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# Euroclima

# Mapping of private sector investment in LAC

Overview of private sector financing sources in the Latin American and Caribbean region with a focus on climate change and biodiversity conservation

Implemented by

aecid Spanish Agency for International Development Cooperation

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UNDP

UN environment programme

This publication is financially supported by the European Union through the Euroclima programme implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.

## Preface

This product constitutes deliverable two (2) of the consultancy *"Overview of private sector financing sources in the Latin American and Caribbean region with a focus on climate change and biodiversity conservation"* under the Contract : 83458291 signed between **SURECO & Partners CORP** (contractor) and **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)** (contractor). The deliverable constitutes a report with the main findings, including a data tool in excel format with the results of the mapping exercise of private sector investments available for the climate and biodiversity of the Latin America and the Caribbean (LAC) region in the sectors clean energy, water, transport, agriculture, forestry and other land uses (AFOLU), biodiversity and ecosystem-based solutions. This report was executed based mainly on publicly available secondary information.

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# RESUMEN EXECUTIVE

El This study aims to provide an overview of the **panorama of private sector financing sources in the Latin American and Caribbean (LAC) region with a focus on climate change and biodiversity conservation.**

This analysis includes a characterization of the **sources of private financing available in the region, grouped by types of entities**[1] **they provide** (project-level debt, project-level equity, blended finance, grants, insurance, guarantees, among others). The prioritized sectors for this initial mapping are **clean energy, transportation, water, agriculture, forestry and other land use (AFOLU), biodiversity and Nature Based Solutions (NBS).**

## Main Findings.

A total of **384 entities have been registered,** and mapped **354**[2], the **geographical distribution** of the offices of these entities, shows a higher concentration in North America, especially in the United States. **In Latin America,** most of the private financing sources with offices in the region are located in **Brazil,** followed by **Mexico** and **Colombia.** Other countries such as Argentina, Chile and some Central American countries have fewer entities registered. Regarding their **scale of incidence**, it is observed that **36%** of the mapped funding sources **operate globally.** Of the **64%** rest, which focuses on **Latin America and the Caribbean (LAC),** **9%** are directed exclusively to **Latin America** and only **3%** are concentrated in the **Caribbean.**

The main **funding sources** identified include **62 private equity and venture capital providers**, **53 asset management companies**, **50 corporations and 46 commercial financial institutions.**Other sources of private financing were also identified, such as **environmental funds, hedge funds, impact funds, insurance companies, national and multilateral development finance institutions, pension funds and philanthropic capital entities**, reflecting the diversity and breadth of private financing sources in the region[3].

The **financial instruments** with the highest representativeness in the mapped entities are: **Project Level Equity and Project Level Debt**, followed by **Blended Finance** (Blended Finance), **Grants, Capital Markets**(green, blue, thematic bonds), **Guarantees** and **Project Finance**[4]**.**

The percentage distribution in the **prioritized sectors** in which these financing sources invest is distributed as follows:. The **Clean energy** sector leads with **36%** of the entities mobilizing financing in this sector, followed by the **AFOLU sector,**

[1] La categorización de las entidades se detalla en el Anexo B.

[2] Excluyendo los Fondos Climáticos Multilaterales y las entidades públicas registradas

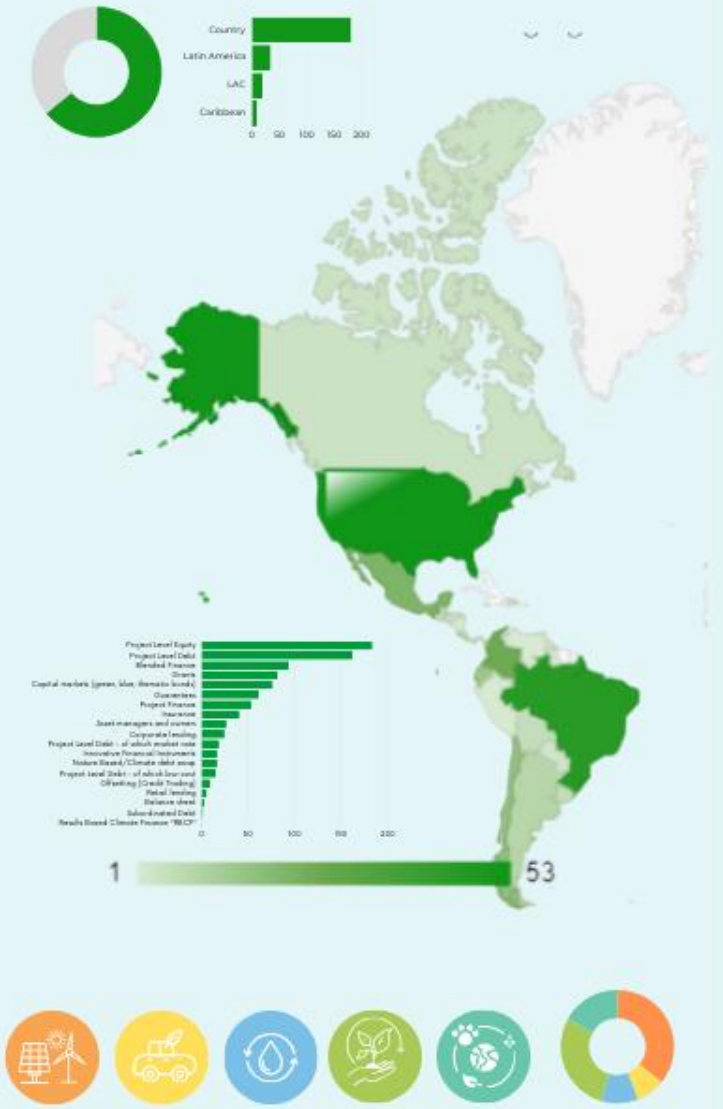
[3] Estructura de actores identificados según el tipo de entidad Sección 4.1

[4] Tipos de instrumentos financieros utilizados por las entidades mapeadas Sección 4.1

which represents **28%.** In the sector of **Biodiversity and SbN** invest **17%** and in the sector of **WATER** **11%**of the sources have been mapped, Finally, in the **Transportation** sector **8%** of the mapped entities.

For the **energy, transportation and agriculture** sectors, the most production-oriented activities are dominated by **commercial financial institutions, asset management companies, venture capital providers, corporations and national development banks.** In contrast, financing for **water, biodiversity and SbN** comes mainly from **environmental funds, philanthropy and multilateral banks[5].**

These findings provide a basis for future research and analysis of private sector resource mobilization. Further analysis and primary data collection is recommended to obtain a more complete and updated view of the financing landscape in the region.




### Disclaimer

*The **scope of this study focuses** on providing an **overview of private sector funding sources for climate change and biodiversity conservation in Latin America and the Caribbean (LAC)**. However, it is important to note that the **list of funding sources compiled and presented in this report is not exhaustive**, but a resource that provides an overview and some examples of the main types of entities providing private funding.*

*The information is based primarily on **publicly available secondary data**, which implies*

[5] El análisis detallado de los sectores priorizados se presenta en la Sección 4.1

*that there may be other sources not identified or included in this analysis, as well as some that need to be verified and adjusted. In addition, due to the dynamic nature of financing and investments in the region, the data presented may change over time.*

*Readers are encouraged to use this report as a starting point and to supplement it with additional research and primary data collection to obtain a more complete and up-to-date picture of the financing landscape in the region.* ***The results and conclusions should be interpreted in the context of the limitations of the methodology and the availability of information at the time of the study.***

# 1. Introduction

According to the First Global Balance Sheet[6], **private sector investments are vital to closing the gap between current financial needs and the resources available to combat climate change.** This document, presented during the fifth session of the Conference of the Parties in the United Arab Emirates, highlights the urgent need to increase global climate finance, with a particular focus on the contribution of the private sector. ***The text suggests that effective collaboration between the public and private sectors is crucial to mobilize the necessary financial resources.***

Private sector investments are essential to move towards achieving climate and Biodiversity goals established under international agreements such as the **Paris Agreement (PA)** and the **Kunming-Montreal Global Biodiversity Framework (GBF)** .

Likewise, regarding the GBF, which establishes an ambitious plan and specific goals, **they are essential for the contribution of the private sector in the protection and improvement of biodiversity.** This framework includes 23 objectives to be met by 2030 and four global goals by 2050, with a significant focus on reducing threats to biodiversity, the sustainable use of natural resources and the implementation of nature-based solutions (SBN)[7].

Both in Latin America and the Caribbean, as well as globally, the **private sector plays a crucial role in mobilizing resources**, providing financing, for adaptation, mitigation and biodiversity conservation projects, **helping countries achieve global objectives**. However, the identification and characterization of financing sources, key actors and financial mechanisms available in the region is a complex task that requires a detailed and exhaustive analysis.

This document aims **to map and analyze the private sector financing sources available for climate and biodiversity investments in Latin America and the Caribbean.** Through an agile methodological approach, a process of collecting and analyzing secondary information has been carried out, followed by detailed mapping of private financing sources. The analysis includes a characterization of the actors involved, the identification of the financial instruments used and the analysis of investments in the sectors of **clean energy, water, transportation, agriculture, forestry and other land uses (AFOLU), biodiversity, and solutions based on Nature,** prioritized sectors for this initial mapping.

[6] (UNFCCC. Conference of the Parties (COP), 2024)

[7] (UNEP - UN Environment Programme, 2022)

# 2. Objectives

## 2.1. General objective

Present the findings, resulting from the comprehensive analysis of documentary information, regarding the mapping of actors, sources and climate financing instruments (mitigation and adaptation) and private sector biodiversity conservation available in the Latin American and Caribbean region.

## 2.2. Specific objectives

- Map the different actors involved in private financing for climate and biodiversity in Latin America and the Caribbean, in addition to the characteristics and sectors in which it intervenes.
- Identify relevant information about the institutions and types of organizations that finance and access private capital, the sectors to which they belong and their main characteristics.
- Describe the financial flows of the private sector in terms of financing for climate and biodiversity, the roles it plays, sources and financial mechanisms identified in the literature review.
- Identify, at the sector and regional level, the way in which private sector climate and biodiversity finance is distributed.

# 3. Methodology

This section addresses three key points in the methodology used for the analysis. First, the **Definition of the Conceptual Framework used for the Analysis** is presented, which provides a theoretical basis to understand the dynamics of climate and biodiversity financing. Second, the **Definition of Criteria used for the Mapping of Actors, Sources and Financing Instruments** is detailed, specifying how the different actors and financing mechanisms are identified and categorized. Finally, the **Description of Methodological Criteria and Instruments used for the Information Collection Process, as well as for its Analysis and Prioritization**, is added, explaining the methods and tools used to collect, analyze and prioritize the relevant information for Mapping.

## 3.1. Definition of the Conceptual Framework used for the analysis

The conceptual framework used to **map the sources of private sector climate finance**, both international and domestic, available in the Latin American and Caribbean (LAC) region for investments related to climate change (mitigation and adaptation) and biodiversity, is based on the **identification of interested parties (actors), the categorization of private financing sources, the type of financing they provide (financial instruments) and the priority sectors in which they invest.** This framework considers the following key elements:

### 3.1.1. Identification of private sector actors

The different actors in the private sector were identified, considering that they are legal entities whose activities generate economic income from the generation of products or services aimed at a national or international target audience.

In this sense, the private sector plays an important role in promoting the fight against climate change and the conservation of biodiversity through the incorporation of sustainable practices from the design of products, change of technologies, but also in the mobilization of financing. Thus, for this study, some roles that the private sector can play as part of the flow of climate financing have been identified.

| Private financing sources | Organizations that access to financing | Entities that facilitate the financing process |
|---|---|---|
| The private sector provides the capital for another public or private actor to implement mitigation, adaptation and/or conservation projects, either with its own funds or from other investors. | The private sector accesses or receives financing for the implementation of projects that contribute to climate and biodiversity objectives. | The private sector intervenes as an independent third party in the financing flow, either by enabling financing for the transaction to take place or by providing technical assistance. |

### 3.1.2. Financing Sources

They refer to the origins of the funds, including multilateral entities, investment funds, Development Financial Institutions (DFIs), companies, among others. These sources were categorized according to the **Glossary of Actors presented in Annex B**, and include:

| | | | |
|---|---|---|---|
| Multilateral Climate Funds | Multilateral Development Financing Institutions (DFIs) | National Development Financing Institutions (DFIs) | Commercial Financial Institutions (FI) |
| Pension funds | Impact Funds | Insurance companies | Asset Management Companies |
| Microfinance Institutions | Hedge Funds | Equity Capital Providers | Capital Providers for Blended Financing |
| Environmental Funds | Philanthropic Capital | Corporations | |

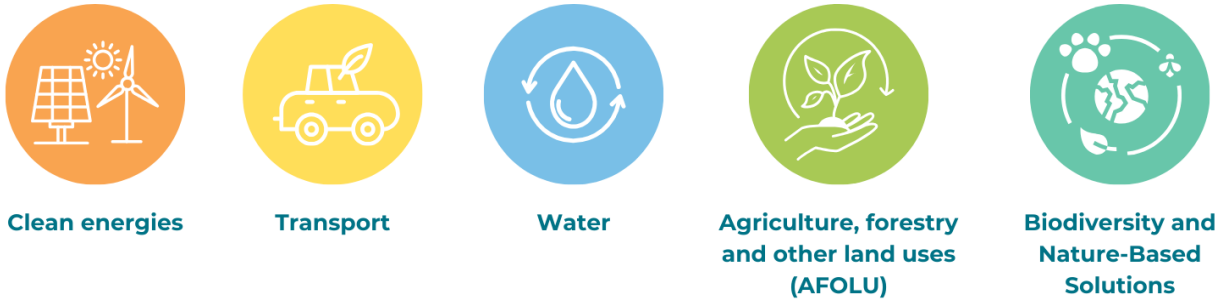
### 3.1.3. Financial instruments

They describe the methods and structures used to channel funds, such as direct financing, public-private partnerships and blended finance. The financial instruments are detailed in the **Glossary of Financial Instruments presented in Annex C**, and contain:

| | | | |
|---|---|---|---|
| Subsidies | Debt at Level Project | Level Capital Project | Debt Subordinate |
| Capital Markets (green bonds, blue, themed) | Financing of Projects | Results-Based Climate Financing (RBCF) | Clearing (Credit Trading) |
| Blended Financing (Blended Finance) | Innovative Financial Instruments | Guarantee | Insurance |
| Debt Swap for Nature/Climate | Corporate Loans | Asset Managers and Owners | Loans Retailers |

### 3.1.4. Priority Sectors

The sectors on which the analysis was focused include:




### 3.1.5. Impact Areas

The analysis also considers the impact areas of the investments, which are fundamental to understanding the contribution of each sector to adaptation, mitigation and biodiversity efforts. The different financing sources identified were grouped by sector considering affinity criteria according to the nature of the activity. The relationship between the priority sectors and their respective impact areas is detailed below.

| | Prioritized Sector | Impact Areas |
|---|---|---|
| | Clean energies | Mitigation |
| | Transport | Mitigation |
| | Water | Cross-cutting |
| | Agriculture, Forestry and other land uses (AFOLU) | Cross-cutting |
| | Biodiversity and Nature-Based Solutions (NBS) | Biodiversity, Adaptation, Mitigation |

All of the above, as a conceptual framework, provide a comprehensive basis for analyzing and understanding the landscape of private financing in the region, ensuring a detailed and accurate evaluation of the actors, sources and financing instruments for climate and biodiversity, as well as its impact on critical areas of adaptation, mitigation and biodiversity.

## 3.2. Definition of Criteria Used for Mapping Actors, Sources and Financing Instruments

To map actors, sources and financing instruments, the following criteria were used:

### 3.2.1. Levels of Funding Sources

To carry out a precise mapping of the financing sources, two levels of financing sources were distinguished: **"Funding source (Level 1)"** and **"Funding source (Level 2)"**. This distinction made it possible to properly identify and evaluate the actors that participate in the financing process, from the initial provision of resources to their direct mobilization to the final beneficiaries.

| | | |
|---|---|---|
| **Funding Source (Level 1)** | This level includes the type of actors from which financial resources are derived.<br><br>**They are those that generate, manage and provide the funds, but do not distribute them directly to the final beneficiaries.** | These actors play a crucial role in the generation and accumulation of capital for climate and biodiversity projects.<br><br>**They provide funds to intermediaries or other actors (level 2) who then mobilize those funds to final beneficiaries.** |
| **Funding Source (Level 2)** | **This level includes the actors that directly provide or mobilize resources to the final beneficiaries.**<br><br>They are intermediaries that receive funds from Level 1 sources and distribute them to specific projects, companies, organizations and other beneficiaries in LAC countries. | These actors play an essential role in the execution and direct financing of projects.<br><br>**They act as channelers, ensuring that funds actually reach projects and activities on the ground.** |

### 3.2.2. Geographic Scope

The Geographic Impact of the financing sources **was analyzed through two criteria:** the regional coverage of the financing sources and the geographical distribution of the investments.

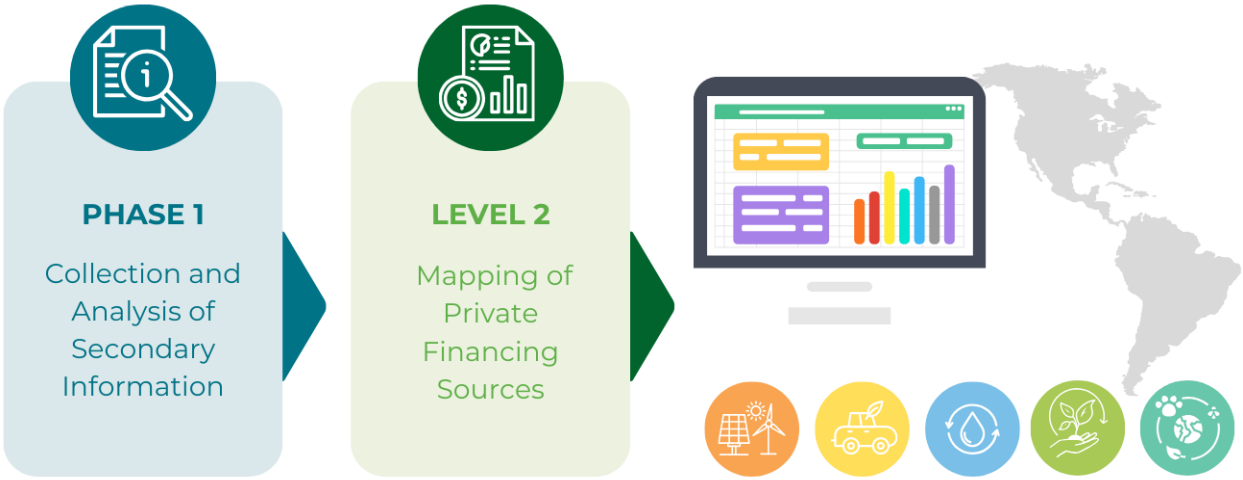
- **Regional Coverage:** focused on those actors and sources with activities in Latin America and the Caribbean (LAC). This criteria was applied to identify the countries where each entity has its headquarters, identifying those financing sources that own offices in the region.
- **Geographic Distribution:** how investments are distributed at the regional and national level was considered, indicating the degree of incidence of financing sources. This analysis determined whether these entities have a global, regional, subregional (Caribbean or Latin America) or national focus. The territorial impact levels considered are described below:

| | |
|---|---|
| **Global**  | Funding sources that operate globally, offering capital and technical support in multiple regions of the world, without a specific focus on Latin America and the Caribbean. |
| | **Example:** Multilateral climate funds that finance projects in various regions of the world, including LAC. |
| **Latin America and the Caribbean (LAC)**  | Funding sources that focus exclusively on Latin America and the Caribbean, providing resources for projects within this region. |
| | **Example:** Regional Development Finance Institutions (DFIs) supporting projects in multiple countries within LAC. |
| **Caribbean** | Funding sources that specialize in supporting projects in Caribbean countries, addressing specific challenges of this subregion. |

| | |
|---|---|
|  | **Example:** Funds that finance climate resilience projects on Caribbean islands. |
| **Latin America**  | Financing sources focused on Latin American countries, excluding the Caribbean, with investments directed to this subregion. |
| | **Example:** Financing programs aimed at Central and South American countries. |
| **Country**  | Financing sources with a specific focus on a particular country within Latin America and the Caribbean. These entities have programs and projects aimed at the specific needs and contexts of a single country. |
| | **Example:** National and commercial Financial Institutions that finance projects within their country of origin. |

## 3.3. Description of Methodological Criteria and Instruments Used for the Information Collection Process, as well as for its Analysis and Prioritization

The methodological process of this analysis was divided into **two main phases**, following an **agile approach that included a continuous feedback process with the EUROCLIMA program and NDC Partnership.** This approach allowed for iterative adjustments and continuous improvement of data analysis and collection, as well as facilitating access to relevant private sector actors for interviews, which helped gather their perspectives and enrich the analysis with first-hand information.




## Phase 1: Collection and Analysis of Secondary Information

The **first phase** consisted of the **collection and analysis of secondary information**, with the objective of mapping the existing literature on private sector financing in the areas of climate and biodiversity in Latin America and the Caribbean. **This bibliographic mapping made it possible to identify, analyze and synthesize the available literature**, revealing trends, gaps in knowledge and opportunities for future research and practical applications. Additionally, it allowed **the development of the conceptual framework for mapping private sector financing flows**.

## Phase 2: Mapping of Private Financing Sources

According to the **bibliographic mapping carried out in phase 1**, we continued with the **second one.** This phase focused on **mapping private financing sources, through the identification and detailed review of relevant entities** .

This phase was developed through a structured methodology that included the following stages:

1. **Identification of Private Financing Sources: A comprehensive identification of private financing sources** was carried out within various categories, such as **multilateral climate funds, national and multilateral Development Financial Institutions (DFIs), pension funds, insurance companies**, among others. Each of the identified entities was reviewed and, **based on the information publicly available on their web pages, the information in the** mapping tool provided by GIZ was completed and updated .

2. **Registry of excel parent entities:** To carry out a precise mapping of the sources of financing in Latin America and the Caribbean (LAC), **two levels were distinguished: "Source of**

**financing (Level 1)" and "Source of financing (Level 2)"** . Level 2 encompasses the actors that mobilize and distribute these resources in LAC, ensuring that the funds effectively reach the final beneficiaries. In addition, **the geographical impact and regional coverage were considered**, prioritizing those sources with significant activities in LAC and evaluating the distribution of investments in priority sectors such as **clean energy, transportation, water, agriculture, forestry, biodiversity and nature-based solutions** and its contribution to impact areas such as **adaptation, mitigation and biodiversity.**

3. **Data Analysis:** The collected data was categorized **based on the sectors and criteria** defined above. The main sources of financing were analyzed **to determine where the financial flows come from and what the main financial instruments used are.** This analysis also identified the **priority sectors** to which resources are directed.

4. **Key indicators analyzed:** The mapping of financing sources identified various **types of entities** and **financial instruments**. The **territorial incidence (Caribbean, specific country, global, LAC, Latin America)** was also analyzed in the **sectors prioritized** for this study: **energy, transportation, water, agriculture and biodiversity**, focusing on impact areas such as **mitigation, adaptation, transversal and biodiversity**. These indicators offer a comprehensive view of the dynamics and key actors in climate and biodiversity financing in the region.

5. **Case Study Analysis: Finally, three case studies from the region** were selected and analyzed to understand the interaction of actors and sources of private sector climate finance. The case studies provided **a clearer view of how these mechanisms work in specific contexts**. **The case studies were carried out in two Latin American countries, Colombia and Ecuador,** and one Caribbean country, **Jamaica, considering their particular characteristics and representativeness as developing countries.**

This comprehensive and agile methodological approach allowed for a broader overview of the actors, sources and instruments of private financing in the region, providing a solid basis for the report's analysis and recommendations.

## 3.4. Assumptions and considerations

1. The **scope of this study** focuses on providing an overview **of private sector funding sources for climate change and biodiversity conservation in Latin America and the Caribbean (LAC).** However, it is important to note that the list of funding sources compiled and presented in this report is not exhaustive, but a resource that provides **an overview and some examples of the main types of entities providing private funding.**

Although considerable effort has been made to identify and map a variety of relevant financial actors and mechanisms in the region, **this study should be considered as an informational resource that provides identification of some sources of private sector financing.**

2. **The information is based primarily on publicly available secondary information,** which implies that there may be other sources of financing that have not been identified or included in this analysis, as well as some sources that need to be verified and adjusted.

3. **The list of funding sources mapped and analyzed does not purport to provide complete and up-to-date information at all times.** Due to the dynamic nature of financing and investments in the region, the data presented may change over time**.** Readers are encouraged to **use this report as a starting point and supplement this information with additional research and primary information gathering and consultation to obtain a more complete and up-to-date view of the financing landscape in the region. In this way, the document can evolve and remain a living and relevant resource.**

4. **The results and conclusions presented in this paper should be interpreted in the context of the limitations inherent in the methodology used and the availability of information at the time of the study.**

5. **The scale of incidence of private financing** presents certain challenges in terms of the **specificity of the countries receiving investments.** The mapped data does not allow the exact identification of investment destinations because they were constructed mainly from secondary information. **While it can be inferred that country-based entities tend to invest in their own territory, there is a high degree of uncertainty in these conclusions**. It is crucial to keep this limitation in mind, as attempting to specify the level of investment at the country level can lead to erroneous interpretations.

6. Although the **main focus of this study is private sector finance**, it is important to clarify that in the list of mapped sources **some public sector sources and multilateral climate funds** (in total, 25 Entities) are recorded. The inclusion of these public sources and multilateral climate funds is due to the fact that many times **public funds allow unlocking private climate finance**. **Public and multilateral resources often act as catalysts**, creating the conditions necessary to attract private sector investment and increase the impact of climate finance initiatives.

7. The analysis presented in Section 4.1 of the report **provides an overview of private finance and climate and biodiversity investments in (LAC).** It is important to note that the **database generated and used records a total of 384 entities.** However, the graphs developed **represent only 354 of these entities**, as Multilateral Climate Funds and registered public entities are excluded.

8. The graphs presented in section 4 **take as reference the location of the parent company of each mapped entity.**This methodology allows a better understanding of the geographic distribution of private funding sources, although it is essential to recognize that there may be limitations due to the exclusion of certain entities and the focus on the location of the parent companies. Therefore, **the results should be interpreted in the context of these considerations and the inherent limitations of the methodology used.**

9. Given that this is an **analysis process with publicly available secondary information**, it is highlighted that, in terms of adaptation to climate change, it has not been possible to establish a **correlation of the financial mechanism with a criterion of climate rationality**. So, although this classification is used for some sectors, there is no methodological rigor in the application of these concepts.

10. Given that this is a bibliographic analysis process, it is **highlighted that in terms of adaptation to climate change, it has not been possible to establish a correlation of the financial mechanism with a criterion of climate rationality**. So, although this classification is used for some sectors, there is no methodological rigor in the application of these concepts.

11. For the **identification of the entities and financial instruments** related to the **water sector,** the criterion was used that the financed activities were related to conservation and sustainable management of water basins, investment in water infrastructure mainly, and **information on climate rationality could not be obtained**; therefore, there is no **scientific or methodological rigor to differentiate these investments from climate financing,** beyond the qualitative assumption that these investments contribute to increasing the capacity to adapt to the effects of climate change.

