

MONITORING AND EVALUATION CABEI 2015-2019 INSTITUTIONAL STRATEGY

INTEGRATING SUSTAINABLE
DEVELOPMENT AND
COMPETITIVENESS



Central
American
Bank for
Economic
Integration

CABEI





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**Central American Bank
for Economic Integration**

MONITORING AND EVALUATION

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FRONT PAGE

The front page contains a graphic composition of circles which symbolizes elements of the balanced scorecard on CABEI 2015-2019 Institutional Strategy. The colors and the number of rows and columns represent the perspectives, objectives and strategic indicators, respectively. This composition extends upward from the back cover, which illustrates the continuous pathway of regional development promoted by Central American Bank for Economic Integration.

Monitoring and Evaluation CABEI 2015-2019 Institutional Strategy: Integrating Development and Sustainable Competitiveness
Annexed DI-11/2015

This is a non-official version. In the event of a conflict between the versions, the Spanish version shall prevail.

Central American Bank for Economic Integration

www.cabei.org

Tegucigalpa, Honduras, 2015.

Photograph in page 6 by Lee Jaruzelski Reyes Marín

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I. BACKGROUND

During the strategic period from 2010 to 2014, CABEI's operations and activities were based on the balanced scorecard (BSC) management tool, broken down into perspectives, indicators and goals. The 2010-2014 Institutional Strategy defined the perspectives, denominated clients and beneficiaries, finances, structure and processes and growth and learning, establishing a series of goals and indicators to provide follow up on CABEI's main purpose and its mission for the period.

In the five year period from 2015 to 2019, CABEI's challenges are related to consolidating its relevance in development, economic integration and competitiveness. The Bank has established basic guidelines oriented at providing the best and most extensive attention to its members in contributing to their development, under a scheme of financial sustainability. In this regard, the Institution has defined its strategic purpose as: "To maintain its position of relevance as a multilateral bank in the Central American region by means of efficient processes and products tailored to the needs of its member countries."

CABEI's mission is pursuant to the provisions of article 2 in its Constitutive Agreement. The Bank's mission for the 2015-2019 period is targeted at meeting the different needs of all of its members and is therefore defined as: "To promote the economic integration and balanced economic and social development of its founding member countries, attending and aligning itself with the interests of all of its member countries." Attending the needs of its members is the mission's key element, and therefore the Bank should position itself as a benchmark for cooperation to the region as a financing source and a promotor of commercial trade among the companies of all of its member countries.

The CABEI 2015-2019 Institutional Strategy includes a monitoring and evaluation mechanism, which objective is to measure the effectiveness of the Bank's institutional management with regard to contributing to the development of its member countries. In order to guarantee appropriate monitoring and evaluation of the Bank's strategic objectives, as well as their alignment with the institutional vision and mission set out for the 2015-2019 period, the Bank continued using the Balance Scorecard (BSC) tool, using a series of strategic actions that are measured with indicators for each case.





II. METHODOLOGY

The BSC tool has been adapted to CABEI's strategic evaluation requirements and makes it possible to convert the elements set out in the CABEI 2015-2019 Institutional Strategy into a group of performance measurements. Aligning CABEI's management processes to the provisions of the Strategic Institutional Framework (SIF) requires a consistent and efficient methodological framework. In this sense, the implementation and adaptation of the CABEI BSC tool, especially with regard to the mechanism for monitoring and evaluation of the actions and initiatives planned for 2015-2019 period, requires the definition of strategic themes (relevance and efficiency) and strategic perspectives (clients and beneficiaries, finances, structure and process, and organizational capacity). Likewise, the indicators and goals established are directly pursuant to the prioritized needs for the region, as well as to the institutional capacities to attend them.

In terms of clients and beneficiaries, CABEI will direct its efforts at assessing the contribution of its initiatives to the development of its member countries. The objective of this perspective is to specify the fundamental elements derived from the value proposition, with which CABEI will attend its member countries in the 2015-2019 period. In that sense, CABEI defines its fundamental objective as consolidating its position of relevance as a strategic ally in order to contribute to the region's development.



