

# Annual Evaluation Overview

## INDEPENDENT EX-POST EVALUATIONS

### Introduction

According to the BSTDB's Evaluation Policy, the Independent Evaluation Office of the Bank presents this annual evaluation overview to highlight key findings and trends from the conducted post-evaluations since the commencement of the Bank's operations in 2000.

This overview and other evaluation products ensure accountability and quality management improvement of the Bank's performance, based on a rigorous, internationally harmonized independent evaluation of the BSTDB operations. Each annual evaluation overview is presented to the Management, the Board of Directors and the Board of Governors to highlight key findings in operational and institutional performance.

The evaluation overviews aggregate and compares the findings of the conducted post-evaluations on an annual cumulative basis. They reveal the degree of mandate fulfilment as well as important trends and causal links. 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 performance.

The annual evaluation overview presents a synthesis of the findings of the Bank's evaluated operations over the past 20 years, focusing on BSTDB's mandate fulfillment. It preserves the corporate memory of the Bank by distilling the essence of "Lessons learned" from the Bank's evaluations in a diversity of operations.

### Independent Evaluation: Methodology and Adherence to Highest IFI Standards

The BSTDB Post Evaluation Policy commits the independent evaluation to Good Practice Standards on Evaluation, as maintained by the Evaluation Cooperation Group (ECG) of the Multilateral Development Banks (MDBs). These standards, *inter alia*, ensure the organizational and behavioral independence of the evaluation function, safeguarding the important accountability role of the evaluation to the Boards of Directors/Governors. The Evaluation Office officially became an observer at ECG in 2010 when it started to maintain a pro-active role in enhancing and applying the respective MDB-specific standards in independent evaluation. In 2012 and 2013, the ECG performed a comprehensive peer review of BSTDB's Evaluation Office, assessing its methodology, rigor and overall practice against the respective MDB standards. The review concluded that BSTDB meets the key standards on evaluation independence and made a number of enhancement recommendations that were implemented by BSTDB in 2013. Subsequently, in April 2014 the Bank's Independent Evaluation Office was officially admitted as a full member of the ECG, acknowledging its commitment to highest MDB standards in evaluation.

The current evaluation overview provides an overall picture of BSTDB's performance over the period of 2000-2019, with a highlight of the latest trends and developments (2015-2019), based on the analysis of 131 evaluations of completed operations and a dozen related evaluation studies.

The analysis covers 20 years of BSTDB operations grouped into four five-year periods, to smooth-out annual fluctuations, as required by the applicable evaluation methodology. The 2015-2019 data is compared with the target of reaching 70% positively performing sample of evaluated operations set in the Bank's previous and current Medium-Term Business Plans.

The MDB-harmonized evaluation methodology uses 4 ratings for ranking performance of operations, 2 positive and 2 negative: Excellent, Satisfactory, Partially Unsatisfactory, Unsatisfactory. These ratings apply to each of the 5 evaluation criteria:

- RELEVANCE: Consistency of operational objectives with the BSTDB mandate
- EFFECTIVENESS: Extent to which objectives are achieved
- EFFICIENCY: Extent to which benefits are commensurate with inputs
- SUSTAINABILITY: Likelihood that results will be maintained
- INSTITUTIONAL IMPACT: Covers improvements in norms and practices

The ratings on those 5 criteria form the overall rating, a single measure of mandate-centered operation's performance.