# 4. Characterization of the actors, sources and financial mechanisms of the Private Sector for climate and biodiversity in Latin America and the Caribbean

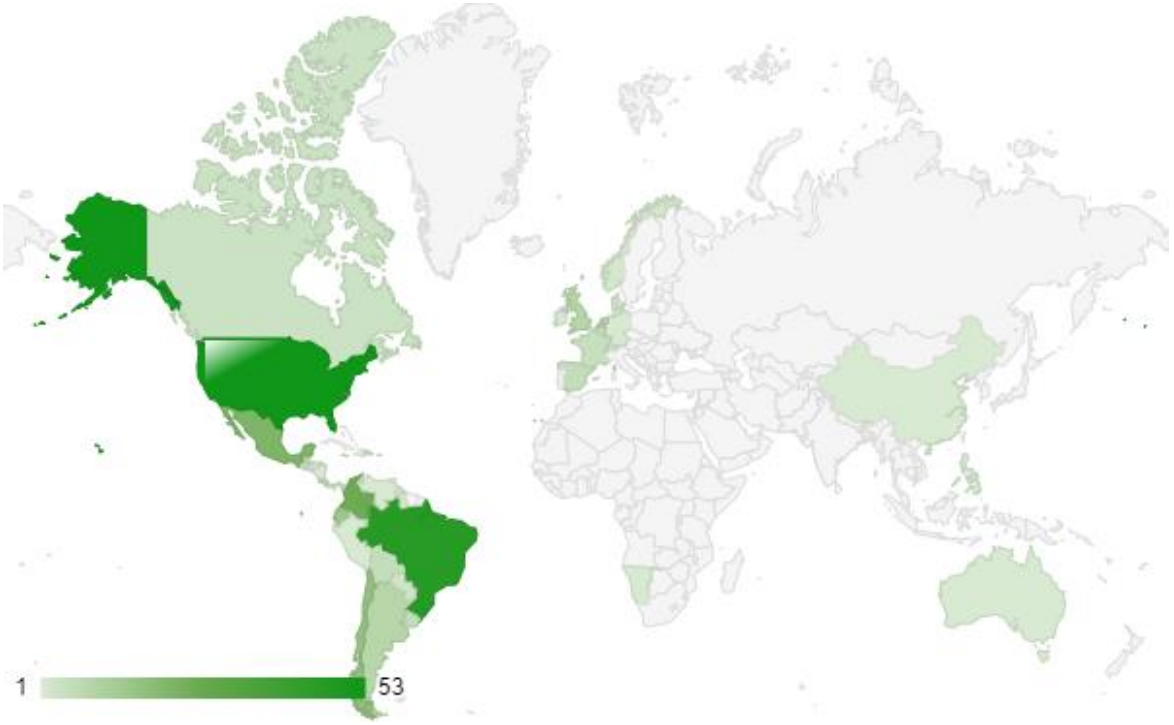
This section presents a **general overview of the mapping** carried out to characterize the **actors, sources and financial instruments of the private sector relevant to the fulfillment of climate and biodiversity goals in the Latin American and Caribbean (LAC) region.** This analysis provides a detailed understanding of how private financing is structured and mobilized in the region, identifying the main sources of financing and the financial instruments used for the priority sectors of the analysis.

## 4.1. Private financing and investments in climate and biodiversity in Latin America and the Caribbean

entities **, both international and national,** are increasingly involved in providing the financial resources necessary for climate mitigation and adaptation initiatives, as well as biodiversity conservation. In this context, **it is essential to understand the geographical distribution** of these private financing sources, as this reveals investment patterns and opportunities for project development in the region. The following graph shows **the location of the headquarters offices of 354 entities that provide and mobilize private sector financing** for climate change and biodiversity from and to Latin America and the Caribbean.

**Figure 1.**

*Geographic distribution of private financing sources*




*Source: Own elaboration, Sureco and Partners (2024)*

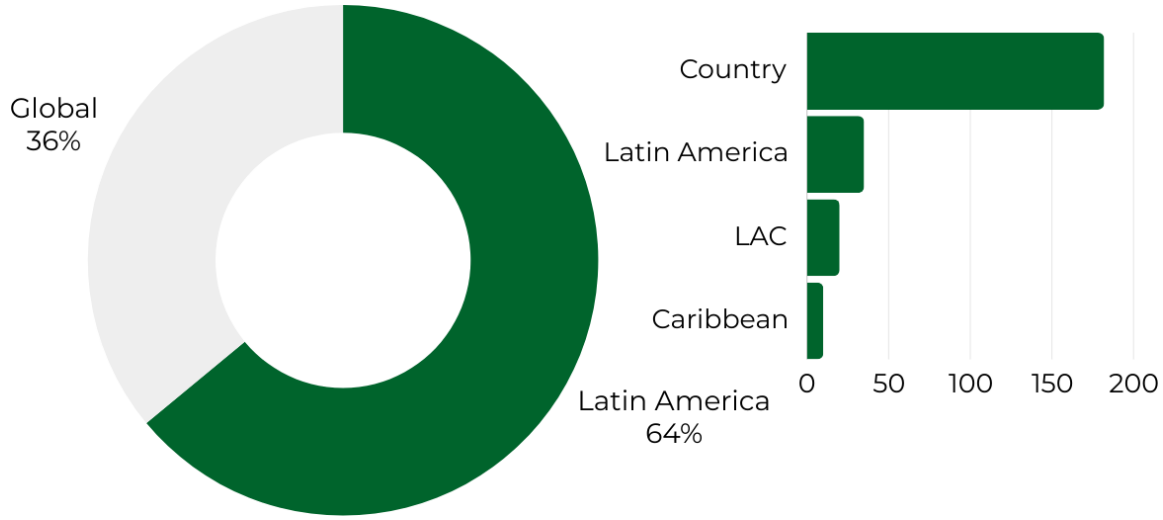
*Grades* **.** The database used for this graph records a total of 384 entities.
However, the graph represents only 354 of these entities, as Multilateral Climate Funds and registered public entities are excluded.
The graph was constructed taking as reference the location of the headquarters of each entity.

Figure 1 shows the geographical distribution of private financing sources, with a greater concentration in **North America, especially in the United States**, indicating the largest number of sources. In **Latin America, Brazil, Mexico and Colombia** stand out with a significant presence of private financing sources. Other South American countries, such as Argentina and Chile, as well as some in Central America, show fewer of these sources. In general, most private financing sources with offices in Latin America are located in Brazil.

According to their geographical scope, as shown in Figure 2. It can be seen that **36% of the mapped financing sources operate globally** , providing capital in multiple regions. Of the remaining **64%** , which focuses **on Latin America and the Caribbean (LAC)** , **9%** is aimed **exclusively at Latin America** and only **3% specializes in the Caribbean.**

**Figure 2.**

*Scale of incidence of financing sources*

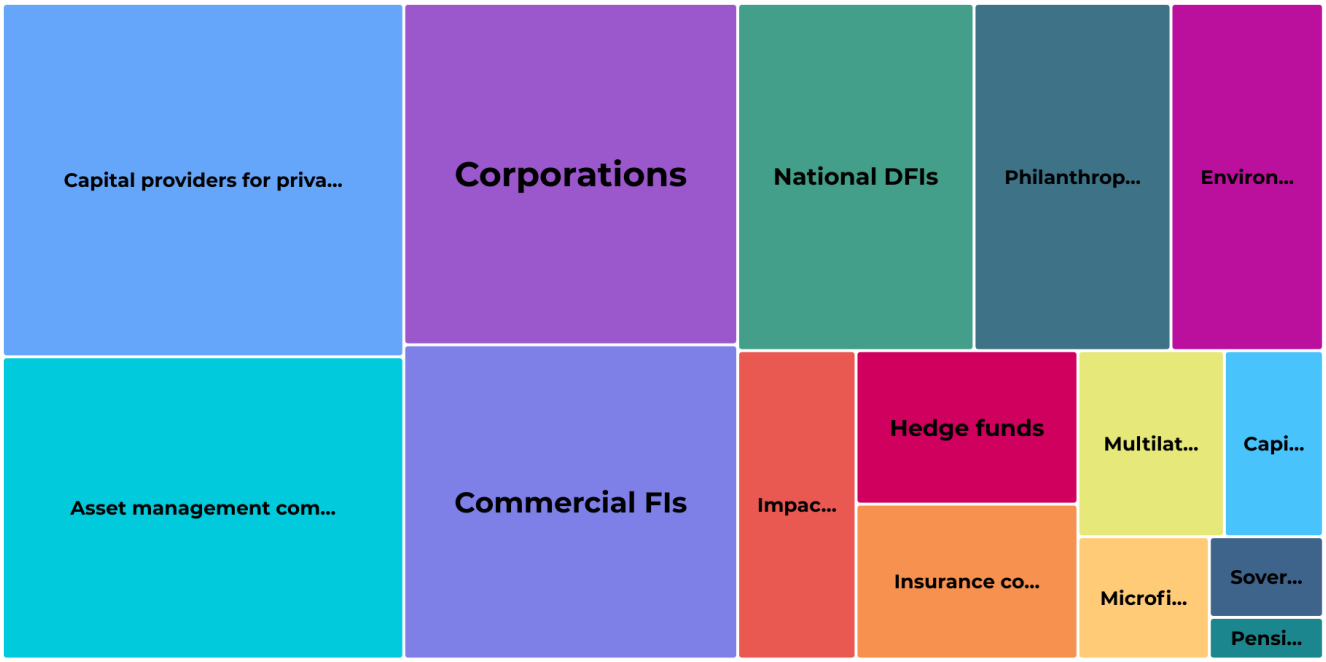



*Source: Own elaboration, Sureco and Partners (2024)*

The following figure presents the structure of the financing sources identified in the analysis, highlighting that the main providers are **private equity entities, corporations, and asset management companies. Commercial financial institutions** and **national development financial institutions**, as well as **philanthropic capital from foundations and NGOs,** also have significant representation. Less numerous but equally important are **Environmental funds, insurance companies, impact funds, multilateral development financial institutions, pension funds, blended finance capital providers and microfinance institutions.** This figure illustrates the diversity and predominance of certain types of entities in the climate and Biodiversity finance ecosystem.

**Figure 3.**

*Structure of actors identified according to the type of entity*




Note. Multilateral/Climate Funds are excluded from this diagram to focus on the private sector in the strict sense.

| | *Entity type* | Amount |
|---|---|---|
| | Capital providers for private equity, angel investor (PE) and venture capital (VC) | 62 |
| | Asset management companies | 53 |
| | Corporations | fifty |
| | Commercial FIs | 46 |
| | National DFIs | 36 |
| | Philanthropic capital (foundations, NGOs) | 30 |
| | Environmental Funds | 23 |
| | Impact funds | 16 |
| | Insurance companies | fifteen |
| | Hedge funds | fifteen |
| | Multilateral DFIs | 12 |
| | Capital providers for blended finance | 8 |
| | Microfinance institutions | 7 |
| | Sovereign wealth funds | 4 |
| | Pension funds | 2 |

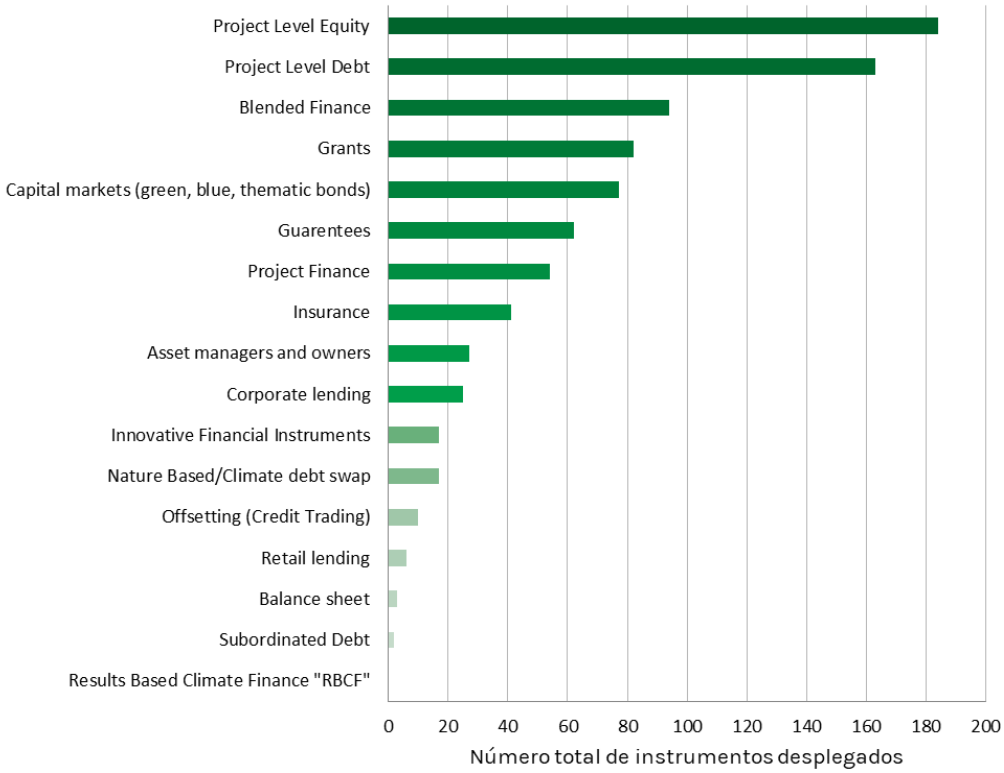
*Source : Own elaboration, Sureco and Partners (2024)*

The financial instruments with the greatest representation in the mapped entities are: **Project Level Capital** and **Project Level Debt**, followed by **Blended Finance**, Subsidies, Capital **Markets** (green,

blue, thematic bonds), **Guarantees** and **Project Financing**. As can be seen in the figure, these instruments stand out as the most used and representative in private financing within the entities analyzed.

**Figure 4.**

*Types of financial instruments used by the mapped entities*



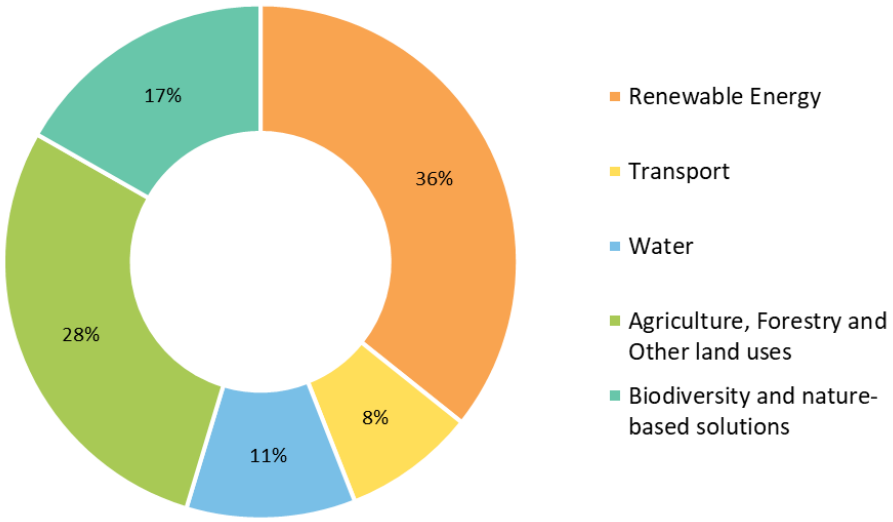

Note. The x-axis represents the number of times each type of financial instrument has been used by the mapped entities. Project-level debt financial instruments include low-cost and market rate categories.

*Source: Own elaboration, Sureco and Partners (2024)*

The percentage distribution of the sectors in which these financing sources invest is presented in figure 4. The **Clean Energy sector** leads with **36%** of the entities that mobilize financing in this sector, indicating a strong focus on the transition towards sources of cleaner energy, followed by the **AFOLU sector** , which represents **28%** . In the **Biodiversity and Nature-based Solutions** sector they invest **17% and in the Water** sector **11% of the sources** have been mapped. Finally, in the **Transport** sector, they invest **8%** of the mapped entities. This analysis shows a clear priority towards clean energies and the sustainable management of natural resources and the territory.

**Figure 5.**

*Sources of financing by sector*




*Source: Own elaboration, Sureco and Partners (2024)*

Below, an analysis of the prioritized sectors and their respective impact areas is presented, along with the summary of the results of the bibliographic identification of the financing sources and financial instruments used in each sector.

### 4.1.1. Clean energies

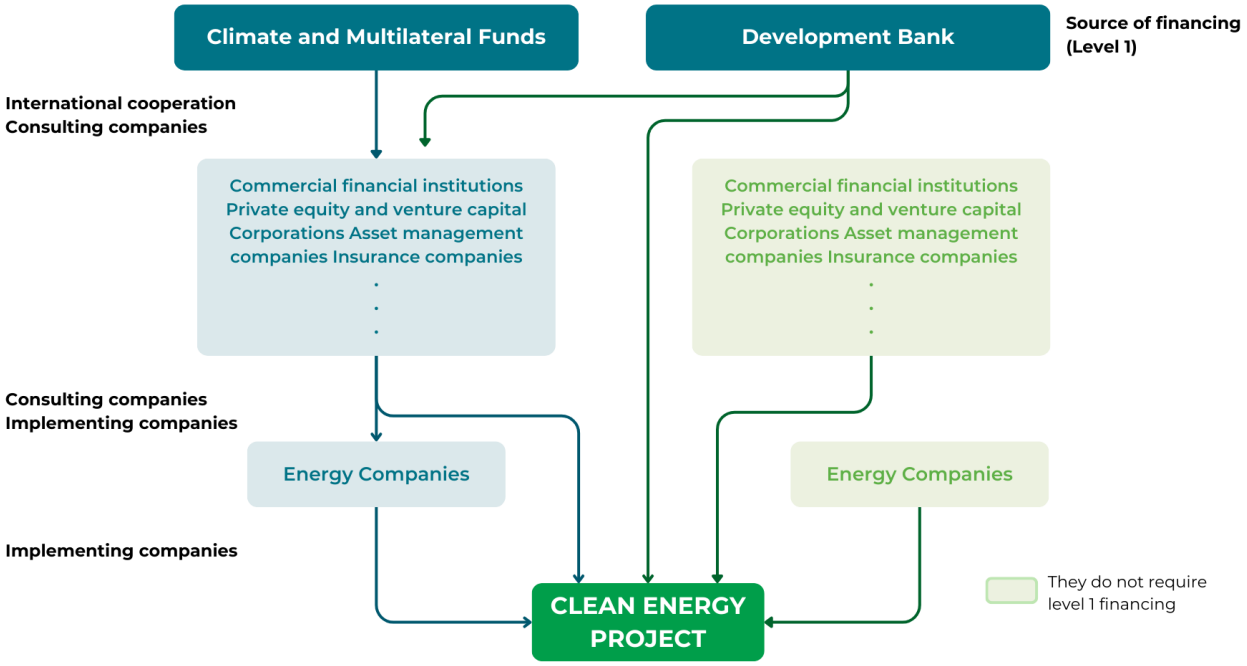
The scheme of actors mentioned in section 3.1.1 includes energy companies, from large companies to Energy Services Companies (ESCOs)[8], with innovative models such as the provision of financing and implementation of energy efficiency solutions, which then are paid with the energy savings generated.

In this way, the scheme of financing actors is summarized in the following figure, where the **entities leverage themselves through Climate Funds, Multilateral Funds and Development Banking** (in blue) or through their **own financing, that is, without need level 1 financing** (in green).

[8]They were not included in the mapping because they are very numerous, small in size, and generally finance very small projects.

**Figure 6.**

*Main actors in private financing in clean energy*



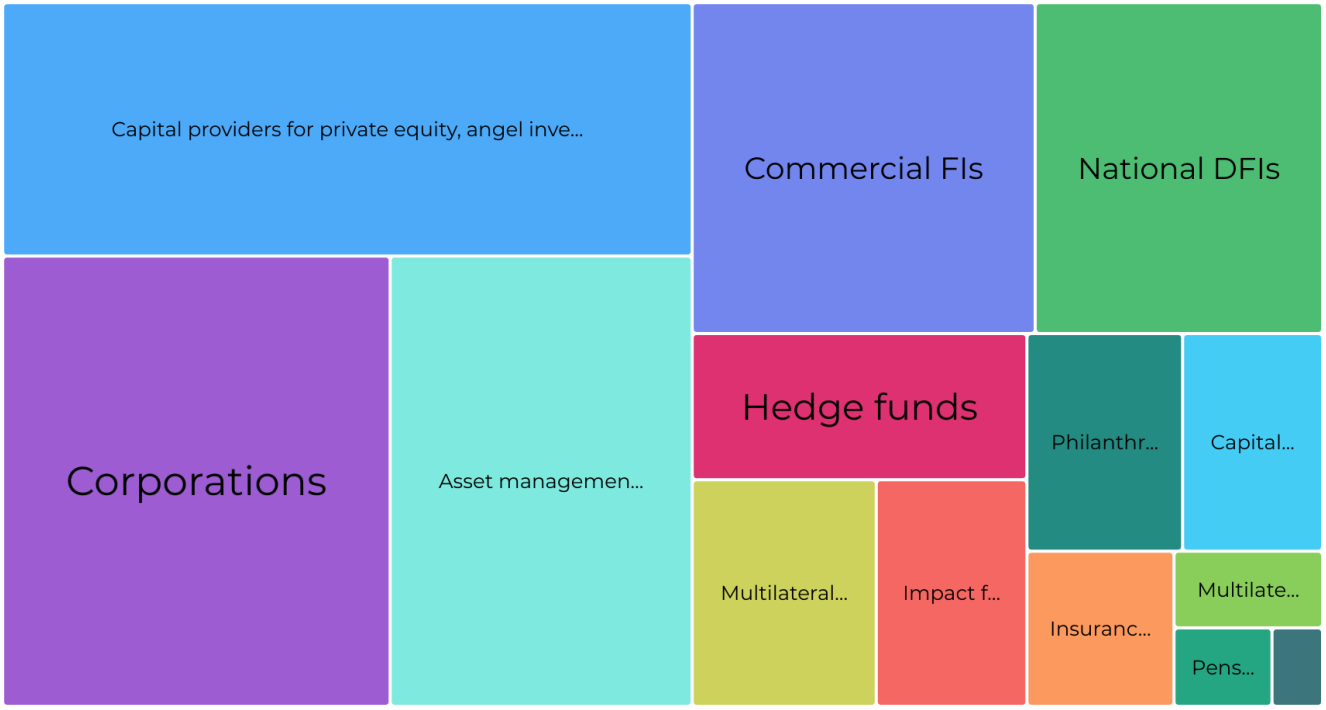

*Source: Own elaboration, Sureco and Partners (2024)*

#### 4.1.1.1. Identification of Financing Sources

From the mapping carried out, 245 actors were found **that finance activities in the clean energy sector,** constituting almost two thirds of the total entities identified. **Almost two-thirds of these entities are divided between corporations, asset management companies, capital providers (PE and VC) and commercial financial institutions**. At a second level, in terms of relative weight, are national development financial institutions, hedge funds and multilateral funds; together, they reach 20% of the identified energy sector entities.

**Figure 7.**

*Structure of actors identified according to the type of entity - Energy Sector*




| | *Entity type* | Amount |
|---|---|---|
| | Capital providers for private equity, angel investor (PE) and venture capital (VC) | 46 |
| | Corporations | 46 |
| | Asset management companies | 36 |
| | Commercial FIs | 30 |
| | National DFIs | 25 |
| | Hedge funds | 13 |
| | Multilateral DFIs | eleven |
| | Philanthropic capital (foundations, NGOs) | 9 |
| | Impact funds | 9 |
| | Capital providers for blended finance | 8 |
| | Insurance companies | 6 |
| | Multilateral/Regional Climate Funds | 3 |
| | Pension funds | 2 |
| | Sovereign wealth funds | 1 |
| | **Grand Total** | **245** |

*Source: Own elaboration, Sureco and Partners (2024)*

Likewise, the actors that participate in the financing of the four main categories according to type of entity can be seen in the following figure, where some finance the assets for themselves, while other entities provide capital for third parties.

**Table 1.**

*Actors by type of entity - Energy Sector*

| Corporations | Capital providers for private equity, angel investor (PE) and venture capital (VC) |
|---|---|
| PwC (PricewaterhouseCoopers) | Albion Capital |
| AES Corporation | Allianz Global Investors |
| Agroland SA | Angel Ventures |
| Arcor Argentina | ARCHECompany |
| Caribbean Solar | Asset Administrator General of Funds SA |
| Dominican CEMEX | ATP Infrastructure Partners |
| Cerrejón | Barn Investment |
| National Brewery Panama | Blue Elephant Energy |
| CERVEPAR | Brookfield Asset Management |
| Progress Company | ChileGlobal Ventures |
| Conaprole | ClearSky |
| Favorite Corporation | Climate Investor One |
| Multi Investment Corporation | Copenhagen Infrastructure Partners |
| Venezuelan Corporation of Guyana | Dalus Capital |
| CrossBoundary | Drys Capital |
| Curtis, Mallet-Prevost, Colt & Mosle LLP | EB Capital |
| CWP Global | FAMA Investments |
| Dalberg | Fidelity International |
| Dhamma Energy | Fifth Wall |
| DLA Piper | FINCA Ventures |
| Drummond Ltd | Flori Ventures |
| Edesur | Global Infrastructure Partners (GIP) |
| EGE Haina | Green Angel Syndicate |
| EY (Ernst & Young Global Limited) | IG4 Capita |
| EY Bolivia | Impact Science Ventures |
| FEMSA Coca-cola | Insurance and Risk Finance Facility |
| GE Vernova | Integral Investimentos |
| Gecelca | KKR |
| Green Guarantee Company | LarrainVial Asset Management |
| Grenlec (Grenada Electricity Services Ltd.) | Mirova Natural Capital |
| Bogotá Energy Group (GEB) | NatureVest |
| Techint Group | Homeland Investments |
| Holcim Ecuador | Positive Ventures |
| Iberdrola Renewables | Princeville Capital |
| ISA | Riverstone Holdings |
| James E. Rogers Energy Access Project at Duke University | Rumbo Ventures |
| Mainstream Renewable Power | Savia Ventures |
| Nevis Electricity Company (NEVLEC) | Seaya Cathay LatAm |

| Corporations | Capital providers for private equity, angel investor (PE) and venture capital (VC) |
|---|---|
| Pampa Energy | Siemens Energy Ventures |
| Pensions For Purpose | Silence VC |
| Promigas | SQM Lithium Ventures |
| SOL Caribbean Ltd. | Sustana Cooling Impact Fund |
| St. Kitts Electricity Company (SKELEC) | SV Latam |
| St. Vincent Electricity Services Limited (VINLEC) | Williams Caribbean Capital |
| Unilever | Williams Renewable Energy Limited |
| Worldwide—The INVEST Project | Zacua Ventures |

| Asset management companies | Commercial FIs |
|---|---|
| Abrdn | AgriFund |
| Aegon | BAC Credomatic |
| Ainda, Energy & Infrastructure | Bradesco Bank |
| Trust Alliance | Davivienda Bank |
| Allianz Global Investors | Banco Davivienda SA |
| Alsis Funds | Bank of Bogota |
| BANCHILE GENERAL FUND ADMINISTRATOR | Production Bank SA Produbanco |
| BB DTVM | Itau Bank |
| BCI Asset Management | Banco Mercantil del Norte, SA Multiple Banking Institution Banorte Financial Group |
| BICE Investments | National Bank of Costa Rica (BNCR) |
| BlackRock | Banco Pichincha CA |
| BV Bank | Promerica Bank (Costa Rica) |
| Climate Capital Partners | Votorantim Bank |
| DIF Capital Partners | Banpro Promerica Group |
| Falcom Asset Management | BBVA |
| Finance In Motion | BCI (Credit and Investment Bank) |
| FORS Capital | Corficolombian |
| SAFI Fortress | Credit Suisse |
| HSBC Asset Management | Enterprise Growth Fund Limited (EGFL) |
| Itaú Asset Management | Finance in Motion |
| LGT Capital Partners | GCS Capital |
| Mexico Infrastructure Partners | GLS Bank |
| Currency | AVAL Group |
| Navi Capital | Heritage Bank |

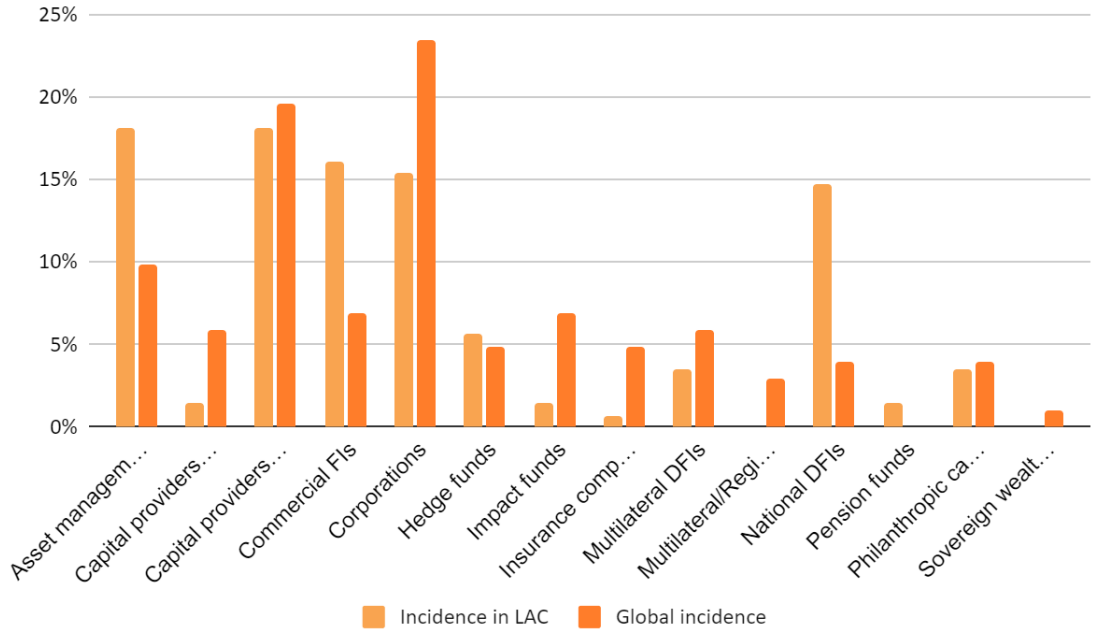
| Asset management companies | Commercial FIs |
|---|---|
| Neo Investimentos | Incofin |
| Nithio | Private financial institutions and savings and credit cooperatives |
| Orbital Farm | Investment Fund for Developing Countries |
| Robeco | Pollination Group |
| SouthLight Capital | Republic Financial Holdings Limited (RFHL) |
| SPX Capital | Storebrand Asset Management |
| Stratus Capital Partners, L.P. | |
| Sura Investment Management | |
| Turim MFO | |
| Vanguard Group | |
| Vector Partners | |

*Source: Own elaboration, Sureco and Partners (2024)*

The structure of entities, depending on the type, differs greatly depending on the origin of the institution, understood as the location of its headquarters. Thus, for example, in the case of actors based in Latin America and the Caribbean, most of the entities are divided between *Asset Management, Capital Providers and Commercial Fis.* On the other hand, in the case of financiers whose headquarters are located outside the continent, *Capital Providers,* Corporations and Multilateral Funds are the institutions that have the greatest presence.