With regard to finances, in order to increase CABI's contribution to its members' development, the Bank must enhance its position through capital strengthening. CABI will continue to strengthen its position by means of follow-up on and implementation of its financial strategy, as a general framework under which the Bank's financial administration is carried out in order to guarantee both institutional sustainability and the availability of financing sources to achieve its development objectives. To boost its contribution to the region's development, the Bank must strengthen its capital position so that it can attend the priorities established by its member countries, and, at the same time, ensure the optimum positioning of its credit profile as a strategic action to expand its role in financial intermediation. In general terms, the above will require an intensification of the geographical diversification of the public sector portfolio and the incorporation of new members as additional sources of equity enhancement.

With respect to structures and processes, the monitoring and evaluation mechanism will guarantee follow up on operational efficiency, institutional alignment and adequate internal control by establishing optimum response times and effective management tools and verification mechanisms. Through this focus, the Bank will seek to guarantee operational efficiency, institutional alignment and adequate internal control, with optimum response times and effective management tools and verification mechanisms pursuant to international standards, thereby guarding against the risks associated with the Institution's operations.

From the point of view of organizational capacity, CABI has a management structure that optimizes human capital use; it is focused on attracting, retaining and training Bank's personnel with the necessary competences and ensuring their alignment with institutional goals. Therefore, the strategic objective focuses on optimizing human capital by promoting employees' personal and educational development and offering opportunities for institutional advancement, among others.

The CABI BSC indicators target performance measurement. These indicators constitute a concrete qualitative or quantitative expression of what is expected to be achieved for a specific established goal. The performance indicators are established in accordance with the characteristics of the action they are measuring. Notable categories include input (physical, human and financial resources used in carrying out the actions); output (quantifiable services produced and/or provided by the interventions); effect (progress in achieving the objectives of the actions); and outcome (derived from results and achievements on a particular group of clients or inhabitants); these allow an assessment of compliance with objectives.



III. MONITORING AND EVALUATION

For the period from 2015 to 2019, CABEI has determined that its institutional activity will focus on the strategic themes of relevance and efficiency.

The strategic themes that will characterize CABEI's activity for the 2015-2019 period are aimed at maintaining its relevance as a multilateral bank in the region and positioning to its members, by orienting its activity toward the priorities of its members in order to promote their competitiveness, integration and social development. Likewise, CABEI considers that its efforts to foster the economic and social development of its members should be framed in a scheme of institutional efficiency, with optimum processes and procedures and appropriate human capital for meeting the requirements of different initiatives.

CABEI has established specific objectives for the 2015-2019 period in order to guarantee the relevance and sustainability of its interventions.

The strategic objectives for the 2015-2019 period seek to strengthen clients and beneficiaries, reinforce the Bank's financial situation, achieve greater structural efficiency and improved internal processes, and foster a more robust organizational capacity at CABEI. It is noteworthy that these objectives are grounded in the Bank's mission and vision established for this five year period. The objectives are described as follows:

A. Consolidate CABEI's relevance as a strategic ally for contributing to the region's development.

The purpose of this objective is to evaluate the effects that initiatives promoted by CABEI have on contributing to the development and fostering the wellbeing and quality of life of its beneficiaries and on increasing the portfolio balances that the Bank will destine to the countries where it operates, as well as providing a net flow of resources to the public sectors of the founding countries; all of these efforts must be tailored to the development needs of its member countries. This objective also involves strengthening the Bank's proactive response capacity to the region's challenges, building on its comparative institutional advantages. The strategic actions set out for this objective include:

- i. Evaluate the contribution to development. Every CABEI operation must demonstrate its level of contribution to development and its impact on the quality of life of the beneficiaries. To that end, CABEI initiatives will receive an *ex ante* evaluation to determine their potential effects, their contribution and their impact on development. In this way, key variables will be measured, such as job creation by gender; contributions to national revenue resulting from increased tax returns and concessions; support to the national economy; the geographic location and target groups; compliance with environmental and social norms; and the focus area and strategic axis that it contributes to, among others.
- ii. Increase the portfolio balances of the countries where CABEI carries out operations. This action targets establishing a financial structure and competitive financial conditions in order to facilitate the placement of resources with non-founding member countries. It is expected that the appropriate identification of market sectors and segments will optimize resource use in the areas of highest demand that have been prioritized by the countries and are congruent with CABEI's strategy.



iii. Channel a net positive resource flow to the public sectors of the founding member countries. In general, CABEL must focus its efforts on initiatives that have been prioritized by their development impact level. Thus, given that the strategy is based on a diversification scheme, it will lead to net flows to the founding member countries, thereby guaranteeing that they all benefit from the new strategic management strategy.

B. Consolidate the Bank's financial soundness and strengthen its equity. These actions are fundamental for guaranteeing the sustainability of the Bank's operations over time and providing a constant flow of resources to the region. Therefore, the strategic proposal focuses on intensifying the geographic diversification of the public sector portfolio and incorporating new member countries (in order to reach a higher level of capitalization) as key elements for strengthening the Bank's capital and improving its positioning and risk rating. It is also necessary to increase income and diversify fund sources by raising profits from commissions and sales of financial services, in addition to acting as a catalyst for resources. In order to achieve the objective, the following strategic actions have been proposed:

- i. Geographically diversify the public sector portfolio. Current levels of geographic concentration required a revision of the strategic proposal for contributing to the development of the beneficiary countries in order to improve the distribution of the current portfolio, emphasizing increased funding for non-founding beneficiary countries, where institutional activity has been relatively low until now.
- ii. Incorporate new members into the Bank, especially those with credit rating of at least AA-. One of CABEL's strategic actions is the adherence of new country members, which as a result of their favorable credit ratings, will contribute to strengthening the Bank's financial condition in order to improve its risk ratings throughout the strategic period.
- iii. Increase financial profits derived from commissions and sales of financial services for the purpose of diversify income sources. In order to count with different alternatives for capital strengthening, there will be an emphasis on diversification of income sources with a focus on increasing income from new financial services (guarantees and foreign trade) to complement traditional income derived from interest earned on both loans and investment portfolios.



C. Strengthen service quality. CABEI seeks continuous service quality improvement by implementing protocols that guarantee the alignment of the Bank's institutional activity with the objectives that govern it. This strengthening process will allow the Bank to maintain and guarantee the quality of its services; in addition to formalizing the services offered, it will provide a framework for an analysis of optimum improvement and planning, making it possible for the Institution to measure its execution capacity and its achievements with regard to service quality. The following is a noteworthy strategic action in pursuit of the goal:

- i. Implement Service Level Agreements (SLA). In the context of improved international practices, the implementation of SLA for institutions makes it possible to identify the performance levels of services provided. A SLA includes everything from a definition of services, performance criteria, metrics of key factors and managing changes to criteria for renovation and termination. Thus, the implementation of SLA at CABEI could lead to the early identification of any deviation from the defined service protocols and provide the corrective actions to ensure compliance with institutional goals.

D. Increase operational efficiency. It is necessary to make the management mechanism for interventions promoted by CABEI more efficient and lasting. Likewise, it is important to improve the Bank's response time for attending its members' needs without compromising institutional risk management. Notable strategic actions include:

- i. Make the management mechanism for development initiatives more efficient. This involves an effort to continuously improve all processes and stages making up the Bank's project cycle, in order to ensure efficient intervention management and to optimize the use of the Institution's physical and human resources.
- ii. Improve the Bank's response times for attending to its members' needs without compromising risk management. Identifying those aspects that diminish the Bank's response time during the stages of the project cycle is fundamental for maintaining the Bank's competitive advantage with respect to other institutions of a similar nature. Improving intervention time will guarantee that interventions are attended in conformity with its members' needs, while taking constant precautions against the risks inherent in any intervention.



