

# Independent Evaluation Policy

Approved by the BSTDB Board of Directors, 5 July 2023

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# 1 Purpose & Scope

This document is a Policy defining the independent evaluation of BSTDB's operations, activities, strategies and use of funds, that provides accountability and learning with the objective to improve overall institutional performance and mandate fulfilment.

The Evaluation Policy governs the independent evaluation of operations, strategies, and activities within the Bank with a focus on scope and objectives. It outlines the evaluation-related activities and responsibilities of the Office of Independent Evaluation (OIE), its interaction with operation teams, senior management, the Board of Directors (BoD) and any subordinate bodies designated by the BoD. It sets out the principles guiding evaluation in the Bank and the specific internal roles and responsibilities required to accomplish and use effective independent evaluation.

The Policy also provides the essential framework for procedures and methods, such as response by senior management to evaluation findings, access to information, utilization of findings, internal circulation, and external disclosure. In addition, it makes specific provisions pertaining to the Head of OIE, work program, budgeting, and staff.

The scope of the Evaluation Policy is focused on OIE and its interaction with operation teams, the senior management, the BoD, and the Board of Governors (BoG). This Policy defines the independent evaluation function, performed by OIE, distinctly from operations and other functions, with specific duties to and oversight by the BoD and its Audit Committee (AC), as well as the BoD and the President in his/her role as a chair of the BoD. Through emphasis on two key principles - accountability and learning - the policy represents one of the pillars of the institutional integrity and quality improvement of BSTDB.

The Evaluation Policy and system must stay abreast with prevailing best practice and applicable international standards to maintain and enhance the Bank's operational quality as well as its public reputation, long-term credibility, and ability to sustain the support of its shareholders, co-financiers, and investors as a first-class development finance institution. For this purpose, the evaluation at the Bank is maintained in line with the "Good Practice Standards" regularly updated by the Evaluation Cooperation Group (ECG) of the Multilateral Development Banks, of which OIE is a member.

## 1.1 Definition of Evaluation

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. BSTDB is a publicly owned institution, with a unique mandate. The support of the Bank's shareholders and partners requires objective and transparent demonstration of mandate fulfilment. Effective, independent, and credible evaluation is key to accomplish this accountability. The objective, evidence-based analysis of institutional performance provided by independent evaluation is the main pillar of the wider framework of accountability within the Bank. The goal is to contribute to improved institutional performance, relevance and reputation.

BSTDB's accountability has several dimensions as the Bank must demonstrate delivery on a mandate with multiple aspects of socio-economic development and cooperation within and among the countries of operation, based on the guiding principles of sound banking and sustainability. This requires coherence and synergy in the use of financing instruments, as well as a timely absorption of the lessons of experience within new activities to ensure improved performance. To this end, independent evaluation has a central role in reinforcing institutional accountability for the achievement of results; and, by providing objective analysis and relevant findings to inform operational decisions for improved performance. It fulfils that role by providing credible analysis, and independent judgment, along with evidence-based insights and recommendations. This facilitates the senior management to deliver value and results, as well as the Boards to exercise their exclusive responsibility of direction and oversight.

## 2 Terms & Abbreviations

### 2.1 Terms

The following terms are used in this Policy as respectively defined below:

<b>Board Document:</b>	The entire set of operation information that is forwarded to the BoD for approval;
<b>BSTDB's investment:</b>	The BSTDB's financing instrument that is specific to the operation being evaluated: mainly loans, loan guarantees and equity investments;
<b>Client:</b>	Generally, the legal entity owning and implementing the project, and the BSTDB's investment counterpart;
<b>Disclosure:</b>	The systematic distribution of evaluation findings through various media to the public, in accordance with the BoD approved Public Information Policy;
<b>Dissemination:</b>	The systematic distribution of evaluation findings through various media within the BSTDB, without restriction as to its contents, with the aim of promoting awareness of lessons for improved results;
<b>Evaluation Staff:</b>	Staff of the Office (OIE);
<b>Evaluator:</b>	Evaluation Staff or a consultant/collaborator assigned by OIE to take part in evaluations;
<b>Early Operating Maturity:</b>	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);
<b>Final Review Document (FRD):</b>	The set of information / review regarding an operation to be financed, forwarded for approval to the BoD (see Board Document above);
<b>Independent Evaluation:</b>	Evaluations undertaken by OIE, including Operation Performance Evaluation Reports, Annual Evaluation Review Reports, Evaluation Studies, etc.;
<b>Operation:</b>	The BSTDB's objectives, activities and results in making and administering its investment as partial financing of the Client's project;

