

## NOTICE

### CAF joins ABDE and GIZ in initiative to integrate SDGs in Brazilian DFIs

CAF – development bank of Latin America joins the Brazilian Development Association (ABDE) and *Gesellschaft für Internationale Zusammenarbeit* (GIZ) in the promotion of the sustainable development objectives (SDGs) among Brazilian development financial institutions (DFIs). The Cooperation Agreement signed on January 29, 2021 provides for technical and financial support from CAF to the project ***Integrating SDGs as a framework for measuring and increasing the effectiveness of Brazilian DFIs***, implemented in a partnership already signed with GIZ.

The resources made available by CAF will allow for the implementation of the methodology in four additional pilot projects, totaling seven benefited DFIs. GIZ will technically accompany and support the preparation of the project, in particular actions linked to the development of the SDGs integration methodology, while CAF will mainly support the application of the methodology in the institutions selected for the pilot projects, including CAF clients.

In view of this new partnership, we inform the **amendment of the Terms of Reference published on January 15, 2021**, in order to expand the scope, the number of expected person-days and the maximum amount of remuneration provided for the realization of the project, notably in what concerns the Terms of Reference for Team 2. Please note that the overall schedule has not been changed, since it originally envisaged a seven-month period for implementation phases, which seems sufficient to meet the expansion of the number of pilot projects.

We also inform that the **submission deadline was extended to February 21, 2021**.

We are available to answer any questions from proponents by e-mail – [andrej@abde.org.br](mailto:andrej@abde.org.br) – or during the clarification meeting that will take place on February 5, 2021, at 10:30 am. Those who are interested in participating should contact the same email address.

We welcome CAF and appreciate its support to the sustainable development agenda in Brazil.

## Terms of Reference (ToR)

### Integrating SDG as a framework for measuring and increasing the effectiveness of Brazilian DFIs Part II – Methodology implementation in ABDE members

#### 1. General concept

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It requires unprecedented resources to finance the transformation towards a more sustainable economy and to reach national and international sustainable development targets. The financial sector plays an essential role in mobilizing and allocating the required capital for the transition, notably in a context of insufficient public resources. Given its dimension and challenges, the transition agenda towards sustainable development entails the involvement of both public and private sector to close its financing gap.

Public development banks have to fulfil a mandate which is usually connected towards helping to achieve development goals in the country or region where they operate. The application of public resources through development banks shall therefore not only be measured against their economic profitability but also against their potential to mobilize private resources and the greater developmental effect that they achieve.

At an international level, mainly through the work of the International Development Finance Club (IDFC) and its members, as well as through the work of think tanks such as the Organization for Economic Co-operation and Development (OECD)<sup>1</sup>, developmental efficiency considerations and methodologies to assess them have been discussed and proposed.

Particularly after the establishment of the Addis Ababa Action Agenda, in July 2015, and the 2030 Agenda, in September 2015, the Sustainable Development Goals (SDGs) became a comprehensive, long-term and internationally accepted methodological framework. Recent efforts from the United Nations Development Program (UNDP) and OECD resulted in a series of recommendations aiming at improving SDGs alignment of finance<sup>2</sup>.

Development financial institutions (DFIs) have been reorienting their institutional missions in order to address SDGs, with relevant examples in several multilateral financial organizations, national and sub-national development banks. In the global summit *Finance in Common*, in November 2020, more than 400 participant public development banks signed a joint declaration affirming their determination to shift strategies towards the achievement of SDGs and the objectives of the Paris Agreement<sup>3</sup>.

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<sup>1</sup> The Organization for Economic Cooperation and Development (OECD) has focused on the sustainable finance agenda, mostly concerned about blended finance strategies for mobilizing capital from different sources (i.e public, commercial and philanthropic). In this sense, they have established five principles to guide policy makers – anchor to a development rationale; design to increase mobilization of commercial capital; tailor to local context; focus on effective partnerships; and monitoring for transparency and results. Further information is available at OECD's website: <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/>

<sup>2</sup> For the collaborative report, please refer to OECD, UNDP, Ministère de L'Europe et des Affaires Etrangères. "Framework for SDG Aligned Finance", Nov. 2020.

<sup>3</sup> The joint declaration and additional material about the discussions of the Summit can be found at <https://financeincommon.org/>

Because of its institutional heterogeneity, the Brazilian system of DFIs – i.e. National Development Financial System (NDFS) – advances at different paces on the agenda regarding SDGs and general integration of sustainability aspects. There are relevant examples from large federal banks and subnational DFIs that are in the process of developing concepts to address the issue, but still no clear horizon for their action as a system. Others, in particular sub-national and smaller NDFS institutions are still at the beginning of the journey.