E. Strengthen integrated risk management (internal control). CABEI must continue to adopt the best international practices for adequate risk management to ensure that this contributes to institutional financial soundness, without leaving aside appropriate attention to its clients' needs. This objective involves the following strategic action:

- i.** Continuously adopt the best risk management practices. This involves appropriately mitigating inherent risk, keeping it within the limits established by the Institutional Strategy and the policies defined by the Institution to minimize the volatility of results. Aligning this action with the specific objective requires an approach to internal control that contributes to strengthening this particular aspect by promoting risk management at every level of the institution; this involves establishing guidelines for risk control decision making and assigning responsibilities, the contribution of integrating risk management systems and the Organization's general improvements to internal control. To achieve this, CABEI will adopt the COSO model in order to provide a reasonable degree of certainty with regard to reaching the objectives in the model's categories by updating, implementing and maintaining the categories defined in the COSO model.

F. Optimize human capital. CABEI is aware that, in order to achieve its institutional vision and mission, it will be necessary to establish growth plans for key personnel in order to close skills gaps and increase the personnel's sense of ownership and identification with the Institution's objectives. Likewise, it will be necessary to reinforce the leaders in charge of strengthening institutional competences of personnel related with result orientation, client service, institutional commitment, communication, quality and efficiency. The strategic actions for this objective include:

- i.** Strengthen human capital skills. This focus is grounded in developing growth plans for key personnel. This is essential for strengthening technical and professional competences, especially those related with the formation of institutional commitment, result orientation, client service, communication, quality and efficiency.
- ii.** Reinforce human capital performance management. In order to achieve the acceptance of the CABEI human capital strategic focus, it will be necessary to strengthen leadership and performance management competences in order to foster the capacities of internal personnel, as well as open communication, transparency, confidence and respect. It is also essential to bolster the institutional identification and commitment of key personnel in order to retain the ideal human talent that will guarantee the continuity of strategic results on the long term.



IV. INDICATORS

The six BSC objectives, which involve actions and initiatives that lead to its proper execution, include a set of indicators that will allow the monitoring and evaluation of their performance over the five year period from 2015 to 2019. These indicators can be reformulated and adapted according to the results observed during the period and/or those of periodic evaluations carried out of the Institutional Strategy as a whole, in the framework of actions and initiatives set out above and with approval from the Board of Directors. Thus, the following strategic indicators are proposed:

A. Indicators for the region: CABEI's relevance as a strategic ally.

- i. **I-CABEI *ex ante*¹ development impact indicator.** The indicator is generated through a system that allows the quantification of the development impact of each operation through the incorporation of a series of qualitative and quantitative economic and social indicators capable of measuring key development variables, including the institutional contribution to sustainable development goals. The tool has been designed to measure the expected impacts of different types of operations on such sectors as infrastructure, finance, production or public or private management, among others. Each individual initiative must demonstrate its impact on development and its alignment with the strategy, which is measured by the I-CABEI tool.
- ii. **Annual portfolio percentage increase.** The increase in the total portfolio during the year is a measurement associated with the growth and coverage of CABEI operations in its member countries. In that sense, improved institutional capacity through a competitive structure and financial conditions will facilitate better allocation of resources in non-founding countries. This indicator is based on the prioritization framework established by member countries, as well as on institutional capacity, with the ultimate goal of promoting development and improving the wellbeing of the interventions' beneficiaries in all countries.
- iii. **Minimum net flows to the public sectors of the founding countries.** This indicator reflects the positive net flow to the public sectors of the founding countries, and it is the result of the difference between disbursed capital to and capital recovery from the public sectors of the founding countries. The calculation of this indicator takes into account the difference between cumulative capital disbursements minus accumulated capital recoveries (it may include external programs, capitalization, among others; likewise, it may not consider operations which do not have effective capital input or output) in the public sectors of the founding countries.

¹ The CABEI development impact index (I-CABEI) was adapted for Central America and the Bank from the tool known as GPR of Germany's DEG.