## **Operation Completion**

**Report (OCR):** 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 OIE 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 OIE;

## **Staff Directly Involved**

**with Operations:** The staff involved in the identification, appraisal, implementation, supervision and monitoring of BSTDB operations;

## **OCR Review/**

**Validation:** The OIE process/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, and identified lessons;

## **Operation (or Program) Performance Evaluation**

**Report (OPER):** Independent evaluation report prepared by the OIE on a sample of investment operations; it is based on a thorough on-site assessment of use of funds and addresses in depth the scope, analysis and ratings of the OCR;

## **Office of Independent**

**Evaluation (OIE):** The BSTDB's institutional 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/Operation:**

Generally, the Client's capital project / operation or program and related business activity that is partially financed by the BSTDB's investment<sup>1</sup>;

## **Self-evaluation:**

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

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<sup>1</sup> 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.

## 2.2 Abbreviations

The following abbreviations are used in this Policy:

<b>Abbreviation</b>	<b>Full Wording of Abbreviation</b>
<b>AC</b>	Audit Committee (the BoD committee to which the Board delegated its oversight over OIE)
<b>AEO</b>	Annual Evaluation Overview, a summary on OIE evaluation findings
<b>BoD</b>	Board of Directors (BSTDB)
<b>BoG</b>	Board of Governors (BSTDB)
<b>BSTDB</b>	The Black Sea Trade and Development Bank, also referred to as the Bank
<b>ECG</b>	Evaluation Cooperation Group, a standard setting organization of MDBs
<b>FRD</b>	Final Review Document
<b>IFI</b>	International Financial Institution
<b>MDB</b>	Multilateral Development Bank
<b>OCR</b>	Operation Completion Report
<b>OIE</b>	Office of Independent Evaluation
<b>OPER</b>	Operation Performance Evaluation Report, prepared by OIE
<b>OPI</b>	Overall Performance Index, prepared by OIE based on 5 evaluation criteria
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats, analytical concept

### 3 Roles and Responsibilities

Evaluation at the BSTDB involves the interaction of five authorities – the Office of Independent Evaluation (OIE), BoD, AC, the President in his/her capacity as Chair of the BoD, and the senior management (Heads of Divisions of BSTDB).

#### 3.1 The Office of Independent Evaluation (OIE)

- OIE has the main responsibility for implementing and updating the evaluation policy and procedures, in line with the applicable ECG International Standards.
- Reports functionally to the BoD through a Board Committee, the AC, and administratively to the President in his/her capacity as Chair of the BoD.
- Provides agenda items and respective evaluation products such as reports, studies, work programs, budgets, etc., to the AC, for discussion and information (budgets, work programs and specific recommendations - for approval).
- Prepares and implements annual evaluation work programs and respective annual budgets; the OIE work programs outline evaluation priorities, products, and activities. The OIE work program and budget are submitted by OIE to the AC for review and approval. They address operational and staffing needs that are fulfilled by OIE upon approval of the OIE budget by the AC. OIE's dedicated budget is ultimately approved by the BoD via the AC.
- Ensures that OIE activities, products and services address accountability and learning needs across the spectrum of the Bank's operational performance.
- Ensures the integrity of the BSTDB's evaluation system by: developing methods and processes for evaluation in partnership with peers and ECG in particular; validating and reviewing self-evaluations (Operation Completion Reports) prepared by operation teams, and assessing the reliability of the process; conducting independent evaluations, assessing any aspect of the Bank's activity that affects mandate fulfilment; and, reporting annually to the BoD and BoG on the performance of the evaluation system and the results and findings it reveals.
- Provides the BoD and the AC with regular reports and studies, issued and approved by OIE, on evaluation activities, findings, lessons learned and challenges within the Bank, through key vehicles such as the Annual Evaluation Overviews, the latter also being disseminated through a dedicated chapter in the Bank's Annual Reports.
- Facilitates and promotes the use of evaluation findings and recommendations by disseminating them internally and externally, as appropriate; and maintaining a stock of lessons learned, including those from relevant peer institutions.
- Provides training and familiarization services on evaluation within the Bank to strengthen self-evaluation and encourage the use of evaluation findings and lessons learned.
- Participates in external fora and membership institutions, to represent BSTDB's views and interests with respect to evaluation issues, to contribute expertise and experience to the development of international standards, with a particular reference to ECG.