Nevertheless, the NDFS is of crucial importance to promote financing initiatives aligned with SDGs in Brazil, not only for its lead in crucial niches of the credit market, but also for its potential role as a mobilizer of commercial capital into the sustainable development agenda. This holds true even more, as the Brazilian Government significantly reduces public spending and budgetary support, including the NDFS, while their development mandate remains.

*Associação Brasileira de Desenvolvimento* (ABDE) is the institution that brings together and represents the members of the NDFS, operating as an important vehicle for mapping initiatives, disseminating best practices and coordinating efforts and strategies. ABDE members consist of 31 public and private DFIs, marked by an institutional heterogeneity exemplified by its differences in size, portfolio characteristics, ownership and applied regulations.

With the common characteristic of having as their mission the promotion of sustainable development through the long-term financing of strategic sectors and regions of Brazil, DFIs represented by ABDE can be divided into six groups, namely: (4) federal public banks, including one commercial multiple bank, one development bank and two regional financial institutions; (3) sub-national development banks; (3) sub-national commercial banks with development portfolios; (16) sub-national development agencies; (3) financial cooperative systems; and (2) non-financial institutions specialized in innovation and MSMEs.

These DFIs amounted to BRL 960 billion in total credit portfolio in September 2020 – the equivalent of 30% of the Brazilian credit market – notably in longer-term operations to sectors such as infrastructure, public administration and utilities. Their financial resources are highly centralized, whereby the few bigger federal commercial and development banks provide the bulk of financing. Sub-national DFIs and regional federal banks are significantly smaller in size (BRL38 billion in total credit portfolio), although their expertise in specific regions and sectors makes them important players, especially in the financing of MSMEs and municipalities.

In its Strategic Planning (SP) - Cycle 2020-2023, ABDE established the objective of "Promoting the debate on the role of DFIs, considering the SDGs agenda", as part of the strategic axis "Redefining mandates and effectiveness evaluation". ABDE's general assembly approved the SP in December 2019 and the executive board defined the strategic projects in March 2020. After the approval of the SP - Cycle 2020-2023, ABDE initiated the "**SDGs Project**", a specific initiative of strategic importance that combines different actions to promote the incorporation of the SDGs agenda by the institutions of NDFS that are members of the Association.

Since then, SDGs gained substantial visibility within members and the topic became an integral part of comprehensive discussions about the role, strategy and mandates of Brazilian DFIs, as well as about different monitoring and evaluating methodologies. However, the development of concrete methodologies for the integration of sustainability aspects (such as through an alignment with SDGs), thereby facilitating the measurement of – and increase in – efficiency of the utilization of funding remains at an early stage. Implementation of such concepts is limited to a few market "front-runners".

In recent years, the NDFS has been the subject of debates aimed at its repositioning, in terms of both mandate and ability to communicate to society the (economic and wider development) results of the initiatives to which it provides resources. ABDE's expectation is that the integration of SDGs contributes to the acknowledgment of the importance of Brazilian DFIs and, at the same time, serve as a framework for new forms of measuring, presenting and improving their effectiveness related to "developmental" outcomes.

Since one of the main objectives of the **“SDGs Project”** is to promote the diffusion of SDGs among all of ABDE members, and because it targets such a heterogeneous group, the project considers a strategy tailored to advance at different paces in the following stages, with converging long-term points of arrival:

- (i) Mapping the alignment of portfolios to SDGs, through the identification of best practices and measurement methodologies;
- (ii) Incorporating SDGs into the Strategic Planning of member institutions;
- (iii) Developing a methodology for evaluating portfolios, projects and programs implemented within the NDFS, with criteria that can be widely shared by ABDE members;
- (iv) Incorporating SDGs as criteria in the analysis of credit demands submitted to NDFS institutions, respecting their particularities and individual strategies;
- (v) Preparing for “SDGs bonds” issuing in international and/or national capital markets, as well as prospecting for other blended finance instruments that can contribute to the agenda, through the mobilization of private capital.

Not all of these aspects are part of the specific objectives of this ToR, with some of them being developed within other agreements and partnerships. However, a general understanding of the comprehensiveness of the SDGs agenda to ABDE members is of crucial importance to its successful completion. Also, given the many inter-relations of the **“SDGs Project”**, all partners and hired specialists are expected to work in some degree of collaboration and to share experiences and results with different stakeholders, a process that will be coordinated by ABDE’s technical staff.