B. Indicators for the Institution: improved institutional effectiveness.

- i. New members.** This indicator records the number of new members officially incorporated into the institutional structure through the approval of the Board of Governors; the new members must meet the characteristics specified in the institutional strategic objectives.
- ii. Profit before valuation of derivative financial instruments and debt.** In order to guarantee the Bank's capital strengthening, it is necessary to achieve annual profit levels consistent with portfolio growth, since profits will remain one of the main sources of capital for 2015-2019. Therefore, it is important to measure the evolution of profits before valuation of derivative financial instruments and debt so that institutional self-sustainability is ensured.
- iii. Portfolio quality.** Since the loans receivable portfolio is the main Bank's asset, the relationship between non-accrual loans and the gross portfolio must be monitored in order to ensure good portfolio quality. In this regard, the indicator is defined as the ratio of non-accrual loans to the loans receivable portfolio. Non-accrual loans are those overdue for more than 90 days in the private sector and for more than 180 days in the public sector.
- iv. Formalization and compliance degree of Service Level Agreements (SLA).** This indicator implements a process for formalizing and determining the degree of compliance with service level agreements (protocols) in order to improve institutional efficiency. The process involves two stages: in the first stage, the services derived from project cycle processes are formalized; in the second, the formalization scheme is extended to all services implemented by CABEL.
- v. Administrative cost index.** To ensure a sustainable financial level it is necessary for CABEL to operate within reasonable costs. In this sense, controlling the efficiency of operational management is of utmost importance. The administrative cost index must monitor the relationship between administrative expenses and average net productive assets in order to provide the required sustainability.
- vi. Improved operational efficiency based on the project cycle.** In order to reduce response times in the Bank's project cycle, a new software tool will be required to properly, effectively and efficiently manage the project cycle; this is the first goal that must be met². With the new software in place, the process will continue with the establishment of benchmarks of existing response times at each stage of the project cycle in order to identify opportunities for optimizing timetables. Finally, the process will help the Institution progressively and effectively reduce response times in the different stages of the project cycle.

vii. COSO internal control indicator. To continue with the process of adopting the COSO framework, it is necessary to apply the updated Integrated Framework published in 2013 to the two categories already implemented by CABEL (information and compliance), in addition to maintaining the model for the current categories throughout the strategic period; this implies compliance with a series of activities or objectives that are defined and validated annually.

viii. Key personnel individual-growth-plans average compliance. This indicator requires a process of diagnosing the professional and technical competences of personnel in key positions in order to establish individual growth plans to reduce the gap between skills available and those desired.

ix. Improvement in 360° assessment of leadership competencies and performance management. Establish a participatory mechanism to identify the main challenges perceived by personnel with regard to leadership. This indicator will provide an annual rating on leadership competencies and performance management, resulting in gradual improvement in order to ensure an appropriate organizational climate.

² See Conceptual design of project cycle DI-142/2012, annex 2.

V. MONITORING AND EVALUATION (M&E) OF THE STRATEGY

CABEI has incorporated a management scheme which integrates the concepts defined in the BSC methodology into its institutional activity. This has given the Institution four strategic perspectives for consolidating its business model through monitoring and evaluation of indicators linked to each of the strategic objectives described above. In this regard, each indicator will receive a quarterly and bi-annual evaluation to determine its progress level with regard to the annual goal; the corresponding reports including all the necessary statistics regarding compliance levels must be presented. Likewise, an annual report reflecting the behavior of all indicators with regard to the established goal for the year in question will be prepared. Both, monitoring reports and annual reports will be submitted to the Directors Committee for Strategy and Programming. The Directors Committee will deliberate on strategic and operational initiatives or any other that are identified as the best methods to achieve the results sought by the Administration.