**Figure 8.**

*Structure of actors identified according to types of entity based on the scale of incidence - Energy Sector*



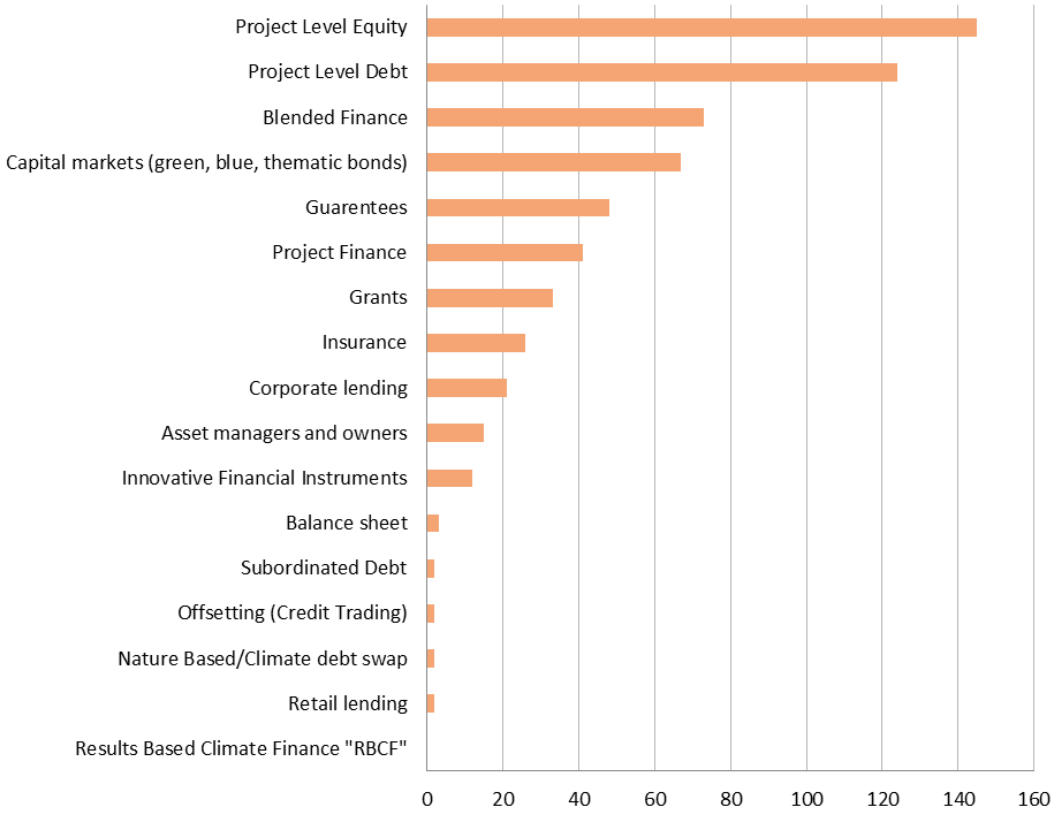

*Source: Own elaboration, Sureco and Partners (2024)*

#### 4.1.1.2. Identification of Financial Instruments

Financing entities in the clean energy sector have, on average, between two and three financial instruments per institution. The two most notable financial instruments available are **Project Level Debt** and **Project Level Equity**; and in second order are **Combined Finance, Capital markets (thematic bonds), Guarentees** and **Project Finance.**

**Figure 9.**

*Types of financial instruments used by the mapped entities - Energy sector*



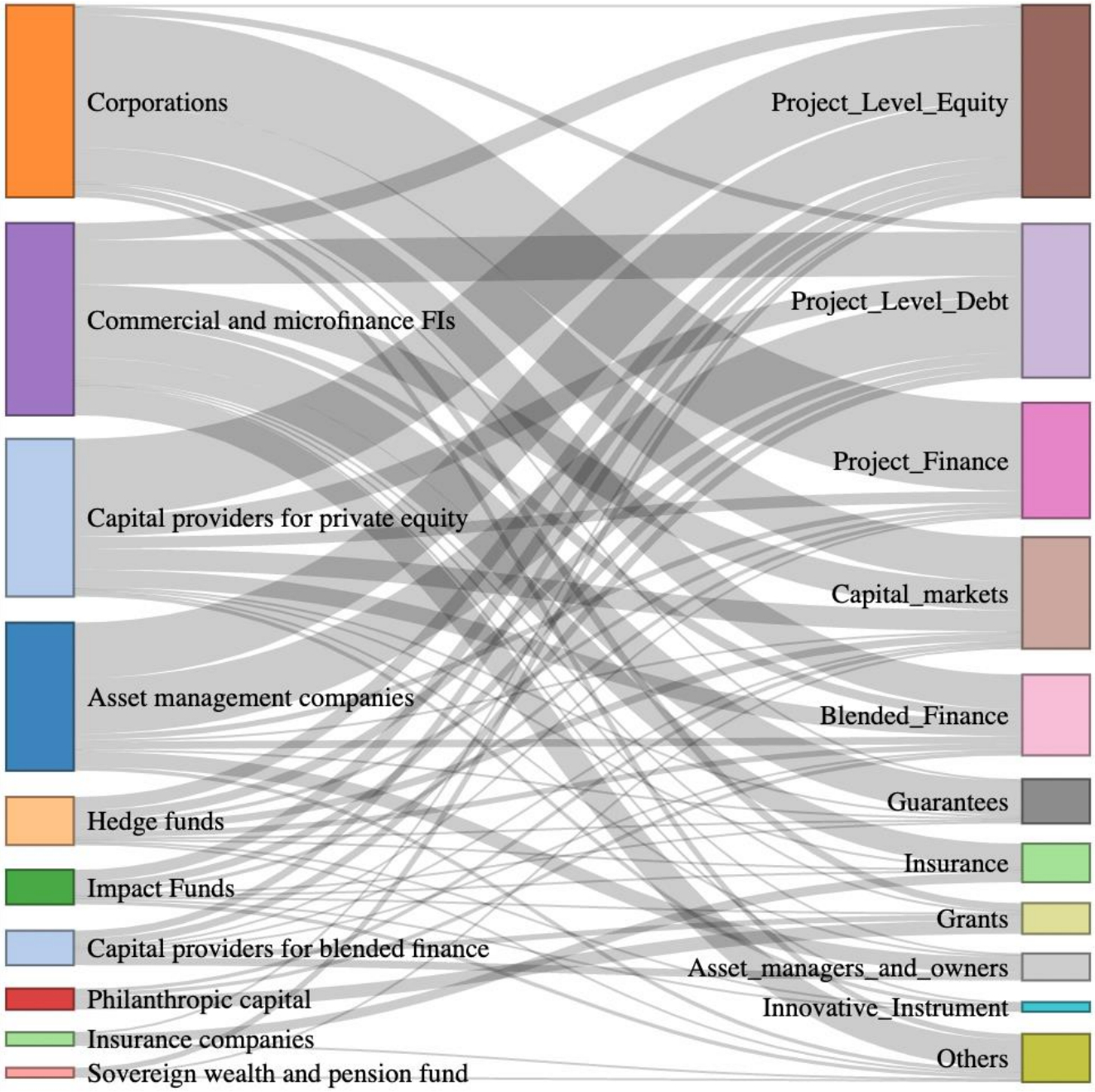

*Source: Own elaboration, Sureco and Partners (2024)*

*Note.* The x-axis represents the number of times each type of financial instrument has been used by the mapped entities. Project-level debt financial instruments include low-cost and market rate categories.

The following flow chart shows through which financial instruments entities mobilize financing towards clean energy. Namely, **corporations, commercial financial institutions, private equity providers and asset management companies,** which are the main players in clean energy financing, use **Project Level Equity, Project Level Debt, Project Finance as their main instruments, thematic bonds and combined finance.**

**Figure 10.**

*Main financial instruments used by different types of entities - Energy Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

Note: The Multilateral DFIs, Multilateral/Climate Funds, the Environmental Funds and the National DFIs are excluded from this diagram to focus on the private sector in the strict sense. Project Level Debt includes Project Level Debt- of which low-cost and Project Level Debt- of which market rate Other financial instruments include Balance Sheet, Results Based Climate Finance "RBCF", Offsetting (Credit Trading), Subordinated Debt, Corporate Lending, Retail lending and Nature Based/Climate debt swap.

#### 4.1.1.3. Geographic Distribution of Investments

Likewise, a high correlation is evident between the origin of the parent companies of the entities and the level of geographic incidence, where most of the actors located outside the continent have global reach, while entities with reach at the country or regional level are usually based in Latin America and the Caribbean.

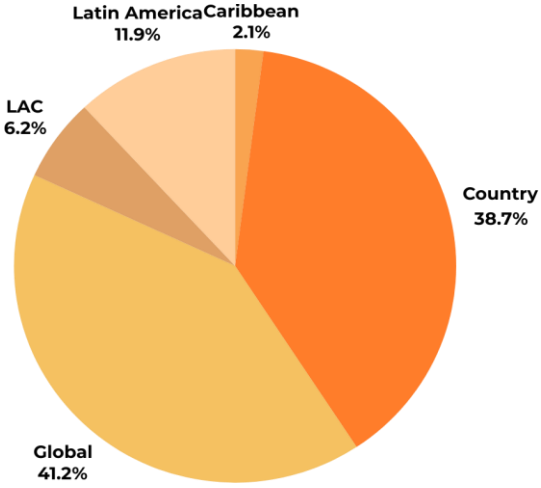



**Figure 11.**
*Incidence scale in clean energy financing*
*Source: Own elaboration, Sureco and Partners (2024)*

### 4.1.2. Transport

The relevant actors in an electromobility project for public transport include national and local governments, which regulate, plan and control the projects, financiers and transport system operators that provide the service. Now, the schemes, characteristics and limitations of private financing for electric mobility in Latin America vary significantly depending on whether it is private transportation or public transportation.

***Table 2.***
*Differences between private and public electric mobility financing*

| | Private Transport | Public transportation |
|---|---|---|
| **Investor Profile** | Individual consumers<br>Retail financial institutions | Transport companies and operators |
| **Financial instruments** | Personal loans<br>Financial leasing | Commercial loans and credits<br>Asset-based financing<br>Bonds |
| **Subsidies and Incentives** | Tax incentives<br>Direct subsidies | Subsidies and tax incentives<br>Access to international funds |
| **Risks** | Credit risk associated with the individual's solvency | Operational risk |
| **Returns** | Individualized returns based on fuel savings | Long-term returns based on reduced operating costs and collection dependencies |

*Source: Own elaboration, Sureco and Partners (2024)*

Financing for individual electric vehicles is designed primarily for individual consumers looking to purchase vehicles for personal use. Commercial banks are the ones that traditionally finance this type of initiatives, through personal loans and financial leases (leasing). In addition, governments often offer tax incentives and direct subsidies for the purchase of electric vehicles, thus reducing the initial cost and making financing more accessible. It is worth mentioning that the risks associated with financing private transportation are mainly related to the solvency of the individual, and the returns focus on the buyer's ability to pay and the fuel savings offered by the electric vehicle.

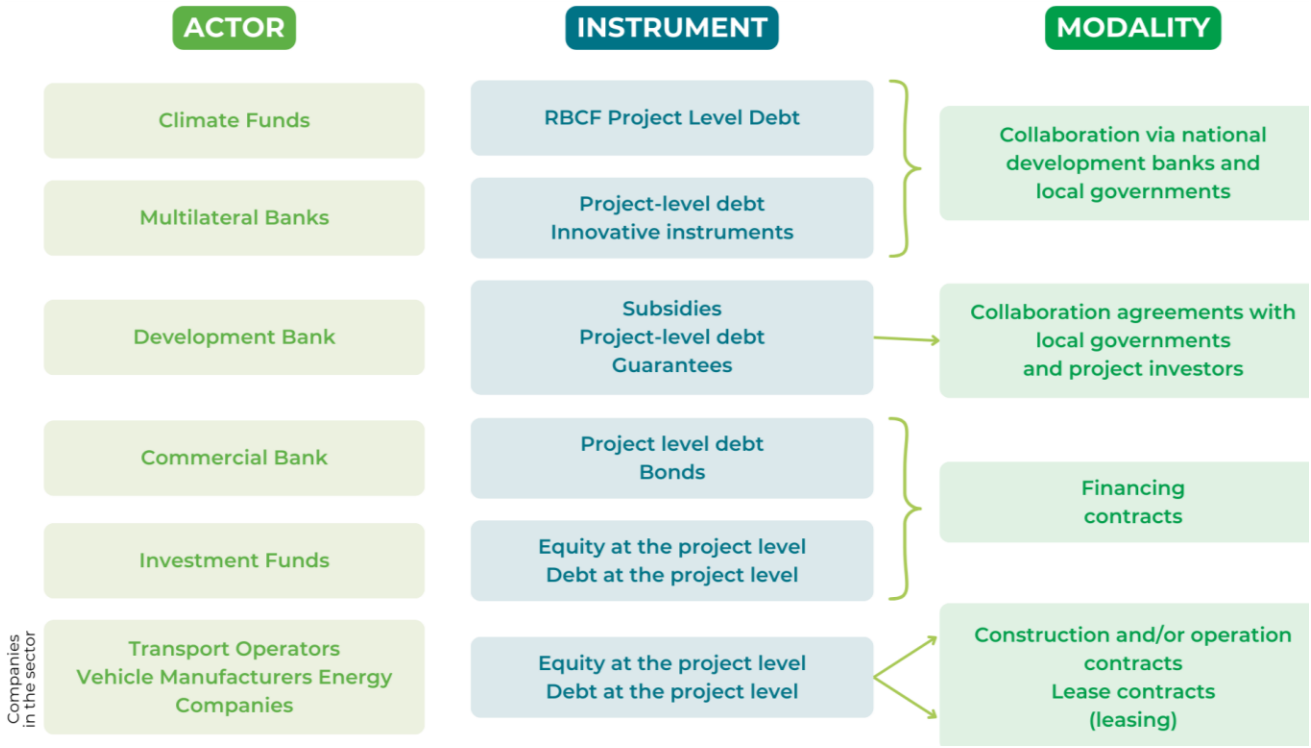
In the case of Public Transportation, financing for electric mobility involves, in addition to the financial sector, transportation companies, energy companies, local governments and fleet operators. Thus, national and local governments are responsible for regulation, planning, authorization of rates and subsidies; The financial sector includes traditional financing actors, however, there are financing models that include energy companies and electric vehicle manufacturers themselves. In the same way, there are those who are generally the beneficiaries: the operators who are in charge of providing the service.

Financial institutions and investment funds, such as development banks and multilateral organizations, play a crucial role in this area, offering commercial credit and loans with more favorable terms and longer amortization periods than those granted for purchases of vehicles for private use. , as well as other more complex financial instruments.

Below, the main actors, financial instruments and financing modalities for public transportation are summarized, adapted to the taxonomy defined for this consultancy.

**Figure 12.**

*Scheme of actors in the financing of electric transportation*



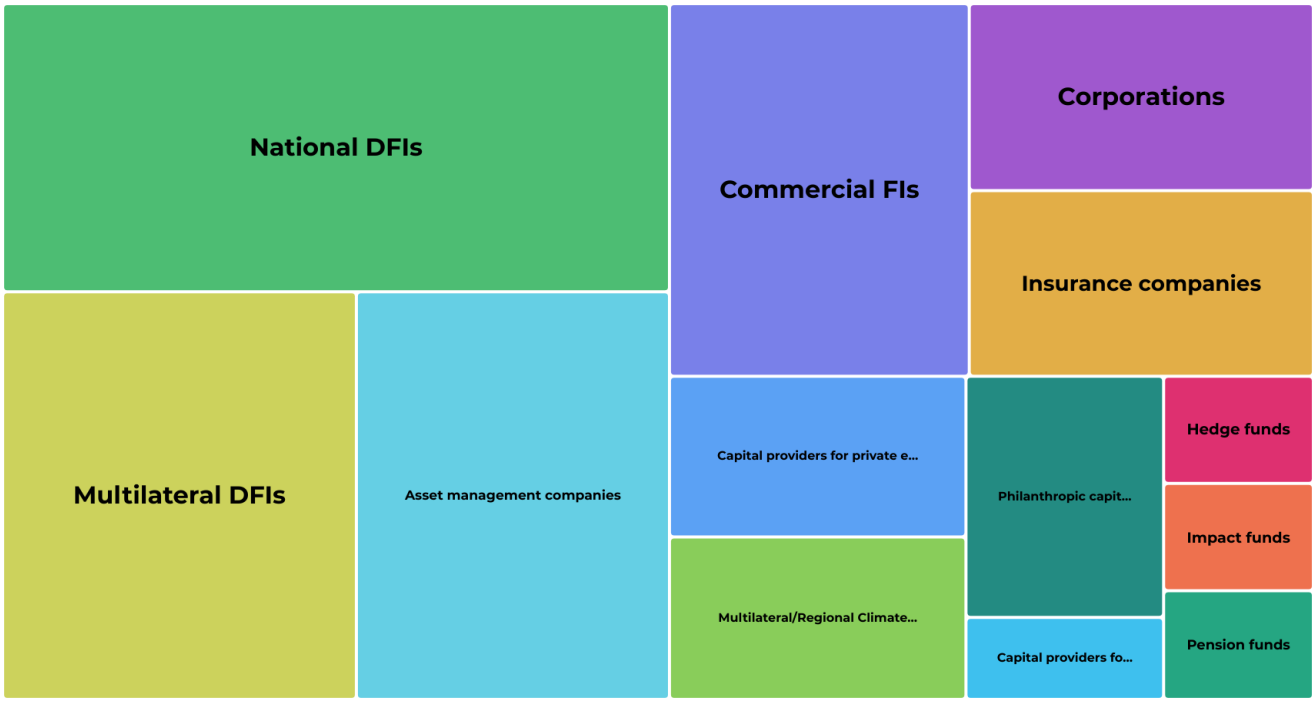

*Source: Own elaboration with data from the GCF (2020).*

#### 4.1.2.1. Identification of Financing Sources

In the mapping carried out, 57 actors that finance activities in the transportation sector were identified, representing approximately 15% of the total entities found. As shown in the figure below, almost two-thirds of these entities are asset management companies, multilateral financial institutions, commercial and development institutions.

**Figure 13.**

*Structure of actors identified according to entity types - Transportation Sector*




| | *Entity type* | Amount |
|---|---|---|
| | National DFIs | 12 |
| | Multilateral DFIs | 9 |
| | Asset management companies | 8 |
| | Commercial FIs | 7 |
| | Insurance companies | 4 |
| | Corporations | 4 |
| | Multilateral/Regional Climate Funds | 3 |
| | Capital providers for private equity, angel investor (PE) and venture capital (VC) | 3 |
| | Philanthropic capital (foundations, NGOs) | 3 |
| | Capital providers for blended finance | 1 |
| | Pension funds | 1 |
| | Hedge funds | 1 |
| | Impact funds | 1 |
| | **Grand Total** | **57** |

*Source: Own elaboration, Sureco and Partners (2024)*

The actors participating in the financing by type of entity for the four main categories of the sector can be seen in the following table.

**Table 3.**

*Actors participating in the financing according to type of entity - Transportation Sector*

| National DFIs | Multilateral DFIs |
|---|---|
| Danish Export Credit Agency EKF | IDB Invest (Inter-American Development Bank - IDB) |
| Foreign Trade Bank SA (BANCOLDEX) | European Investment Bank (EIB) |
| Development Bank of Ecuador (BDE) | International Bank for Reconstruction and Development (IBRD) - World Bank Group |
| Industrial Bank | CAF - Development Bank of Latin America and the Caribbean |
| National Bank of Public Works and Services (BANOBRAS) | Caribbean Development Bank (CDB) |
| Bancóldex | Central American Bank for Economic Integration (CABEI) |
| Caixa Económica Federal (CEF) | Inter-American Corporation for Infrastructure Financing, SA (CIFI) |
| Development Finance Corporation (COFIDE) | International Finance Corporation (IFC) - World Bank Group |
| National Development Corporation (CND) | Proparco |
| Findeter | |
| KfW Development Bank | |
| National Financial (NAFIN) | |

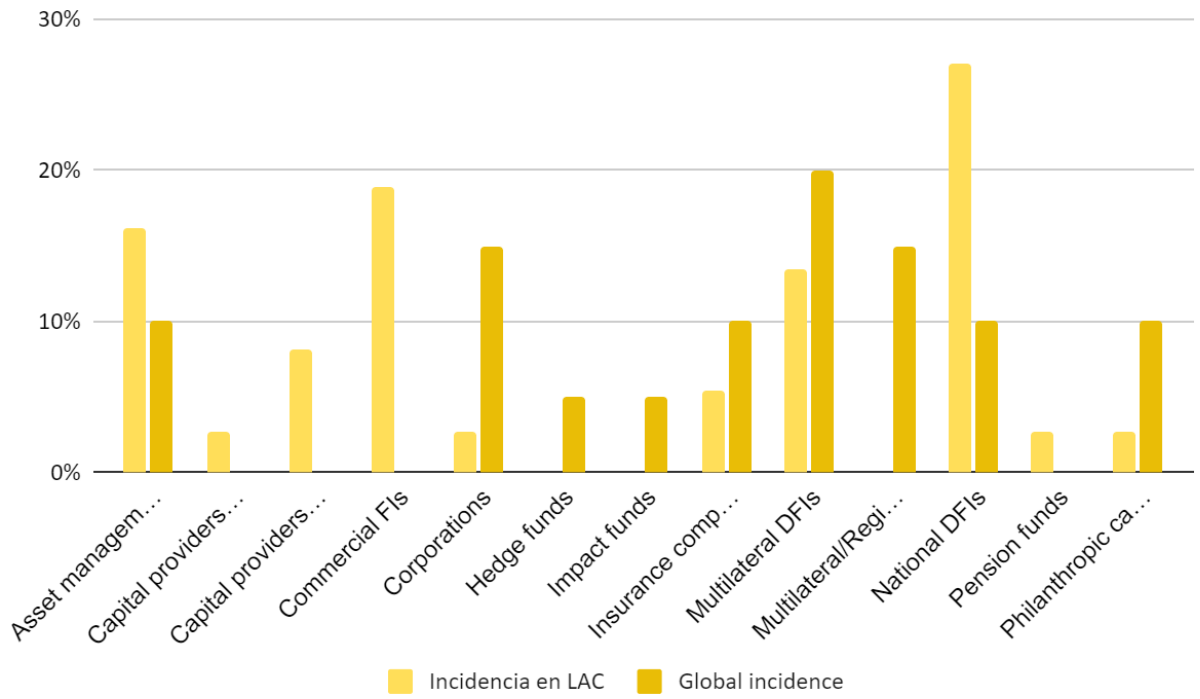
| Asset management companies | Commercial FIs |
|---|---|
| Ainda, Energy & Infrastructure | Davivienda Bank |
| BCI Asset Management | Bank of Bogota |
| BlackRock | Credit Bank of Peru (BCP) |
| DIF Capital Partners | Western Bank |
| Itaú Asset Management | National Bank of Costa Rica (BNCR) |
| LGT Capital Partners | Votorantim Bank |
| Mexico Infrastructure Partners | BBVA |
| Sura Investment Management | |

*Source: Own elaboration, Sureco and Partners (2024)*

The structure of entities according to their type varies considerably depending on the origin of the institution, that is, the location of its main headquarters. In the case of actors located in Latin America and the Caribbean, the majority of entities are distributed among asset management companies, national development financial institutions, commercial financial institutions and pension funds. In contrast, for financiers whose headquarters are outside the continent, multilateral development finance institutions, hedge funds, multilateral and climate funds, and philanthropic capital are the institutions that have the greatest presence.