Since the very beginning, ABDE has received technical contributions from international organizations to advance the incorporation of the SDGs agenda, profiting from their expertise in order to promote the theme in Brazil and “nationalize” many of the practices adopted internationally. Therefore, the establishment of partnerships with multilateral institutions, international development banks and cooperation agencies is one of the central pillars in the structuring of the **“SDGs Project”**.

In this sense, the present ToR is part of a grant received by ABDE from (a) *Gesellschaft für Internationale Zusammenarbeit* (GIZ), an important partner in the implementation of sustainable finance principles in Brazil, mostly for its collaboration within the [FIBraS Project](#), and (b) CAF – development bank of Latin America, an important partner both of ABDE and NDFS institutions. After a successful record of partnerships, the resources granted by GIZ and CAF to this specific initiative are meant to accelerate ABDE’s efforts to the integration of SDGs by Brazilian DFIs. Even though hired specialists will respond directly to ABDE’s technical staff, GIZ’s and CAF’s expertise may be used to provide additional technical guidance.

GIZ will offer support throughout the project, especially in the development of methodologies for verifying the alignment of the portfolios of Brazilian DFIs and for integrating the SDGs into their operational processes. CAF, in turn, will mainly support the application of the methodology in the institutions selected for pilot projects, including CAF clients, with the objective of developing internal technical capacities for the sustainable finance agenda, with a focus on the integration of the SDGs.

## 2. Objectives

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### General objective

Improving the Brazilian sustainable finance framework through the diffusion and incorporation of SDGs by national and subnational DFIs as instruments for helping reposition both their mandates and their effectiveness of capital allocation and evaluation processes.

### Specific objectives

- (i) Mapping best practices of SDGs integration in national and international DFIs;
- (ii) Developing a methodology that promotes the integration of SDGs in Brazilian DFIs' processes of monitoring and evaluation, through: a) *ex post* monitoring and evaluation of portfolios; b) *ex-ante* analysis of investment decisions; and c) incorporation in governance and strategic planning processes.
- (iii) Supporting the diffusion of best practices and developed methodologies within ABDE members, through participation in workshops and technical support to pilot projects.

Expected results include recommendations for the integration of SDGs in the operation of Brazilian DFIs, which will open the potential for greater sustainability integration and, thus, will help in articulating and justifying the importance of these institutions.

## 3. Detailing of products

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### (A) Report I – best practices in SDGs integration in DFIs

Elaboration of a report mapping and comparing national and international practices of the SDGs integration of sustainability aspects in DFIs and their financing (including SDGs), with focus on incorporation in governance and strategic planning processes; methodologies for *ex post* monitoring and evaluating of DFIs effectiveness; methodologies for *ex-ante* analysis of investment/credit decisions by DFIs (integration in internal processes).

Activities related to this product are mainly related to support for the identification of relevant cases, organization of interviews and research of documents, reports, and relevant data.

### (B) Workshop – promoting the integration of sustainability aspects (using SDGs as a guiding framework) in Brazilian DFIs

Participation in a half-day event to present the findings of Product (A) and foster engagement of ABDE members and external partners with the project. In the case of international consultants, participation will be virtual.

### (C) Report II – methodology for integrating sustainability aspects (using SDGs as a guiding framework) in monitoring and evaluation of Brazilian DFIs

Taking into consideration the findings of Report I and the feedback during the workshop: Elaboration of an adapted and useable methodology (desirable: different levels and variations to ensure practicability in the implementation) suitable for incorporation by different Brazilian DFIs, with sufficient criteria in terms of SDGs integration options, but considering the various characteristics of a heterogeneous group of institutions. It is expected that institutions at different stages can

adopt the proposed instruments and methodologies, helping those who have not yet entered the agenda and those who are more advanced. It is recommended that the methodology is based on an explicit Theory of Change and that it should have in mind aspects such as:

- (i) Strategic alignment of DFIs with sustainability aspects (using SDGs as a guiding framework), providing a framework that promotes integration of sustainability criteria in their mandates, strategies and objectives;
- (ii) Decision-making processes for DFI's financing, considering sustainability aspects (using SDGs as a guiding framework) as criteria for *ex-ante* evaluation of projects;
- (iii) Quantification of development results and integration of sustainability aspects (using SDGs as a guiding framework) in Balanced Scorecards (BsC) and Key Performance Indicators (KPI), (sustainability) reports, thereby strengthening internal and external transparency and standardized *ex-post* evaluation and helping board members reorient strategies and inform to interested stakeholders and the general public about the (sustainability) performance of the institution;
- (iv) Compatibility with the methodologies used by national and international organizations that are partners of the NDFS, allowing for the methodology to be used as a starting point from which they can move into more complex demands and criteria.