- Participates in joint evaluation work and staff exchanges with partner organizations where appropriate, based on potential or actual parallel or co-financing.

### 3.2 The Board of Directors

- Approves the Bank's Evaluation Policy and the AC Terms of Reference and oversees their implementation.
- Defines the terms of reference for, appoints, supervises, and assesses the head of OIE, in line with the applicable international standards as maintained by ECG and delegated responsibilities to its the AC, as outlined further under 3.3.
- Approves the OIE work program and budget as stand-alone OIE-specific documents, as submitted (via the AC) by OIE.
- Discusses reports, studies and other outputs prepared, approved, and submitted by OIE and gives direction on their recommendations.
- Delegates any of its evaluation-related responsibilities to a designated committee - the AC.

### 3.3 The Audit Committee of the Board of Directors

The roles and responsibilities of the AC to which the BoD delegates evaluation functions and oversight of OIE are reflected in the terms of reference for that committee. It performs the delegated functions of the Board of Directors regarding the oversight of and interaction with OIE, as per the adhered to international (ECG) standards, the Statement of the BSTDB's Audit Committee of the Board of Directors, to ECG (during the 52<sup>nd</sup> meeting) and respective BoD decision BD-13-020-93-BD2013-049, including:

- Approval of the OIE annual budget as clearly distinct and identifiable, not subject to reallocation without BoD approval, together with the OIE annual work program, prepared and submitted by OIE;
- Holding of discussions, upon own or OIE initiative, on relevant evaluation matters such as key findings, studies, recommendations, resource needs, compliance with respective ECG standards, challenges to credibility and independence, etc.
- Contributing to the performance appraisal review of the Head of OIE by providing feedback on the implementation of the respective annual work program. Any recruitment/replacement of a Head of OIE will include a representative of the AC at the selection/review panel, to reflect the Committee's oversight/assessment role vis-a-vis the independent evaluation function at the Bank, as per applicable ECG standards and this Policy.
- Reviewing and safeguarding the independence of OIE, assuring that relevant policies, procedures, methodologies, budget, and staffing resources are adequate and up to international standards. Recruitment of OIE staff should follow the Bank's recruitment procedures, but the OIE Head should have a decisive/approval role in the criteria and actual selection, in line with the applicable international ECG standards that safeguard independence and prevention of conflict of interest.



- Review of senior management's responses to evaluation report findings and recommendations and the respective actions taken, in consultation with the Head of OIE.
- Oversees progress on agreed evaluation recommendations (by senior management, Board Subordinate Committees or Boards) and periodically informs the BoD on respective implementation.

### **3.4 The President**

- Interacts with OIE in his/her capacity as BoD Chair with a focus on critical performance issues, forwarding all evaluation agenda items and documents as/when submitted by OIE to the BoG, BoD, and senior management, for information/action, without any amendments or clearances, as well as on relevant administrative matters such as annual leave and business trips as per the budget and work program of OIE (approved by the AC).
- Ensures adequate and effective engagement in evaluation-related matters before the BoD or Board subordinate bodies, safeguarding and promoting the key principles of independence of evaluation.
- Interacts with OIE in his/her capacity as BoD Chair on relevant evaluation-related matters and presentations, with a focus on safeguarding both the independence of evaluation and the function from interference.
- Ensures that institutional processes, interactions and resources are adequate to accomplish evaluation-related activities, in line with the OIE work program and budget as approved by the AC / BoD
- Interacts with the Head of OIE on relevant strategic issues and their evaluation.

### **3.5 The Senior Management**

- Takes part in relevant evaluation-related discussions at the Board or Board subordinate Committees.
- Ensures an effective system of self-evaluation (operation completion reports) and reports periodically to the BoD on its scope and quality.
- Responds in writing to OIE reports and recommendations and informs the BoD on implementation of agreed recommendations.
- Ensures that proposed operations clearly specify expected results and related ex-ante performance indicators, to allow effective evaluation.
- Ensures that programs, policies, and strategies identify their expected results with sufficient specificity, to allow effective evaluation.
- Ensures that relevant evaluation findings and lessons are adequately reflected in matters placed before the BoD.

- Ensures institutional processes and resources sufficient to accomplish evaluation-related activities, in line with OIE budget and work program.

## 4 Policy

### 4.1 Functions of Evaluation

#### 4.1.1 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 (ex-post-evaluation), OIE also performs mid-term and real time evaluations in some cases, as well as a wide range of evaluation studies, based on needs and available resources.