## Performance of Evaluated Operations

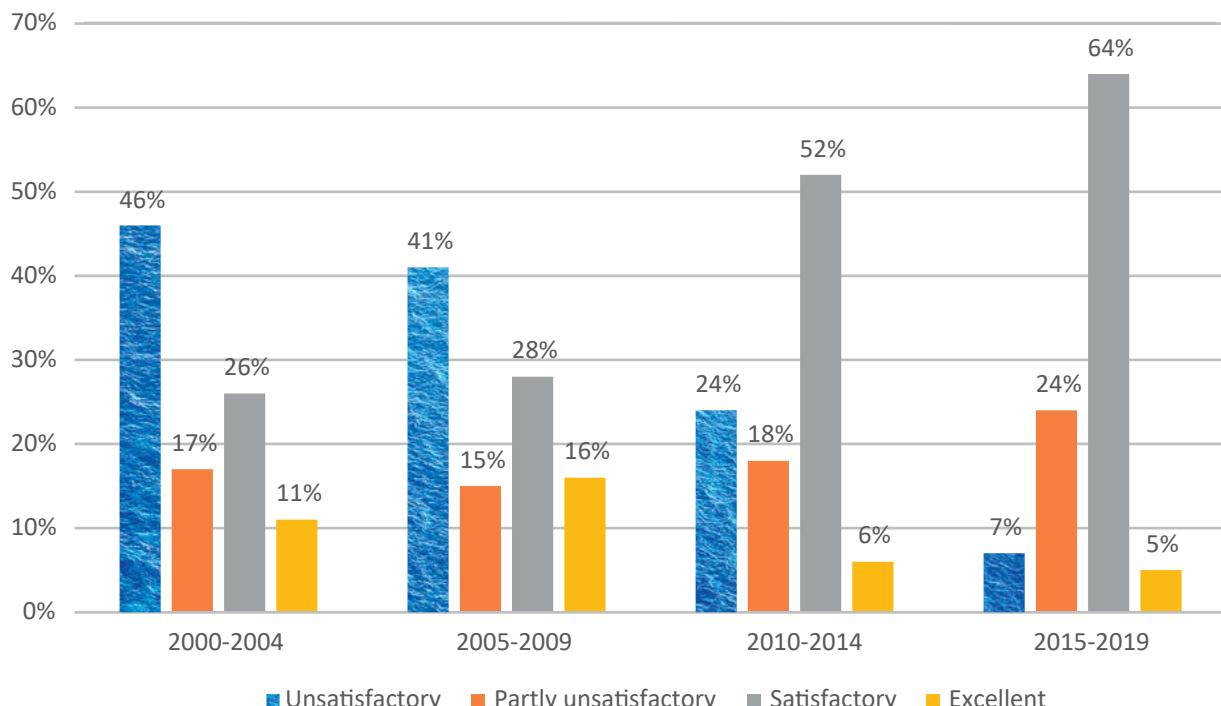
### Overall Performance

In the latest aggregate period (2015-2019) BSTDB's positively rated operations represent 69%. This denotes a slight decline from earlier periods (71% in 2018, 70% in 2019) and stands at 1 percentage point below the target of 70%, set by the Bank's Medium-Term Strategy. In broader terms, the latest 5-year period reveals a positive trend compared to previous 5-year periods (upwards from 37% in 2000-2004, 44% in 2005-2009, and 58% in 2010-2014).

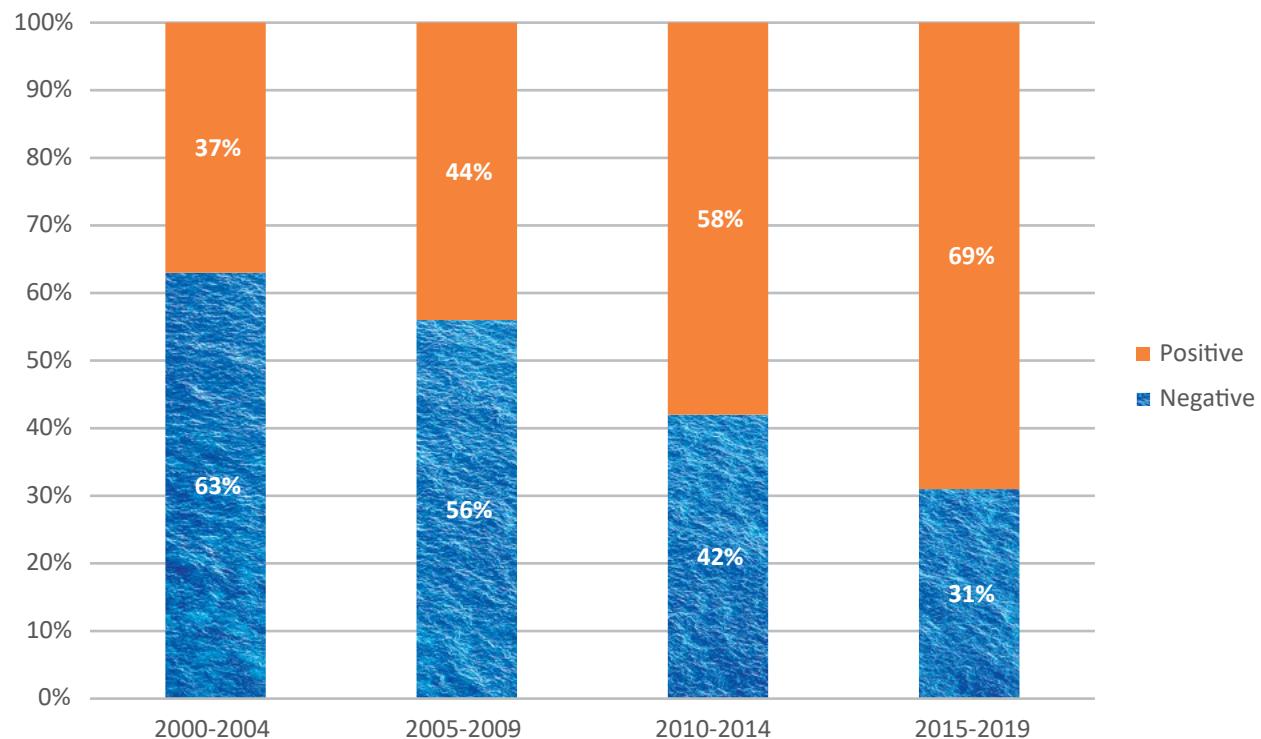
On the upper end of the ratings, the share of "Excellent" declined from 16% in 2005-2009, to 5% in 2015-2019.