In what concerns this ToR, activities regarding this product will be related to the general mapping of internal processes and capacities of ABDE members, in order to assure the feasibility of the proposed methodology.

#### **(D) Training – integrating SDG in monitoring and evaluation of Brazilian DFIs**

Participation in a one-day (up to two days) training event to ABDE members interested in understanding the methodology developed at Product (C), in order to promote its diffusion and engage DFIs. The objective of the training is to offer a general roadmap to institutions that are willing to integrate sustainability aspects (using the SDGs as a methodological framework) in their monitoring and evaluation processes. In the case of international consultants, attendance will be virtual.

#### **(E) Pilot projects – implementation of the methodology**

Implementation of the methodology detailed in Product (C) in 7 (seven) DFIs selected by ABDE. Ideally, the selected institutions will reflect the heterogeneity of the NDFS, in order to verify the capacity of the methodologies to adapt to different scenarios. Deliverance of the product will be divided in two phases. In the first phase (E-1), it is expected the implementation of the methodology in 3 (three) DFIs. In the second phase (E-2), it is expected the implementation in (four) DFIs. A brief report of preliminary considerations on the implementation process is expected after phase (E-1).

#### **(F) Report (III) – implementation and lessons learned**

Elaboration of final report on the implementation of the methodology in the institutions selected as pilot projects, with considerations about results obtained and lessons learned.

### **4. Responsibilities and working methods**

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The “**SDGs Project**” refers to a comprehensive initiative, involving the coordination of several partners and stakeholders of ABDE and its member institutions. The activities of the overall “SDGs Project” go beyond the deliverables described in these ToR. Furthermore, not all expected deliverables above are in the sole responsibility of the consultant selected in the context of these ToR.



The objectives of the present ToR (hereinafter **Team 2**) aim at the diffusion and implementation phases (pilot projects) and “on the ground” support for the activities of **Team 1**. The initial phases of the project will be executed by a second team of specialists, hired according to another ToR (hereinafter **Team 1**). Collaboration between the two hired teams, coordinated by and with the constant involvement of ABDE’s technical staff (hereinafter **Team ABDE**), will be of crucial importance, as well as engagement with other stakeholders.

For **Product (A)**, the participation of **Team 2** will be restricted to the support for the mapping of national experiences, namely collaborating with **Team 1** and **Team ABDE** in the identification of relevant cases, organization of interviews and research of documents, reports, and relevant data.

For **Product (B)**, the presence and presentation of the technical details is expected mainly from **Team 1**, while **Team 2** should offer selected technical support, if necessary. **Team ABDE** will prepare, organize and implement the event logistically.

For **Product (C)**, it is expected larger collaboration of all teams, profiting from their different contributions in terms of (i) expertise with national and international best practices and (ii) understanding of the specific characteristics of Brazilian DFIs and development finance environment. Support from **Team 2** will be related to general mapping of internal processes and capacities of ABDE members, in order to assure the feasibility of the proposed methodology. Definition of general criteria and indicators, as well as compatibility with other national and international methodologies, will be developed by **Team 1**, which will have the ultimate responsibility for the final version of the product.

For **Product (D)**, the training will be technically led by **Team 1**, with technical supported, in particular to address local particularities, offered by **Team 2**. **Team ABDE** will prepare, organize and implement the event logistically.

**Team 2** will be fully responsible for the pilot project phase – **Product (E-1)** and **Product (E-2)**, assisting selected member institutions in the implementation of the methodologies.

**Team 1** will be available to ensure specific clarifications on the methodology and review the implementation process, if necessary. CAF will support the application of the methodology in the pilot projects, with the objective of developing internal technical capacities to work on the sustainable finance agenda, with a focus on the integration of the SDGs. Collaboration between teams will always be carried out in coordination with the **Team ABDE**. A final report on the implementation phase is also expected from **Team 2**, as noted in the description of **Product (F)**.

Coordinating meetings with the regulator steering committee of the project (with members from ABDE, GIZ and CAF), ABDE members and stakeholders should also be considered as an integral part of the project. In addition to Brazilian DFIs, other partners involved in the development of the “**SDGs Project**” include: (i) international partners of ABDE member institutions, such as multilateral and bilateral development banks and cooperation agencies, namely KfW/DEG, CAF, IDB, AFD etc.; (ii) members of correlated networks, such as the [Financial Innovation Lab](#) (LAB) and the financial branch of the United Nations Environmental Program (UNEP-FI); and (iii) UNDP, which is also a partner for the execution of one of the phases of the “**SDGs Project**”.