Table 1
MONITORING AND EVALUATION (M&E) 2015-2019
INTERVENTION LOGIC

Strategic Perspectives	Expected results
FOR THE REGION	
 CLIENTS AND BENEFICIARIES	The countries expect CABEI to contribute positively and significantly to the economic integration and economic and social development of its member countries.
FOR THE INSTITUTION	
 FINANCE	Consolidation of the Bank's financial soundness and equity strengthening are key elements to ensuring the sustainability of operations on the long term and to providing an uninterrupted flow of resources to the region.
 STRUCTURE AND PROCESSES³	CABEI will continue to operate with cutting-edge technologies and processes at an adequate cost and with efficient controls in order to achieve the strategy's goals.
 ORGANIZATIONAL CAPACITY	CABEI will give continuity to strategic human capital management by promoting competences and a sense of belonging among employees, thereby guaranteeing that the personnel identify with the Bank's objectives.

Source: Prepared by the Institution during the 2015-2019 strategic planning process.

³ CABEI combines the elements involving its structure and processes and denominates them the Integrated Management System (SIG, Spanish acronym), through which institutional activities will be governed by means of management, coordination and alignment in a framework that includes process management and quality procedures; a standard internal control model; and management of administrative development; among others. Therefore, the components of the perspective in question, are complementary and jointly evaluated.

Table 2

MONITORING AND EVALUATION OF THE STRATEGY: SPECIFICATION OF INDICATORS

Strategic Perspectives	Strategic objective		Indicator
 CLIENTS AND BENEFICIARIES	Consolidate CABEI's relevance as a strategic ally for contributing to the region's development.		Improvement of CABEI's impact on development (<i>ex ante</i>).
			Annual portfolio percentage increase.
			Minimum net flows to the founding countries' public sectors.
 FINANCES	Consolidate the Bank's financial soundness and strengthen its equity.		New members.
			Profits before valuation of derivative financial instruments and debt.
			Portfolio quality.
 STRUCTURE AND PROCESSES	Integrated Management System⁴.	Strengthen service quality.	Formalization and compliance degree of Service Level Agreements (SLA).
		Increase operational efficiency.	SIG index. Improved operational efficiency based on project cycle.
		Strengthen integrated risk management (Internal Control).	Internal control indicator (COSO).
 ORGANIZATIONAL CAPACITY	Optimize human capital.		Key personnel individual-growth-plans average compliance
			Improved 360° assessment on leadership competencies and performance management.

Source: Prepared by the Institution during the 2015-2019 strategic planning process.

⁴ The Integrated Management System (SIG, Spanish acronym) is composed of a set of institutional activities that combine process management and quality procedures, a standard model of internal control and management of administrative development, among others. In that sense, the components of the prospect in question are complementary and are jointly evaluated; they are represented by a set of indicators that are complementary to each other and assume a directly proportional relationship to the SIG concept.



VI. BALANCED SCORECARD (BSC)

The Balanced Scorecard, which is shown with its specific goals in Table No. 3, establishes indicators and goals for monitoring and evaluating the CABEL 2015-2019 Institutional Strategy; each of these indicators will be rated in terms of their percentage of compliance at the end of each year. The set of indicators and corresponding goals have been developed with input from the Bank's technical teams on each subject. The monitoring and allocation by areas, along with the validation and reporting stages, will be specified in the Operational Manual for Institutional Strategic Monitoring and Evaluation to be approved by the Executive President's Office, after submission to the Directors Committee for Strategy and Programming. This BSC tool can be implemented with software designed to facilitate its management, based on the Operational Manual, which will instruct the different offices to assume their role as responsible party for the monitoring of the different indicators. It is important to establish that each year the BSC indicators and goals for the subsequent year will be incorporated into a section of the Annual Operational Plan (AOP), in addition to any adjustments resulting from ongoing monitoring, which must be approved by the Bank's Board of Directors.