The share of BSTDB operations rated negatively (Partly Unsatisfactory or Unsatisfactory), indicates structural improvement, as the lowest-rated share (Unsatisfactory) decreased from 24% in 2010-2014 to 7% in 2015-2019.

### Performance Chart



### Performance of Bank's Operations for 2000-2004, 2005-2009, 2010-2014, 2015-2019

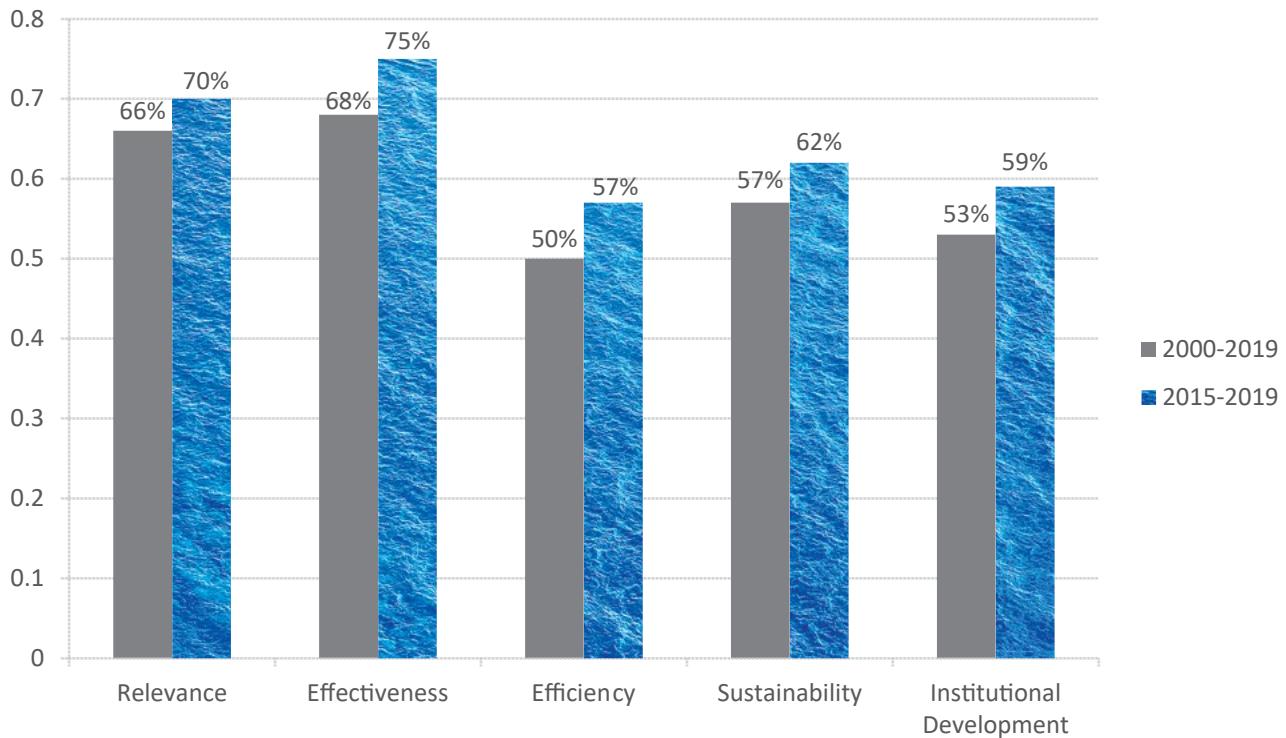


### Relevance, Effectiveness, Efficiency, Sustainability and Institutional Development

A more analytical review of the evaluation ratings under each of the five criteria (*Relevance, Effectiveness, Efficiency, Sustainability* and *Institutional Development*) is helpful to understand the broader picture, as well as where the Bank needs more effort, to enhance overall performance. An outline of the share of positively rated operations, out of all 131 evaluated operations since 2000, is presented below:

- Relevance of operations – 66% (2000-2019) and 70% (2015-2019) positively rated
- Effectiveness – 68% (2000-2019) and 75% (2015-2019) positively rated
- Efficiency – 50% (2000-2019) and 57% (2015-2019) positively rated
- Sustainability – 57% (2000-2019) and 62% (2015-2019) positively rated
- Institutional Development – 53% (2000-2019) and 59% (2015-2019) positively rated

## Performance Details: 2000-2019



## Key Performance Indicators

Since 2016, the Independent Evaluation Office overviews the key Performance Indicators (KPIs), approved by the Board of Governors as part of the Bank's Medium-Term Strategy and Business Plan. While there are various indicators, the overview has a focus on the composite indicator of Mandate Fulfilment as it is fundamental for the Bank's role and mission. The target for this indicator is to maintain a share of 70% or higher of ex-post evaluated operations to rate positive on overall performance (combined *Relevance*; *Effectiveness*; *Efficiency*; *Sustainability* and; *Institutional Development*). As already noted, this share for the last 5-year period stands at 69% - very close but just below the target.

## Independent Validation of Self-Evaluation Reports

The Bank's Operation Teams prepare self-evaluation reports on each operation (Operation Completion Reports- OCRs). The Independent Evaluation Office's normally issues performance ratings that differ relative to the ratings assigned by the operation teams in the respective OCRs. The divergence between the OCRs and the independent evaluations, expressed in binary terms (i.e. reflecting only the cases where the independent evaluation resulted in a change from positively rated self-evaluation to negatively rated<sup>1</sup>, or vice-versa) is as follows:

- The overall OCR performance ratings issued during 2015-2019 were validated by the Evaluation Office without change in 69% of the cases.
- For the same period, the OCR ratings that were upgraded and downgraded by the independent evaluation were 0% and 31% of the total, respectively.

<sup>1</sup> Positive: Excellent or Satisfactory; Negative: Partly Unsatisfactory or Unsatisfactory

## Benchmarking with Peer IFIs

All aspects of evaluated performance have been subject to rigorous peer MDB benchmarking since 2004. These comparisons are conducted regularly on the basis of data and time aggregation, to ensure validity and overall consistency.

Since 2008 BSTDB has maintained its performance generally in line with comparable MDBs. The comparative evaluation reveals 20 years of growth and improvement, within set targets, with some deviations. A typical recurring challenge is the side effect of volume-dominated incentives. Here a reference is made to the phenomenon known as “approval culture” - focusing on volumes of new operations with less effort on the quality and sustainability, hence eroding the development dimension), as well as related waves of premature cancellations.

The last 5-years of data places the Bank within the average performance range among MDBs.

## Follow-up of Evaluation Recommendations

To date, all evaluation recommendations accepted by the Management, Audit Committee and the Board of Directors have been either implemented or are under implementation. There are no outstanding issues.

## Conclusion

There is a consistent upward trend, with latest results (69%) being just below the target of 70% positively rated operations set in the Bank’s Medium-Term Business Plan. Since 2008 BSTDB maintains its performance generally in line with the comparable MDBs, indicating certain advantages and lags such as waves of operation cancellations in certain periods, affecting the evaluation ratings downwards. The Bank will continue to perform peer benchmarking, both generally and with a particular focus, in order to stay abreast of good practice and latest developments in development finance.