

NOTEBOOK 1

Institutionalization, indicators, and sustainable development goals: a guide for development banks in Latin America and the Caribbean



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Institutionalization, indicators, and sustainable development goals: a guide for development banks in Latin America and the Caribbean

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Abreviaturas

ALIDE	Latin American Association of Development Financing Institutions
BADESC	Development Agency of the State of Santa Catarina S.A.
BANDESAL	Development Bank of El Salvador
BDE	Development Bank of Ecuador B.P.
BDMG	Development Bank of Minas Gerais
BICE	Investment and Foreign Trade Bank
BNB	Bank of the Northeast of Brazil
BNDES	National Bank for Economic and Social Development
BRDE	Regional Development Bank of the Extreme South
CNI	National Confederation of Industry
CORFO	Production Development Corporation
CSR	Corporate Social Responsibility
DBANKJM	Development Bank of Jamaica Ltd.
ESG	Environmental, Social, and Governance
Finep	Funding Authority for Studies and Projects
LAC	Latin America and the Caribbean
LFM	Logical Framework Matrix
M&E	Monitoring and Evaluation
Nafin	Nacional Financiera
NGO	Non-Governmental Organizations
ReDeCA	Evaluation Capacity Development Network
SDGs	Sustainable Development Goals
SEBRAE	Brazilian Service for Support to Micro and Small Enterprises
ToC	Theory of Change
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
WEP	Women's Empowerment Principles

Introduction

The ReDeCA Notebook is a tool developed to support the strengthening of Monitoring and Evaluation (M&E) capacities of development banks and agencies in Latin America and the Caribbean (LAC). This publication is the result of collaborative efforts among members of the Capacity Development Network for Evaluation (ReDeCA), who have shared their experiences, challenges, and best practices in the institutionalization of M&E functions, the development of indicator systems, and the alignment of sustainability strategies and Sustainable Development Goals (SDGs) within Institutional Strategies.

ReDeCA is a regional network that brings together 26 public development banks, international organizations, and evaluation professionals dedicated to promoting M&E as a fundamental tool for institutional strengthening, transparency, and accountability. Since its creation in August 2021, ReDeCA has provided a platform for knowledge exchange, fostering peer learning and collaboration among institutions facing similar challenges in the design, implementation, and improvement of M&E systems.

This Notebook is structured around three key thematic areas that are critical for development banks and agencies in LAC:

- 1. Institutionalization of M&E** – This section explores the importance of establishing a formal M&E function within organizations, detailing the benefits, objectives, and diverse models adopted by ReDeCA member institutions. It also presents a step-by-step approach to developing an effective M&E system.
- 2. Implementation of Indicator Systems for M&E** – The second section focuses on the design, implementation, and use of indicator systems as a critical component of M&E. It provides practical guidance on creating and using indicators to monitor and evaluate the performance of programs and projects, ensuring that results are measured and reported accurately.
- 3. Integration of Sustainability and SDGs in Institutional Strategies** – The final section addresses the alignment of institutional strategies with sustainability principles and SDGs. It highlights successful practices from ReDeCA members and offers applied recommendations for integrating these principles into development policies and practices.

The ReDeCA Notebook is designed to be a practical guide for development banks and agencies in the region, providing strategies and tools to strengthen their M&E practices, promote sustainability, and cultivate a culture of continuous learning and improvement. By sharing lessons learned and best practices, ReDeCA seeks to support its members in their efforts to achieve greater impact and accountability in their development initiatives.

We invite readers, especially staff from development banks, to explore this Notebook and use it as a reference to strengthen their M&E capacities, enhance institutional learning, and contribute to sustainable development in Latin America and the Caribbean.

Institutionalization of a monitoring and evaluation area: experiences of development banks and agencies in Latin America and the Caribbean

Executive Summary

This document presents the key elements considered relevant by various development banks and agencies in Latin America and the Caribbean (LAC), members of ReDeCA, for the institutionalization of their Monitoring and Evaluation (M&E) functions. It emphasizes the importance of institutionalizing an M&E system to uphold the development mission of these institutions and to ensure effectiveness and transparency in the activities and projects they finance.

In addition, it highlights the main objectives of institutionalizing an M&E system and outlines the necessary steps, proposing strategies for its implementation. It also includes guidelines for building an M&E system. Given the similarities and differences among M&E approaches, this document seeks to reflect the lessons learned from exchanges among these institutions, taking into account the challenges faced in their specific contexts.

I. The importance of institutionalizing M&E functions in development banks and agencies

The institutionalization of M&E functions in development banks and agencies is fundamentally important to ensure the effectiveness and transparency of the activities and projects financed by these institutions. This process involves formalizing and structuring the implementation of these activities within the organization, creating a systematic and continuous approach to monitoring and evaluating the financed projects and programs. It includes the establishment of an organizational structure, specific policies, and

processes that ensure M&E practices become an integral part of the bank's management.

In summary, the institutionalization of M&E functions is an essential process for improving the management of development projects, ensuring the efficient use of resources, promoting transparency, and strengthening the institutions' capacity for adaptation and learning. It contributes not only to the internal improvement of processes but also to the consolidation of institutional strategy and the promotion of a more effective and accountable development environment.

II. Main objectives of institutionalizing the M&E function

The institutionalization of M&E functions in development banks and agencies is grounded in strategic objectives aimed not only at optimizing internal processes but also at enhancing the impact and credibility of the initiatives they finance. Below are the key purposes underpinning this institutionalization, based on the experiences and best practices identified by ReDeCA members:

1. **Improving project efficiency.** Institutionalizing M&E functions enables continuous tracking of initiatives and investments, helping identify potential failures, risks, and areas for improvement. With an effective monitoring system, projects can be adjusted in real time, increasing their chances of success and optimizing resource use.
2. **Transparency and accountability.** Development banks and agencies typically manage significant public and private funds. Implementing integrated M&E processes helps ensure that these funds are used efficiently and in line with their original objectives. Furthermore, periodic evaluations provide a means of accountability, ensuring that results are shared with stakeholders.
3. **Enhanced decision-making.** M&E functions support evidence-based decision-making. Through the systematic collection of data and evaluation results, managers and authorities can continuously and promptly review policies and strategies, adjusting them as needed to more effectively achieve their goals and objectives.

4. **Project sustainability.** Institutionalized M&E helps identify which projects have the greatest potential for long-term sustainability. By analyzing social, economic, and environmental impacts, efforts can be redirected toward initiatives that yield lasting results.
5. **Strengthening a culture of learning.** Integrating M&E functions into the organizational structures of development banks and agencies fosters an institutional learning culture. This allows staff and project teams to share lessons learned, improve management practices, and apply innovative solutions.
6. **Essencial for strategic planning.** M&E provides critical information for strategic planning. By conducting evaluations and comparing goals with actual outcomes, it is possible to identify trends, progress, and challenges—facilitating the development of more effective future strategies.
7. **External credibility.** Development banks and agencies that institutionalize their M&E functions are more credible to stakeholders, investors, partners, and society. This increases trust in their processes and results, potentially leading to greater support and new funding opportunities.

III. Types of M&E systems in development banks and agencies in LAC

The institutionalization of M&E functions may involve creating a dedicated unit within the bank for M&E, developing performance and impact indicators, conducting periodic evaluations, and using technologies and methodologies to collect and analyze data effectively.

In general, the development banks and agencies that are members of ReDeCA vary in their structure, operations, territorial coverage, and regulatory frameworks. For these reasons, the monitoring and evaluation of results by these institutions

exhibit distinct characteristics, which allows for the classification of their systems—facilitating an understanding of their current status and the paths they are pursuing.

By classifying evaluation systems, it becomes possible to gain a clearer view of each development bank's strengths and areas for improvement. This, in turn, contributes to the design of more effective strategies aimed at achieving their objectives and enhancing the impact of their programs.

Types of M&E Systems in ReDeCA Banks and Agencies

Centralized. Focus on transparency, social accountability, reporting, and program improvement. Involves creating a dedicated department to carry out M&E activities.

- BADESC, Brazil.
- ALIDE.
- BICE, Argentina.
- BNDES, Brazil.
- DBANKJM, Jamaica.
- Nafin, México.

Decentralized. Foco Focus on program improvement. M&E is carried out by the same departments responsible for program implementation/execution¹.

- BDE, Ecuador.
- BRDE, Brazil.
- CORFO, Chile.