**Figure 14.**

*Structure of actors identified according to types of entity based on the scale of incidence - Transportation Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

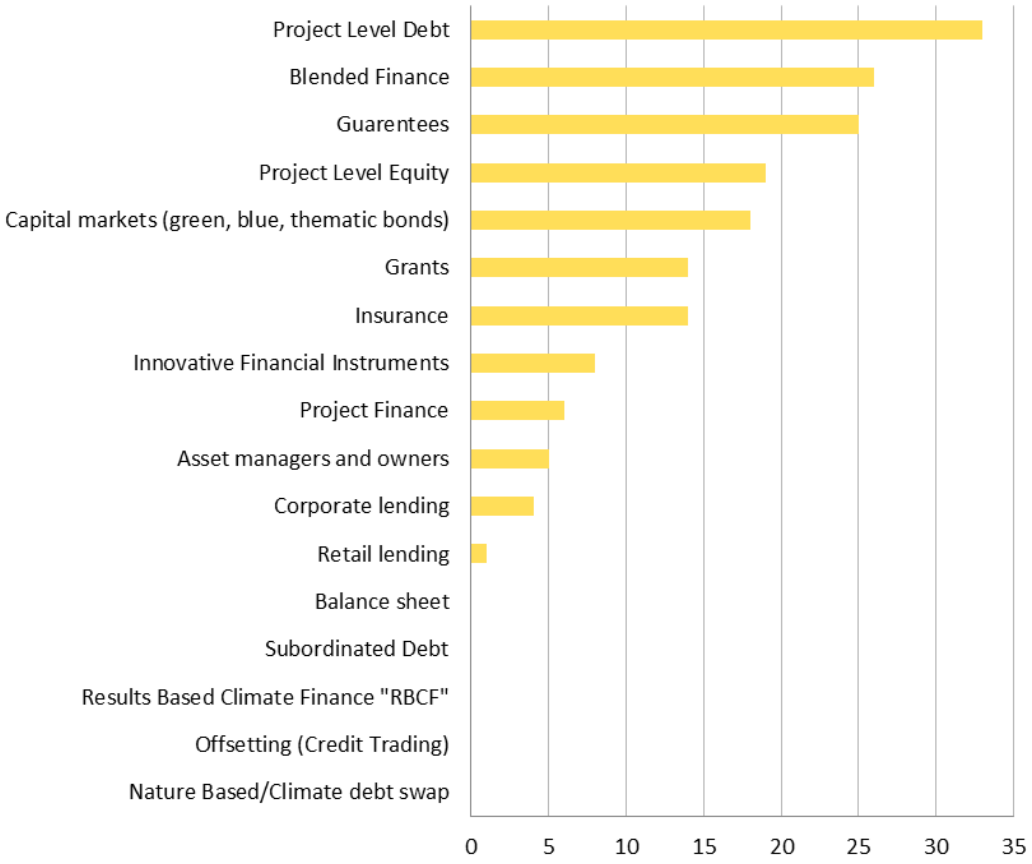
#### 4.1.2.2. Identification of Financial Instruments

Financial entities in the transportation sector have, on average, 3 financial instruments per institution. Of them, 81% also finance initiatives in the clean energy sector, since these are highly interrelated sectors.

More than half of the instruments made available are distributed between Project Level Debt, Blended Finance and Guarantees. These are primarily offered by Multilateral DFIs and National DFIs.

**Figure 15.**

*Types of financial instruments used by the mapped entities* - Transportation sector



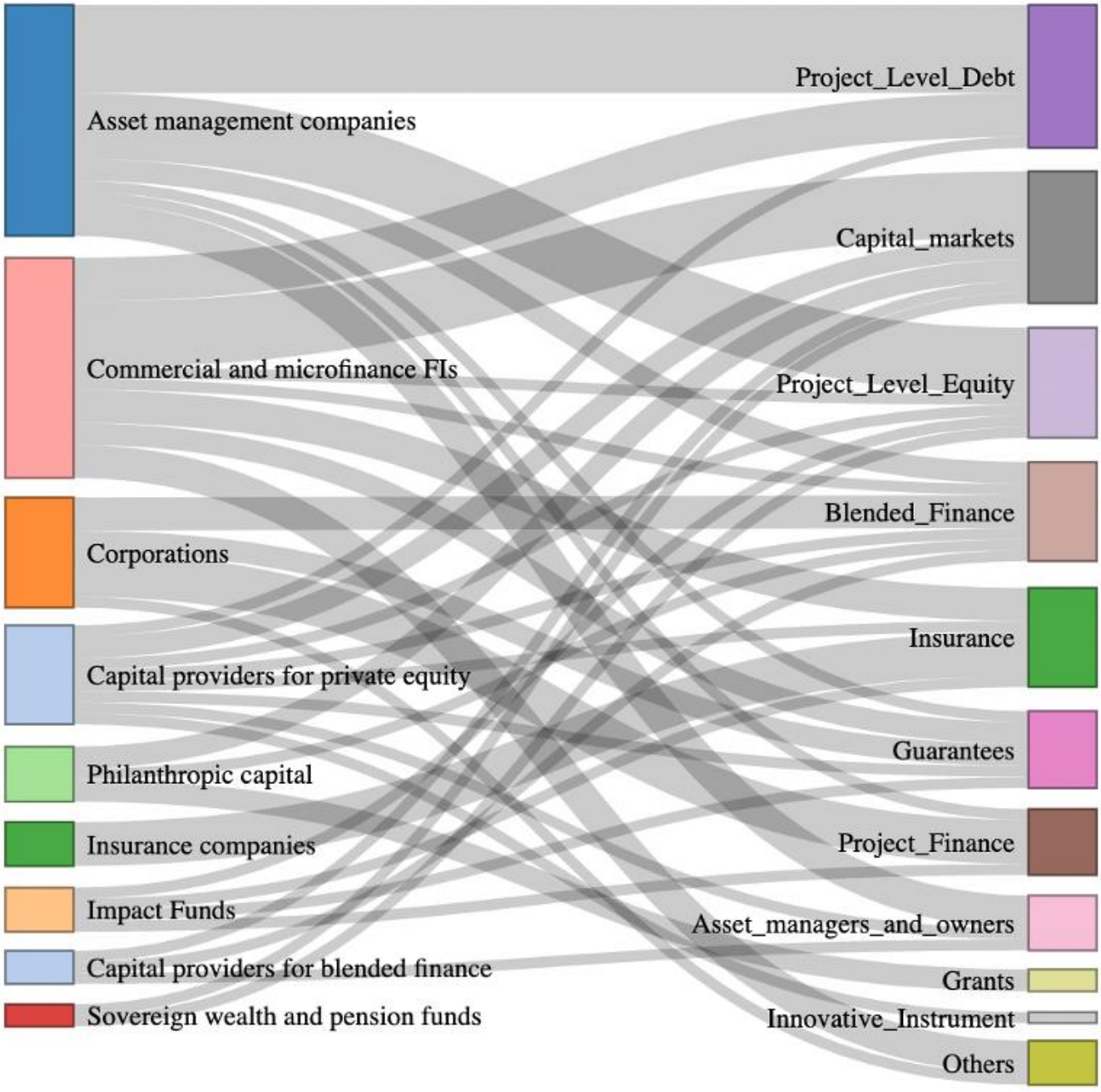

*Source* : *Own elaboration, Sureco and Partners (2024)*

Note. The x-axis represents the number of times each type of financial instrument has been used by the mapped entities. Project-level debt financial instruments include low-cost and market rate categories.

The financing flow of the transportation sector follows a similar logic to that of energy, with Corporations, Commercial Financial Institutions and Asset Management Companies as the main entities and Project Level Debt, Project Level Capital, Thematic Bonds and Combined Finance as the main instruments offered.

**Figure 16.**

*Main financial instruments used by different types of entities - Transportation sector*



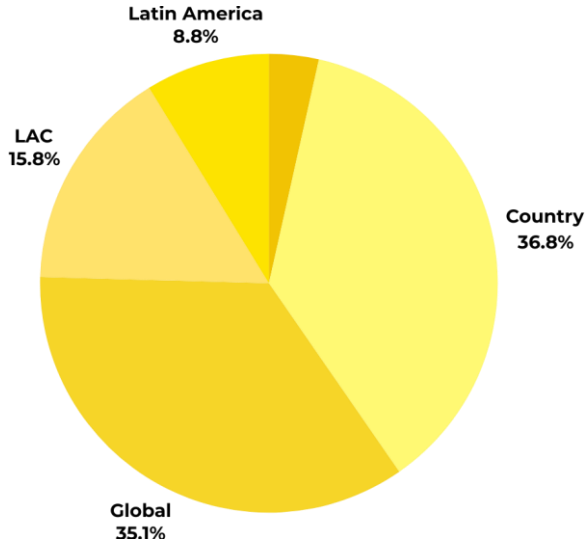

*Source: Own elaboration, Sureco and Partners (2024)*

Note. The Multilateral DFIs, Multilateral/Climate Funds, Environmental Funds and National DFIs are excluded from this diagram to focus on the private sector in the strict sense.

Project Level Debt includes Project Level Debt- of which low-cost and Project Level Debt- of which market rate.

Other financial instruments include Balance Sheet , Results Based Climate Finance "RBCF", Offsetting (Credit Trading), Subordinated Debt, Corporate Lending, Retail lending and Nature Based/Climate debt swap.

#### 4.1.2.3. Geographic Distribution of Investments




Regarding the territorial scope of the entities, a little more than a third of them operate at a global level, covering both Latin America and other regions of the world. 28% of the entities work at the regional level, while the remaining 37% focus on the local level, within their own country. Of the latter, as in the case of the clean energy sector, the majority belong to the largest countries in the region: Brazil, Mexico and Colombia.

**Figure 17.**
*Scale of incidence in the financing of the transportation sector.*
*Source: Own elaboration, Sureco and Partners (2024)*

As expected and similar to what happens in the clean energy sector, a strong correlation is found between the origin of the entities' headquarters and their geographical impact. Thus, most actors based outside the continent have a global reach, while entities with impact at a national or regional level are usually based in Latin America and the Caribbean.

### 4.1.3. Water

The private sector invests significantly in various sub sectors of the water sector, driving both sustainability and resilience to climate change. The sub sectors covered in this analysis include: **water supply and sanitation, wastewater treatment, support for national policies and budgets and capacity development, conservation and management of water basins, sustainable use of water resources and investments in water infrastructure** .

It is important to mention that **private sector investments** in categories such as **water and sanitation, and national budget and policy support are more exceptional** , since these **sectors are mainly oriented towards the public sector.** In these areas, **investments and project implementation are often dominated by government entities** at different levels, such as municipalities and local governments, which have responsibility for managing and financing water and sanitation infrastructure and services. The **private sector, although it participates, does so to a lesser extent and often through public- private partnerships. or as specialized service providers, complementing public efforts and funding.**

On the other hand, **investments in conservation and management of water basins, as well as in the sustainable use of water resources for irrigation and other industrial uses,** are of interest to the private sector, considering the link between the use of the resource as a means of production or way of life.

The following table qualitatively shows the participation interests of the private sector, based on the mapping of actors carried out for investments in the sub sectors that were mapped from bibliographic sources. It should be noted that for this bibliographic analysis there is no supporting information to link climate rationality to the evaluated subsectors.

**Table 4.**

*Subsectors of the Water Sector and Private Sector Participation*

| Subsector | Details of Private Sector Participation |
|---|---|
| **Water Supply and Sanitation** | Dominated by the public sector; private participation through public-private partnerships |
| **Sewage treatment** | Mainly public sector; private participation in specialized services as part of their production processes or as part of their corporate social responsibility. |
| **Support for National Policies and Budgets** | Mainly oriented towards the public sector. |
| **Capacity Development** | Similar to policy support; mostly public |
| **Conservation and Management of Watersheds** | High private investment; promotion of sustainable practices |
| **Sustainable Use of Water Resources** | Strong private interest in industrial efficiency and profitability |
| **Investments in Water Infrastructure*** | Depending on the context, there may be high or low private sector participation |

*Source: Own elaboration, Sureco and Partners (2024)*

*Water infrastructure is considered to be water infrastructure (water supply systems) and hydraulic infrastructure (e.g. dams, multipurpose, canals, etc.)

For the **sectoral analysis focused on the Water Sector within the context of climate change[9] in Latin America and the Caribbean**, the three main categories of actors involved in financing flows are identified (specified in section 3.1.1.). Sources **of private financing** include entities such as **multilateral climate funds, national and multilateral development financial institutions**, **foundations, NGOs, corporations, asset management companies and capital providers for**

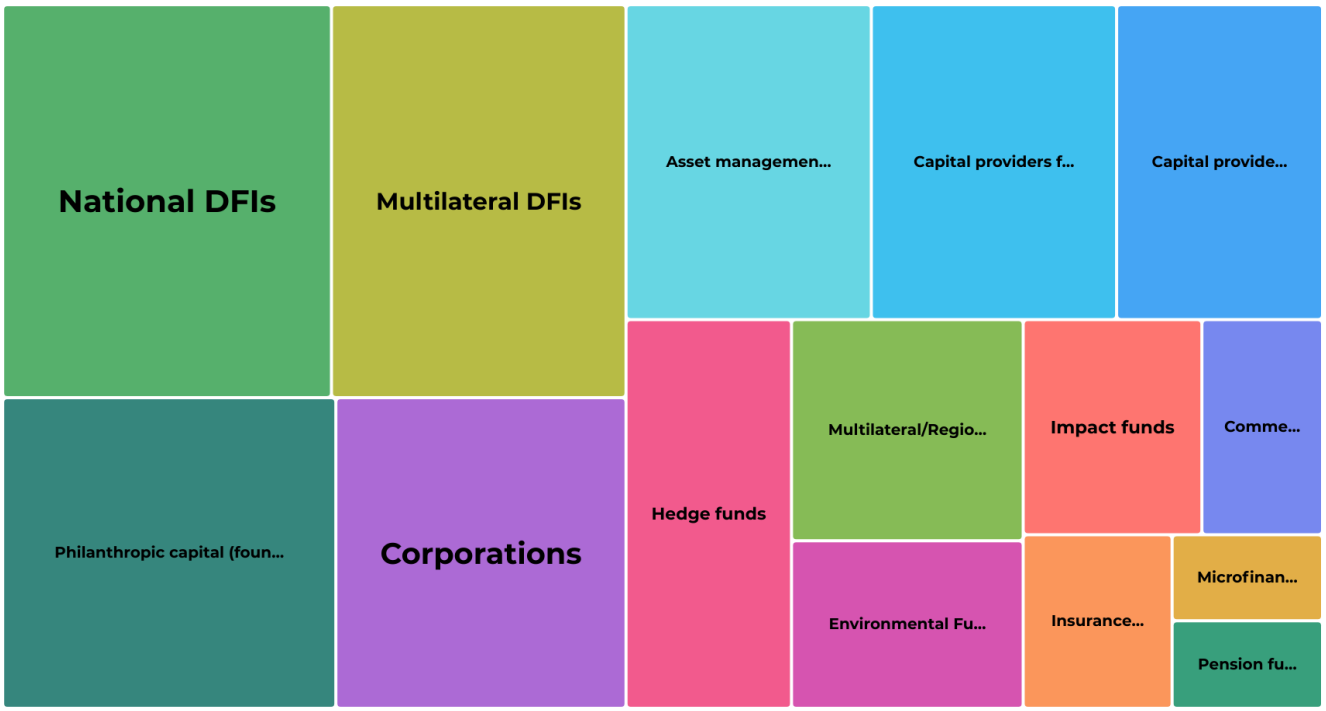
[9] See paragraph 11. Section 3.4. Assumptions and considerations

**blended financing** among others that finance capital for projects in this sector. The **organizations that access financing** include **local governments, environmental NGOs, public service companies and local communities** , responsible for implementing projects that meet climate and biodiversity objectives. Finally, the **entities that facilitate the financing process**, such as international organizations and cooperation agencies that provide technical assistance, training and complementary support, strengthening the capacities of the recipient organizations to ensure the success of the funded projects.

#### 4.1.3.1. Identification of Financing Sources

From the mapping of private financing sources carried out in this study, it was found out that there are **72 entities linked to climate financing in the water sector in Latin America and the Caribbean (LAC)**. As can be seen in the following figure, the entities that predominate, in this sector, considering the number of institutions identified, are: **National and Multilateral Development Financial Institutions (DFIs), philanthropic entities, including and Corporations**. Together, these institutions represent a significant proportion of the total entities identified for this particular sector.

**Figure 18.**
*Structure of actors identified according to the type of entity - Water sector*



| | *Entity type* | Amount |
|---|---|---|
| | National DFIs | 10 |
| | Multilateral DFIs | 9 |
| | Philanthropic capital (foundations, NGOs) | 8 |
| | Corporations | 7 |
| | Asset management companies | 6 |
| | Capital providers for blended finance | 6 |
| | Capital providers for private equity, angel investor (PE) and venture capital (VC) | 5 |
| | Hedge funds | 5 |
| | Multilateral/Regional Climate Funds | 4 |
| | Environmental Funds | 3 |
| | Impact funds | 3 |
| | Commercial FIs | 2 |
| | Insurance companies | 2 |
| | Pension funds | 1 |
| | Microfinance institutions | 1 |
| | **Grand Total** | **72** |

*Source: Own elaboration, Sureco and Partners (2024)*

This analysis highlights the diversity and relevance of private financing sources that mobilize resources for the Water Sector in the region. **The entities that participate in the financing for the four main categories** can be seen in the following table. The rest of the actors can be found in the mapping made in Excel.

**Table 5.**

*Actors by type of entity - Water sector*

| National DFIs | Multilateral DFIs |
|---|---|
| Development Bank of Ecuador (BDE) | IDB Invest (Inter-American Development Bank - IDB) |
| Productive Development Bank (BDP) | European Investment Bank (EIB) |
| National Bank of Public Works and Services (BANOBRAS) | International Bank for Reconstruction and Development (IBRD) - World Bank Group |
| Caixa Económica Federal (CEF) | CAF - Development Bank of Latin America and the Caribbean |
| National Development Corporation (CND) | Caribbean Development Bank (CDB) |
| Development Finance Corporation (DFC) | Central American Bank for Economic Integration (CABEI) |
| Findeter | Inter-American Corporation for Infrastructure Financing, SA (CIFI) |
| FMO (Netherlands Development Finance Company) | European Investment Bank (EIB) |
| Jamaica Social Investment Fund (JSIF) | International Finance Corporation (IFC) - World Bank Group |
| KfW Development Bank | |

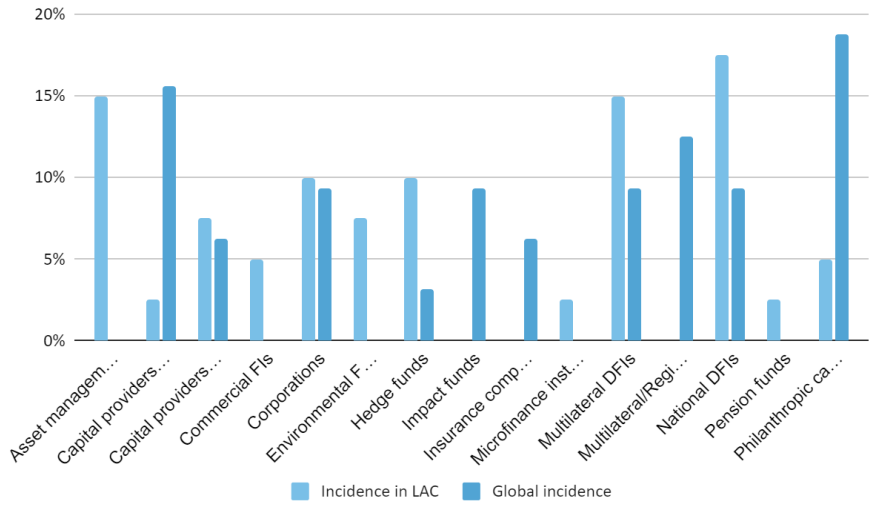
| Philanthropic capital (foundations, NGOs) | Corporations |
|---|---|
| Bezos Earth Fund | Agroland SA |
| CERES Accelerator | Arcor Argentina |
| David and Lucile Packard Foundation | Backus |
| Environmental Foundation of Jamaica | CERVEPAR |
| Espoir Foundation | FEMSA Coca-cola |
| United Hands | Green Guarantee Company |
| Water for People | Unilever |
| Water.org | |

*Source: Own elaboration, Sureco and Partners (2024)*

Now, the structure of the sources according to the type of entity presents different scales of incidence at the LAC level compared to its global incidence. The following figure shows that the mapped **National and Multilateral Development Financial Institutions have a greater incidence at the LAC level compared to their global incidence**. It should be noted that national DFIs with global impact include development banks from the United States and Europe that are financing water projects in LAC. In contrast, **philanthropic capital shows a significantly higher global incidence compared to its specific incidence in LAC,** while **corporations** have a balanced incidence at both the global and regional levels. Finally, regarding asset managers, commercial and microfinance financial institutions, as well as environmental and pension funds, entities with an impact only in LAC are mapped.

**Figure 19.**

*Structure of actors identified according to types of entity based on the scale of incidence - Water sector*



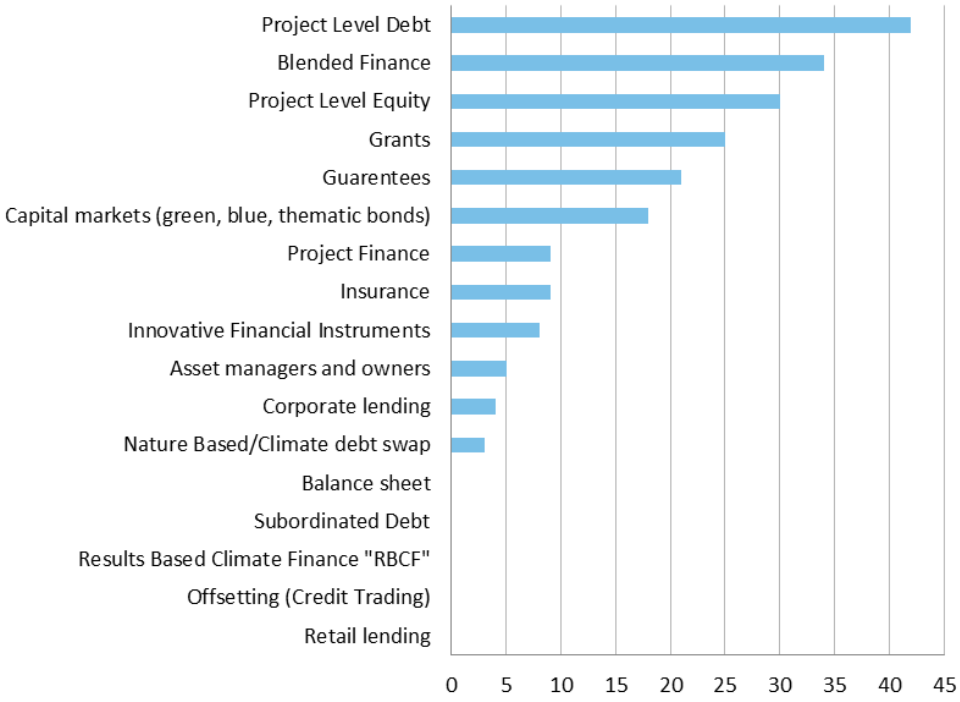

*Source: Own elaboration, Sureco and Partners (2024)*

#### 4.1.3.2. Identification of Financial Instruments

The most used financial instruments in the water sector, according to the information collected, are project level debt (**Project Level Debt**), blended financing (**Blended Finance**) and project level equity (**Project Level Equity**), followed through subsidies (**Grants**), guarantees (**Guarantees**) and capital markets (**green, blue and thematic bonds**). The preference for **the three main financial instruments indicates an investment strategy that seeks to balance risk and return**, as well as maximize financial and environmental impact. Project-level debt allows large infrastructure to be financed on favorable terms or at market rates, while blended financing mixes public and private capital to reduce risks and attract more investment. Project-level capital involves direct profit sharing, encouraging long-term commitment from investors. To a lesser extent, they are distinguished: project financing (Project Finance), insurance (Insurance), innovative financial instruments (Innovative Financial Instruments), asset managers and owners (Asset Managers and Owners) and corporate loans (Corporate Lending).

**Figure 20.**

*Types of financial instruments used by the mapped entities - Water sector*



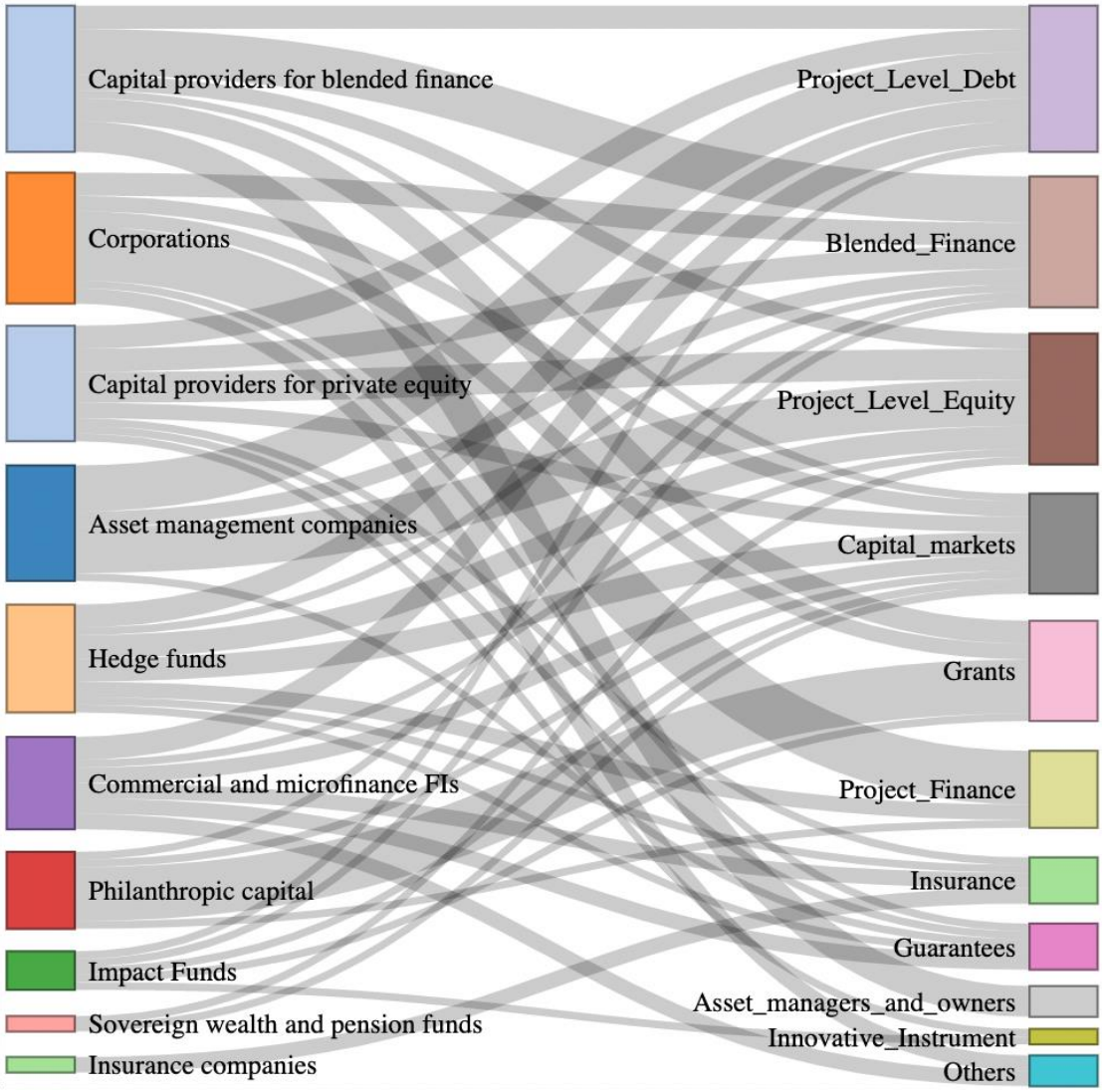

*Source: Own elaboration, Sureco and Partners (2024)*

Note. The x-axis represents the number of times each type of financial instrument has been used by the mapped entities. Project-level debt financial instruments include low-cost and market rate categories.

The following graph relates the types of entities with the type of instrument. As in the previous cases, all actors use many instruments at the same time. From the point of view of the instruments, the guarantees were used only by commercial financial and microfinance institutions and the rest of the instruments, by multiple actors.