#### 4.1.2 Objectives of Evaluation

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

- Accountability** – to reveal the results of the Bank’s operations/activities, both intended and otherwise, and assess their contribution to the Bank’s mission.
- Quality management improvement** – to derive significant lessons learned from past experience in view of using them for improving future operations, strategies and activities.

Evaluation provides a basis for rendering judgements, for the benefit of the Bank’s staff, senior management, Boards, and shareholders, concerning the relative success or failure of the Bank’s operations vis-à-vis the BSTDB’s mandate.

The Evaluation Policy and OIE aim toward a continuous improvement of the BSTDB’s effectiveness, credibility, and reputation, as well as 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.

#### 4.1.3 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 OIE.

Because independence, equal ranking vis-à-vis other Bank units and objectivity are vital for the credibility and prudence of the evaluation, the latter is performed and managed by a dedicated independent office, the OIE. While integrated into the organizational structure of BSTDB, the OIE functions independently from operations and related decision-making, according to this BoD-approved policy that specifies its role and key operating principles. While some evaluation reports are presented to the Credit or Management Committees, as relevant, the OIE reports to the BoD via a designated committee, the AC, which has an oversight role vis-à-vis the evaluation function, program, and budget. In general, the OIE 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, with due respect to the Bank's Policy on Personal Data Protection. To this end it will perform the following steps, when interacting with external parties for the purpose of an independent evaluation:

- Upon commencing an evaluation interaction with external parties, OIE will dully communicate the following statement to them: "All the personal data provided herein shall be processed by BSTDB, in accordance with its Policy on Personal Data Protection (<https://www.bstdb.org/privacy>), for the purpose of carrying out its evaluation process and specifically for the assessment of the operations, programs, activities and strategies of the Bank. The legal basis of such processing by the Bank is serving the legitimate interests pursued by the Bank to assess its mandate fulfilment and draw lessons for improved future operations. In case you have a query regarding the protection of your personal data held by BSTDB or if you wish to exercise your rights as Data Subject, please contact BSTDB's Data Protection Officer, at: [dpo@bstdb.org](mailto:dpo@bstdb.org)
- When OIE will use surveys and if the collection of personal data is not required to achieve the survey goals, the OIE should consider using anonymized surveys that do not lead to the identification of the survey participants. Such surveys will include a relevant disclaimer such as "the survey information to be provided will not be in a form that identifies any natural persons involved. Answers should be provided in an anonymized manner." In case personal data are disclosed nonetheless in an anonymized survey's answers, OIE will delete any such personal data upon obtaining them.

The evaluation normally commences after an operation is completed. In addition to operations *ex-post*-evaluation, the OIE 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 roles: 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 OIE performs independent validation of self-evaluation and evaluates in-depth the respective operation, program or activity through a rigorous internationally harmonized methodology.

The transparency and independence of the evaluation system provide for timely, accurate and objective generation of lessons learned, as well as prompt feedback of these lessons to all levels of governance. For this reason, the evaluation function interacts with various units at arms-length, avoiding direct interference in the decision-making process.

## 4.2 Activities of Evaluation

### 4.2.1 Timing

To be effective, the evaluation should have appropriate timing. Ex-post-evaluation requires a certain degree of evaluability, known as *Early Operating Maturity*<sup>2</sup>, which may vary from case to case<sup>3</sup>. Depending on the complexity and relevance of the given operation, some evaluations may be performed soon after operation's

<sup>2</sup> 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.

