The milestones of the evaluation methodology could be outlined as follows:

- ***Ex-post revisiting of Ex-ante*.** Post evaluation complies with / deploys the methods used for ex-ante evaluation/appraisal, e.g. cost-benefit analysis, SWOT, economic analysis (ERR), Financial Analysis (FRR), etc.;

- ***Counterfactual Approach.*** This is an assessment of the state of nature *without* the evaluated operation/programme. The evaluator applies a "*with and without the operation/program*" approach or a "*before and after the operation/program*" approach or a combination of both.

- ***Triangulation.*** This is an important principle that ensures objectiveness. The essence is that the assessment is performed through at least three independent viewpoints/sources that work within a system of checks-and-balance. One of these viewpoints is based at the PEO, while the other two are based in / provided through other parties involved with, or knowledgeable about, the evaluated operation/programme. These two parties usually, but not necessarily, are (i) the Operation Team and (ii) the Client. In many occasions other viewpoints will be considered as well, e.g. co-financier, beneficiary, local community affected by the operation, experts, etc.

- ***Combining Top-Down with Bottom-Up Assessments.*** This is another measure aiming at objectivity through comparing the results of two different approaches: (i) the Top-Down approach, i.e. looking at the targets/effects of a strategy/program and then attributing achievement to particular segments of operations portfolio or individual operations and; (ii) the Bottom-Up approach, i.e. looking at the targets/effects of individual operations and then aggregating them in order to assess if they achieved the goals at a higher plane, e.g. at a program/strategy level.

- ***Attribution.*** It reveals to what extent the achieved impact could be attributed to different actors involved, or not involved, with the evaluated operation/programme. These actors are usually the Bank, the Client, the beneficiary, the government/authorities, other IFI, nature, external factors, etc.

- ***Quantification.*** To ensure objectiveness and comparability, it is important to quantify as much as possible, though it is inevitable that some aspects will be measured through a qualitative approach.

- ***Results Orientation.*** While evaluation practice in the past has focused more on inputs and outputs, current orientation is to focus on results, i.e. looking at outcome and impact rather than inputs-outputs ratios alone.

- ***Lessons Learned.*** This is part of the bottom line of each evaluation as such lessons are the driving force towards improvement and enhancement.

- ***Mission/Objective Orientation.*** Each evaluation makes a clear reference to the BSTDB mission, policies and objectives, stated in explicit and measurable terms, quantified and standardised as much as possible, in order to measure achievement vis-à-vis the benchmarks they provide.

5.6.2 CORE EVALUATION TECHNIQUES

Normally, a balanced and justified combination of quantitative and qualitative techniques is applied. Resource/time-intensive methods need to be justified by relevance and importance of the expected outcomes. Typically, to ensure methodological consistency, methods and techniques applied during appraisal should be reused to the possible extent.

A summary of the core post evaluation techniques could be provided as follows:

- ***Data gathering/verification***
  The PEO, when performing an evaluation, collects data by a range of methods from reconnaissance surveys to formal statistical surveys and targeted field studies. To ensure credibility and objectiveness, each evaluation has to be based on a thorough on-site review. During field missions, all key sources of information are (re)visited, e.g. company/project site, files and management, external auditors, consultants, target groups, local authorities, Clients/suppliers. The Staff Directly Involved with Operations support the information gathering process by provision of all relevant files, data, progress reports, briefs, contacts, etc. Upon a PEO request and subject to the relevant Vice President's or President's approval, a member of the Staff Directly Involved with Operations will accompany the evaluator(s) during a field mission and/or will suggest a local counterpart for such a support.

- ***Desk Studies***
  Desk Studies are performed prior and in support/complementarity of on-site reviews. They are used to categorize and review operation/related data and progress reports. Only as an exception, Desk Studies will be used without verification through an on-site review. This should be justified by a marginal scale of an operation or other circumstances such as an active workout that might be disturbed.

- ***Surveys***
  Surveys are based on interviews and questionnaires that are used in interaction with operation counterparts/target groups. They are normally performed along with Desk Studies and on-site reviews in order to collect and process specific information. Depending on each case a different degree of coverage (*sampling*) and structuring (standardized questions and answers) will be applied.

- ***Cost-benefit Analysis***
  Cost-benefit analysis (CBA) is a form of economic analysis that normally expresses the key benefits and costs in commensurable and actual monetary terms and arrives at a single index to determine the value of a project. Various forms of CBA are applied,

depending on the project, e.g. social CBA, which has the perspective of an entire region/economy and takes into account distributional and other aspects. CBA will normally refer to the application of such analysis at the phase of project appraisal.

- ***SWOT Analysis***
  This is another form of economic analysis that identifies Strengths, Weaknesses, Opportunities and Threats (SWOT). Operation's strengths and weaknesses are expressed by particular indicators that reveal performance parameters. Indicators that look at opportunities and treats have a more external nature, focusing at responses to the environment, including the production and application of policy-related lessons. The SWOT analysis findings will be used as a basis for the concluding part of the evaluation reports. It is essential to check if a form of SWOT analysis was applied during appraisal and implementation in order to verify its assumptions, using the same matrix of criteria.

5.7 RECONCILIATION OF OPINIONS

The Staff Directly Involved with Operations may not agree with some of the findings, judgements/ratings, or lessons learned, derived by the evaluation. As the evaluation process is genuinely transparent and open to frank discussion, most differences are reconciled and the final text reflects the nuances involved. However, where disagreement persists, the dissent is registered in the final evaluation report, in the form of a footnote or attachment. In the event of serious pressure on the evaluation process that might compromise its objectiveness, the PEO Manager informs the President.

5.8 ANNUAL PLANNING OF EVALUATION

Annual work plans, prepared by PEO, and approved by the President, are an important management tool that ensures effectiveness and accountability. It provides the basis for an appropriate match with timing and resources, both human and financial. It also ensures coordination, with the Bank staff, Clients and partner IFIs. Preparing the work plans, PEO uses suggestions from management and operational units regarding current and anticipated needs that could be covered by evaluation findings/lessons[7].

5.9 COOPERATION WITH OTHER IFIs

Reviewing and reflecting the practices and lessons of other Multilateral Development Banks (MDBs) enhances the BSTDB evaluation and quality management. It implies the development of close cooperation and networking with reputable evaluation units and organizations that lead the process of coordinating/harmonizing development evaluation and provide benchmarking of

[7] Actual sampling, methods and extent of analysis are performed by PEO.

standards and best practices. The cooperation of the evaluation units of the Multilateral Development Banks takes place through a dedicated international body, the Evaluation Cooperation Group (ECG). PEO regularly interacts with ECG in order to implement their harmonisation guidelines and "Good Practice Standards" in due time. While this is a continuous process, BSTDB aims to achieve a full compliance with the "Good Practice Standards", currently being amended, by 2005.

Another form of international cooperation is to participate in joint evaluation activities in the cases when common interest, or co-financed operations. Such activities could vary from evaluation of a co-financed project to exchange of findings and joint missions for evaluating country/sector programs. To this end it will be necessary to maintain contacts with co-financiers for the purpose of coordination and streamlining of evaluation.

Adequate external and internal seminars and workshops will foster the transfer and adoption of best practices and lessons in operation monitoring, evaluation and management. Both formal and informal contacts with other evaluation units will be translated into a tailored transfer of valuable know-how. Interactive and participatory training of existing and new BSTDB staff members should reveal useful lessons and practices from other institutions in order to avoid duplication of efforts or repetition of failures.