**Figure 21.**

*Main financial instruments used by different types of entities - Water sector*




*Source: Own elaboration, Sureco and Partners (2024)*

Note. The Multilateral DFIs, Multilateral/Climate Funds, Environmental Funds and National DFIs are excluded from this diagram to focus on the private sector in the strict sense.

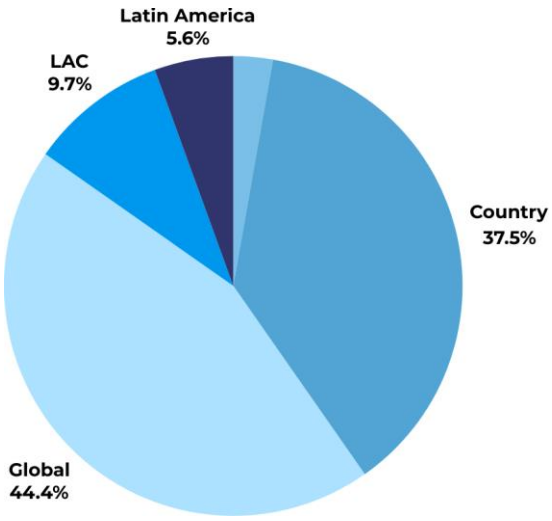
Project Level Debt includes Project Level Debt- of which low-cost and Project Level Debt- of which market rate.
Other financial instruments include Balance Sheet, Results Based Climate Finance "RBCF", Offsetting (Credit Trading), Subordinated Debt, Corporate Lending, Retail lending and Nature Based/Climate debt swap.

The Sankey diagram (Figure 21) presents a complex network of connections between different types of entities and the main financial instruments they use to invest in the water sector, excluding multilateral and national financial institutions. Below is an interpretation of the most notable relationships of the main sources of financing in the sector,

1. **Philanthropic capital:** It leans towards the use of subsidies (Grants), which indicates its role in providing financing that does not seek direct financial return, but rather social and environmental impact. Grants make it possible to finance community and conservation projects that are not attractive to traditional investors due to the lack of immediate financial returns.
2. **Corporations:** These entities tend to use instruments such as project finance, indicating their preference for structured financing. This approach allows them to manage large projects that require significant investments, leveraging long-term financing and securing financial returns through service fees.
3. **Blended Finance Capital Providers:** They use a variety of financial instruments, including project-level debt and equity, as well as blended financing, which demonstrates their strategy of blending different financing sources to mitigate risks and maximize impact. Blended financing allows attracting private investments by complementing public and philanthropic resources, creating a financing structure that makes viable projects with high environmental and social impact that would not otherwise receive sufficient financing.

#### 4.1.3.3. Geographic Distribution of Investments

While it can be inferred that country-based entities tend to invest in projects within their own territory, this conclusion is not definitive. The lack of precise data prevents an exact identification of investment flows to specific countries. Therefore, this analysis is limited to country-level incidence scales, but without specifically identifying recipient countries. The following figure shows the scale of incidence in financing for the water sector.




The graph highlights that most of the financing for the water sector comes from entities with a **global (44.4%)** or **national (37.5%) reach**. In contrast, a smaller proportion focuses on specific regional or sub regional levels. Only a small percentage of entities have a **regional focus in Latin America and the Caribbean (9.7%)** , being **(5.6%) in Latin America**, and only a minority of entities that concentrate exclusively in the **Caribbean (2.8%)**.

**Figure 22.**
*Incidence scale in financing for the water sector*
*Source: Own elaboration, Sureco and Partners (2024)*

### 4.1.4. Agriculture, forestry and other land uses (AFOLU)

#### 4.1.4.1. Identification of Financing Sources

From the investment mapping carried out in this study, it was found that there are 196 actors linked to climate change financing in AFOLU in LAC, which represent around 50% of the total registered entities. As can be seen in the following figure, the entities that predominate, considering the number of institutions identified, are: capital providers, angel investors and venture capital (35 entities); commercial financial institutions (29 entities); national development financial institutions (25 entities) and asset management companies (24 entities). Together, these institutions represent 58% of the total entities identified for this particular sector.

**Figure 23.**

*Structure of actors identified according to the type of entity - AFOLU Sector*


| | *Entity type* | Amount |
|---|---|---|
| | Capital providers for private equity, angel investor (PE) and venture capital (VC) | 35 |
| | Commercial FIs | 29 |
| | National DFIs | 25 |
| | Asset management companies | 24 |
| | Corporations | 19 |
| | Philanthropic capital (foundations, NGOs) | 16 |
| | Impact funds | 9 |
| | Multilateral DFIs | 8 |
| | Environmental Funds | 7 |
| | Insurance companies | 7 |
| | Microfinance institutions | 5 |
| | Capital providers for blended finance | 5 |
| | Multilateral/Regional Climate Funds | 4 |
| | Hedge funds | 3 |
| | **Grand Total** | **196** |

*Source: Own elaboration, Sureco and Partners (2024)*

As in the previous cases, this analysis shows the diversity and relevance of private financing sources in the financing of climate change mitigation and adaptation linked to AFOLU. The main actors

participating in the financing according to the four main types of entity can be seen in the following tables. The rest of the actors can be found in the mapping made in Excel.

**Table 6.**

*Actors by type of entity - AFOLU Sector*

| Capital providers for private equity, angel investor (PE) and venture capital (VC) | Commercial FIs |
|---|---|
| Antom | Antigua Commercial Bank |
| Aqua Capital | BAC Credomatic |
| Arpeggio | Atlantida Bank |
| Asset Administrator General of Funds SA | Bradesco Bank |
| ATP Infrastructure Partners | Banco Davivienda SA |
| Barn Investment | Rural Development Bank SA (BANRURAL) |
| ChileGlobal Ventures | Itau Bank |
| ClearSky | Banco Mercantil del Norte, SA Multiple Banking Institution Grupo Financiero Banorte. |
| Dalus Capital | National Bank of Costa Rica (BNCR) |
| Demeter Capital | Banco Pichincha CA |
| EB Capital | Agricultural bank |
| Fifth Wall | Bancolombia |
| FINCA Ventures | Banpro Promerica Group |
| Fund of Funds | Credit Suisse |
| El Salvador Environmental Investment Fund | Ecobusiness Fund |
| Green Angel Syndicate | Enterprise Growth Fund Limited (EGFL) |
| Ecoagro Group | Finance in Motion |
| Impact Science Ventures | GCS Capital |
| Impact VC | GraceKennedy Financial Group |
| Insurance and Risk Finance Facility | Heritage Bank |
| Kijani Investimentos | Incofin |
| Mandi Ventures | Private financial institutions and savings and credit cooperatives |
| Mercy Corps Ventures | Investment Fund for Developing Countries |
| NatureVest | JN Bank Small Business Loans Limited |
| Nazca Venture | Mercantile Banco Universal |
| Outcast Capital | Noon Capital Partners Assessoria e Gestão de Resources Ltda. |
| Positive Ventures | Pollination Group |
| Princeville Capital | Rabobank |
| Regenera Ventures Fund | Sagicor Bank |
| Riverstone Holdings | |
| Rumbo Ventures | |
| Savia Ventures | |

| Capital providers for private equity, angel investor (PE) and venture capital (VC) | Commercial FIs |
|---|---|
| SF500 | |
| SV Latam | |
| Zentynel | |

| National DFIs | Asset management companies |
|---|---|
| Costa Rica Development Bank (SDB) | AGBI Real Assets |
| Development Bank of Ecuador (BDE) | AGROCAPITAL |
| Productive Development Bank (BDP) | Forestry Agroenterprise (AF) |
| Production Promotion Bank (BFP) | BB DTVM |
| Investment and Foreign Trade Bank (BICE) | BCI Asset Management |
| ProCredit Bank Ecuador | SAFI Capital |
| Ecuador Solidarity Bank | Climate Capital Partners |
| State Bank | Climate Asset Management |
| Caixa Económica Federal (CEF) | Livestock Connection |
| October 29 Cooperative | Credit Suisse |
| Jardín Azuayo Savings and Credit Cooperative | Falcom Asset Management |
| Development Finance Corporation (COFIDE) | Fame re.capital |
| National Financial Corporation (CFN) | FiduOccident |
| Development Bank of Jamaica (DBJ) | FORS Capital |
| Development Bank of Jamaica Limited | SAFI Fortress |
| Development Bank of St. Kitts and Nevis (DBSKN) | SURA Group |
| Development Finance Corporation (DFC) | HSBC Asset Management |
| Dominica Agricultural Industrial and Development Bank (AID Bank) | Lacan Ativos Reais |
| Fiduprevisora SA | Pollination |
| FINCA Ecuador | SPX Capital |
| FMO (Netherlands Development Finance Company) | Stratus Capital Partners, L.P. |
| Grenada Development Bank (GDB) | SulAmérica Investimentos DTVM SA |
| Jamaica Social Investment Fund (JSIF) | TOESCA AGRI ESG INVESTMENT FUND |
| KfW Development Bank | Vanguard Group |
| National Financial (NAFIN) | Forestry TRG Argentina (TRG) |
| | Global Forest Partners (GFP) |

*Source: Own elaboration, Sureco and Partners (2024)*

All of these actors are financiers and many of them work together with other institutions to develop their financial products (see chapter 4.3). This depends in particular on the type of financial instrument they use, since there are some that are more complex than others.

On the other hand, although there are actors who are specifically linked to the forestry subsector, there are others who refer to AFOLU in general, so the information was not divided between forestry and the rest of AFOLU.

In the particular case of the forestry plantation sector, it is one of the sectors with the greatest participation of the private sector and forestry funds play an important role. On the other hand, voluntary carbon markets (MVC) and the REDD+ mechanism play a relevant role in financing conservation and the fight against climate change; however, their analysis requires a greater level of depth, since their degree of evolution. The authorized actors and the way in which they operate depends closely on the legal framework of each country, therefore it is recommended to generate specific complementary studies.

In the case of payment for results under the REDD+ mechanism, there is an evolution of financing sources that now go beyond the GCF, but through the concept of carbon credits, payment is made for the results of GHG emissions reduction. In recent years, the jurisdictional and project-based REDD+ approach has evolved, and through initiatives such as the LEAF coalition made up of the United Kingdom, the USA and the UK and operated by the NGO Emergent, greater participation of the private sector is promoted to use carbon credits. as compensation mechanisms for GHG emissions, which allow financing for conservation and restoration to be channeled to national and subnational governments, communities or private project owners. In this sense, countries such as Brazil, Costa Rica, Ecuador, Guyana, Bolivia, Panama, Chile, Paraguay have been promoting the implementation of REDD+ with the objective of obtaining payment for results for reducing deforestation, however there is a different degree of progress In each one.

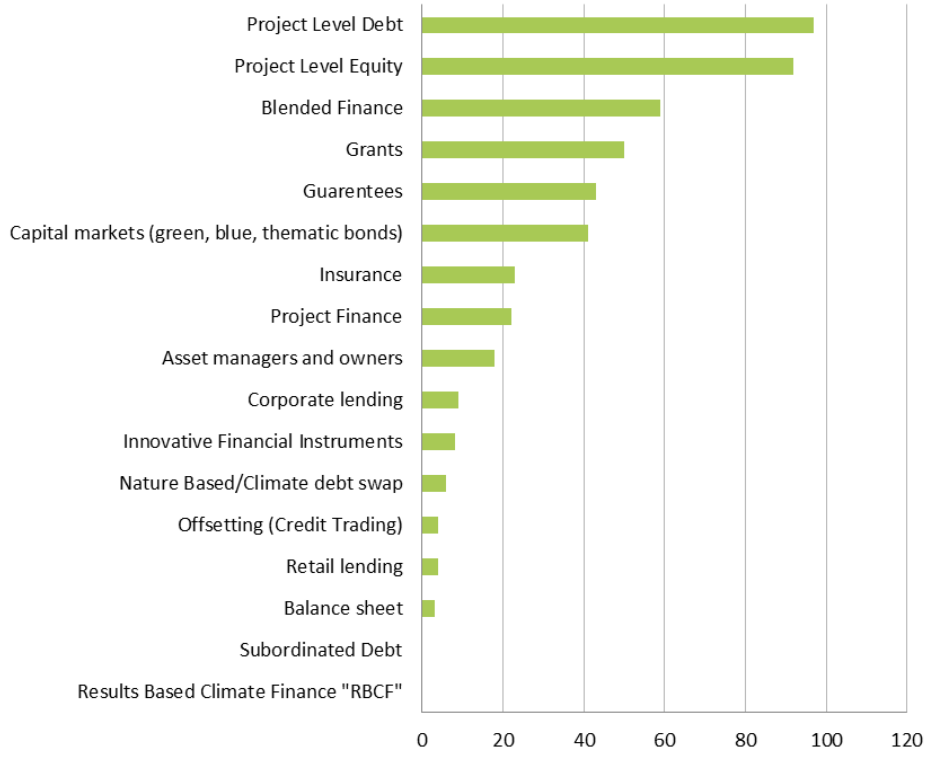
Meanwhile, it is also worth clarifying that although microfinance is important in the financing of agriculture, these actors were not highlighted in the survey carried out. Some examples were identified in Ecuador, such as the National Corporation of Popular and Solidarity Finance (CONAFIPS, a second-tier bank serving the actors of the popular and solidarity economy), Banco Codesarrollo and Faces Microfinanzas. These last two are part of the Association of Microfinance Institutions (ASOMIF). Six other institutions also belong to this association, but when searching for information on their respective pages, no evidence was found that they are financing climate change or biodiversity activities. There is also the ASOMIF of Peru, made up of 19 institutions. It is working on environmental issues, but there is still no information on the institutions' pages about green or sustainable financial products. Associations, therefore, are helping these issues be incorporated into financial institutions, although they still seem to be in the first steps. Along the same lines, there is also a Sustainable Finance Taxonomy Working Group in Latin America and the Caribbean (GTT-ALC) , which is working on the development of a green taxonomy, which will facilitate the process of integrating environmental issues. in financing.

#### 4.1.4.2. Identification of Financial Instruments

As can be seen in the following figure, the instruments that predominate in AFOLU financing in LAC are Project Level Debt and Project Level Equity, with almost 100 appearances in each case. Third, the most recent Blended Finance instruments stand out. Fourth and fifth, traditional instruments reappear, such as donations and guarantees. They are followed by Capital Markets instruments (green, blue, thematic bonds). Then, there are traditional instruments, but the presence of some examples of other more innovative instruments can also be found, such as Innovative Financial Instruments (which include, for example, crowdfunding, securitization of climate-related assets, among others), Nature Based/Climate debt swap and Offsetting.

**Figure 24.**

*Types of financial instruments used by the mapped entities - AFOLU Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

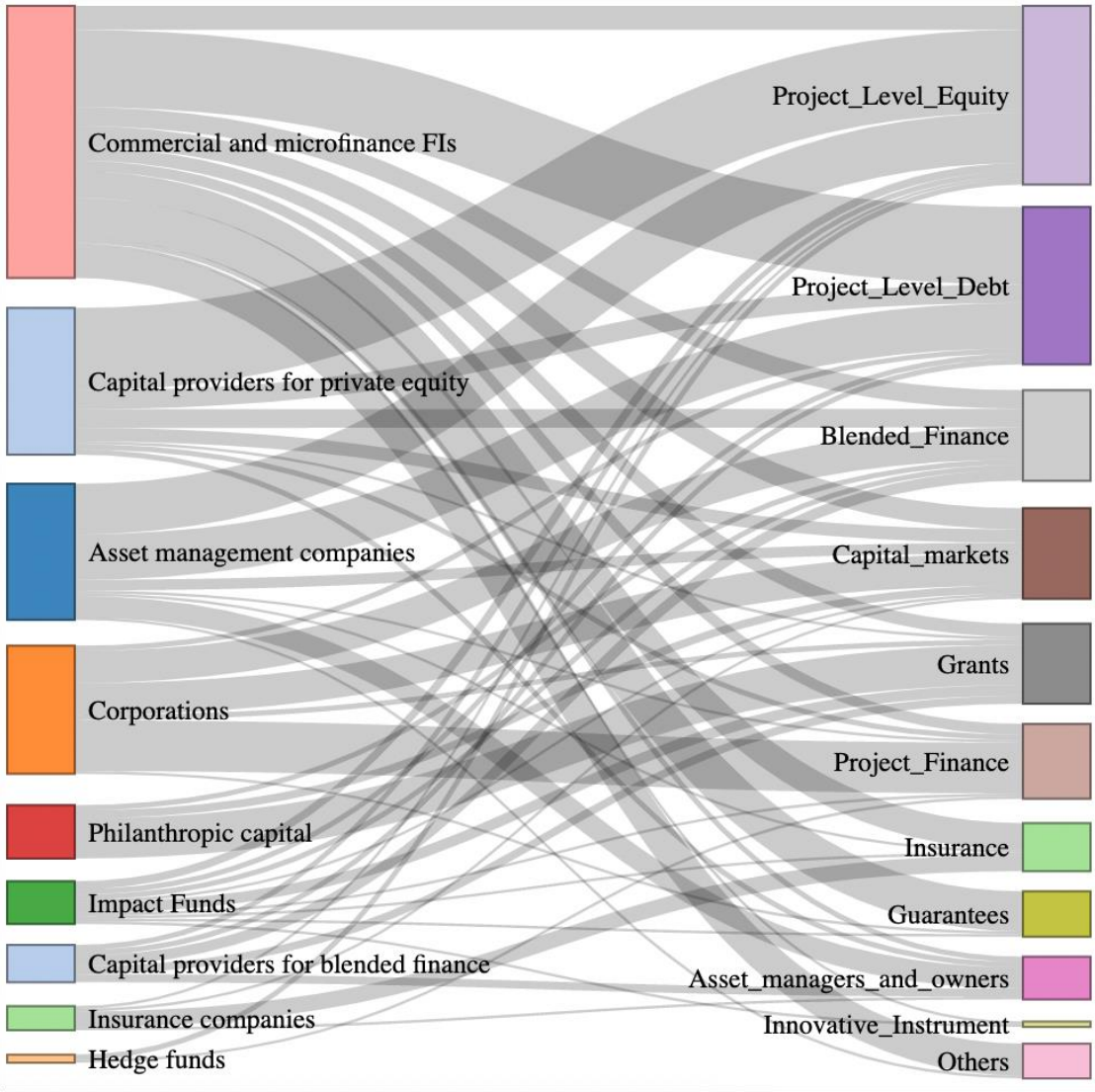
Note. The x-axis represents the number of times each type of financial instrument has been used by the mapped entities.
Debt financial instruments at the project level include low-cost and market rate categories.

The following graph relates the type of actor with the type of instrument. As can be seen in the first instance, all the actors use many instruments at the same time. Indeed, even though there may be one instrument that predominates per type of actor, many of them use more than 5 different

instruments at the same time. Below is an interpretation of the most notable relationships of the 4 main sources of financing in the sector, excluding multilateral and national financial institutions.

**Figure 25.**

*Main financial instruments used by different types of entities - AFOLU Sector*




Source: Own elaboration, Sureco and Partners (2024)

Note. The Multilateral DFIs, Multilateral/Climate Funds, Environmental Funds and National DFIs are excluded from this diagram to focus on the private sector in the strict sense. Project Level Debt includes Project Level Debt- of which low-cost and Project Level Debt- of which market rate. Other financial instruments include Balance Sheet, Results Based Climate Finance "RBCF", Offsetting (Credit Trading), Subordinated Debt, Corporate Lending, Retail lending and Nature Based/Climate debt swap.

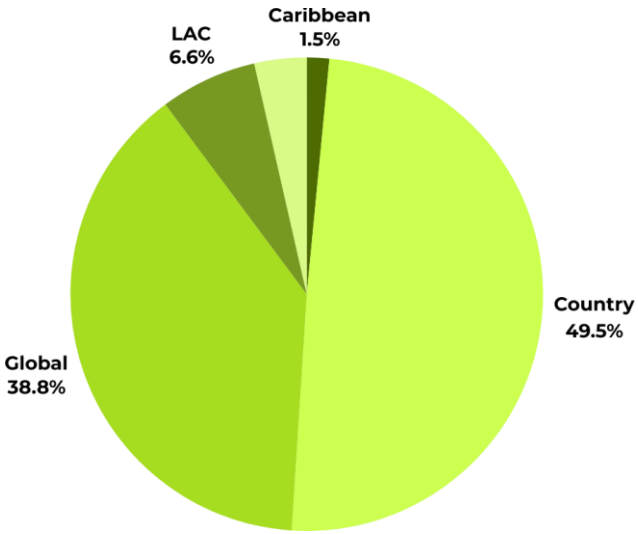
**Commercial financial and microfinance institutions:** Traditional debt instruments at the project level (Project Level Debt), guarantees and insurance predominate, although they have also innovated in other types of instruments.

**Capital Providers:** These entities are mainly inclined towards project level capital (Project Level Equity), which reflects their interest in participating in the ownership of the projects.

**Asset management companies:** They mainly use debt and equity at the project level.

**Corporations:** They combine several instruments, such as project financing (Project Finance), combined finance (Blended Finance) and capital markets (Capital Markets). This reflects its diversification strategy and search for new sources of financing.

#### 4.1.4.3. Distribution of Investments



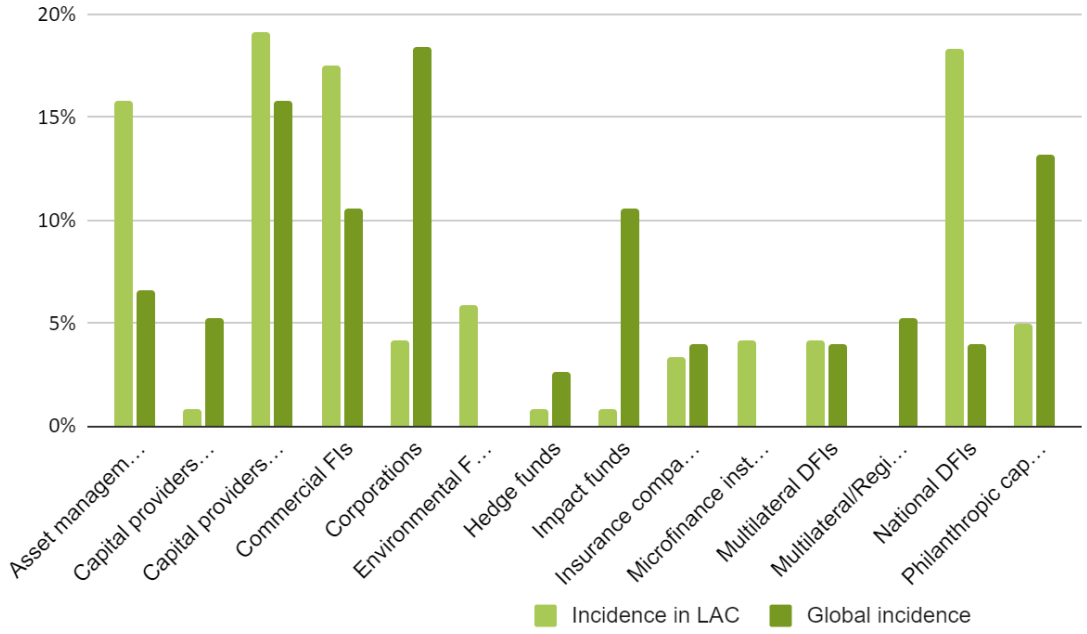

In relation to the scale of incidence of the actors mapped in this study, in the case of AFOLU we can affirm that the majority act at the country level (almost half), while 39% do so at the global level. Meanwhile, 7% work at the LAC level, 4% at the Latin American level and the remaining 2% do so in the Caribbean.

***Figure 26*.**
*AFOLU financing incidence scale.*
*Source: Own elaboration, Sureco and Partners (2024)*

The structure of entities generally defined for AFOLU is quite similar, if only the actors that have their area of influence within Latin America and the Caribbean are taken into account. Meanwhile, if we look at those actors that have a global impact, the composition changes a little. Indeed, in the second case, corporations, philanthropic capital and impact funds are relevant, while in the case of LAC, the presence of these actors is very limited. In both cases, capital providers and commercial financial institutions are also important. Meanwhile, asset management companies and national development financial institutions are also relevant at the LAC level.

**Figure 27.**

*Structure of actors identified according to types of entity based on the scale of incidence - AFOLU Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

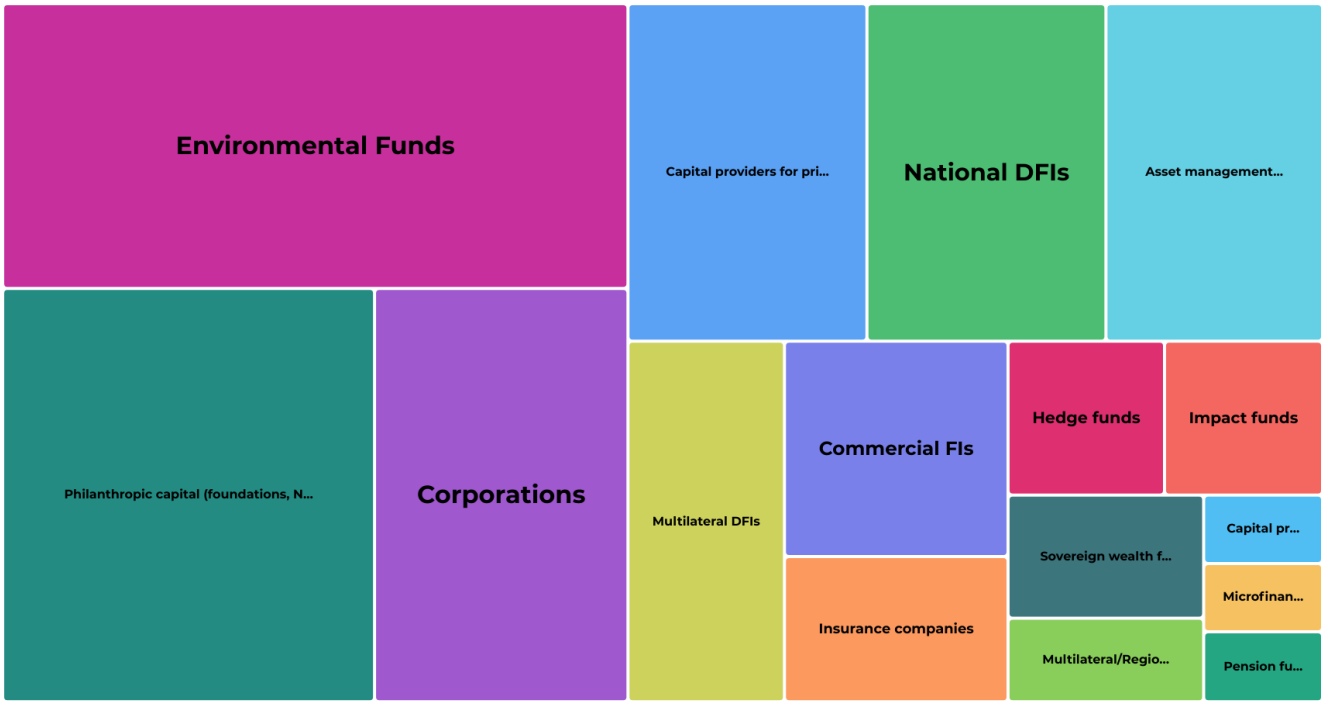
### 4.1.5. Biodiversity and nature-based solutions (NBS)

#### 4.1.5.1. Identification of Financing Sources

In the case of biodiversity financing and NBS, fewer actors were found than in the cases of the energy sector and AFOLU, but more than in transport and water, which are scarcer. Specifically, 115 actors in LAC were surveyed, which constitute almost 30% of the total. In relation to the type of entities, Environmental funds, philanthropic capital, corporations and national financial institutions predominate, which together represent 56% of the total actors linked to biodiversity and NBS (see following figure). Furthermore, some of the actors identified for AFOLU may also be relevant to biodiversity conservation and NBS, since, as mentioned in Annex D, both sectors are closely linked. For example, green infrastructure for risk management, avoided deforestation, ecological restoration, among other topics apply to both sectors.