Table 3

BALANCED SCORECARD (BSC) FOR THE M&E OF THE 2015-2019 INSTITUTIONAL STRATEGY

Strategic objective	Indicator	Close of 2014	Goal				
			2015	2016	2017	2018	2019
CLIENTS AND BENEFICIARIES							
Consolidate CABEL's relevance as a strategic ally that contributes to the region's development.	Improvement of CABEL's impact on development (<i>ex ante</i>)*.	100% of operations exceeded 55%	100% of operations exceeded 57%	100% of operations exceeded 59%	100% of operations exceeded 61%	100% of operations exceeded 63%	100% of operations exceeded 65%
	Increase in annual portfolio (percentage variation)*.	5.9%	6.1%	7.0%	10.0%	9.9%	9.9%
	Minimum net flows to the founding countries' public sector. (US\$ million)*.	>0	>0	>0	>0	>0	>0

Table 3

BALANCED SCORECARD (BSC) FOR THE M&E OF THE 2015-2019 INSTITUTIONAL STRATEGY

Strategic objective	Indicator	Close of 2014	Goal				
			2015	2016	2017	2018	2019
FINANCES							
Consolidate the Bank's financial soundness and strengthen its equity.	New members (number) ⁵ .	N/A	-	1	1	1	-
	Profits before valuation of derivative financial instruments and debt. (US\$ million)*.	117.5	120.1	141.1	158.6	178.7	197.5
	Portfolio quality (index) ⁶ .	0.56%	≤1.00%	≤1.00%	≤1.00%	≤1.00%	≤1.00%
STRUCTURE AND PROCESSES							
Strengthen service quality.	Formalization and compliance degree of Service Level Agreements (SLA) (progress and compliance percentage).	N/A	80% of services derived from the project cycle processes with SLA formalized and 80% compliance.	100% of services derived from the project cycle processes with SLA formalized and 85% compliance.	60% of the Bank services with SLA formalized and 90% compliance.	80% of the Bank services with SLA formalized and 90% compliance.	100% of the Bank services with SLA formalized and at least 95% compliance.
Increase operational efficiency.	Administrative cost index.	0.59	0.61	0.59	0.56	0.53	0.49
	Improved operational efficiency based on project cycle (compliance percentage).	N/A	100% of software implemented up to the formalization stage.	100% of software implemented and 95% compliance with improvements indicated in the 2016 AOP (up to the formalization stage).	At least 95% compliance with improvements indicated in the 2017 AOP.	At least 95% compliance with improvements indicated in the 2018 AOP.	At least 95% compliance with improvements indicated in the 2019 AOP.
Strengthen integrated risk management (Internal Control).	COSO Internal control indicator ⁷ .	N/A	Transition to internal control framework COSO 2013 and maintenance of the two categories.	Maintenance of COSO model.	Maintenance of COSO model.	Maintenance of COSO model.	Maintenance of COSO model.
ORGANIZATIONAL CAPACITY							
Optimize human capital.	Key personnel individual-growth-plans average compliance (leaders: managers and middle managers; high potential).	N/A	Average >80% (60% of managers and middle managers).	Average >80% (100% of managers and middle managers).	Average >80% (100% of managers and middle managers and 60% of high potential).	Average >80% (100% of managers and middle managers and 100% of high potential).	Average >80% (100% of managers and middle managers and 100% of high potential).
	Improvement in 360° assessment on leadership competencies and performance management (percentage).	N/A	90% of managers and middle managers responsible for personnel evaluated with 360° tool.	5% improvement with respect to the general level (average) obtained in the previous year.	Maintain general level (average) obtained in the previous year.	5% improvement with respect to the general level (average) obtained in the previous year.	Maintain general level (average) reached.

*The projected amount or percentage is subject to the operational and financial programming established in the annual operational plans and to the risk appetite defined for the year in question.

Source: Prepared by the Institution during the 2015-2019 strategic planning process.

⁵ The new member indicator is defined by CABEI and involves the incorporation of members that meet the characteristics specified in the institutional strategic objectives into the institutional structure. The indicator aligns institutional planning with the agenda of the future CABEI member. The incorporation has been programmed for particular years, however, and depending on the convergence of the times mentioned above, such programming must be carried out pursuant to the aforementioned alignment.