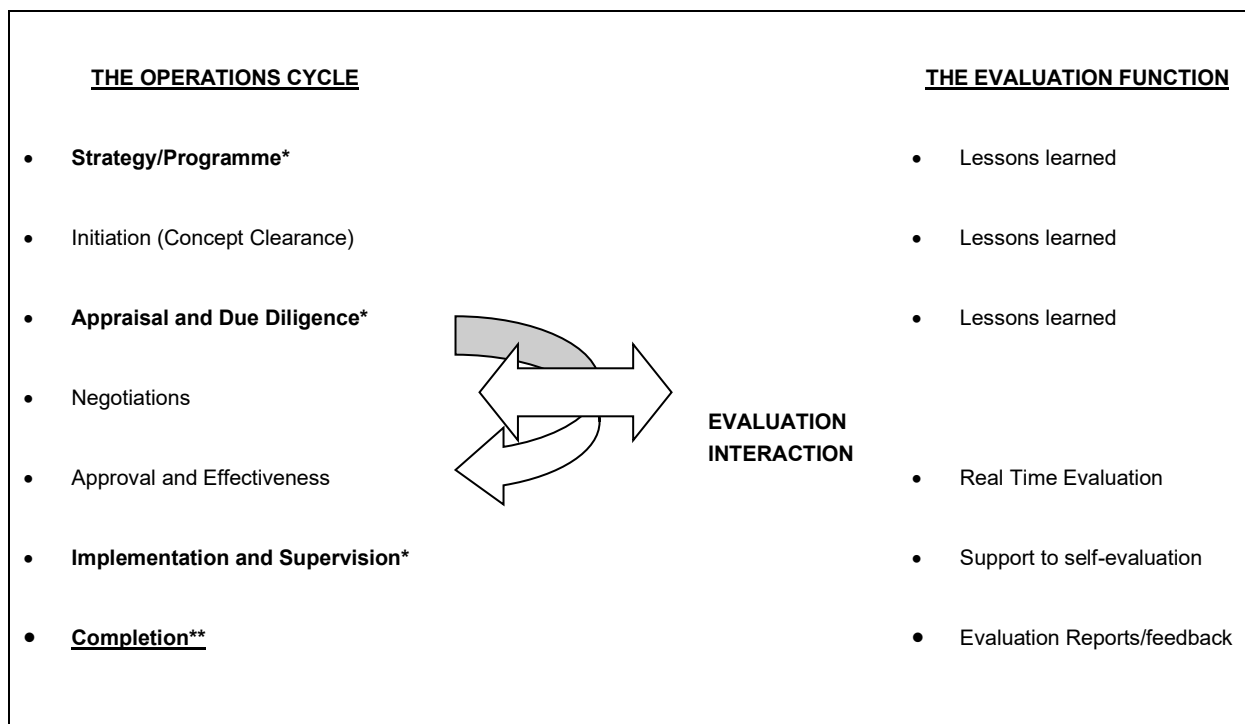
<sup>3</sup> There is a recognized trade-off between delaying evaluation long enough to have a reliable basis for making updated projections for outcome and impact judgments (justifies later evaluation) and reviewing results as early as possible for their lessons, relevance to evolving corporate priorities 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.

completion/disbursement<sup>4</sup>, while other may be assessed at a later stage but normally well before full repayment. The timing of Evaluation Studies and real time evaluations will be based on needs, demand, and resource availability of the OIE.

#### 4.2.2 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. 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 OIE 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.

<sup>4</sup> It is assumed that final disbursement and physical completion (i.e. when the physical investments are in place and are operational) occur at 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.

### 4.2.3 Key Evaluation Stages and Activities

The evaluation process has three main 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 conducted 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 the operation's technical completion (typically soon after full disbursement but not later than at least 2 years prior to final repayment), 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 independent evaluation process.

#### (ii) **Independent Evaluation**

The completed operation, for which an OCR has been issued, is thoroughly and systematically evaluated by the OIE. This results in various types of evaluation reports, depending on their depth, called Operation Performance Evaluation Reports (OPER), or in aggregate evaluation reports such as evaluation studies or annual evaluation overviews. When a full-fledged OPER is not produced, due to a large portfolio of completed operations, the OIE will, at least, review the OCR to independently verify the validity of its statements, and report the results, typically within annual evaluation overviews. This ensures an independent validation of contents, lessons, and self-evaluation ratings. Apart from post-evaluation upon completion, real time evaluations are also conducted by the OIE, based on importance and data from monitoring reports and other sources. 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, the OIE 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*. It is produced annually 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 more open dissemination and comparisons with other IFIs. This report is the key document for presenting to the BoD and BoG 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 OIE feeds experience, and lessons learned into the operation cycle.

### 4.2.4 Evaluation and Strategies, Programs and Policies

OIE is not involved in the process of preparing strategies and programs but may provide relevant lessons learned upon request. Typically, the evaluation of a completed strategy is issued as a stand-alone evaluation report to facilitate the preparation of the next strategy. For this purpose, respective departments contact OIE to obtain a review of past experiences and reflect it in the respective programme or strategy. When evaluating operations, the evaluation staff verifies to what extent a particular operation follows the relevant current strategies and programs, to issue a judgement on its relevance. To assess the effectiveness of programs and strategies, and in view of suggesting measures for enhancement, the OIE evaluates their implementation and reports the results to the BoD and BoG.