IV. Step-by-step for building an M&E system

Building a robust and effective M&E system in development institutions can be significantly enhanced through the establishment of an organized, structured process based on methodologies and standards that guide decision-making. The key steps for creating an effective M&E system in the context of development institutions are outlined below:

1. **Define the scope and objectives of the M&E system.** The first step is to clearly define the objectives the M&E system aims to achieve. This involves understanding the problems the system seeks to address, such as improving the effectiveness of public policies and generating evidence for decision-making. It is also necessary to determine the scope of the system, which may be limited to monitoring efforts and results or may encompass the full range of M&E activities. The broader the scope, the greater the need for institutionalization, with formalized and structured implementation within the organization. This step is crucial, as a precise definition of the scope, objectives, and evaluation aspects

avoids confusion during the process and ensures resources are properly allocated.

2. **Identify and plan the institutional resources and capacities needed to implement the M&E system.** Implementing the system requires a clear diagnosis of existing infrastructure, including available human, financial, and technological resources. An analysis of institutional capacities is essential to understand whether the organization has the necessary structure to effectively implement M&E, or whether these capacities need to be strengthened.
3. **Identify the programs and areas of action to be included in the M&E system.** Defining the programs or policies to be covered by the M&E system is a strategic decision that should be based on their relevance to the institution's overall objectives and expected impact. It is advisable that the selection of programs or lines of action align with higher-level policies and the institution's strategic plan. The selection process should involve a careful analysis of areas that require more attention or have greater potential to generate

¹ In some cases, the M&E system is coordinated by a central department responsible for the structure and standards for presenting institutional information, as in the case of CORFO, Chile.

- learning and management improvements. Additionally, relevant information to be collected in each case must be identified to feed into the M&E system.
- 4. Define the process and instruments that are part of the M&E system.** An effective M&E system depends on well-defined processes. Each stage (data collection and analysis, results evaluation, stakeholder communication, and dissemination of findings) should be integrated to ensure that information is rigorously analyzed, results are accessibly shared, and all stakeholders can use the data to make informed decisions.
 - 5. Structure integrated data management and information systems for M&E.** Efficient data management is vital to ensure that collected information is analyzed and used effectively. In addition to data storage and processing, the system must be capable of generating clear and objective reports, facilitating the dissemination of information among all stakeholders.
 - 6. Identify system users (internal and external) and organize information flows.** It is essential to map potential users of the M&E system and establish clear processes for the flow of information among them. This includes both internal users—such as senior management, managers, and analysts—and external ones, such as civil society and oversight bodies. Clear communication about how data will be collected, shared, and accessed is key to ensuring transparency, usefulness, and active participation in the M&E process.
 - 7. Identify feedback mechanisms for improving the M&E system.** The main goal of the M&E system is to provide inputs for evidence-based decision-making. In addition to supporting policy design, implementing feedback mechanisms helps identify opportunities for improving the M&E system itself, ensuring that it remains efficient and aligned with the institution's objectives.

V. Good Practices for Implementing an M&A System

Some development finance institutions within ReDeCA have well-established M&E systems, and their experiences can be highly valuable for those seeking to institutionalize their own systems. Below are some best practices, based on the experiences and lessons learned from these institutions:

- 1. The importance of institutionalization.** There is consensus on the relevance of creating a formal M&E structure within the organizational chart or, at a minimum, establishing formally approved guidelines by senior management for the success of the system. This ensures that M&E activities are coordinated and standardized, facilitating data analysis and use while ensuring greater rigor in execution.
- 2. Challenges posed by the absence of a dedicated M&E unit.** It is not always possible to create a dedicated M&E unit, and in some cases, this may take time. Many development institutions carry out M&E activities even without a defined unit in their structure. For instance, activities may be carried out by departments responsible for program implementation. In such cases, the main challenge is ensuring coordination and standardization of information within the institution.
- 3. Establishing coordination processes and information standardization.** In organizations where M&E responsibilities are decentralized, the greatest challenge is creating coordina-

tion mechanisms that promote consistency and comparability of information. Common guidelines, protocols, committees, and standardized tools are essential to consolidate efforts and strengthen integration across M&E activities, facilitating communication among various stakeholders and ensuring that evaluation results are reliable and understandable.

4. **Strategic alignment and commitment from senior management.** Support from senior management is essential for an effective M&E system. This commitment should be secured from the outset, integrating the system into institutional priorities. Often, it is necessary to promote the value of M&E by highlighting benefits such as increased efficiency, transparency, and support for data-driven decision-making. Additionally, leadership plays a key role in promoting an evaluation culture, fostering departmental collaboration, and ensuring the practical use of evaluation results.
5. **Defining the system's scope and objectives.** Initial planning should take into account the purpose and goals of the M&E system. This includes identifying the responsible and supporting areas involved in execution, ensuring clarity in roles and responsibilities. Clear objective-setting guides the development of tools and methodologies tailored to the organization's specific needs.
6. **Planning for resources and institutional capacity.** An institutional diagnosis is the starting point for identifying resource gaps and capacity needs for system implementation. Investments in human, financial, and

technological resources should be planned, along with the training of the teams involved.

7. **Ongoing communication and stakeholder engagement.** Continuous communication is essential. Teams and system users must be consistently engaged and informed about the importance of M&E activities, with results shared in a clear and accessible manner. Transparency and effective communication foster engagement and the use of M&E data.
8. **Incorporating environmental and social aspects into evaluations.** Nowadays, there is a growing demand for M&E systems to include environmental and social dimensions in their evaluations. This reflects the need for a broader approach that considers not only economic outcomes but also the social and environmental impact of policies. Integrating these dimensions into indicators and evaluation processes contributes to more sustainable and inclusive public policies.
9. **Effective use of results.** Finally, one of the most important practices is ensuring that evaluation results are actually used. Clear guidelines and well-established processes are needed to prevent M&E efforts from becoming missed opportunities. The credibility and quality of evaluations, combined with effective communication, significantly increase the potential use of evidence to improve policies and programs.

Implementing an M&E system is a dynamic process that requires continuous engagement, coordination, and adaptation. By adopting these good practices, organizations can strengthen their capacity to generate value through robust evaluations, promoting greater transparency, efficiency, and impact in their initiatives.

VI. Final considerations

Throughout this chapter, it has been demonstrated that institutionalizing an M&E system is essential to ensuring the continuity, effectiveness, and sustainability of evidence-based decision-making within an organization. For such a system to be successfully implemented, a set of strategic and practical actions is required to ensure its alignment with institutional priorities and its integration into operational processes.

Below are some key recommendations for institutionalizing an M&E system:

1. **Secure a sponsor and senior leadership commitment for M&E system implementation.** The successful implementation of an M&E system requires strong support and commitment from senior leadership. Having a sponsor within the leadership ensures that the system receives visibility, adequate resources, and priority. This sponsor can be a member of senior management or a manager capable of mobilizing and leveraging the resources needed for the system's success. Senior management's commitment must be tangible, with ongoing support to ensure that the system evolves in line with the organization's needs and expectations.
2. **Develop and approve a formal policy establishing the M&E system, assigning the responsible and supporting areas.** A formalized policy is crucial for structuring and institutionalizing the M&E system. It should clearly define the system's objectives, the roles and responsibilities of the various involved areas, and the processes for systematically conducting evaluations. The area responsible for coordinating the M&E system must be clearly identified, along with supporting areas such as technology, human resources, and finance, which are essential for implementation and ongoing management. Formal approval of this policy by senior leadership legitimizes
- the system's importance and ensures that all staff understand its relevance.
3. **Establish partnerships with other development finance institutions and related entities to conduct joint evaluations.** Collaborating with other development finance institutions and external organizations is a recommended practice to strengthen the M&E system. Partnerships can offer benefits such as sharing best practices, methodologies, and tools, while also expanding the knowledge network around evaluation. When possible, conducting joint evaluations enables experience sharing, improvement of M&E techniques, and the ability to carry out more robust and comprehensive evaluations. These partnerships can also enhance the credibility of the M&E system and produce more reliable results.
4. **Disseminate reports on effectiveness and M&E results.** Transparency is a key component of institutionalizing an M&E system. Regular publication of reports on the effectiveness of activities and evaluation results is essential to engage both internal and external stakeholders and to demonstrate the system's value. These reports should be accessible and easy to understand, providing clear data on the impact of initiatives and the lessons learned. Public dissemination of results also builds trust in evaluation practices and supports accountability.
5. **Ensure the budget required to establish and sustain the M&E system.** Implementing an M&E system requires investment in human, technological, and financial resources. It is therefore critical to secure the necessary budget to ensure the system's effectiveness and sustainability. Budget planning should cover both initial setup costs and ongoing expenses for maintenance, training, and updating

tools and methodologies. Allocating appropriate resources reflects the organization's commitment to continuous evaluation and improvement of its processes and policies.