**Figure 28.**

*Structure of actors identified according to type of identity - Biodiversity and NbS Sector*




| | *Entity type* | Amount |
|---|---|---|
| | Environmental Funds | 23 |
| | Philanthropic capital (foundations, NGOs) | 19 |
| | Corporations | 13 |
| | National DFIs | 10 |
| | Capital providers for private equity, angel investor (PE) and venture capital (VC) | 10 |
| | Asset management companies | 9 |
| | Multilateral DFIs | 7 |
| | Commercial FIs | 6 |
| | Insurance companies | 4 |
| | Sovereign wealth funds | 3 |
| | Hedge funds | 3 |
| | Impact funds | 3 |
| | Multilateral/Regional Climate Funds | 2 |
| | Capital providers for blended finance | 1 |
| | Microfinance institutions | 1 |
| | Pension funds | 1 |
| | **Grand Total** | **115** |

*Source: Own elaboration, Sureco and Partners (2024)*

In this case, we can also see a diversity of private sector actors providing funds for biodiversity conservation. The main actors participating in the financing according to the four main types of entity can be seen in the following tables. The rest of the actors can be found in the mapping made in Excel.

**Table 7.**

*Actors by type of entity - Biodiversity and NBS Sector*

| Environmental Funds | Philanthropic capital (foundations, NGOs) |
|---|---|
| Aqua Background | American Bird Conservancy |
| Costa Rica Forever Association (ACRXS) | forest bank |
| Caribbean Biodiversity Fund (CBF) | Biodiversity Founders Group |
| Environmental Foundation of Jamaica (EFJ) | CERES Accelerator |
| Action Fund | Emergent Forest Finance Accelerator |
| Brazilian Fund for Biodiversity (FUNBIO) | Environmental Foundation of Jamaica |
| Environmental Investment Fund (FIAES) | Friends of Nature Foundation |
| Sustainable Environmental Investment Fund (FIAS) | Espoir Foundation |
| Mexican Fund for Nature Conservation (FMCN) | NATURA Foundation |
| National Forest Financing Fund (FONAFIFO) | Neotropical Foundation (ACICAFOC) |
| National Fund for the Environment and Natural Resources (MARENA Fund) | ImpactAssets |
| Chile Nature Background | L'Oréal Fund for Nature Regeneration |
| Fund for the Management of Protected Areas and Wildlife (FAPVS) | Philanthropy for Climate |
| Fund for the conservation of tropical forests | Rainforest Trust |
| Regional Water Fund (FORAGUA) | Rockefeller Brothers Fund |
| Foundation for the Development of the National System of Protected Areas (FUNDESNAP) | SOS Mata Atlântica |
| Foundation for the Conservation of the Chiquitano Forest (FCBC) | The Walt Disney Company |
| Foundation for Conservation in Guatemala FCG | UN Global Compact |
| Mesoamerican Reed Fund | WWF |
| Natural Heritage Fund for Biodiversity and Protected Areas | |
| Protected Areas Environmental (PACT) | |
| Saint Lucia National Conservation Fund (SLUNCF) | |
| Terra Habitus | |

| Corporations | National DFIs |
|---|---|
| PwC (PricewaterhouseCoopers) | Foreign Trade Bank SA (BANCOLDEX) |
| Agroland SA | Development Bank of Ecuador (BDE) |
| CrossBoundary | ProCredit Bank Ecuador |
| Curtis, Mallet-Prevost, Colt & Mosle LLP | Ecuador Solidarity Bank |
| CWP Global | Bank Windhoek |
| Dalberg | Caixa Económica Federal (CEF) |
| DLA Piper | Jardín Azuayo Savings and Credit Cooperative |
| EY (Ernst & Young Global Limited) | Development Finance Corporation (DFC) |
| EY Bolivia | FINCA Ecuador |
| GE Vernova | Jamaica Social Investment Fund (JSIF) |
| Paracel | |

*Source: Own elaboration, Sureco and Partners (2024)*

In relation to Environmental funds, the main financing entity of this sector, it is worth noting that there is the Network of Environmental Funds of Latin America and the Caribbean (RedLAC), which brings together 28 funds from the region. Most of them are private or based on public-private partnerships. They are dedicated to managing, investing and mobilizing resources from different sources, both from the government, international organizations or private sector actors. The funded activities include the management and establishment of protected areas, biological corridors, hydrographic basins, indigenous territories, coral reefs, conservation of species of biological-ecological importance and those vulnerable or at risk of extinction, among others.

#### 4.1.5.2. Identification of Financial Instruments

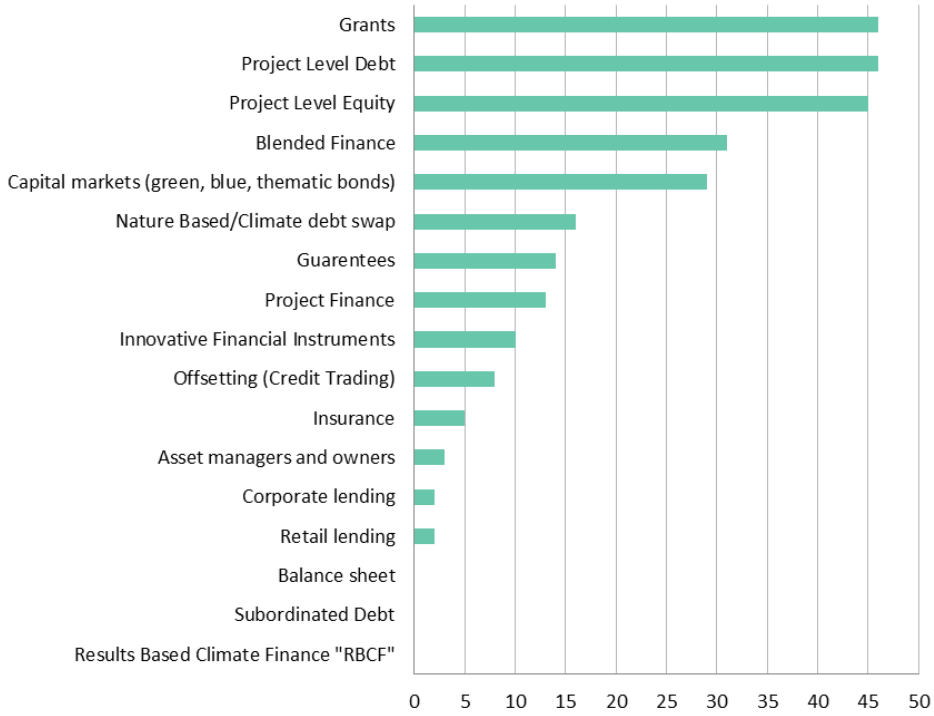
The three main instruments used in the financing of biodiversity and NBS are Grants, Project Level Debt and Project Level Equity. In third, fourth and fifth place are more recent instruments, such as Blended Finance, Capital markets (green, blue, thematic bonds) and Nature based/Climate debt swap. Together, these instruments represent 75% of the total. Then the presence of another variety of instruments is found, both traditional (such as Guarantees and Project finance) and more innovative (Innovative Financial Instruments, Offsetting, etc.) (see figure 28).

This is aligned with what the literature suggests, which indicates that several LAC countries are moving from donations and loans to a mixed financing approach (Studer, 2020) and are working with new innovative mechanisms. It is expected that by 2030 “50% of new financing sources will come from innovative public-private mechanisms such as biodiversity offsets, biodiversity markets and mechanisms to scale private sector investment such as sustainable value chains and green financial products” (Piaggio & Onishi, 2022).

Some comments are worth making regarding the Nature based/Climate debt swap, which are closely linked to this sector in particular, although there are still not many applications. As defined in the glossary, it is an instrument in which a debtor country can negotiate part of its debt on more favorable terms, while committing to invest in initiatives related to nature and climate. The pioneers in the region to incorporate this instrument were Barbados, Belize and Seychelles and the largest debt swap in the world was carried out in Ecuador and the funds in all cases were used for marine conservation. Although it is a public instrument, it allows catalyzing private funds. In addition, private agents can also reduce the financial cost of debt due to risk, for example by providing guarantees. It can also facilitate instrument development, as The Nature Conservancy did in the examples just mentioned[10].

**Figure 29.**

*Types of financial instruments used by the mapped entities - Biodiversity and NbS Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

Note. The x-axis represents the number of times each type of financial instrument has been used by the mapped entities. Project-level debt financial instruments include low-cost and market rate categories.

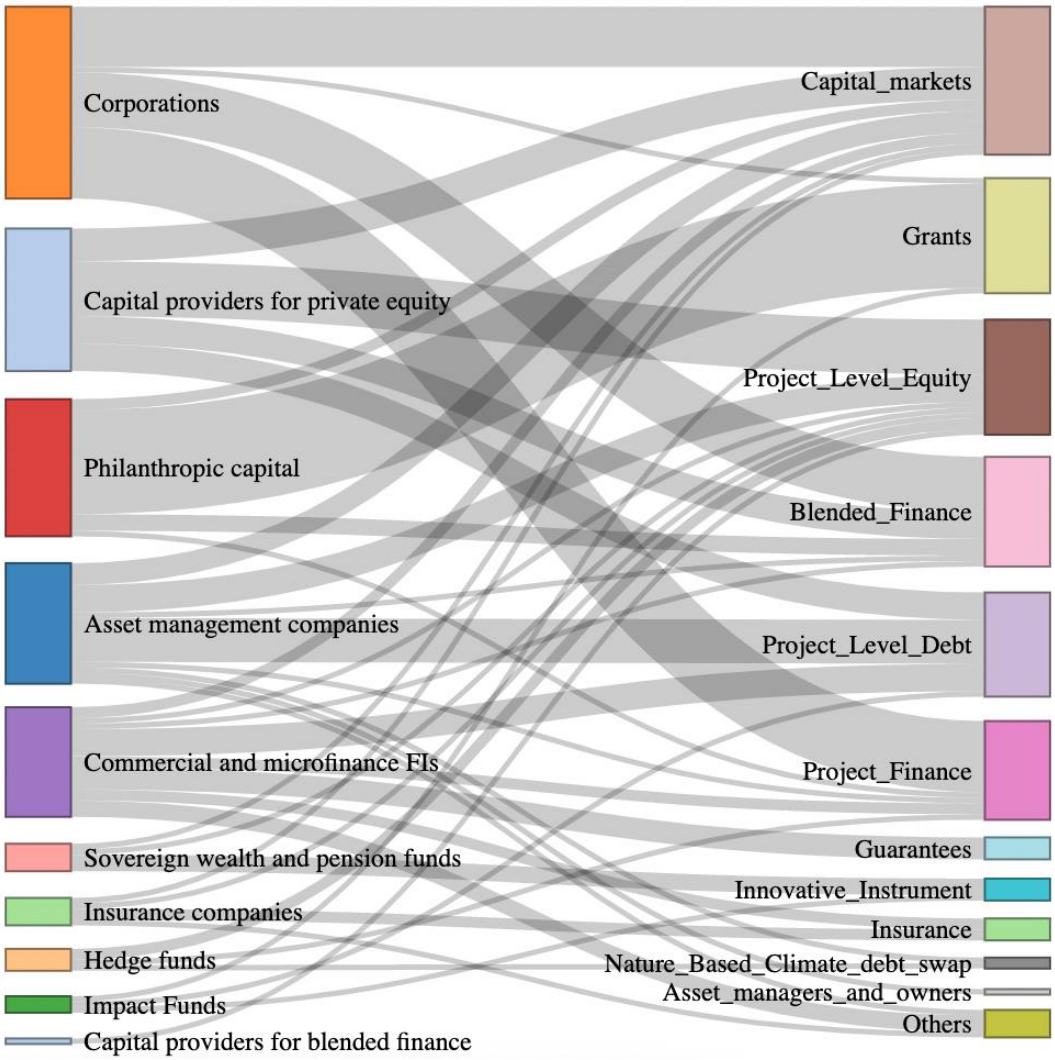
The following graph relates the type of actor with the type of instrument. As in the previous cases, all actors use many instruments at the same time. From the point of view of the instruments, the guarantees were used only by commercial financial and microfinance institutions and the rest of

[10] https://www.nature.org/en-us/what-we-do/our-priorities/protect-water-and-land/land-and-water-stories/nature-bonds/

the instruments, by multiple actors. Below is an interpretation of the most notable relationships of the 4 main sources of financing in the sector, excluding multilateral and national financial institutions.

**Figure 30.**

*Main financial instruments used by different types of entities -- Biodiversity and NbS Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

Note. Excluded from this diagram are the Multilateral DFIs, Multilateral/Climate Funds, the Environmental Funds and the National DFIs to focus on the private sector in the strict sense. Project Level Debt includes Project Level Debt- of which low-cost and Project Level Debt- of which market rate

Other financial instruments include B alance Sheet, Results Based Climate Finance "RBCF", Offsetting (Credit Trading), Subordinated Debt, Corporate Lending, Retail lending and Nature Based/Climate debt swap.

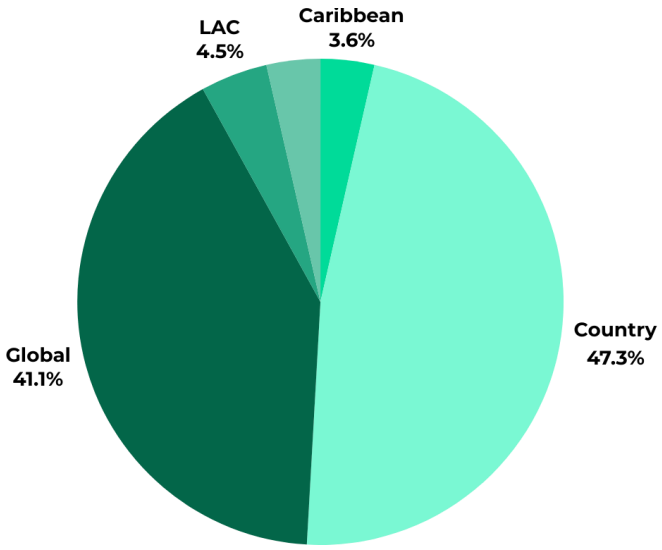
**Corporations:** They combine several instruments, such as project financing (Project Finance), combined finance (Blended Finance) and capital markets (Capital Markets). This reflects its diversification strategy and search for new sources of financing.

**Capital Providers:** These entities are mainly inclined towards project level capital (Project Level Equity), which reflects their interest in participating in the ownership of the projects.

**Philanthropic capitals:** They mostly use donations (Grants). This is consistent with its role of providing financing that does not seek direct financial return, but rather social and environmental impact.

**Asset management companies:** They mainly use debt and equity at the project level.

#### 4.1.5.3. Geographic Distribution of Investments



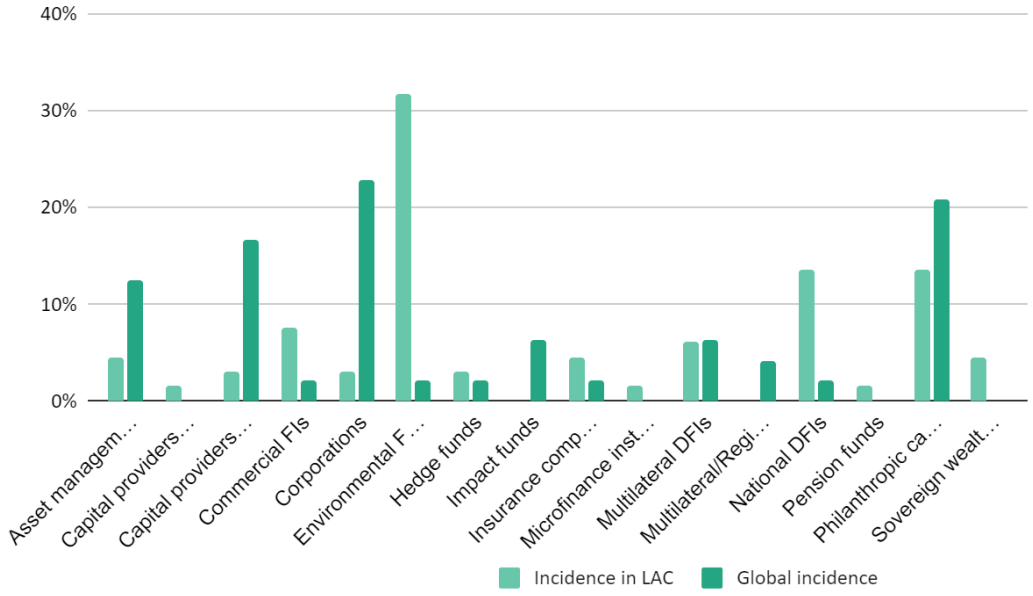

Regarding the scale of incidence of the different actors linked to biodiversity and SBN, it is very similar to that of the other sectors. On the one hand, entities that have an impact in the country predominate and secondly, at a global level (representing 46% and 42% of the total respectively). On the other hand, the entities with incidence throughout LAC, Latin America and the Caribbean represent 4% of the total in each case (see following graph).

**Figure 31.**
*Scale of incidence in Biodiversity and SBN financing.*
*Source: Own elaboration, Sureco and Partners (2024)*

On the other hand, and as in the previous cases, the structure of actors changes depending on whether we consider entities that have a global reach or entities that act within LAC. Indeed, in the first case, corporations, philanthropic capital and capital providers play a very relevant role, while in the second case, Environmental funds, philanthropic capital and national development financial institutions predominate.

**Figure 32.**

*Structure of actors identified according to types of entity based on the scale of incidence - - Biodiversity and NbS Sector*




*Source: Own elaboration, Sureco and Partners (2024)*

## 4.2. Organizations and types of organizations that access private financing for climate and biodiversity in Latin America and the Caribbean

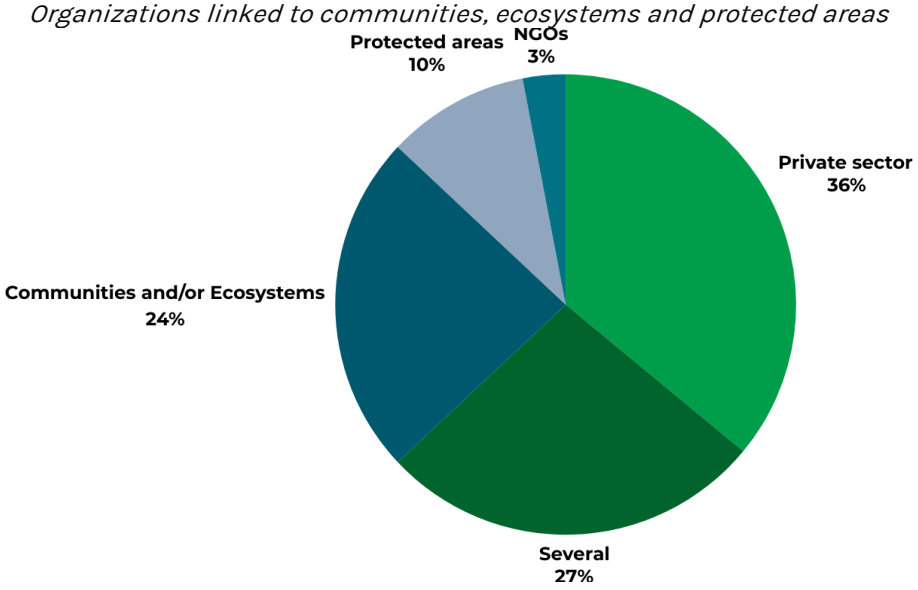
The information is not always detailed about the organizations that access private financing for climate and biodiversity in Latin America and the Caribbean. However, it is possible to draw some partial conclusions. Firstly, 36% of the entities do not specify who are the final beneficiaries of the financing they grant, 23% specify it at the country level, while the remaining 41% do specify in greater detail what type of organizations access the financing. .

Of the latter, the organizations that most access private financing are the private sector, with more than a third of the beneficiaries, followed by communities, ecosystems and protected areas. It is important to clarify that 27% of the beneficiaries correspond to more than one type of organization, so it was not possible to individualize them.

Organizations linked to communities, ecosystems and protected areas tend to be more associated with the biodiversity and nature-based solutions, and water sectors; and secondly to agriculture and renewable energies. On the contrary, financing for the private sector is strongly associated with energy, transportation and agriculture.

**Figure 33.**

*Organizations linked to communities, ecosystems and protected areas*




*Source: Own elaboration, Sureco and Partners (2024)*

## 4.3. Organizations that facilitate the financing process

### 4.3.1. Identification of Organizations and Roles

Beyond the actors that provide the funds, there are institutions that "facilitate" the financing process through multiple roles. For example, there are consulting companies that offer technical advice and feasibility studies; international cooperation agencies and multilateral organizations, which provide technical assistance, training and support in structuring projects; implementing companies, which are responsible for developing the projects; companies providing data for analysis; associations of institutions that share information and experiences; companies that contribute to the development of standards to verify that certain environmental or sustainability criteria are met and research institutions that address these issues, institutions that provide how to report or measure environmental aspects and that facilitate the evaluation of projects by suppliers. of funds, among others. There are also institutions that promote and implement changes in regulations that favor financing for climate change and biodiversity. However, in this case public institutions predominate.

The following financing facilitating actors were identified. The lists are not exhaustive.

**Table 8.**

*List of complementary actors*

| Coalitions / Associations / Alliances | Technical Assistance / Capacity Building |
|---|---|
| Coalition for Climate Resilient Investment (CCRI) | Climate Policy Initiative (CPI) |
| Global Investors for Sustainable Development Alliance (GISD) | UNDP |
| Net-Zero Asset Alliance Owners | UNEP |
| Wemeanbusiness Coalition | ECLAC |
| NAP Global Network | FAO |
| Capitals Coalition | IICA |
| Net-Zero Export Credit Agencies Alliance | Other United Nations organizations |
| Coalition for Private Investment in Conservation (CPIC) | world Bank |
| Finance@Biodiversity Community | IDB |
| Conservation Finance Alliance | CAF |
| International Union for Conservation of Nature (IUCN) | CFI |
| Network of Environmental Funds of Latin America and the Caribbean (REDLAC) | USAID |
| Business for Positive Biodiversity Club | AECID |
| Biodiversity Finance Learning Coalition | GIZ |
| NBSAP Forum | NDC Partnership |
| Nature4climate | Euroclimate |
| Livestock Environmental Assessment and Performance (LEAP) Partnership | FIIAPP |
| Uruguayan Association of Pasture Ranchers (AUGAP) | AFD |
| Association of Microfinance Institutions (ASOMIF) of Ecuador | International Cooperation Agencies (,,,) |
| Association of Microfinance Institutions (ASOMIF) of Peru | Avina Foundation |
| Latin American Association of Financial Institutions for Development (ALIDE) | |
| Institute of International Finance (IIF) | |
| Institutional Investors Group on Climate Change | |
| Investor Leadership Network (ILN) | |
| Sustainability-linked Sovereign Debt Hub (SSDH) | |
| Insurance Development Forum (IDF) | |
| Global Investor Coalition on Climate Change (GIC) | |
| The Natural Capital Investment Alliance (NCIA) | |
| Global Adaptation and Resilience Investment Working Group (GARI) | |

| Framework, Standard and Metric Fixers | Data providers |
|---|---|
| Task Force on Climate-related Financial Disclosures | Global Canopy |

| Framework, Standard and Metric Fixers | Data providers |
|---|---|
| (TCFD) | |
| The Taskforce on Nature-related Financial Disclosures (TNFD) | Green Bond Transparency Platform |
| System of Environmental Economic Accounting (SEEA) | Green Finance for Latin America and the Caribbean (GFL) |
| Wealth Accounting and the Valuation of Ecosystem Services | Climate Bonds Initiative |
| Sustainability Accounting Standards Board | S&P Global Market Intelligence |
| Global Reporting Initiative (GRI) | Convergence |
| Principles for Responsible Investment (PRI) | The Biodiversity Finance Initiative (BIOFIN) |
| Principles for Responsible Banking (PRB) | Capital for climate - NBS Investment Platform |
| Principles for Sustainable Insurance (PSI) | USAID BiodiversityLinks |
| Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) | Climate Funds Update (CFU) |
| International Capital Market Association (Secretariat to the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-Linked Bond Principles (SLBP)) | |
| Gold Standard | |
| VERRA | |
| Partnership for Biodiversity Accounting Financials (PBAF) | |
| Consortium for Biodiversity Footprint | |
| Sustainable Finance Taxonomy Working Group in Latin America and the Caribbean (GTT-ALC) | |
| UN Global Compact | |
| Science Based Targets Network | |

| Developers and project managers |
|---|
| Pegasus Capital Advisors |
| Mirova |
| R20 Regions of climate action |
| American Investment Manager |
| Prudential Financial Inc |
| Argentum Pension Fund Administrator SA (AFP Argentum) |
| HSBC Asset Management |

| Developers and project managers |
|---|
| Pollination Group |
| Bundesinitiative Impact |
| BCN Alliance Capital Management SA |
| UBS Group |
| Sonen Capital |
| Berkana Heritage |
| finance earth |
| Worldwide—The INVEST Project |

*Source: Own elaboration, Sureco and Partners (2024)*

Note. *This information is reflected in the "Info enablers" sheet of Excel P2.2. MappingprivatesectorsourcesforLAC_S&P.*

It should be noted that although the different entities were classified in a category, several of them can fulfill more than one function at a time. For example, Biofin also provides technical assistance for the development of financing linked to biodiversity, in addition to having generated an extensive database that it shares through its website. Likewise, it is also a provider of funds, like many international and multilateral institutions (WB, CAF, etc.) that had already been mentioned in chapter 4.2. Coalitions, in addition to being essential for sharing experiences and challenges, also provide data. In addition, some of them are also project implementers, such as IUCN and CPIC. It is also worth clarifying that some entities listed are not from LAC, but can be taken as a reference to learn from their experience.