⁶ The Portfolio Quality Indicator is defined as the ratio of loans in a state of non-accrual (operations overdue by more than 90 days for the private sector and by more than 180 days in the public sector) and the Bank's total loans receivable portfolio.

⁷ The annual measurement during the five year period involves compliance with a series of activities or objectives to be proposed annually by the Administration (through the COSO Management Team) and must be included in the Annual Operational Plan for each fiscal year (2016-2019).



VII. ANNUAL INSTITUTIONAL PERFORMANCE INDEX (IADI, SPANISH ACRONYM)

The set of indicators that make up the BSC, along with its goals, results in a sole annual institutional performance index (IADI), which combines institutional relevance and efficiency through the strategic perspectives of clients and beneficiaries, finance, structure and processes and organizational capacity. This IADI index will weigh the results of the goals reached for each of the indicators, pursuant to the values assigned to the strategic perspectives⁸. It is noteworthy to mention that the results observed in the indicators that determine the IADI are aligned with the goals of the Institution and its personnel, which are included in the AOP. As such, this scheme ensures alignment between operational activity and the CABI 2015-2019 Institutional Strategy, which is duly monitored by the performance management system; the system operates primarily using the matrix of individual goals (each employee), the matrix of institutional goals and the IADI.

The final IADI results will be approved annually by the Bank's Board of Directors, subsequent to their presentation to the Directors Committee for Strategy and Programming.

⁸ The manual for the implementation of the Methodology for the Monitoring and Evaluation of the CABI 2015-2019 Institutional Strategy will contain the proposed methodology, breakdowns, weights and methods for calculating each BSC indicator.

Table 4

WEIGHT OF BSC INDICATORS FOR THE IADI

Indicator	Weight				
	2015	2016	2017	2018	2019
CLIENTS AND BENEFICIARIES	40%				
Improve CABEL's impact on development	15%	15%	15%	15%	15%
Annual percentage increase in portfolio	15%	15%	15%	15%	15%
Minimum net flows to the public sector of the founding countries	10%	10%	10%	10%	10%
FINANCES	30%				
New members	-	10%	10%	10%	-
Profits before valuation of derivative financial instruments and debt.	20%	10%	10%	10%	20%
Portfolio quality	10%	10%	10%	10%	10%
STRUCTURE AND PROCESSES	20%				
Formalization and compliance degree of Service Level Agreements (SLA)	4%	4%	4%	4%	4%
Administrative Cost Index (IGA, Spanish acronym)	4%	4%	4%	4%	4%
Improved operational efficiency based on project cycle.	8%	8%	8%	8%	8%
Internal Control Indicator (COSO)	4%	4%	4%	4%	4%
ORGANIZATIONAL CAPACITY	10%				
Key personnel individual-growth-plans average compliance.	4%	4%	4%	4%	4%
Improvement in 360° assessment on leadership competencies and performance management.	6%	6%	6%	6%	6%

Source: CABEL 2015-2019 strategic planning process.

ABBREVIATIONS, SYMBOLS AND ACRONYMS

AOP	Annual Operational Plan
BSC	Balanced Scorecard
CABEI	Central American Bank for Economic Integration
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DEG	<i>Deutsche Investitions Und Entwicklungsgesellschaft</i> / German Investment and Development Corporation
GPR	<i>Geschäftspolitische Projektrating</i> / Corporate Policy Project Rating
IADI	Annual Institutional Performance Index, Spanish acronym
I-CABEI	CABEI Development Impact Index
IGA	Administrative Cost Index, Spanish acronym
M&E	Monitoring and Evaluation
SIF	Strategic Institutional Framework
SIG	Integrated Management System, Spanish acronym
SLA	Service Level Agreement



CABEI

Central American Bank
for Economic Integration

**MONITORING AND EVALUATION
CABEI 2015-2019
INSTITUTIONAL STRATEGY**

INTEGRATING SUSTAINABLE
DEVELOPMENT AND COMPETITIVENESS