Institutionalizing an M&E system is a complex yet essential process for the continuous improvement of institutional policies and programs. Following these recommendations can help development

banks and agencies—particularly ReDeCA members—build a solid implementation framework, ensuring the system is effective, sustainable, and aligned with institutional needs. By adopting these practices, institutions will not only enhance their monitoring and evaluation capabilities but also reinforce transparency, efficiency, and their ability to generate positive impacts.

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From theory to practice: implementation of M&E indicator systems in development banks and agencies

Executive summary

This document outlines the objective, strategy, and process for the development and enhancement of M&E indicator systems in development banks and agencies in LAC. It emphasizes the importance of an M&E system to validate the development mission of these institutions and to provide information on the performance of implemented programs and lines of action. In addition, it highlights the main components of an M&E system and presents the necessary steps, proposing strategies for its implementation, including the stages of design, implementation, and communication. It also includes guidelines for constructing indicators, best practices for implementing an M&E indicator system, and examples of development institutions that have implemented M&E mechanisms and systems.

I. Importance of having a system for the improvement and creation of M&E indicators for development banks and agencies

Having an M&E indicator system is one of the fundamental pillars of any policy, program, or line of action implemented by development banks and agencies, given its crucial role in the development of a locality, region, or country. It is this system of indicators that enables these institutions to validate their development mission before society. If the progress and achievements made over time are not known (or measured), the objectives to be achieved are lost from view, leading to inefficiencies in the use of available resources.

In other words, having a set of indicators that reflect the main objectives at each decision-making level of an initiative allows development-promoting

institutions to assess the degree of achievement at each level and to implement improvements to overcome identified gaps. Moreover, having measurements of key indicators facilitates the evaluation of whether the expenditure on each initiative is socially and economically worthwhile, and whether it is necessary to readjust or increase the budget allocated to each project.

This document presents the key elements considered relevant by various development banks and agencies in LAC, members of ReDeCA, which have been used in the implementation of indicator systems—based on a practical perspective and shared experiences.

II. Key components of the M&E system

An M&E system is essential for measuring the progress, efficiency, effectiveness, and impact of projects, programs, or policies implemented by development banks and agencies. Its key components are as follows:

1. **Methodological and conceptual framework for intervention design.** It is recommended to use a methodology that supports program design, such as the Theory of Change (ToC) or Logical Framework Matrix (LFM). This methodology helps identify the problem to be addressed by the proposed intervention and define the objectives and indicators needed to assess the achievement of these objectives, as well as the effectiveness and efficiency of the intervention.
2. **Performance indicators.** Every intervention should consider performance measurement at different levels. Therefore, it is recommended to develop a results matrix for the initiative, which includes the definition of input, process, output, outcome, and impact indicators, using SMART² or CREMA³ methodologies.
3. **Information needed for the construction of indicators.** It is necessary to specify the information and data required to calculate the proposed indicators for measuring results, including the frequency with which they should be available and the data sources to be used (e.g., surveys, administrative records, etc.).
4. **Actors and users of the indicator system.** The indicator system must define which work units

2 Specific (S), Measurable (M), Achievable (A), Relevant (R) and Time-bound (T)..

3 Clear (C), Relevant (R), Economic (E), Measurable(M) and Adaptable (A).

are responsible for the processes related to indicator definition, data generation, cleaning and standardization, information analysis, and the preparation and communication of reports, as well as the primary users of the information generated by the system.

5. **Data collection and technological systems.** Providing an indicator system requires that information be systematized and accessible through an IT system, allowing for long-term use. In this way, indicator measurement can be carried out throughout the life cycle of the intervention and even after its completion, according to the established results matrix.

6. **Communication and dissemination of results.**

It is essential to ensure that communication and dissemination of the system are integrated across the institution, highlighting its relevance, products, and the support it offers to institutional management and strategy.

7. **Training and capacity building.** An indicator system must continually strengthen and update the technical skills of the teams responsible for the various processes to ensure system robustness. Additionally, it should provide tools and knowledge to the users of this information, enabling them to analyze and use it appropriately.

III. Proposed step-by-step guide for implementing an M&E indicator system

Drawing on the diverse experiences of development banks and agencies in LAC that promote productive development, several aspects have been identified as key to each stage of implementing an M&E indicator system. These are outlined below.

1. Preparation/Design

The first step in establishing a consistent M&E indicator system is its design. To do this, it is essential to understand the strategy and identify the objectives of the policy or program in order to clearly define what is to be achieved, and based on that, develop the indicators.

a) Understanding the strategy and constructing indicators

Everything begins with solid strategic reflection and the clear identification of policy or program objectives to precisely understand the intended goals.

The next step is to select the projects and their indicators, defining the targets that will support tracking progress toward those objectives. Establishing clear and measurable indicators

is essential to understanding the progress and impact of the projects and the program.

In the design phase, ToC and LFM are valuable tools for constructing indicators in an M&E system, as they help identify the logic of the intervention in achieving its goals. The main difference between the two methodologies lies in how they describe the process required to reach the intervention's objectives. Both ToC and LFM require the definition of objectives, outputs, outcomes, and activities to be carried out, ensuring logical consistency.

These approaches help clarify the relationships between inputs, activities, results, and impacts, facilitating the definition of indicators that demonstrate intervention effectiveness. Building indicators based on ToC and LFM results in a wider variety of indicators (both quantitative and qualitative), capable of capturing different dimensions of change.

b) Structuring a working team

A fundamental requirement for the effective implementation and management of an indicator system is assembling a dedicated team with expertise

in data collection, analysis, and communication, along with a clear division of responsibilities. This structure enables:

- Standardization in developing and improving indicators and continuous monitoring;
- Responsibility and accountability among those involved in managing indicators to ensure expected results;
- Generation of valuable insights, better communication of findings, and promotion of data-driven discussions.

c) Raising awareness of the relevance of an indicator system

Raising awareness at all organizational levels about the importance of an M&E indicator system is essential to ensure its proper functioning. This process includes:

- Clarifying the relevance of indicators and aligning individual and team efforts with the organization's strategy and goals;
- Facilitating communication across teams and departments to align strategies and actions;
- Engaging stakeholders in achieving results and raising awareness about the quality of the information they produce;
- Ensuring senior management commitment to monitoring;
- Promoting transparency and encouraging learning—both essential for the success of an M&E indicator system.

d) Conducting indicator benchmarking

Understanding how other organizations measure their performance is a key process in designing an indicator system. Identifying major performance gaps or areas with high learning potential can help guide the benchmarking process.

To succeed in this phase, it may be useful to develop an action plan for implementing improvements based on the insights gained from public reports, shared data, case studies, and market research.

e) Identifying internal and external stakeholders and users of the M&E system

Identifying internal (teams, departments) and external (clients, partners) stakeholders and users helps understand their needs and expectations regarding the information and results produced by the indicators, with the goal of:

- Defining relevant indicators for each user group;
- Ensuring monitoring efforts align with organizational goals and priorities;
- Turning stakeholders into advocates for the M&E system, encouraging its acceptance and promotion within their teams;
- Establishing effective communication channels and regularly collecting feedback to improve the indicator system;
- Quickly adapting to changing stakeholder and user behavior;
- Tailoring information and reports to ensure clarity and usefulness.

Key steps in the design phase of the indicator system^a

- Creation of the theoretical framework (TdM).
- Preparation of indicator sheets and identification of data sources.
- Definition of a realistic scope for the size of the indicator system.
- Expansion of indicators beyond the most common ones to include the most relevant, with a focus on environmental, social and climate objectives.
- Standardization of indicators using the SMART and CREMA methodologies.

2. Implementation

a) Discussion and validation of the objectives and targets to be measured (ToC or LFM).

During the implementation phase, the use of the ToC and LFM tools developed during the design phase is essential to accurately understand the necessary changes to achieve the program's objectives and identify what needs to be monitored. Both methodologies require the definition of indicators for each level of objectives to be achieved by the intervention. These tools allow for tracking the intervention at different points in its life cycle. It is essential that the indicators meet the construction requirements presented later.

b) Review of other measurement requirements

Ensure that all strategic objectives of the institution are incorporated within the scope of indicators, such as the SDGs⁴.

c) Formulation of SMART indicators at different levels (process, output, outcomes, impact)

The most commonly used methods for formulating indicators that allow for measuring the progress

of an intervention throughout its life cycle are the SMART or CREMA approaches, as both methodologies ensure that the requirements for a good indicator system are met. Specifically:

1. **Relevance:** Indicators must reflect the degree of achievement of the objectives they respond to.
2. **Quality:** Indicators must be correctly formulated, providing information that allows for tracking progress and enabling comparability against a target or benchmark. This includes ensuring the indicator's timeframe is defined and appropriate for measuring results at the right intervals.
3. **Feasibility:** Indicators must be measurable.
4. **Comparability:** Indicators must be comparable between two periods, making it possible to detect performance trends.
5. **Reliability:** Indicator results must be consistent and accurate, regardless of who collects or processes them.
6. **Cost-effectiveness:** The information needed to calculate the indicators should be collected at a reasonable cost.