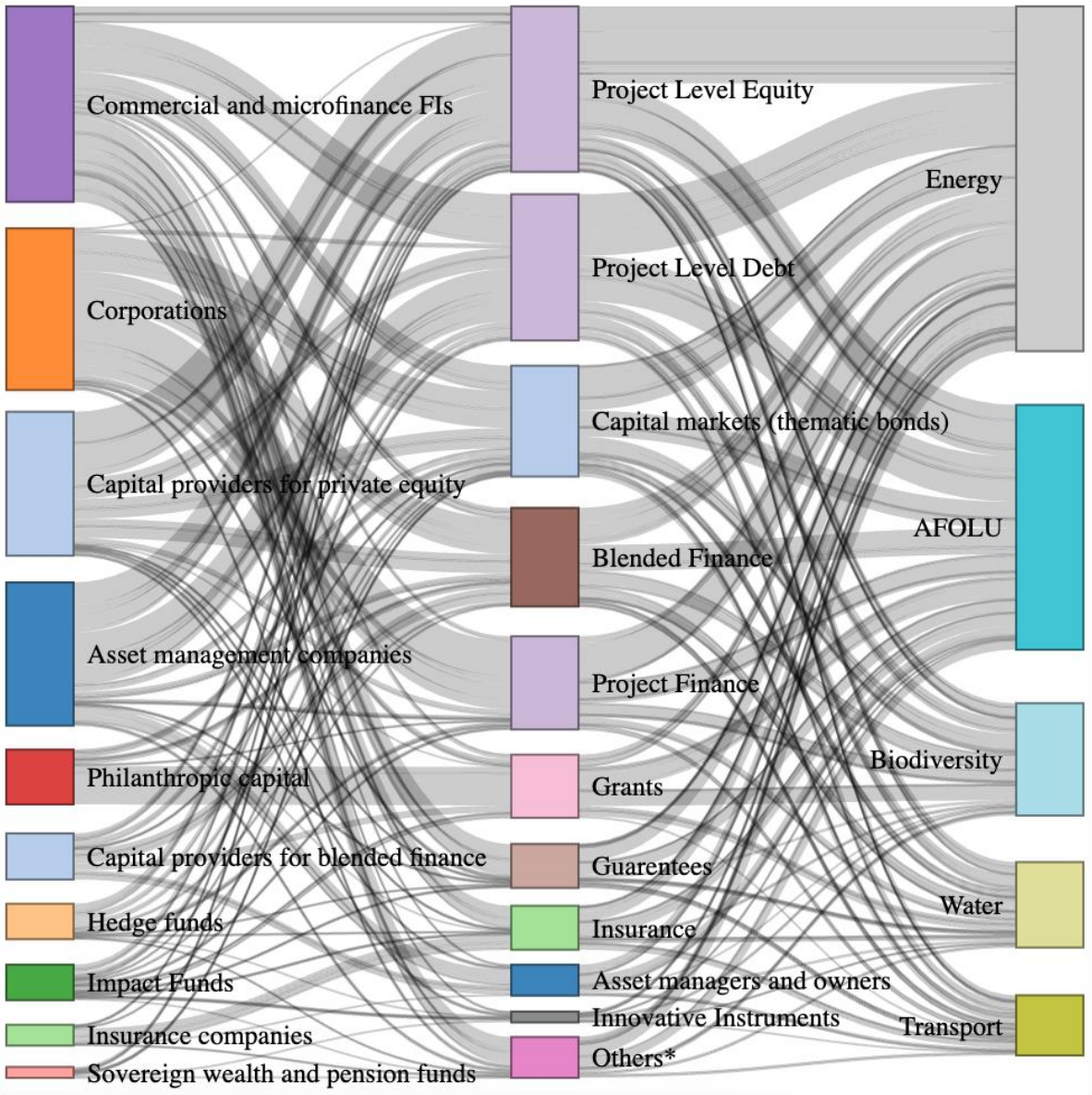
## 5. Analysis of financing flows

The analysis of financing flows provides a comprehensive view of how private financing is mobilized, allowing us to understand how different types of financial actors mobilize various instruments to finance projects in specific sectors related to climate change in Latin America.

Below is a flow diagram that represents the different connections between different types of financial actors and the climate financing instruments used in Latin America, as well as the sectors where these resources are invested.

**Figure 34.**

*Main financial instruments used by different types of entities*




*Source: Own elaboration, Sureco and Partners (2024)*

Note. Multilateral DFIs, Multilateral/Climate Funds and National DFIs are excluded from this diagram to focus on the private sector in the strict sense .

Project Level Debt includes Project Level Debt- of which low-cost and Project Level Debt- of which market rate

Other financial instruments include Balance Sheet, Results Based Climate Finance "RBCF", Offsetting (Credit Trading), Subordinated Debt, Corporate Lending and Retail lending.

The diagram allows us to account for the great **diversity of Financial Actors** that participate in climate financing, using a wide **variety of Financial Instruments.**

**The great complexity of the network of actors and instruments** is highlighted, with important interconnections and the use of **various financial strategies to mobilize resources towards climate projects**. This underscores the need for collaboration and diversified strategies to mobilize climate finance effectively.

The growing development of emerging instruments is also found, such as **Blended Finance and Thematic Bonds**, despite the fact that traditional instruments continue to be decisive in climate financing. The diversity of financial instruments highlights the adaptability and modernization of the climate finance market to address different needs and opportunities in these key sectors.

These new financial product offerings are also accompanied by a **diversification of Financing Sources**, from private capital to institutional actors and philanthropy, highlighting the need to open new financing strategies to maximize the impact and efficiency of resources allocated to climate action. .

# 6. Study cases

This section addresses the identification of the main financial instruments deployed by international, regional and national private sector actors that finance and support initiatives in Colombia, Ecuador and Jamaica that promote sustainability and climate resilience, specifically in the prioritized sectors.

## 6.1. Colombia

### 6.1.1. Identification of Actors at an International Level

In Colombia, multiple international actors are investing in environmental and climate change projects that benefit the private sector. Among the most relevant are:

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| Multilateral/Regional Climate Funds | Green Climate Fund (GCF) | Offers grants, concessional loans, equity investments, guarantees. | • Water<br>• AFOLU<br>• Biodiversity |
| | Global Environmental Facility (GEF) | Offers grants for biodiversity conservation and climate change mitigation. | • Agriculture<br>• Biodiversity |
| Capital Provides | LarrainVial Asset Management | They invest through Project level equity/ Corporate debt. | • Clean energies |
| | Brookfield | They use instruments such as Project level equity / Debt / Corporate debt | • Clean energies |

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| Multilateral DFIs | world Bank | Uses long-term loans, concessional financing and green bonds | • Clean energies<br>• AFOLU |
| | Inter-American Development Bank (IDB) | Use loans, technical assistance and guarantees | • Clean energies<br>• Agriculture<br>• Water |
| | International Finance Corporation (IFC) | Use loans, equity investments, and project guarantees | Clean energies |
| Asset Management companies | BlackRock | They invest in projects through Project Level Debt | • Clean energies<br>• Transport |
| | Vanguard Group | They invest in projects through Project Level Debt | • Clean energies<br>• Agriculture |
| | HSBC Asset Management | They provide Balance sheet financing and Project Level Debt. | • Clean energies<br>• Agriculture |
| Commercial FIs | Finance in Motion | They provide guarantees and Blended Finance | • Clean energies<br>• Agriculture<br>• SBN |
| | Credit Suisse | They use Private Equity | • Clean energies<br>• Agriculture |

### 6.1.2. Identification of Actors at the Regional Level

At the regional level, there are two main actors that finance projects related to climate change, CAF and CABEI.

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| Multilateral DFIs | Development Bank of Latin America and the Caribbean (CAF) | Offers green credits and issuance of green bonds | • Agriculture<br>• Clean energies |
| | Central American Bank for Economic Integration (CABEI) | Mainly offers loans, green lines of credit and guarantees | • Clean energies<br>• AFOLU<br>• Water |
| Commercial FIs | Banco Bilbao Vizcaya Argentaria (BBVA) | They provide green and social bonds | • Clean energies<br>• Transport |
| Corporations | FEMSA | They use mechanisms such as corporate lending, bonds and Equity | • Clean energies<br>• Water |
| | ISA | They provide green bonds for non-conventional renewable energy projects (wind and solar). | • Clean energies |

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| Capital Providers | Mesoamerica | They use Project level equity as instruments for project investment | • Clean energies<br>• Agriculture<br>• SBN |
| | IG4 Capital | They use instruments such as Private Equity, Project Level Debt, Guarantees, Capital markets (green bonds, thematic bonds), Blended Finance, Insurance. | • Clean energies<br>• Transport<br>• Water |
| | Vox Capital | They invest in companies that execute environmental projects through Project level equity / Debt | • Clean energies |

### 6.1.3. Identification of Actors at the National Level

In Colombia, one of the most important efforts began in 2012 with the activation of the **Green Protocol**, of the Banking Association (Asobancaria) and the Ministry of Environment, which has been welcomed by more than 20 banks[11], promoting the integration of environmental criteria, social and governance (ESG) in investment processes. It has facilitated the issuance of green bonds and sustainable credits, and has promoted renewable energy, energy efficiency and sustainable construction projects, among other sectors. This initiative has strengthened the role of the financial sector in the transition towards a sustainable economy.

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| | Davivienda Bank | Project Level Debt . Aimed at financing investment projects with the objective of preventing, managing, and/or mitigating environmental impacts and adaptation to climate change. The existing lines for this type of credit are: energy efficiency and renewable energies. | Clean energies |
| | | Corporate lending . Credit intended for the financing of electric and hybrid vehicles. | Transport |
| | Bancolombia Group | Capital Markets (green bonds). It seeks to support the development and implementation of projects that promote the use of clean technologies, renewable energies, efficient energy use, and agro-sustainable projects. | • Energy<br>• Agriculture |
| | | Corporate lending . Available for the private sector, SMEs, companies, corporates and independents with financial statements, according to a credit study . | • Biodiversity and SBN<br>• Clean energies |

[11] https://www.semana.com/mejor-colombia/articulo/verdes-y-responsables-los-compromisos-del-sector-financiero-con-el-desarrollo-sostenible/202200/

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| Commercial FIs | BBVA Colombia | Capital markets (green bonds). Aimed at financing projects focused on reforestation, regeneration of natural forests on degraded lands, conservation or rehabilitation of mangroves, climate-smart agriculture, restoration of habitats for wildlife | • AFOLU<br>• Biodiversity |
| | | Capital markets (Blue bon ds) . Focused on investments in water treatment and improving climate change resilience in water security. | Water |
| | | Corporate lending. Aimed at hybrid or electric vehicles. | Transport |
| | | Leasing . | Clean energies |
| | Bank of Bogota | Corporate lending. It has green credits for companies that promote sustainable businesses | Clean energies |
| | | Capital markets (green bonds) . 61% have been allocated to renewable energy projects, 26% to sustainable transportation, 9% to energy efficiency | • Transport<br>• Clean energies |
| | | Leasing. | Clean energies |
| | | Project Finance | Clean energies |
| | Western Bank | Corporate lending. Credit for hybrid and electric vehicles | Transport |
| Microfinance | AVAL Group | **Corporate lending** . Green loans, and lines of credit for clean energy projects. | Clean energies |
| | Bancamania | Project level debt. The Crediverde Adaptación line is designed to help small agricultural producers implement adaptation measures to climate change, reducing risks such as floods, droughts and soil damage. | Agriculture |
| | | Project level debt. The Crediverde Energía line is designed to help microentrepreneurs reduce their vulnerability and improve energy efficiency in their businesses. | Clean energies |
| | CorfiColombian | Capital markets (green bonds) . For short, medium and long-term financing for clean energy projects. | Clean energies |
| | Finandina Bank | Project Level Debt. | Transport |
| Asset Management Company | SURA Group | Insurance. Represented by a policy in which the insured receives financial protection or reimbursement against losses to forest plantations due to climatic or natural phenomena. | • AFOLU |
| Environmental Fund | Action Fund | **Nature Based/Climate debt swap.** They mobilize financing benefiting projects related to the conservation of protected areas. | Biodiversity and SBN |

In Colombia, there are also relevant national private sector actors focused on the energy, mining and gas sectors such as ISA, Celsia, Grupo Energía Bogotá (GEB), Drummond Ltd., Cerrejón, Pacific Rubiales, Promigas and Gecelca that are investing in environmental projects. and climate change. These actors mainly use financial instruments such as green bonds, sustainable credits and direct investments to finance renewable energy, energy efficiency, ecological restoration and sustainable water management projects.

### 6.1.4. Identification of Main Financial Instruments Deployed in Colombia

The Colombian financial system offers a range of financial mechanisms to meet needs at the project level. These mechanisms are classified into:

- **Thematic bonds (green and blue bonds).** BBVA Colombia, in collaboration with IFC, announced the issuance of the first green biodiversity bond in the financial sector for 50 million dollars. This bond will finance projects in reforestation, forest regeneration, mangrove conservation, climate-smart agriculture and habitat restoration. The operation seeks to promote sustainability and conservation of biodiversity in Colombia[12]. In addition, BBVA Colombia and LAGreen issued the first blue bond from a Colombian financial institution, with an initial investment of 17 million dollars by LAGreen and co-investments from the IFC, totaling up to 150 million dollars. The bond will finance drinking water and sewage infrastructure projects in 51 municipalities, improving resilience to climate change and sustainable water management in Colombia.

- **Agricultural credit lines.** Bancóldex launched a preferential credit line for affected small rural producers in Colombia, aimed at increasing their resilience to climate change. With resources of $11,350 million pesos, this line will finance sustainable investments offering terms of up to seven years and grace periods of six months. This financing seeks to improve productivity, stabilize income and promote the economic inclusion of women [13].

- **Green credits.** Financial entities such as Bancamanía, Banco Agrario de Colombia, Banco de Bogotá, Bancoldex, FINAGRO provide green credits aimed at projects, programs and different initiatives for the agriculture, clean energy, water and transportation (electric and hybrid vehicles) sectors in Colombia[14].

- **Carbon credits.** At the end of 2023, there were 43 million carbon credits available in Colombia for the non-accrual of the carbon tax[15]. A carbon credit project in the Andean forests of Galilee

[12] https://www.bbva.com/es/sostenibilidad/bbva-colombia-e-ifc-anuncian-emision-del-primer-bono-de-biodiversidad-del-sector-financiero/

[13] https://www.bancoldex.com/es/noticias/adaptacion-cambio-climatico-linea-de-credito

[14] https://www.asobancaria.com/sostenibilidad/productos-financieros-verdes/

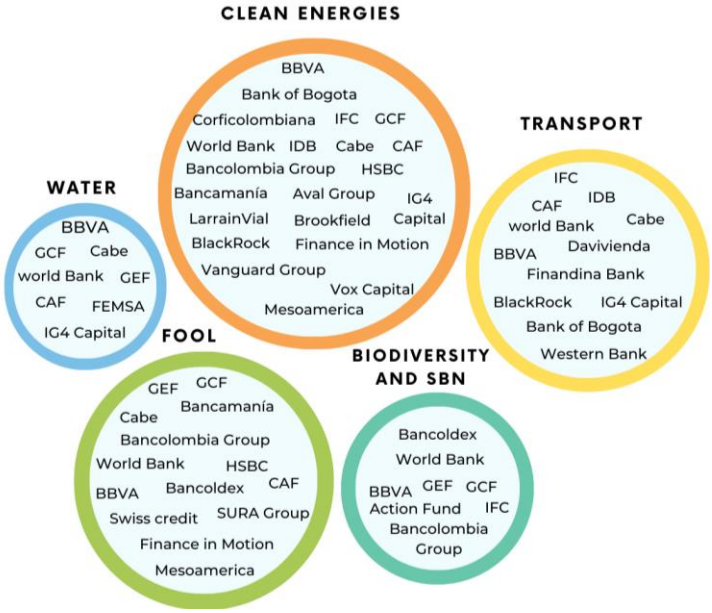
[15] h ttps://c-neutral.co/blog/estado-actual-del-mercado-nacional-de-carbono-en-colombia/

has sold more than 450,000 bonds through December 2023. More than 50 companies, including commercial banks such as Davivienda and Bancoldex, have used bonds issued by this project[16]. Likewise, as part of its climate change and conservation strategy, Fondo Acción created the Green and Blue Carbon Unit to promote projects to reduce greenhouse gas emissions, conservation and recognition of the value of environmental services. The Unit includes a financial facility to support the design of community projects, stimulating conservation in Colombia and the offer of carbon credit certificates[17].

### 6.1.5. Analysis for prioritized sectors

In Colombia, the identified entities play a crucial role in the financing and development of environmental projects in Colombia, covering a wide range of priority sectors. These projects not only seek to mitigate environmental impact, but also promote sustainable practices that benefit both the environment and local communities.

**Figure 35.**
*Identified actors by sector - Colombia*




*Source: Own elaboration, Sureco and Partners (2024)*

## 6.2. Ecuador

[16] hngabay.com/2024/02/proyecto-de-bonos-de-carbono-en-bosques-andinos-colombianos-bajo-la-niebla/ttps://es.mo

[17] https://fondoaccion.org/wp-content/uploads/2022/05/Unidad-de-carbono-VA-ESP.pdf

### 6.2.1. Identification of Actors at an International Level

In Ecuador there are multiple international actors that are investing in environmental and climate change projects that benefit the private sector. In this sense, the most relevant are below:

| Actor Type | Actor | Financial instrument |
|---|---|---|
| Multilateral/Regional Climate Funds | Green Climate Fund (GCF) | Offers grants, concessional loans, equity investments, guarantees. |
| | French Development Agency (AFD) | Supports micro, small and medium-sized businesses (MSMEs) through guarantee instruments to reduce the risk for financial entities that offer microcredits for investment in this sector. |
| Multilateral DFIs | IDB Invest | It finances private sector projects to advance clean energy, modernize agriculture, strengthen transportation systems, expand access to financing and has also supported the issuance of thematic bonds. |
| | Inter-American Development Bank (IDB) | Provides guarantees for the implementation of debt-for-nature swaps |
| | International Development Finance Corporation (DFC) | This institution provides integrated financial solutions that include natural base/climate change debt swaps, green, blue and thematic bonds in capital markets, project level debt, blended finance, guarantees, insurance, and asset management for owners. Supported political risk insurance for the Galapagos debt-for-nature swap. |
| | Citibank | This Bank offers a variety of financial services, including cash management, foreign trade, treasury and digital banking, supporting companies in Ecuador with corporate and digital banking solutions, with a focus on environmental sustainability through the integration of responsible financial practices and support for climate change mitigation and adaptation projects. |
| | Credit Suisse | This institution offers impact investment opportunities that seek financial returns and positive social and environmental benefits through various sustainable investment funds and global products. |
| | JP Morgan | It is a global financial services firm that offers investment banking, asset management, commercial banking and wealth management |

| Actor Type | Actor | Financial instrument |
|---|---|---|
| Capital providers for private equity, angel investor (PE) and venture capital (VC) | | solutions, focusing on sustainable growth and global development. Supported the financial structure and purchase of bonds for the debt exchange of the Galapagos Marine Reserve. |
| | Goldman Sachs | This institution offers global financial services, including investment banking, asset management and commercial banking, driving sustainable economic growth and climate action through investments in renewable energy and infrastructure. Supported the financial structure and purchase of bonds for the debt exchange of the Galapagos Marine Reserve. |
| Philanthropic capital (foundations, NGOs) | Ocean Finance Company (OFC) | This institution develops financial solutions to protect vulnerable ecosystems and promote the sustainable development of the blue economy, working with governments and local communities worldwide. He supported the constitution of the Brotherhood Marine Reserve and the structure of the Galapagos debt exchange. |
| | Ledunfly Philanthropy | Supports marine conservation, biodiversity and sustainable development initiatives, collaborating with organizations such as Mission Blue to protect marine ecosystems. He supported the constitution of the Brotherhood Marine Reserve and the structure of the Galapagos debt exchange. |
| | Pew Bertarelli Ocean Legacy | Supports the creation of protected marine reserves to conserve ocean ecosystems and promote marine biodiversity globally. Collaborate with governments, scientists and local communities to establish and manage these protected areas. Supported the Consolidation of the Hermandad Marine Reserve in Galapagos. |

### 6.2.2. Identification of Actors at the Regional Level

At the regional level, there is only one main actor that finances projects related to climate change in Ecuador, and it is the CAF.

| Actor Type | Actor | Financial instrument |
|---|---|---|
| Multilateral DFIs | Development Bank of Latin America and the Caribbean (CAF) | Ally in the generation of credits for the private sector to finance the energy transition, biodiversity, waste management and has also supported the issuance of corporate green bonds and the structuring of mixed financing, both in operations with climate funds and other investors. . |

### 6.2.3. Identification of Actors at the National Level

In Ecuador, a key actor that promotes climate financing is the Association of Banks of Ecuador (Asobanca), a trade NGO that brings together 14 private banks. This organization has been working on the topic of sustainable finance since 2016 and has achieved results such as the implementation of the Environmental and Social Risk Management System (SARAS) and the development of 34 sector guides to identify and mitigate the environmental and social impact when productive credits are granted in specific sectors. With the support of IDB, INVEST is promoting the development of a green sectoral taxonomy and the measurement of climate risks with a focus on the impact of climate on the banks' credit portfolio.

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| | Pichincha Bank | This institution facilitates financing options that encompass project-level debt, guarantees, insurance, and access to capital markets for green, blue and thematic bonds. | • Renewable energy<br>• Agriculture |
| | Produbanco | This institution provides a full range of financial services, ranging from corporate loans and project-level debt, to guarantees, insurance and access to capital markets for green, blue and thematic bonds. | • Renewable energy<br>• Water |
| | bank of Guayaquil | This entity offers loans, equity capital, project financing and investment funds. | • Renewable energy |

| Actor Type | Actor | Financial instrument | Sector |
|---|---|---|---|
| National DFIs | international Bank | The bank offers loans, lines of credit, investment products and corporate financing. | • Water |
| | ProCredit Bank | This institution offers financing options that include loans, equity capital, and project financing. | • Renewable energy<br>• Agriculture |
| | October 29 Savings and Credit Cooperative | This cooperative offers financing options that include loans, equity and project financing. | • Energy<br>• Agriculture |
| | Development Bank of Ecuador (BDE) | This institution offers financial services that include loans, project financing and specialized technical assistance. | • Renewable energy<br>• Transport<br>• Water<br>• AFOLU<br>• Biodiversity |
| | Jardín Azuayo Savings and Credit Cooperative | This cooperative offers financing options that include loans, equity and project financing. | • AFOLU<br>• Biodiversity |
| | FINCA Ecuador | The entity is committed to providing microcredit, venture capital and project financing. | • Agriculture,<br>• Biodiversity |
| Association of IFIs | Association of Banks of Ecuador (Asobanca) | It works to strengthen the country's banking system and promote best practices and international standards, thus improving the quality of life of Ecuadorians. In addition, it promotes environmental sustainability through initiatives that encourage the financing of green projects and the adoption of sustainable banking practices. | • Renewable energy<br>• AFOLU<br>• Biodiversity |

### 6.2.4. Identification of Main Financial Instruments Deployed in Ecuador

Between 2019 and May 2023, the private banks of this Association issued seven thematic bonds for 509 million dollars and these relevant actors are shown below:

- **Green bond:** Banco Pichincha, in 2019, carried out the first issuance of a green bond in the region and in Ecuador for 150 million dollars, with the objective of financing sustainable renewable energy projects, energy efficiency, sustainable transportation, waste management and biodiversity conservation. Likewise, Banco Guayaquil in 2023 carried out its first issuance of green bonds for 80 million dollars to finance or refinance energy efficiency, clean energy, sustainable construction, and sustainable management of natural resources projects. Works in alliance with Ecobusiness Fund to finance and assist sustainable projects.
- **Sustainable bond:** In 2022, Produbanco issued the first sustainable bond in the country for 50 million dollars, to support the reactivation and sustainability of small and medium-sized businesses (SMEs) and the green portfolio of the financial entity, with a focus on efficient agricultural technologies , renewable energies, energy efficiency and resource efficiency, among others. Produbanco financially supports the implementation of emblematic public initiatives such as Proyecto Socio Bosque and FONAG, a water fund that is a private trust that finances paramo conservation projects.
- **Blue bond:** Bank International in 2022 carried out the first private issuance of a blue bond in the region, worth 79 million dollars for the preservation of water, the sustainable management of the value chain of aquaculture, fishing and sea products.

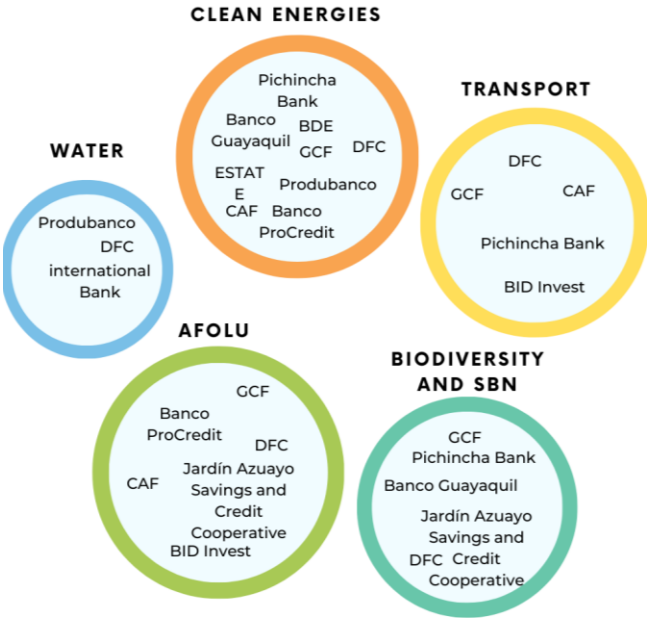
In the microfinance sector that drives climate financing aimed at the private sector focused on small and medium-sized businesses (SMEs) that represent more than 93% of companies in Ecuador, 5 relevant entities that make loans focused on activities that contribute to the fight against climate change and conservation of biodiversity:

- **ProCredit Bank:** finances renewable energy, energy efficiency and sustainable agriculture for private companies.
- **Cooperativa de Ahorro y Crédito 29 de Octubre:** finances sustainable agricultural practices, renewable energy and energy efficiency projects for the private sector.
- **Development Bank of Ecuador (BDE):** Although it is more focused on public projects, the BDE also collaborates with the private sector on green infrastructure, waste management and energy efficiency initiatives that involve the private sector.
- **Jardín Azuayo Savings and Credit Cooperative:** focuses on community development and environmental sustainability by financing projects for sustainable agricultural practices and environmental conservation projects that benefit the private sector.
- **FINCA Ecuador, which is part of the global FINCA network:** this institution focuses on providing financial services to low-income communities by financing microcredits for renewable energy and energy efficiency projects in small businesses.