#### 4.2.5 Evaluation and Operations Quality at Entry

During an operation's design, preferably immediately after the Concept Clearance stage, the staff directly involved with operations consult OIE to obtain and include in the operations documentation a list of relevant lessons learned. This information becomes part of a dedicated section (in the FRD and the Board Document) and enhances the quality at entry.

OIE, due to the independence of the evaluation function, is not directly or actively involved in the preparation and implementation of any operation. Its involvement is limited to the provision of experience and lessons learned (external and internal). For this reason, the OIE will maintain regular interaction with other IFIs and respective evaluation groups, to collect and validate relevant lessons of experience across sectors and themes of interest.

#### 4.2.6 Evaluation and Operations Implementation

OIE, due to its independent position, is not involved during the operation implementation stage. It only provides 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, OIE performs a real time evaluation, which may focus on a particular issue of concern.

#### 4.2.7 Evaluation and Operations Completion

Staff directly involved with operations prepare an Operation Completion Report (OCR) as a replacement of the forthcoming regular Supervision/Monitoring Report. The OCR is due within six months upon technical completion of an operation, typically at least 2 years before final repayment. 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 important since the Bank can learn a lot from operations that could not be completed (because of unexpected problems) or those that implied an early exit or termination for other reasons. When an 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 OIE so that an evaluation can start as early as possible.

OIE 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 becomes the basic self-evaluation record, ensuring the primary accountability of operation's performance. The OIE validates and rates the quality and objectiveness of those OCRs, which concern operations not selected for subsequent full-fledged evaluation.

The core activity of the OIE is to evaluate the performance of completed operations, revealing their contribution to BSTDB's mission. 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 evaluation findings are based on the OCR, all relevant files/documents, a site visit and respective consultation with sponsors, clients, Bank staff and other relevant parties. When required by OIE, specialised industry consultants will also support the evaluations.

#### 4.2.8 Workout Operations

Workout operations (restructuring and corporate recovery) are among the best sources of important lessons learned and their evaluation has proven to contribute a lot towards the performance of future operations. For each operation that entered corporate recovery, a Lessons Learned Memorandum should be submitted to the Evaluation Office by the team that undertakes corporate recovery. The timing of the evaluation of workout operations is a sensitive issue, as evaluation may interfere with ongoing recovery work and thus increase the cost of exit. Therefore, OIE will choose an appropriate timing, addressing this perspective.

## 4.3 Evaluation Products and their Dissemination

### 4.3.1 Products

The evaluation activities result in the production and dissemination of written documents that may take the form of a Report, Study or contribution to the Annual Evaluation Overview. The main evaluation products are Operation Performance Evaluation Reports and Annual Evaluation Overviews.

The OIE produces various 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 Programs, Strategies and Policies results in Evaluation Studies. They provide independent in-depth analysis and suggest amendments and measures to improve the Bank's performance and achievement of its mission. Some Evaluation Studies analyse and compare the findings of evaluations of individual operations to reveal trends as well as to distil lessons that have implications beyond the 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 Overviews.* These reports aggregate and compare the findings of OIE 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, senior management and the BoD and BoG. These reports do not contain commercially sensitive / operation specific information and therefore represent the main vehicle for broader disclosure and accountability on the Bank's overall performance and are also included within the Bank's Annual Reports.

### 4.3.2 Dissemination

#### 4.3.2.1 Evaluation Products and Reports

Based on the type and role of the specific evaluation product, OIE may distribute it in draft form to selected parties within and outside the Bank, as appropriate, as well as hold respective meetings internally or externally (with clients and other stakeholders), to gather further information and comments, with a focus on evidence and counterfactuals, based on applicable methodology.

The draft and final evaluation reports are issued by their author within OIE and transmitted to recipients through the Head of OIE, without external clearances or amendments. If a recipient does not agree with the findings, judgements or recommendations expressed in the evaluation report, and if differences of opinion cannot be reconciled through discussion/evidence, the differing views will be noted/ mentioned in the final version which is a sole responsibility of OIE.

Any draft evaluation product is finalised and cleared by the Head of OIE, who submits it for respective dissemination of information as relevant, with key evaluation products being submitted to the BoD and BoG via the President in his/her role as a BoD chair. The only evaluation products that are subject to external approvals are the OIE work program and budget, as well as amendments to this policy, approved directly/solely by the AC and the BoD respectively.