4 For a detailed description of the process of incorporating and aligning M&E indicator systems with the SDGs, please refer to the following chapter of this publication, which addresses this topic.

SMART	CREMA
<ul style="list-style-type: none"> • S (Specific): The indicator’s objective must be clear, without ambiguities, to avoid diverse interpretations. • M (Measurable): It must be possible to collect measurements when necessary, using appropriate resources and expertise. • A (Achievable): The indicator’s objective must be realistic, meaning it can be achieved within the context. • R (Relevant): The indicator must be pertinent, reflecting significant outcomes directly linked to the objectives. • T (Time-bound): The indicator must have a defined period for achievement, allowing it to be measured over time. 	<ul style="list-style-type: none"> • C (Clear): The indicator must be precise, unambiguous, and easy to understand. • R (Relevant): The indicator must reflect an important dimension of the objective’s achievement. • E (Economic): The information needed to calculate the indicator must be available at a reasonable cost. • M (Monitorable): The indicator must be independently verifiable, ensuring transparency and public analysis. • A (Adaptable): The indicator must be consistent over time, reliably measuring performance and allowing accurate assessment of results.

Key Points
<ul style="list-style-type: none"> • Ensure that the indicator system is simple and efficient, avoiding excessive complexity or information overload. • Limit the number of indicators to avoid overwhelming users’ analytical capacity, maintaining relevance and objectivity. • Focus on the program’s strategy, prioritizing key indicators and avoiding the accumulation of irrelevant data.

d) Development of indicator sheets

At this stage, all variables of an indicator are detailed. In summary, the indicator sheet should contain at least the following elements:

- **Description:** What the indicator aims to measure and the scope of what is to be evaluated (target audience, coverage).
- **Unit of Measurement:** How the result will be presented and interpreted.
- **Calculation Formula:** The mathematical equation that clearly illustrates how the indicator will be measured.
- **Measurement Frequency:** The frequency of updates, consistent with the monitoring needs of the objective.

- **Data Source:** The source of data, indicating where the result to be measured can be found.
- **Target:** The challenge to be achieved.

Additional information can further enhance the robustness of the indicator sheet, such as:

- **Responsible Party:** The department or team managing the indicator.
- **Indicator Polarity:** The direction of result variation, such as “the higher, the better” or “the lower, the better.”
- **Historical Series:** Historical data that allow for comparability across different periods.

e) Review and validation of proposed indicators

This step involves the approval and formalization of the indicator portfolio with the institution's internal and external clients. It is a critical step to ensure the relevance of the proposed indicators and secure commitment to achieving the agreed results.

f) Identification of tools for data collection and indicator calculation

Identifying tools for data collection and calculation is essential to ensure the accuracy and relevance of the data used for evaluating a program or project. The main steps are:

- **Define the indicators.** Before selecting tools, clearly define the indicators to be used for measuring project progress and results:
 - **Quantitative:** Related to numbers, such as growth rates and number of participants, etc.
 - **Qualitative:** Related to more subjective aspects, such as satisfaction, behavioral changes, etc.
- **Analyze the type of data needed.** Determine the type of data that will need to be collected to measure each indicator, specifically:
 - **Primary Data:** Directly collected information, such as interviews, surveys, observations.
 - **Secondary Data:** Information already collected by other sources, such as reports, previous studies, public statistics.
- **Choose data collection tools.** Depending on the type of data and indicators, options include:
 - **Online questionnaires and surveys:** Tools such as Google Forms, SurveyMonkey or Typeform are useful for collecting both quantitative and qualitative data.
 - **Interviews:** Tools for in-person or virtual interviews, such as Zoom, Microsoft

Teams, or audio recording, are ideal for qualitative data collection.

- **Direct Observation:** Recording tools, such as spreadsheets or specialized note-taking apps, can be useful.
 - **Data Management:** Softwares such as Excel, Google Sheets, or more advanced tools like Power BI and Tableau help with data organization and visualization.
- **Choose tools for indicator calculation.** After data collection, it will be necessary to calculate and analyze the data. To do this, appropriate tools must be selected for the calculation and analysis of the indicators:
 - **Spreadsheets (Excel, Google Sheets):** Ideal for simple calculations, charts, and basic analyses.
 - **Business Intelligence (BI) systems:** Tools like Power BI or Tableau provide more advanced analyses and dynamic visualizations.
 - **Statistical Analysis Software:** Tools such as SPSS, R, or Python are used for analyzing large volumes of data, conducting hypothesis testing, and performing more complex calculations.
 - **Consider accessibility and usability.** Ensure that the selected tools are accessible to the team involved in data collection and analysis and are easy to use. This facilitates consistent implementation and use throughout the process.
 - **Validate and test the tools.** Before using the tools on a large scale, it is recommended to conduct a pilot test to ensure that data collection and indicator calculation are effective and provide accurate information (see item "g" below).
 - **Build team capacity.** Ensure that the team involved has adequate training to use the tools effectively, guaranteeing consistent and reliable data collection.

Summary of the process for defining tools for data collection and indicator calculation

- Define the indicators and the types of data needed.
- Choose appropriate data collection tools.
- Select tools for data analysis and indicator calculation.
- Validate and test the tools.
- Build team capacity.

g) Indicator Pilot Testing

Implementing a pilot project allows testing indicators in a controlled environment before full-scale implementation. The pilot provides several benefits, including:

- **Assessment of indicator feasibility:** Allows for the anticipation of potential problems and the ability to make quick adjustments before full implementation.
- **Minimization of errors and waste:** Identifies and corrects any unforeseen failures or negative impacts during the indicator design phase.
- **Identification of technical or cultural challenges:** Reveals problems related to technology or organizational culture that should be addressed before the full adoption of the system.
- **Improvement of indicators:** The pilot phase enables the adaptation of indicators to the actual needs of stakeholders and clients, making them more effective and better suited to the reality of the program or project.

h) Training teams responsible for the different processes and familiarizing system users with indicators

Training is essential to ensure that teams can collect and analyze data effectively. Familiarizing stakeholders with indicators also increases their confidence in making evidence-based decisions.

The development of analytical skills will contribute to the continuous improvement of the M&E indicator system, thereby leading to better results for the organization in the long term.

i) Raising awareness of the importance of M&E measurements

To maintain the system's continuity and effectiveness, teams must be continuously trained and made aware of the importance of keeping indicators updated. Some actions can strengthen the commitment of stakeholders involved in the process, such as:

- Promoting regular training sessions on the usefulness of indicators and their relevance to the organization.
- Sharing success stories, providing examples of organizations that have improved their performance through the effective use of indicators, which tends to increase the perceived value of M&E.
- Creating clear and accessible explanatory materials about the M&E system, highlighting the relevance and usefulness of the indicators.
- Emphasizing the importance of data usage in meetings and communications, encouraging a culture of evidence-based decision-making.

Key steps in implementing the M&E indicator system

- Raise awareness of the importance of an M&E indicator system and the use of evidence for decision-making.
- Train evaluators and system users.
- Conduct pilot testing and validation of the indicator structure, aligned with the respective ToC.
- Consider internal teams, external clients, and other stakeholders in the process.

3. Communication and Culture

a) Preparation of reports and analyses for dissemination of results

Effective communication of indicator results is crucial to ensure that information is understood and used in decision-making. By adopting a clear, visual, and interactive approach, organizations can align their teams around priorities and drive effective actions based on the results obtained.

To make the communication of results more effective, the following actions can be implemented:

- Explain how the indicators relate to the organization's strategic objectives and to specific departments.

- Use accessible language to ensure that the importance of the data is understood by all involved.
- Implement dashboards that display the most relevant results, providing continuous access to essential data for users.
- Present data visually, making it easier to interpret, compare results, and highlight key conclusions and lessons learned.
- Recommend actions or decisions to be taken based on the results, making communication more relevant and effective for decision-makers.

Key Points

- Ensure the support of a sponsor and the commitment of the institution's senior management.
- Guarantee the existence of a consensual and validated M&E indicator system, supported by all relevant stakeholders in the organization, to inform decision-making.
- Maintain an ongoing communication effort: regularly raise awareness among teams, disseminate achieved results, and keep users updated on the progress of projects and programs implemented by the institution.