Given their relatively greater expertise on SDGs integration and the recognition of the sensitivity of the theme because of the varied international partnerships by ABDE members, the development of the products should consider the participation and contribution of these national and international interested actors and should be aligned with other phases of the “**SDGs Project**”.

## 5. Schedule

ABDE suggests that the products above mentioned should be development in 12 (twelve) months, with the contributions of **Team 2** concentrated in the last 7 (seven) months, as the following schedule (in months):

Products	1	2	3	4	5	6	7	8	9	10	11	12
<b>Product (A)</b> – best practices in SDGs integration in DFIs												
<b>Product (B)</b> – promoting SDGs integration in Brazilian DFIs												
<b>Product (C)</b> – methodology for integrating SDGs in DFIs												
<b>Product (D)</b> – integrating SDGs in DFIs												
<b>Product (E-1)</b> – implementation of the methodology in 3 (three) pilots												
<b>Product (E-2)</b> – implementation of the methodology in 4 (four) pilots												
<b>Product (F)</b> – final report												

Products marked in blue are those related to the main (not exclusive) responsibility, in particular technically, of **Team 2**, while those marked in yellow refer to products with subsidiary participation / support. Products marked in green will be led by **Team 1**, with the participation of **Team 2** and operational support of ABDE.

## 6. Conditions and schedule for payments

Products must be received in Portuguese, according to the schedule presented in the previous section. Payments will be completed after acceptance of the products detailed below by the technical coordinator of the project, ABDE's Economic Research manager, Andrej Slivnik. Changes in the technical coordination will be informed in advance. The table below also specifies the expected person-days for the development of each product.



Products	Expected person-days	% of total value of contract
Product (A)	05 (five) days	-
Product (B)	1 (one) day	5%
Product (C)	15 (fifteen) days	-
Product (D)	2 (two) days	20%
Product (E-1)	75 (seventy-five) days	30%
Product (E-2)	100 (one hundred days)	-
Product (F)	7 (five) days	45%

Reports will be open to revisions and commentaries and will only be considered as accepted after the incorporation of the changes required by the technical coordinator. Evaluation from ABDE's, GIZ's and/or CAF's committees may be part of the revision of process. Therefore, payments should be expected 30 (thirty) days after acceptance of products.

## 7. Proposals and selection criteria

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ABDE will accept proposals from organizations and/or groups of individuals. and include the following information:

- Description of the organization, if applicable;
- Portfolio of consultancy projects related to: Brazilian NDFS and/or DFIs, implementation of methodologies in financial institutions, development finance, sustainable development goals;
- *Curriculum Vitae (CV)* of team members;
- Technical proposal, contemplating detailed description of key concepts and proposed methodology for the development of products;
- Budget proposal, including travel expenses for *in loco* support for implementation of methodologies in selected DFIs (not exceeding R\$ 415,000). For consultants working on **Team 2**, travel costs to the implementation phase of the pilot projects must be included in the budget;
- Bidders must be able to sign and comply with contracts in accordance with Brazilian and international law.

ABDE will accept proposals from the same organization or group of individuals for **Team 1** and **Team 2**. Syndicated proposals for both **Teams** will also be accepted and are highly encouraged. In both cases, proposals should clearly state the coordinating arrangements and responsibilities. Bidders may propose more than one expert. If this is done, the bidder shall show which expert is responsible for which deliverables/products.

Due to the products expected to be developed from the different Teams, it is expected that **Team 1** shall encompass and present relevant international experience in the topic, whereas **Team 2** shall have and present the local professional experience to be able to provide Brazilian knowledge in the analysis phase and lead the support in the implementation of the developed methodology in the local institutions.

Proposals will be selected by a committee with the participation of representatives appointed by ABDE's board and by GIZ and CAF. Proposals will be selected according to the following criteria:

Criteria	Points
Portfolio of related projects	20
Experience with Brazilian DFIs and/or NDFS	20
CV of team members	25
Project proposal	25
Budget proposal	10
<b>TOTAL</b>	<b>100</b>

## 8. Submission and deadlines

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The proposal shall be presented by capacitated people in accordance with Brazilian and international law, in PDF format via email and should not contain more than 30 pages (including CVs of experts). Proposals should be addressed to ABDE at [secex@abde.org.br](mailto:secex@abde.org.br), no later than February 21, 2021. Interested bidders are invited to participate in a meeting to clarify this ToR, to be held at the first week of February. Registrations to participate in the meeting and any doubts regarding this ToR should be promptly addressed to [andrej@abde.org.br](mailto:andrej@abde.org.br). A final decision of the selection committee should be expected up to 45 (forty-five) days after the submission deadline.