The evaluation products are made available to Bank staff by the OIE, with a focus on units addressed by or relevant to the respective evaluation product. OIE holds relevant clarifications, awareness and training regarding its products and the evaluation policy, at its discretion. It decides on the form, content and means of internal and external dissemination, taking respective measures to protect commercial and personal data, as per the applicable policies and evaluation standards.

Various evaluation products, as relevant, are distributed by OIE internally (to senior management/Credit Committees, AC, Boards, staff) and externally (to partner networks, institutions, stakeholders), as appropriate.

#### **4.3.2.2 Lessons Learned**

The OIE distributes various other written documents on evaluation findings and lessons internally and externally. It contributes relevant past-experience and lessons learned (internal and external) to the staff directly involved with operations after Concept Clearance to enhance new operations and strategies. The OIE maintains the Bank's lessons learned library. It provides guidance and training to relevant staff, to ensure learning from experience, and institutional memory. Confidential case presentations are made intermittently to Directors on the AC of the BoD upon their request or upon the initiative of OIE. Other recurrent dissemination includes case reviews with the senior 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 Operation Leaders to ensure that past lessons have been systematically researched, documented, and applied in new operations. Standard processing documentation for new operations includes a section on relevant past lessons, as provided by OIE, to be consulted during preparation and implementation of each operation. OIE periodically reviews and reports annually to the BoD and BoG in its Annual Evaluation Overview on the quality of responsiveness to provided lessons learned and recommendations.

#### **4.3.2.3 Raising Awareness of Independent Evaluations**

Targeted and regular dissemination of all evaluation outputs/reports is an essential activity that keeps the evaluation feedback system in operation. Therefore, awareness of evaluations, as well as accompanying dissemination measures, e.g., discussions and seminars, is offered by OIE to foster utilization and impact, with a focus on key lessons learned. They target both new and current staff with the aim of gearing internal and external lessons to improvements of operations. Such occasions often include appropriate joint activities/workshops with partner IFIs.

Adequate performance of the accountability function of OIE and the importance of networking with other IFIs require a continuous effort to ensure wider dissemination, outside the Bank, as appropriate. This implies the need of preparing summaries, case studies and sanitised reports that are in line with the BSTDB's Public Information Policy and Policy on Protection of Personal Data and do not compromise sources or clients. To ensure a high degree of connectivity with the development community, the OIE 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 be maintained consistently.

To perform its quality management function, the OIE ensures the establishment, development and deployment of a *systematic and comprehensive knowledge base* that serves the needs of both senior and operational management<sup>5</sup>. This base will contain key lessons and policy implications. Awareness of the existence and value of the evaluation knowledge base will be raised and maintained by the OIE with the support of the senior management.

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<sup>5</sup> Unit heads and directors of BSTDB.



## 4.4 Evaluation Methodology

### 4.4.1 Credible Purposeful Coverage

OIE ensures adequate coverage of operations to be evaluated to achieve credibility. Given the importance of higher-level evaluations, beyond operations, a purposeful sampling will complement a wide review/validation of self-evaluation reports. Sample selection criteria are part of the methodology and include the following: new sector/country/instrument, balanced sector/country coverage, potential for lessons and problem operations, and a degree of randomness. The focus will be on operations and activities of particular interest.

### 4.4.2 Sound Rating System

A sound evaluation *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 in 4.4.3 below and (ii) an *even* number<sup>6</sup> of at least four categories/scores on the rating scale.

The four rating categories have numerical expression that allows calculations/aggregation and form the basis for all ratings:

- **Category 1:** (Excellent or equivalent; 4 scores): Most of the key 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 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.

### 4.4.3 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 (OPI), 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. While these rating criteria and other elements of the evaluation rating system are used for long periods as a matter of consistency and comparability, OIE reviews and updates them as relevant, in line with respective international standards. The essence of the evaluation *rating criteria* could be summarized as follows:

- a) **RELEVANCE:** Consistency of operational 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.

<sup>6</sup> 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.

- 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 BoD 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.
- 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 considering the evaluation findings under the 5 criteria listed under a) through (e) above.

To rate each *rating criterion*, several *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, to prioritise the relevance of those factors. Details on the rating of the underlying factors that result in the rating of each criterion are maintained and updated by the OIE.