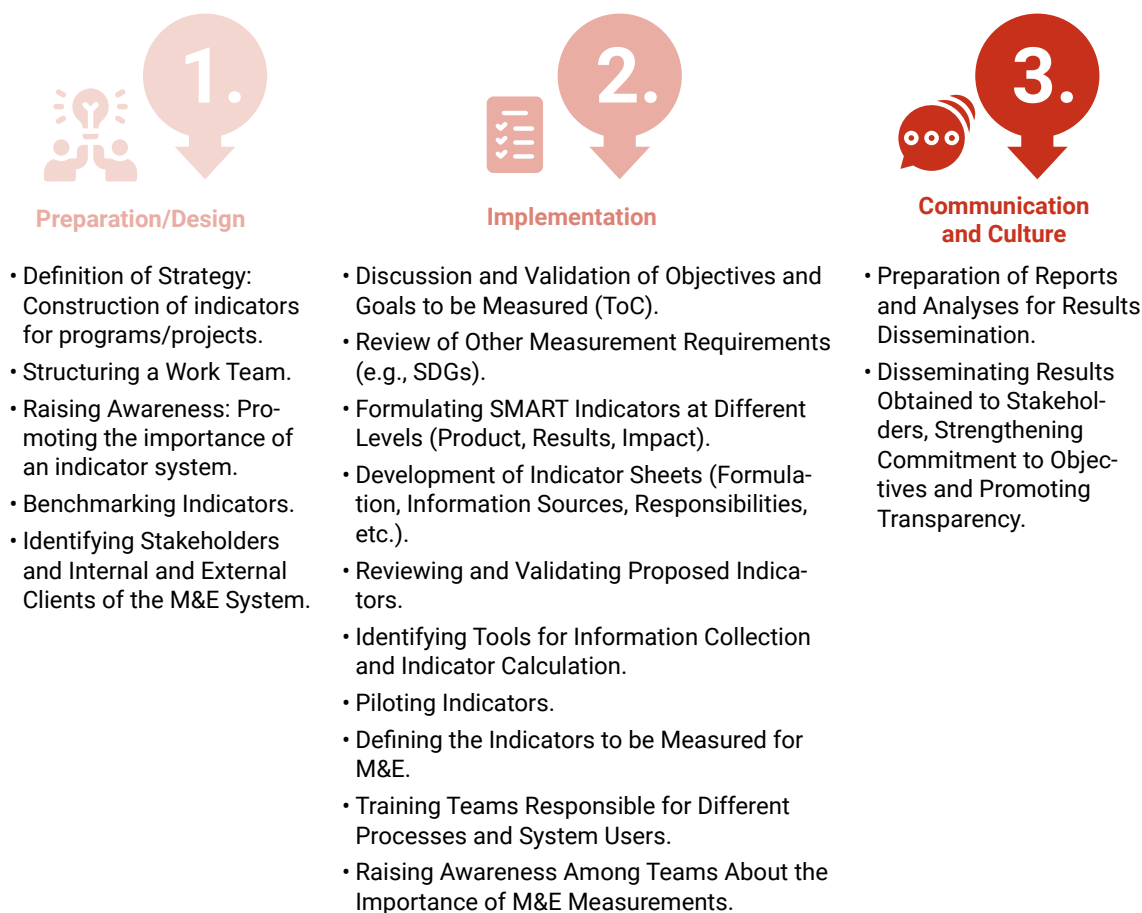
b) Dissemination of results to interested internal and external stakeholders, promoting transparency

Disseminating results to interested internal and external stakeholders strengthens commitment to objectives, promotes transparency, and creates a trusting environment between the organization and its stakeholders.

Publicizing the results also tends to engage stakeholders, funders, and the general public, encouraging them to become advocates for initiatives that contribute to improved outcomes.

Below, a figure summarizes the proposed process in this section for building an M&E indicator system:

FIGURE 1; DESIGN OF THE PROPOSED STEP-BY-STEP GUIDE



Preparation by: Working Group – ReDeCA.

The following table describes experiences of organizations that have successfully built indicator systems and can serve as examples:

Good examples

#1: Brazilian Service for Support to Micro and Small Enterprises (SEBRAE)

The design of SEBRAE's indicators followed these steps:

- Approval of SEBRAE's strategic planning and its strategic indicators.
- Definition of the portfolio of national programs and their indicators.
- Design and analysis of technical feasibility.
- Preparation of indicator handbooks and manuals.
- Establishment of minimum reference targets for result agreements.
- Agreement on results to be pursued.
- Establishment of indicator governance, including the definition of roles and responsibilities, policies and processes, data integrity, technology use, and training.

#2: Development Bank of Jamaica – DBANKJM

- DBANKJM adopts a strategic planning cycle using the Balanced Scorecard Methodology, in which goals, corporate objectives, and indicators are defined. This process supports and helps align the development and reporting of M&E indicators.
- DBANKJM effectively communicates the Bank's vision and objectives to all employees, ensuring they understand how each division contributes to achieving these goals. Employees can clearly see how their actions support the Bank's objectives. Stakeholders are kept informed through transparent reports, promoting trust and collaboration. Additionally, stakeholder feedback is integrated into decision-making processes.
- Improved performance measurement has resulted from the adoption of clear and measurable performance indicators, allowing the bank to monitor progress, identify areas for improvement, and celebrate successes, fostering a culture of continuous improvement.

#3: Development Bank of Minas Gerais – BDMG

- The design of indicators follows a structured process that aligns the institution's strategic objectives with the government's plan, considering the bank's mission, vision, and values.
- An assessment of the economic, social, and political contexts that may impact the bank's performance is conducted, identifying risks and opportunities.
- Based on strategic objectives, key performance areas are identified, such as portfolio growth, socioeconomic impact, operational efficiency, among others.
- A data collection system is implemented to ensure accuracy and efficiency, which is crucial for monitoring and analyzing data progress relative to established targets, and for verifying that indicators remain relevant and aligned with BDMG's business environment and strategic objectives. Indicators may be revised if necessary.
- Indicator results are continuously monitored by senior management and staff, ensuring transparency and accountability. The following tools are used for this purpose: i) Visual management: available on the company's intranet; ii) Weekly email updates; iii) Monthly strategy monitoring meetings: with the participation of directors and managers; iv) Board of directors dashboard: detailing targets for the board

#4: Corporación de Fomento de la Producción – CORFO

- A CORFO designs and proposes its main indicators to be monitored annually by the Budget Directorate of the Ministry of Finance of Chile, starting with program design.
- The M&E function of public programs implemented is defined by national regulations through the State Financial Administration Law, which assigns the Budget Directorate of the Ministry of Finance the responsibility of guiding and regulating the annual budgeting process, ensuring the best use of available financial resources. For social programs, the M&E function is complemented by the Ministry of Social Development and Family of Chile.
- The formulation of key result indicators is carried out from the design stage of each program proposed for implementation in the following fiscal year.
- The design of indicators follows the SMART or CREMA methodology.
- Monitoring of program output and outcome indicators is carried out annually by the Budget Directorate of the Ministry of Finance and the Ministry of Social Development and Family of Chile.
- The M&E system of the Budget Directorate includes not only annual monitoring but also institutional management evaluations, specific program performance assessments, and evaluations of sectoral policies or interventions.
- Like other public service institutions, CORFO actively participates in M&E instances for programs, providing updated information annually.

IV. Final Considerations

This document has explored the strategic importance of M&E indicator systems for development institutions, highlighting their essential components, implementation methodologies, and exemplary cases in LAC. As a synthesis of this discussion and to guide institutional practice, the following final suggestions are presented: concrete recommendations for the design, adoption, and continuous improvement of these systems, based on lessons learned from the analyzed organizations.

a) **Secure a sponsor and senior management commitment for the implementation of the indicator system.**

Sponsorship and commitment from senior management are essential for the successful implementation of an indicator system. With active leadership support, the system will not only be effectively implemented but also solidly integrated into the organization's management process. This creates a performance-oriented organizational culture where all members are clear about expectations and are accountable for delivering results aligned with the company's strategic objectives.

To ensure senior management's commitment to implementing the indicator system, some practices can be adopted:

- **Education and awareness:** Promote workshops and informative sessions for senior management, highlighting the importance of indicators for decision-making and strategic impact.
- **Align Indicators with strategic objectives:** Demonstrate how indicators directly contribute to achieving organizational goals, such as increasing efficiency, reducing costs, or improving customer satisfaction.
- **Involvement in Key Decisions:** Ensure that senior management actively participates in the selection of indicators, definition of targets, and review of results,

so they clearly perceive the benefits of the system.

b) **Assign or structure a responsible work team and support areas**

Assigning or structuring a responsible work team composed of qualified members with well-defined roles is a fundamental step for the successful implementation of an indicator system. Support from relevant areas is also crucial, ensuring that the necessary resources are available for the work team to perform their functions efficiently. This provides the organization with a solid foundation to measure and evaluate its performance, enabling it to achieve its strategic objectives more accurately.

c) **Identify the most relevant aspects and objectives of programs and action lines to be covered by the indicator system.**

Identifying the most relevant aspects and objectives of programs and action lines is essential to ensure that the indicator system is targeted and effective. Aligning the organization's strategic objectives with appropriate indicators will allow it to monitor its performance accurately and contribute to the efficient achievement of its goals. This strengthens process management and promotes continuous improvement in results.

d) **Continuously raise awareness about the importance of an indicator system**

Raising awareness within the organization about the importance of an indicator system is a continuous and essential process for ensuring the success of its implementation. Through clear communication, proper training, incorporating indicators into initiative evaluations, and demonstrating tangible results, the organization can create a culture focused on continuous improvement and data-driven decision-making. This not only improves performance but also strengthens commitment and strategic alignment among all members of the organization.

e) Disseminate effectiveness reports and results obtained to users (internal and external): indicator systems as the foundation of effectiveness reports

As discussed in the previous section, disseminating effectiveness reports and results to internal and external users is an essential practice for ensuring transparency, engagement, and continuous learning within the organization. However, for these reports to be truly useful and reliable, they must be anchored in a solid indicator system.

A well-structured indicator system provides the data necessary to evaluate progress against defined objectives, identify bottlenecks, and highlight best practices. Additionally, it allows for trend monitoring over time and result comparison across areas, programs, or implementation cycles.

The articulation between the indicator system and effectiveness reports brings several benefits, such as:

- **Building Trust:** Reports based on objective data and clear methodologies strengthen the organization's credibility with stakeholders.
- **Stakeholder Engagement:** Well-defined indicators facilitate result interpretation and encourage the involvement of internal and external users based on evidence.
- **Continuous Improvement:** Consistent use of result indicators allows reports to feed feedback and improvement cycles, both internally and with partners and users.

In summary, indicator systems not only support effectiveness reports – they are the key to ensuring that these documents truly contribute to decision-making, institutional learning, and public value generation.

This chapter was jointly prepared by professionals from the following entities participating in ReDeCA: Paulo Rangel Pla (BADESC), Nataly Lago Berrocal (ALIDE), Ana Villalta (BANDESAL), Maya León (BANDESAL), Daisy D'Aquino Filocre (BDMG), Emilio Rodrigues Botelho (BDMG), María Agustina Gallardo (BICE), Rafael Tessone (BICE), Airtón Saboya Valente Junior (BNB), Pedro Preussler (BRDE), Leonor Saravia Sepúlveda (CORFO), Steffano Gatti (Desenvolve S.P.), Damaría Ebanks (DBANKJM), Kennyston Costa Lago (SEBRAE) e Aretha Pedroso Guimaraes (SEBRAE). We also greatly appreciate the guidance and reviews provided by Jose Claudio Pires, ReDeCA Coordinator, and Martha Kluttig, Senior Development Manager at the CLEAR LAC Center.

Integration of the SDGs and sustainability into institutional strategies: practices and challenges for development banks and agencies in LAC

Executive summary

This document presents the main elements considered relevant by various development banks and agencies in LAC, members of ReDeCA, to promote the incorporation of sustainable practices and the adoption of the SDGs within their institutions. This document is the result of a ReDeCA Working Group specifically created for this purpose and emphasizes the importance of aligning institutional strategies with these practices and objectives to strengthen the role of institutions as promoters of development, identifying the main challenges and opportunities for their adoption.

This topic is of special importance given the growing need for development institutions to align their strategies with sustainability, whether due to regulatory requirements, strategic reasons, or their own institutional mission. The document seeks to identify proposals to promote the integration of the SDGs into the operations of these institutions, through internal awareness and concrete actions, contributing to the implementation of the UN's 2030 Agenda.

The Working Group advanced in knowledge exchange and identified the levels of maturity of the institutions in terms of sustainability and SDGs. The results will serve as a baseline for future actions. In 2025, the focus will be on the practical implementation of sustainable strategies in institutions that are still in the early stages of internalizing this topic.

I. The importance of aligning development banks and agencies' strategies with sustainability and the SDGs

The growing awareness of environmental, social, and economic issues on the global stage has pressured governments, companies, and organizations to rethink their approaches to development. At the heart of this transformation are development banks and agencies, whose strategies and actions have a profound impact on the economies and societies in which they operate. Aligning their practices with sustainability and the SDGs of the UN's 2030 Agenda is essential to ensure that their operations effectively contribute to a fairer, more equitable, and environmentally balanced future.

Sustainability, with its three pillars – environmental, social, and economic – represents a development model that seeks not only growth but also the preservation of natural resources, the reduction of social inequalities, and the strengthening of economic justice. For development banks and agencies, adopting sustainable practices is not just a response to external pressures, such as regulatory requirements or market demands, but a way to ensure that their projects and investments have a positive and lasting impact.

By aligning their strategies with sustainability, these institutions can generate solutions that not

only meet present needs but also protect future generations. This involves considering aspects such as the responsible use of natural resources, social inclusion, and the promotion of decent living conditions for all.

Investing in sustainability also helps reduce long-term financial risks. Climate change, social and economic inequalities, and other global issues can impact the viability of many projects. Therefore, institutions that incorporate sustainability into their strategies can reduce the risk of investments that become obsolete or unsustainable. Additionally, they are better positioned to help create a more stable and resilient business environment, promoting sustainable prosperity.

By aligning their strategies with the SDGs, these institutions not only promote economic development but can also generate positive social and environmental impacts, reflecting their commitments to future generations. This can create a virtuous cycle, where the financial success of institutions translates into tangible benefits for communities and the environment.

II. Main objectives of aligning development banks and agencies' strategies with sustainability and the SDGs

Aligning the strategies of development banks and agencies with sustainability and the SDGs is an increasing priority, especially in a global context where environmental, social, and economic issues require integrated and long-term solutions. This alignment aims not only to meet regulatory requirements but also to promote more equitable,

resilient, and just development. Below are the main objectives of this alignment.

1. **Promote sustainable economic development.**

One of the primary objectives of aligning the strategies of development banks and agencies with sustainability is to ensure that economic development is balanced and sustainable. This means promoting economic

growth in a way that does not harm natural resources or worsen social inequalities. Development financial institutions play a key role in supporting investments and projects that encourage the development of clean technologies, renewable energy, sustainable agriculture, and other initiatives that promote a greener and more inclusive economy.

2. **Reduce social and economic inequalities.** The SDGs, especially SDG 10 (Reducing Inequalities), require a development approach that not only focuses on economic growth but also addresses the needs of the most vulnerable populations. By aligning their strategies with the SDGs, development banks and agencies can help ensure that the benefits of economic growth are distributed more equitably, promoting social inclusion, improving access to essential services such as healthcare, education, and housing, and combating poverty. This contributes to a more equitable and cohesive society.
3. **Contribute to climate change mitigation and adaptation.** SDG 13 (Climate Action) is one of the central pillars of the 2030 Agenda. Development banks and agencies play a fundamental role in financing initiatives that help countries mitigate the effects of climate change and adapt to new climate scenarios. This includes financing sustainable infrastructure projects, such as the use of renewable energy, the construction of resilient infrastructure, and the promotion of sustainable agricultural practices that reduce the carbon footprint. Moreover, by aligning their strategies with the SDGs, these institutions can help mobilize financial resources to tackle climate challenges, encouraging the transition to a low-carbon economy and supporting the most vulnerable communities in adapting to environmental changes.
4. **Foster Innovation and the Use of Sustainable Technologies.** Another crucial objective of aligning with the SDGs is promoting innovation. New technologies play a decisive role in

transforming economies, especially when it comes to promoting more sustainable practices. Development banks and agencies can support the development and dissemination of technologies that enable more efficient use of natural resources, reduce environmental impacts, and improve people's quality of life. Investments in technologies such as artificial intelligence for process optimization, precision agriculture to reduce resource use, and the development of clean energy solutions are examples of how these institutions can contribute to implementing the SDGs and transitioning their economies to more sustainable models.

5. **Support governance and transparency.** Aligning with the SDGs also aims to strengthen governance and transparency in development institutions. This includes ensuring that resources are used efficiently, effectively, and responsibly, promoting management practices that prioritize sustainability in all aspects. Increasing transparency in financing processes and evaluating social and environmental impacts strengthens public and investor trust and improves long-term outcomes. By adopting robust governance practices, development banks and agencies can ensure that their operations and investments are aligned with principles of sustainability, ethics, and social responsibility, creating a positive and lasting impact on the communities they serve.
6. **Strengthen Social and Economic Resilience.** Aligning the strategies of development banks and agencies with the SDGs also contributes to strengthening the social and economic resilience of communities and developing countries. By supporting the implementation of projects that prioritize resilient infrastructure, education for sustainable development, and capacity building, these institutions help countries become more capable of facing crises and global challenges, such as natural disasters, pandemics, and economic instability.