#### 4.4.4 Methodological Principles and Techniques

##### 4.4.4.1 Principles

OIE 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 varies depending on the nature, type, and functional character of the operations and programs examined. Key milestones of the evaluation methodology include:

- **Ex-post revisiting of Ex-ante.** Ex-post evaluation reflects on the methods and assumptions used for ex-ante appraisal and indicators.
- **Counterfactual Approach.** This is an assessment of the state of nature without the evaluated operation/programme. The evaluation applies a "*with and without the operation/program*" approach or a "*before and after the operation/program*" approach or a combination of both.
- **Evidence-driven 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 ensure checks-and-balance, with a focus on evidence. A central viewpoint is based at the OIE, while the other two are 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. Other viewpoints will be considered as well, e.g., co-financier, beneficiary, local community affected by the operation, experts, etc. The final judgement remains the sole responsibility of OIE and is not subject to external approvals or editing – it is issued and reported by OIE without any clearances or interference. Nevertheless, dissenting views and differences of opinion are noted and recorded.

- **Combining Top-Down with Bottom-Up Assessments.** This is another measure aiming at objectivity by 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 many 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.
- **Lessons Learned.** This is key to each evaluation as learning is central to 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, to measure achievement vis-à-vis the benchmarks they provide.

#### 4.4.4.2 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 evaluation techniques could be provided as follows:

- **Data gathering/verification**

OIE collects data by a range of methods from reconnaissance surveys to formal statistical surveys and targeted field studies. To ensure credibility and objectiveness, each in-depth evaluation involves 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, and clients/suppliers. The staff directly involved with operations support the information gathering process by a provision in the Loan Agreement (or equivalent document) for an evaluation visit (normally within provisions for supervision and monitoring), submission of all relevant files, data, progress reports, briefs, contacts, etc. Upon OIE request 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 support.

- **Desk Studies**

Desk Studies are performed prior to 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 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 considers 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). An operation's strengths and weaknesses are expressed by indicators that reveal performance parameters. Indicators that look at opportunities and threats have a more external nature, focusing on responses to the environment, including the production and application of policy-related lessons. It is essential to check if a form of SWOT analysis was applied during appraisal and implementation to verify its assumptions, using the same matrix of criteria.

#### **4.4.5 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 discussion, differences will be reconciled or reflected in the evaluation report, in the form of a footnote or attachment. However, the evaluation findings and recommendations remain a sole responsibility of OIE and are not subject to any external approvals, consent or editing. In the event of a material pressure on the evaluation process that might compromise its independence, OIE informs the President, the AC and the BoD, as appropriate.

#### **4.4.6 Cooperation with Peers**

Reviewing and reflecting the practices and lessons of other Multilateral Development Banks (MDBs) enhances evaluation and quality management. It implies close cooperation and networking with reputable evaluation units and organizations that lead the process of coordinating/harmonizing development evaluation and provide benchmarking of standards and best practices. The cooperation of the evaluation units of the MDBs takes place through a dedicated international body, the ECG. OIE is a member of and regularly interacts with ECG to implement the respective "Good Practice Standards" in due time, applying judgment on relevance to BSTDB. While this is a continuous process, BSTDB aims to maintain full compliance with the "Good Practice Standards".

Another form of international cooperation is to participate in joint evaluation activities in cases when common interests, or co-financed operations. Such activities could vary from the 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, workshops and other forms of training 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, as well as exchange/secondment of evaluation professionals. Interactive and participatory training of existing and

new BSTDB staff members should reveal useful lessons and practices from other institutions to avoid duplication of efforts or repetition of failures.

## 5 References

- “Good Practice Standards” regularly updated by the Evaluation Cooperation Group of the Multilateral Development Banks
- 52<sup>nd</sup> AC meeting minutes on Independence of Evaluation and ECG membership
- BoD decision BD-13-020-93-802013-049, related to the above
- Operations Cycle Policy
- Operations Manual
- Public Information Policy

## 6 Associated Documents

### 6.1 List of Records & Forms

The table below lists all records to be produced in the course of the application of the Policy

1	Annual Evaluation Overview Reports
2	Operation Performance Evaluation Reports (complete or summary)
3	Evaluation Studies
4	Operation Completion Reports
5	Lessons Learned Memoranda
6	Mid-Term Evaluation Reports
7	OIE Budget
8	OIE Work Program

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## 7 Distribution List

This Policy is accessible by all employees of the Black Sea Trade & Development Bank. OIE performs clarifications and trainings regarding the implementation and updates of the Policy.

The following entities should be informed about the approval of this Policy:

- Senior management and all staff