This alignment also involves ensuring that the most vulnerable populations, including women, children, and marginalized groups, have access to resources and opportunities that enhance their ability to cope with external challenges, promoting inclusion and social justice.

- 7. **Drive Corporate Social Responsibility (CSR).**
Aligning with sustainability and the SDGs

aims to enhance CSR within financial institutions. Development banks and agencies have the opportunity not only to generate profit but also to significantly contribute to social and environmental well-being. This reflects a paradigm shift toward an “impact economy,” where success is measured not only by financial returns but also by positive social and environmental impacts.

III. Current state of alignment of development banks and agencies in LAC with the SDGs and sustainability

The working group carried out a series of activities and used various tools to assess the maturity of ReDeCA member institutions in implementing sustainability. The exchange of experiences through structured⁵ presentations and the conduct of

surveys revealed that, although there have been advances in the internalization of sustainability and the SDGs, gaps still exist, particularly in the development of metrics and the inclusion of social criteria, such as reducing gender inequalities.

SDGS PRIORITIZED BY REDECA MEMBERS⁶



5 To align participants' knowledge and prepare a diagnosis, Working Group 2 (WG2) requested institutional presentations addressing the following questions: Does your institution have a formal mandate to incorporate environmental, social, and climate aspects into its strategy and operations? Are there products aimed at the green economy and sustainable development? Are there criteria or incentives for projects with positive environmental or social impact? How does your institution support sustainable activities? Are there initiatives aligned with the SDGs? What are the main challenges in implementing and incorporating sustainability aspects?

6 Nine institutions responded to an electronic questionnaire prepared by the working group, which was based on the following references: Global Reporting Initiative (GRI); E-Prevencao (TCU-Brazil); National Corruption Prevention Program (PNPC) e ISE B3 (Corporate Sustainability Index- Brazil).

institution/SDG	1	2	3	4	5	6	7	8	9	10	11	12	13	15	16	17
Bancomext	X		X	X		X	X	X	X	X	X	X	X	X		
Bandes					X	X	X	X	X	X	X	X	X	X		
BASA	X	X			X		X	X	X					X		
BNB	X		X		X	X	X	X	X	X			X		X	
BNDES	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
BRDE		X	X	X	X	X	X	X	X	X	X	X	X	X		
Finep		X	X					X	X						X	
GoiásFomento	X	X	X		X			X		X						
Sebrae	X			X	X	X	X	X	X	X	X	X	X	X	X	X

Fonte: Electronic Survey conducted with ReDeCA members (2024).

The member institutions of ReDeCA are at different stages and realities, with some experiences highlighted in the box below:

Experiences of Alignment with the SDGs and Sustainability within ReDeCA

- **Formal Mandate for Sustainability:** Institutions such as ABDE, BNDES, Finep, and SEBRAE have strategies aligned with sustainable development. Many of the responding Brazilian companies adhere to the Social, Environmental, and Climate Responsibility Policy, as required by the National Monetary Council.
- **Products for Sustainability and Green Economy:** All responding institutions offer products focused on the green economy and sustainable development, providing incentives for projects with a positive environmental impact.
- **Support for Women and SMEs:** Notable initiatives include “Mulheres Inovadoras” (Innovative Women) by Finep, “Bônus de Adimplência” (Compliance Bonus) by BANDES, and “SEBRAE Delas” (SEBRAE for Women).
- **Challenges for M&E in Sustainability/SDGs:** Lack of a culture of using Incluir Environment, Social and Governance (ESG)⁷ criteria, scarcity of human and financial resources, absence of standardized metrics, and the need for digital tools for data collection.

The main difficulties identified in the research were the following:

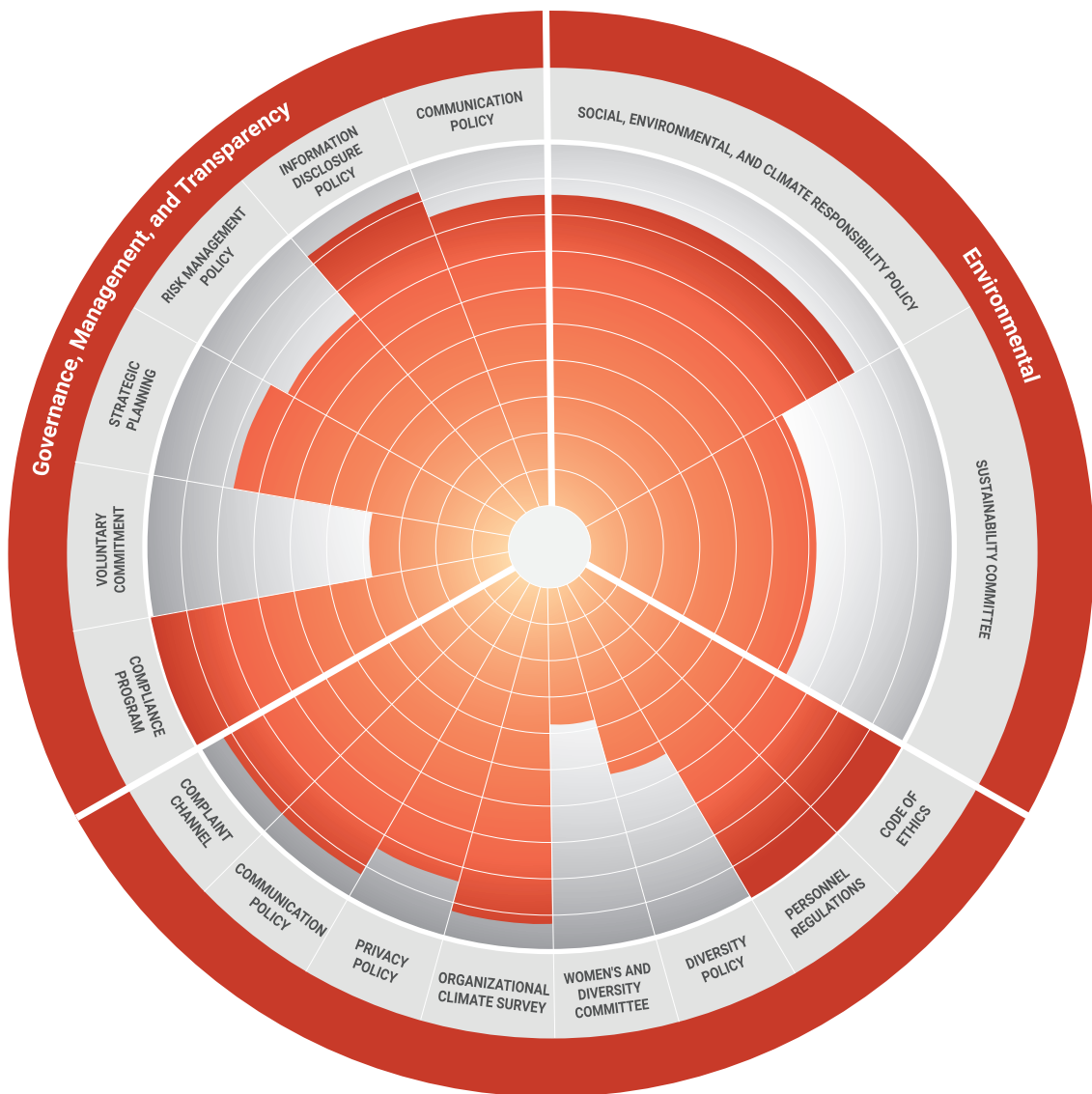
- **Internal resistance and insufficient resources:** Many institutions lack an ESG culture.
- **Measurement and transparency Difficulties:** Barriers in measuring impact and adapting to ESG standards.

⁷ ESG stands for Environmental, Social, and Governance. It refers to a set of criteria (or standards) used to assess the sustainability and ethical impact of a company or investment: E – Environmental: refers to the company’s impact on the environment – for example, carbon emissions, use of natural resources, waste management, and policies to combat climate change. S – Social: addresses the company’s relationships with its employees, customers, communities, and other stakeholders – such as diversity and inclusion, human rights, working conditions, and community engagement. G – Governance: relates to how the company is managed – including corporate ethics, transparency, board composition, anti-corruption efforts, audit structure, and accountability.

- High costs for microcredit projects:** Barriers in measuring impact and adapting to ESG standards.
 UN Global Compact, UNEP FI (United Nations Environment Programme Finance Initiative) and WEPs (Women’s Empowerment Principles).

The study also revealed that several institutions have adhered to voluntary agreements, such as:

The following diagram summarizes the results of the applied survey ⁸.



Prepared by: Working group – ReDeCA.

8 The survey addressed three main dimensions: Environmental: environmental responsibility policies; Social: relationship with employees, human capital, and the community; Governance, Management and Transparency: sustainable energy, compliance, and SDGs.

IV. Step-by-step guide for aligning development banks and agencies' strategies with sustainability and the SDGs

The process of aligning the strategies of development banks and agencies with the SDGs and sustainability requires a structured and integrated approach that involves both internal awareness and the implementation of effective practices.

Below is a step-by-step guide to facilitate the alignment of the strategies of development banks and agencies with sustainability and the SDGs:

- 1. Awareness and commitment from senior management.** The first step is to ensure that senior management is aware of the importance of sustainability and alignment with the SDGs. This can be achieved through workshops, seminars, and strategic discussions with executives and directors. In these spaces, it is essential to highlight the relevance of the SDGs for competitiveness and the institution's position in the global scenario. One way to measure the success of these actions is to secure public commitments from senior management to support the SDGs and the UN 2030 Agenda, through public statements and internal policies.
- 2. Conducting a diagnosis of the current situation.** Diagnosing the degree of alignment of existing operations and strategies with the SDGs and sustainable practices is a fundamental step. Conducting an internal analysis of the processes, products, and services offered by institutions can help define future actions aimed at achieving the desired alignment. It is essential to map which SDGs are most directly connected to the actions of agencies or banks, identifying gaps and areas for improvement in current processes, such as sustainable financing, social investment, and environmental projects.
- 3. Setting objectives and targets aligned with the SDGs.** Each institution must establish clear objectives and measurable targets for each area of its operations, aligning them with the SDGs. Based on identifying which SDGs are most relevant to the institution, considering its context and areas of operation, it should establish short, medium, and long-term goals for integrating the SDGs into daily operations and practices. Similarly, it should integrate sustainable performance indicators at all levels of operation (financial, social, and environmental).
- 4. Integrating the SDGs into policies and strategies.** It is important to incorporate the SDGs transversally into organizational policies and strategies. Each institution should review and adjust existing policies to ensure they promote sustainable practices and alignment with the SDGs. Sustainability should be integrated as a core part of financial, investment, and credit strategies, being incorporated into ESG risk analysis in investment and financing decisions.
- 5. Capacity building and internal engagement.** Preparing and engaging the entire team, from managers to employees, in the process of aligning with the SDGs is crucial. Actions in this regard may include developing continuous training programs on sustainability and the SDGs, involving teams in the process of defining and implementing SDG-related goals. Additionally, the creation of working groups or internal committees focused on sustainability and social innovation should be encouraged.

- 6. Developing strategic partnerships.** Another important step is to strengthen collaboration with organizations that share the mission of achieving the SDGs, establishing partnerships with international organizations, NGOs, governments, and other financial institutions that work to promote them. These partnerships can involve both technical and financial aspects. Technical support and knowledge exchange can enhance sustainable practices, while financial support is essential for leveraging initiatives and projects that meet the SDGs and sustainability.
- 7. Creating sustainable financial products and solutions.** Institutional efforts should be made to offer products and solutions that encourage sustainable practices and finance initiatives that promote the SDGs. These actions may include developing new financial instruments, such as green bonds, social bonds, and social impact funds, aimed at financing sustainable projects.
- 8. Monitoring and evaluating results.** Continuously evaluating the impact of implemented actions and progress toward the SDGs is an essential function of development agencies and banks. Institutions should establish a robust monitoring system with key indicators related to the SDGs, conduct periodic evaluations of projects and investments to verify whether results align with sustainable objectives, and adjust strategies as needed, based on results and lessons learned during implementation.
- 9. Communication and transparency.** Efforts should be made to maintain transparency with all stakeholders regarding progress and results achieved. An important step in this regard is the publication of annual reports on the institution's contribution to the SDGs, highlighting projects, investments, results, and impacts achieved. Another measure would be to share best practices in sustainability and success stories both inside and outside the organization. Additionally, it is important to involve stakeholders, such as clients, investors, and civil society, in the process of monitoring and evaluating the results of projects and related activities.
- 10. Structuring a regional taxonomy to integrate the SDGs and sustainability into financial operations.** The adoption of a regional taxonomy to align projects with the SDGs and sustainability can benefit all ReDeCA member institutions by improving understanding, monitoring, and implementation of their initiatives. First, institutions at the initial stages of institutionalizing sustainability could benefit from the knowledge and experience of members that have already implemented their own taxonomies, such as ALIDE, ABDE, Bancomext, BADESC, BNDES, and BRDE. Second, a regional taxonomy would provide a more structured, standardized, and efficient approach to implementing and evaluating projects aimed at sustainable development.

V. Best practices for aligning development banks and agencies' strategies with sustainability and the SDGs

Aligning the strategies of development banks and agencies with the SDGs and sustainability requires an integrated approach that involves both redefining goals and implementing concrete actions. Some best practices can be adopted to ensure this alignment:

- 1. Clear definition of goals and indicators.** Establish specific and measurable goals directly aligned with the SDGs, creating indicators to monitor progress. This helps direct actions toward tangible and measurable results. This effort includes creating impact and outcome indicators for ESG practices, aiming for greater effectiveness in policies supporting sustainable projects.
- 2. Integration of sustainability into policies and processes.** Incorporate sustainability as a central principle in financial and operational policies. Governance practices should consider not only financial viability but also the social and environmental impacts of decisions.
- 3. Investment in innovation and green technologies.** Support the development of sustainable and innovative technologies, such as renewable energy and low-carbon solutions. Additionally, create financial products that encourage investments in sustainable areas.
- 4. Strategic partnerships for sustainable development.** Collaborate with other organizations, NGOs, governments, and companies to share knowledge, resources, and experiences that promote the achievement of the SDGs more effectively. Public-private partnerships are essential to scale sustainable solutions.
- 5. Transparency and SDG-oriented communication.** Maintain a continuous flow of transparent communication with all stakeholders, regularly reporting on the progress and impacts of SDG-aligned projects. Clear disclosure of results strengthens trust, accountability, and engagement with the 2030 Agenda.
- 6. Institutional capacity building and sustainability culture.** Invest in training internal teams on the importance of sustainability and the SDGs, promoting an organizational culture committed to sustainable development. This effort also involves promoting institutional engagement in ESG methodologies and in processes of impact assessment, management, and evidence-based decision-making.

In summary, adopting these best practices helps financial institutions not only contribute to a more sustainable future but also strengthen their position in the global market, generating both social and economic value.

VI. Final considerations

While the benefits of aligning strategies with sustainability and the SDGs are clear, implementation can be challenging. Development institutions face obstacles such as a lack of knowledge, resistance to change, complexity in monitoring and evaluating indicators, and the impacts of institutional actions aimed at sustainability. Additionally, they must adapt their business models to meet sustainability criteria.

However, these challenges also create opportunities. For instance, the development of methodologies to measure the social and environmental impact of projects and investments is constantly evolving, enabling greater transparency and better monitoring of results. Furthermore, partnerships with peer institutions and international organizations, as well as the use of new technologies, can facilitate the integration of the SDGs into the operations of development banks and agencies in LAC.

Aligning the strategies of development banks and agencies with sustainability and the SDGs is not just a matter of compliance with external regulations; it is a strategic opportunity to strengthen the social, economic, and environmental impact of their operations. By adopting SDG-aligned practices, these institutions play a fundamental role in building a more sustainable, resilient, and just future for all,

directly contributing to the implementation of the UN 2030 Agenda.

These financial institutions play a critical role in promoting sustainable development. However, the effective fulfillment of these roles depends on adequately following the steps of the process for implementing public policies, such as: establishing strategy and priorities; properly designing the project or portfolio, with a robust theory of change that allows for specifying and measuring results; setting indicators for monitoring implementation and measuring results; conducting evaluations that support strategy review and continuous policy improvement.

The alignment of development banks' and agencies' strategies with the SDGs and sustainability is a dynamic and multifaceted process. Successful implementation requires a strategic approach, robust governance, effective partnerships, and the continuous adaptation of practices. With clear leadership commitment, engagement from all areas of the institution, and constant monitoring, development banks and agencies can play a crucial role in promoting a more sustainable and equitable future. Collaboration among ReDeCA institutions can significantly accelerate this process, fostering a positive impact on society.

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