### 6.2.5. Analysis for prioritized sectors

**Figure 36.**

*Actors identified by sector - Ecuador*




*Source: Own elaboration, Sureco and Partners (2024)*

## 6.3. Jamaica

### 6.3.1. Identification of Actors at an International Level

Jamaica has established a Global Financial Strategy to raise funds to address the country's urgent climate needs. Securing climate financing from various international sources:

| Actor Type | Name | Financial instrument | Sector |
|---|---|---|---|
| Multilateral/Regional Climate Funds | Green Climate Fund | **Innovative Financial Instruments** Collaborate with the Jamaican authorities in the development of the Green Financing Facility (GFF). Provides credit and capacity building to finance local climate projects directly or through local private financial institutions [18]. | Energy Agriculture |
| Multilateral DFIs | World Bank Group | **Grants, Concessional Debt, Guarantees, Disaster Insurance** It seeks to catalyze climate finance, using a flexible mix of capital instruments. It has funded private infrastructure projects designed to address the | Energy Agriculture |

[18] International Monetary Fund.Press release N 23346. https://acortar.link/dYKWGl

| Actor Type | Name | Financial instrument | Sector |
|---|---|---|---|
| | | impacts of climate change, such as flooding and extreme weather events [19]. | |
| | Development Finance Corporation (DFC) | **Grants, Catastrophe Bond, thematic bonds** Through USAID, it has mobilized funds to strengthen the resilience of the energy sector in Jamaica through the "Strengthening Energy Sector Resilience in Jamaica" (SESR) activity. It also strengthens Jamaica's resilience to natural disasters and participates in discussions about the Blue Green Facility [20]. | Energy |
| | Inter-American Development Bank (IDB) | **Guarantees, thematic bonds** Develops a portfolio of bankable projects to increase private investments through the Project Preparation Facility (PPF) focused on public-private partnerships (PPP). | Energy Agriculture |
| | European Investment Bank (EIB) | Low **-cost, long-term loans** Through the Caribbean Investment Facility (CDB), it offers loans to support climate-resilient private investments in Jamaica, focusing on flood and coastal infrastructure, and other sectors vulnerable to climate risks [21]. | Water |
| | International Monetary Fund (IMF) | **Concessional Debt** Through the Resilience and Sustainability Facility (RSF), it is playing a convening role to support the efforts of the Jamaican authorities in mobilizing climate finance by attracting private investments [22]. | Energy |
| Insurance Companies | Munich Re | **Guarantees, Disaster Insurance, parametric insurance** It has been involved in the financing of infrastructure projects and risk management of natural disasters [23]. He has developed the project Climate Risk Adaptation and Insurance in the Caribbean together with the Caribbean Catastrophe Risk Insurance Facility (CCRIF) [24]. | Energy Water |

[19] Country partnership strategy for the period FY2014-2017. https://acortar.link/Mc4Z80

[20] USAID/Jamaica Climate Strategy Contributions (2022-2030). https://www.usaid.gov/sites/default/files/2023-09/2023-USAID-Jamaica-CDCS-Climate-Annex.pdf

[21] Caribbean Development Bank. https://www.caribank.org/about-us

[22] International Monetary Fund.Press release N 23346. https://acortar.link/dYKWGI

[23] Howden, Munich Re and Skyline create parametric hurricane coverage. https://acortar.link/XiYxCb

[24]Climate risk insurance in the Caribbean: 20 lessons. https://acortar.link/I7E6nK

### 6.3.2. Identification of Actors at the Regional Level

From a general overview, the main regional actors operating for agricultural development, infrastructure and adaptation to climate change in Jamaica are:

| Actor Type | Name | Financial instrument | Sector |
|---|---|---|---|
| Multilateral DFIs | Caribbean Catastrophe Risk Insurance Facility (CCRIF) | **Parametric Insurance, Grants** Limits the financial impact of natural events by providing short-term liquidity to governments, private companies and critical sectors in the region when parametric policies are activated[25]. | Energy Agriculture Water |
| | Caribbean Development Bank (CDB) | **Project Level Debt** Collaborates with the private sector in Jamaica through specific projects (Essex Valley Agricultural Development Project)[26]. | Agriculture |
| | Development Bank of Latin America and the Caribbean (CAF) | **Retail lending** It promotes physical and social infrastructure projects through loans and equity investments through the private company West Kingston Power Partners (WKPP)[27]. | Energy |
| Insurance Companies | Guardian Group | **Guarantees, Insurance** Help communities combat the effects of climate change by financing reforestation projects [28]. | Agriculture |

### 6.3.3. Identification of Actors at the National Level

The main national actors that make up Jamaica's financial ecosystem are:

| Actor Type | Name | Financial instrument | Sector |
|---|---|---|---|
| National DFIs | Development Bank of Jamaica (DBJ) | Low **-cost, long-term loans, Guarantees** It has been accredited by the Green Climate Fund (GCF) as a direct access entity, which allows it to access financing. The DBJ plays a critical role in improving the business environment and increasing access to finance for micro , small and medium enterprises (MSMEs) in Jamaica. Its main function lies in providing financing for development, building entrepreneurial capacity and establishing public-private partnerships. | Energy |
| Commercial FIs & Insurance Company | GraceKennedy Financial Group | **Project Level Debt** Through a grant from the Caribbean Biodiversity Fund (CBF), it finances pilot projects to restore and protect mangroves. It | Water Biodiversity |

[25] CCRIF. https://www.ccrif.org/

[26] E ssex Valley Agricultural Development Project . https://acortar.link/CV7zfk

[27] CAF. https://acortar.link/cC8iy6

[28] GuardianGroup. https://acortar.link/H5dTzq

| Actor Type | Name | Financial instrument | Sector |
|---|---|---|---|
| | | also provides small environmental grants for projects carried out by the academy focused on climate resilience[29]. | |
| Commercial FIs | JN Bank Small Business Loans Limited | **Concessional Debt** Mainly uses loans, training to support micro and small businesses in Jamaica. In partnership with the Inter-American Development Bank and other entities, it offers Climate Funds for the private sector[30]. | Agriculture |
| Commercial FIs | Sagicor Bank | **Project Level Debt** Supports small and medium-sized businesses (SMEs) to improve their resilience. Through the Working Capital Solutions program of the International Finance Corporation (IFC)[31]. | Agriculture Energy |
| Philanthropic capital | Environmental Foundation of Jamaica | **Grants** It is the largest grant donor in Jamaica and works through an umbrella agency called NEST - National Environmental Societies Trust[32]. It was created by a debt swap between the United States government and Jamaica. | Biodiversity Energy |

### 6.3.4. Other relevant actors

In Jamaica we also find actors who are not explicitly providing financing, but their role is aligned with the actors who do provide financing:

- **University of Oxford - Data Provider** - collaborates with the Caribbean Community Center on Climate Change to develop a preliminary climate resilience investment framework, in the case of Jamaica it works on access to financing through support to the Coalition on Climate Resilient Investments[33].
- **Soléco energy - Project developer.** - mainly uses a lease-purchase model as a financial instrument for its clients. Through this model, the company covers the initial cost of the investment and installation of the solar energy system and then leases the system to the customer for an agreed upon term. Soleco has secured a debt of US$50 million from multilateral banks to co-develop Jamaica's main solar plant. Under a model that combines public and private resources, the company manages to mobilize these financial resources and mitigate risks. Additionally, through contributions from the GraceKennedy Pension Fund, the company has increased its capital to strengthen its business model.

[29] GraceKenney: Contribution to the Environment. https://www.gracekennedy.com/gk-foundations/how-we-care/contribution-to-the-environment/

[30] JNBank. https://www.jnbank.com/its-critical-for-businesses-to-build-climate-resilience/

[31] IFC partners with Sagicor Bank. https://acortar.link/LIpYCx

[32] https://acortar.link/x9qH13

[33] Jamaica, international financial institutions donors collaborate on establishing a programmatic approach to finance climate needs. https://n9.cl/7of9e

### 6.3.5. Identification of Main Financial Instruments Deployed in Jamaica

- **Green, blue, thematic bonds.-** The Jamaica Stock Exchange (JSE - public sector)[34], starting in 2024, is the first stock exchange in the region to offer the issuance of green, blue and other sustainable bonds. This benefits the government, public-private partnerships, private investors, NGOs and insurance companies[35]. This initiative emerged from the Green and Blue Bond Project in Jamaica, which began in 2020, supported by the Green Climate Fund together with other international partners such as the IMF and IDB Invest and aims to mobilize up to $5 billion by 2050.
- **Direct Loans.-** COK Sodality Co-operative Credit Union in collaboration with IDB Invest, launched a direct lending initiative in 2018 to empower its 275,000 members and the general Jamaican population to combat the adverse effects of climate change. The initiative focuses on providing financial solutions for renewable energy and energy efficiency, especially targeting micro, small and medium enterprises (MSMEs) and low-income households. By offering loans for solar panel installations[36].
- **Concessional financing.-** In March 2017, the IDB allocated J$2 billion to the Adaptation Program and Financing Mechanism (AP&FM) in Jamaica. Through the Development Bank of Jamaica, these funds are channeled to private financial entities such as JN Bank, which offers competitive loans to micro, small and medium enterprises (MSMEs) in the agriculture and tourism sectors. Borrowers enjoy a six-month grace period before beginning to repay loans, with a low annual interest rate of no more than 4%.
- **Parametric Insurance** - The Caribbean Insurance and Climate Risk Adaptation Project focuses on addressing the challenges of climate change, adaptation and vulnerability in the Caribbean region by promoting climate index-based insurance as a risk management tool. risks. The project has developed two parametric insurance products based on climate indexes, targeting low-income people and private financial institutions exposed to climate risks in Jamaica, Grenada and Saint Lucia[37]. This scheme is funded through a multi-donor trust fund supported by the European Union, the governments of Canada, the United Kingdom, France, Ireland and Bermuda, the World Bank and the Caribbean Development Bank, as well as through contributions from membership of participating states. This model illustrates how partnerships not only with national governments, but also with international governments and organizations, can facilitate the technical and financial support necessary for projects of this nature[38].

[34] Jamaica WI. https://acortar.link/FbepdG

[35] Green Bonds. https://www.jamstockex.com/investors/green-bonds/

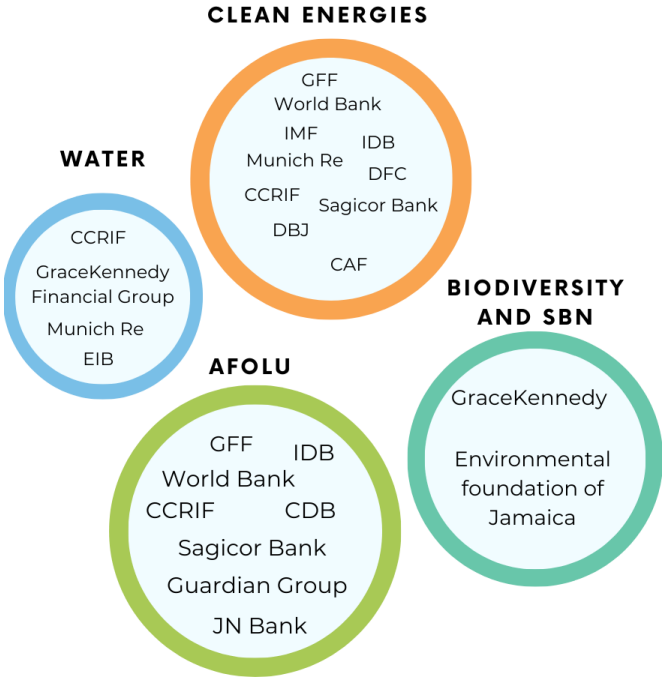
[36] Empowering Jamaica's climate resilience through innovative green finance. https://acortar.link/MwLeOx

[37] Climate Risk Adaptation and Insurance In the Caribbean. https://climate-insurance.org/projects/climate-risk-adaptation-and-insurance-in-the-caribbean/

[38] Actalliance. 2020. Climate Risk Insurance and Risk Financing in the Context of Climate Justice. https://n9.cl/qw5pjh

### 6.3.6. Analysis for prioritized sectors

**Figure 37.**
*Identifier actors by sector Jamaica*




*Source: Own elaboration, Sureco and Partners (2024)*

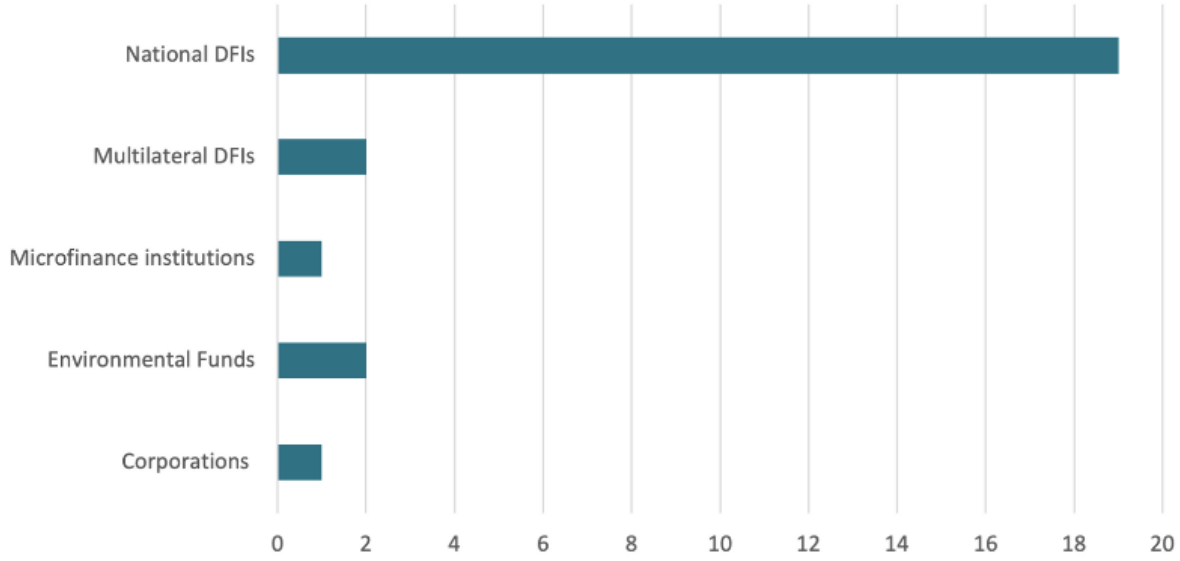
# 7. Other considerations

## 7.1. Inclusion of Public Sector Entities in the mapping

Public funds are essential to unlock private climate financing. For this reason, **25 public sector actors have been mapped,** distributed in the following categories: 84% correspond to National Development Banks, 4% Corporations, 9.4% Multilateral DFIs; 8% to Environmental Funds, 4% Microfinance Institutions. The inclusion of these actors is justified for several reasons.

**Figure 38.**

*Number of public sector entities identified in the mapping*




*Source: Own elaboration, Sureco and Partners (2024)*

21 financial entities were included in the analysis, composed of 2 multilateral banks and 19 national banks. Of these, **37.5% are institutions accredited by the Green Climate Fund (GCF)**, which indicates that they have the specialized capabilities necessary to implement and manage climate change mitigation and adaptation projects. These institutions play a unique role in international climate finance, complementing and catalyzing private sector participation. They have **greater potential and willingness to take risks compared to traditional financial intermediaries, providing long-term financing in local currency** in their local credit markets, a vital aspect for the stability and sustainability of the projects.

Development banks **promote the strengthening of the regulatory and technical frameworks necessary for sustainable development** . In general, these institutions are used to:

- **Pre-investment stage** : Increase demand for investment and financing in climate-friendly projects by helping to address sector- and country-specific constraints.
- **Investment stage** : Provide the necessary incentives to mobilize supply, offering financial instruments on terms and conditions appropriate for this type of projects.

Additionally, banks can **combine different sets of instruments** to meet the needs of a project. In the analysis carried out, these entities use various Project Level Equity financial instruments, guarantees, insurance, grants, blended finance and loans (including low-cost and market rate).

**Corporations** also position themselves as facilitators of the private capital investment process in the region, which drives not only the technical and operational improvement of local companies but can also **act as a facilitator of industrial reconversion at the local level**. This approach promotes a strategic vision that could ensure the long-term viability of the investment. **A representative public corporation for the Caribbean** has been mapped, the Venezuelan Corporation of Guayana (CVG), which uses project debt instruments as part of its commercial activities, facilitating the investment of private capital. This includes everything from improving the operating conditions of companies, investments with local SMEs in environmental projects and industrial reconversion[39].

On the other hand, National Funds are the basis for raising economic resources for mitigation and adaptation actions in certain developing countries. They are considered within the study since **they have the capabilities and experience to mobilize financial resources** from the public sector to the private sector, **they maintain a clear organizational structure and a defined purpose**, generating trust and attractiveness for potential donors and investors.

[39]Vásquez, S. Guayana Project. Two Rivers Team.

| Actor | Instrument | Importance |
|---|---|---|
| National Forest Financing Fund (FONAFIFO) | Payments for Environmental or Ecosystem Services<br>- Carbon credits<br>- Environmental offsets<br>- Hydrocarbon tax<br>- Donations | By Law, its specific role is to finance and promote activities related to the sustainable management of forest resources, benefiting mainly small and medium producers. FONAFIFO also manages payment for environmental services (PSA). |
| Foundation for the Development of the National System of Protected Areas (FUNDESNAP) | - Swaps or debt reductions by nature<br>- Environmental offsets<br>- Payments for Environmental or Ecosystem Services<br>- Donations | It is the entity in charge of capturing and managing financial resources destined for programs, projects and activities within the National System of Protected Areas in Bolivia. In addition to raising external funds, it develops financial mechanisms and income opportunities for the private sector. |

## 8. Challenges and Opportunities

Below is a summary of the challenges and opportunities identified in two aspects:

- Methodological aspect and information gathering reflects the challenges of access, evaluation and systematization of financing sources, actors, and financing flows.
- Evaluation aspect: corresponds to the results found, as well as the labeling of climate change and/or biodiversity financing information

**Methodological aspects:**

Challenges faced in disaggregating funding sources mapped by private sector funding sources operating at regional and national levels in the climate and biodiversity domains, and classifying them based on the type of funding they provide, included:

- **Difficulty in obtaining accurate information on the types of financial instruments used by each actor**. Many entities do not disclose specific details about their financial instruments, which creates a high degree of uncertainty in the analysis.
- **Limited availability of information.** Most of the data used comes from the entities' websites, which restricts the depth and quality of accessible information.
- **Inconsistency in data presentation.** Private sector entities vary in the form and detail with which they present their financial information, making comparison and uniform categorization difficult. Therefore, manual and detailed data collection required significant time and exhaustive dedication.

- **Diversity of information sources.** Information comes from multiple secondary sources, which can lead to inconsistencies and make it difficult to create a clear and coherent picture.
- **Lack of details on investment criteria.** Regarding the challenges of providing information on the types of investors, based on investment criteria such as size, portfolio and sectors. Available information often lacks specific details on investment criteria, such as investment size, portfolio composition, and focus sectors. To overcome these challenges, it is crucial to improve data collection and transparency, foster cooperation between regional actors to share information in a more detailed and accurate manner.
- **Information about beneficiaries is very limited.** Very few actors publish information on the total amounts awarded. In some cases, the range or maximum amount to be granted per beneficiary is specified, but it is not clarified how many beneficiaries have accessed the funds. It is also not clear in most cases who those particular beneficiaries are.
- **Lack of support to identify climate rationality** that allows climate change investments to be classified according to their contribution to mitigation, adaptation or both.

**Evaluation aspects (results):**

On the other hand, challenges were identified that limit the flow of private climate financing. With regard strictly to private financing, five major challenges were found. Opportunities for improvement are also suggested to overcome these barriers and optimize cooperation between the private sector and national and local governments in Latin America and the Caribbean.

**Availability of adequate financing**

The sources of financing for the private sector depend **on a limited number of investors and financial instruments** and the instrument that is repeated in all cases is project loans.

Difficulty in identifying sectors, actors and financial instruments related to adaptation to climate change. The taxonomy for private investment in adaptation is not clear among financial sector actors, making it difficult to align climate financial flows to national climate policies.

This may limit the amount of capital available and the financial flexibility needed to carry out these projects.

**Financing cost**

The cost of financing in Latin America is generally high, which represents a significant obstacle to investment in any of the sectors analyzed in this study. The high interest rates and risk premiums that banks and other financial institutions impose reflect the perception of high risk associated with the region and with climate change and biodiversity projects. This high cost of financing translates into higher capital costs for projects, which in turn reduces their profitability and competitiveness compared to investments in other sectors, or even in other regions of the planet. In addition, the

macroeconomic environment and political volatility in some countries in the region also contribute to increasing financing costs.

Opportunities to improve the channeling of private financing Suggestions:

- Promote the generation of public-private investment funds, where governments can establish an initial catalytic role, attracting private investments by reducing risk with contributions of seed capital and guarantees
- Several financial mechanisms are emerging that can boost climate action and biodiversity conservation in Latin America and the Caribbean, such as debt-for-nature swaps, payment for results from the private sector, carbon markets, and mixed financing.
- Market preferences mean that the private sector has increasing influence on investments in climate change and biodiversity.
- Multilateral Banking and national banks are consolidating more strongly as articulators and catalysts of financing for climate and biodiversity, generating enablers and better conditions for access to loans and other financial mechanisms by the private sector in LAC.

Governments can improve the type of subsidies, tax exemptions and other incentives to reduce the initial costs of projects.

# 9. Conclusions

The analysis carried out identifies and characterizes the private sector actors involved in climate and biodiversity financing in Latin America and the Caribbean (LAC). Actors are grouped into several categories, including corporations, private capital providers, investment funds, development financial institutions, and more. The main findings are detailed below.

- There are important differences regarding the characteristics of financing according to the different entities, sectors, instruments, beneficiaries and recipient countries. In the mapping **of 384 entities**, the main actors identified include **62 private equity and venture capital providers**, **53 asset management companies, 50 corporations,** and **46 commercial financial institutions.** In addition, various other sources of private financing were identified, such as **Environmental funds, hedge funds, impact and carbon funds, insurance companies, national and multilateral development financial institutions, pension funds, philanthropic capital entities,** and **sovereign funds**, reflecting the diversity and breadth of private financing sources in the region.

- The investments are distributed in prioritized sectors as follows: the **Clean Energy sector** leads with **36%** of total investments, indicating a strong focus on the transition towards cleaner energy sources, followed by the **AFOLU sector**, which represents 28%. The **Biodiversity and Nature-based Solutions** sector invests **17%** , **Water** 11 **%. Finally, 8%** of the mapped entities invest **in the Transportation** sector. This analysis shows a clear priority towards clean energies and the sustainable management of natural resources and the territory.

- Regarding financing, for the **energy, transportation and agriculture sectors,** activities more oriented towards production, entities from commercial financial institutions, asset management companies, venture capital providers, corporations and national banks predominate. These sectors usually attract investments due to their potential for profitability and economic development. In contrast, **financing for water and biodiversity**, sectors that do not necessarily present attractive levels of profitability, comes mainly from environmental funds, philanthropy, and multilateral banks.

- A common characteristic in all sectors is the influence of the **origin of the financial entities**. Global corporations, multilateral funds, and philanthropies typically lead external financing, while asset management companies, commercial banks, and venture capital providers predominate among regional financial entities. Most of the financing comes from **entities with a global (49.3%) or national (34.3%) reach**, with fewer focusing on specific regional levels within LAC.

- The most used **financial instruments are project level debt** (Project Level Debt) **and project level equity** (Project Level Equity). Other important instruments include **blended finance** , thematic bonds, guarantees and insurance.

- The private sector can play different roles in the mobilization of financing for climate and biodiversity in LAC, as it can be an investor, beneficiary or contribute as a catalyst to improve the conditions and scope of financing.Private sector investments in adaptation have not been easy to identify, and in the case of investments in infrastructure such as water it is not possible to associate them with climate rationality. Despite this, also for investments in this area, the main financing instrument identified for the private sector is debt towards projects, and in these cases the role of national banks and multilateral banks is relevant.

- Regarding the **beneficiaries**, the private sector with productive purposes is usually associated with the financing of the clean energy, transportation and AFOLU sectors; the public sector to clean energy and (collective) transportation; while organizations linked to communities, ecosystems and protected areas tend to be more associated with the biodiversity and nature-based solutions, and water sectors.

- Regarding the **countries receiving financing**, as in other regions of the world, there is a concentration among the largest countries, such as **Brazil, Mexico and Colombia**. Smaller countries, partly due to issues of scale, would appear to be less attractive to attract climate finance. In relation to this issue and considering in particular the biodiversity sector, it is worth clarifying that LAC is home to 6 of the 17 megadiverse countries in the world. These are: Brazil, Colombia, Ecuador, Mexico, Peru and Venezuela. Although many of the funds go to these countries, a previous study (Castro, G. and Locker, I., 2000) identified that when controlling for the size of the country (US$/km), the countries that had the largest investments were Venezuela, all the countries of Central America, Ecuador, the Dominican Republic, Haiti and Jamaica. It is not possible to corroborate the current situation in this regard, given the lack of information on the financing amounts discussed previously.

- Many of the entities listed in chapter 4.3 on “facilitators" can help overcome the barriers discussed in the previous chapter. It is necessary that its activities reach more private sector agents. In particular, it is worth mentioning the role of associations of financial institutions, the **Sustainable Finance Taxonomy Working Group in LAC** or the **principles of responsible banking, investment and insurance of UNEP Fi**, which support and promote the actors to move towards sustainable finance.

- The articulation of public, private, private and multilateral banking actors plays an important role in strengthening capacities, generating enabling conditions for financing and reducing debt costs for the private sector.

These findings provide a solid foundation for future research and resource mobilization efforts, contributing to climate and biodiversity goals in the region.

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# 11. Annexes

SURECO
& partners

# ANNEXES

## Overview of private sector financing sources in the Latin American and Caribbean region with a focus on climate change and biodiversity conservation.

**JUNE 2024**

Euroclima

cooperación alemana
DEUTSCHE ZUSAMMENARBEIT

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

NDC PARTNERSHIP

## Annex A. Financing Source Mapping Tool

***Attached Excel Matrix***

## Annex B. Glossary of Actors

| *Type of Actors* | *Definition* |
|---|---|
| Multilateral/Regional Climate Funds | We include commitments from DFIs' own resources only and exclude the following: external resources that DFIs manage on behalf of third parties; governments' contributions to DFIs or Climate Funds; bilateral Climate Funds' commitments; DFIs' contributions to projects reported in BNEF (2021a) to avoid double counting. |
| Multilateral DFIs | Development Finance Institutions chartered by multiple countries |
| National DFIs | Development Finance Institutions where a single country owns the institution and finance is directed domestically. They are distinct from State Owned FIs in that they have a specific development mandate in their operations |
| Commercial FIs | Providers of private debt capital (and occasionally other instruments), including commercial and investment banks |
| Pension funds | A pension fund is a type of investment fund that is set up to provide retirement benefits to plan participants. It is a pool of money that is accumulated through regular contributions made by employers, employees, or both. The funds are then invested in various financial instruments, such as stocks, bonds, and real estate, with the goal of generating returns and ensuring there will be enough money to cover the pensions of employees after their retirement |
| Impact funds | Investment vehicles made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return |

| | |
|---|---|
| Insurance companies | Insurers invest the premiums collected through life and non-life insurance policies. They are constrained in their investment by international and national financial regulators |
| Asset management companies | Institutions that oversee and invest the funds of the asset owners that include individuals, companies and governments |
| Microfinance institutions | Microfinance is a way to provide small amounts of financing, savings, insurance, and other related financial services to underbanked working individuals or families, entrepreneurs, and small businesses that do not have access to traditional sources for such financial services |
| Hedge funds | Limited partnership of private investors whose money is managed by professional fund managers who use a wide range of strategies, including leveraging or trading of non-traditional assets, to earn above-average investment returns. These are considered ra risky alternative investment choice |
| Capital providers for private equity, angel investor (PE) and venture capital (VC) | PE investments are made into companies or assets that are not available on listed exchanges. PE investments can be made at different stages of a firm's maturity, ranging from very early stage to mature profitable companies.<br><br>VC is done in very early-stage companies with or without demonstrated profitability. VC helps proving and scaling innovative technologies and business models across all industries |
| Capital providers for blended finance | Every blended finance structure has both concessional and commercial capital providers (e.g., commercial banks) By combining commercial and catalytic capital, blended finance structures enable organizations, with different financial, social and environmental objectives to invest alongside one another in the same transaction. They help demonstrate sustainable investment models |
| Environmental Funds | Organizations created to address global or regional environmental challenges |

| | |
|---|---|
| Philanthropic capital (foundations, NGOs) | This capital is charitable contributions for specific purposes that can be used in a variety of ways given its flexible nature. In some cases is used to invest in early stage technologies or as grants together with loans to cover |
| Corporations | Corporations, which can have activities in the energy sector, in other sectors, or in both (e.g. a large water utility company installing both hydropower generation and water treatment facilities). |
| Project developer | Actors that are primarily responsible for conceiving, planning, and initiating a project. They identify opportunities or challenges that warrant a project's execution, define its objectives, and explore the feasibility of the project. Developers are innovators, coming up with project ideas and creating a blueprint for what the project should accomplish. |
| Framework - Standard Setter | Environmental frameworks are defined by special, usually non-profit, institutions. Standards are usually set by governments and international institutes with legal authority. |
| Incubators and accelerator | Incubators are specialized initiatives tailored to support early-stage startups in developing their ideas into profitable products and services. Such programs facilitate a creative work environment where business founders can tap into the expertise of seasoned mentors, other entrepreneurs, and industry leaders.<br><br>Accelerators are designed to offer early-stage companies support in their growth and development through mentorship, resources, and networking. |
| Data Provider | In this study we consider data providers to those institutions or iniciatives that provides information about financing sources. |
| Others | Other actors not previously contampleted. |

## Annex C. Glossary of financial instruments

| ***Type of Financial Instrument*** | ***Definition*** |
|---|---|
| Grants | Transfers made in cash, goods or services for which no repayment is required |
| Project Level Debt | A debt evidenced by a note which specifies, in particular, the principal amount, interest rate, and date of repayment |
| - of which low-cost | Loans extended at terms preferable to those prevailing on the market.<br><br>This category can also include concessional and ODA loans i.e. loans extended on terms substantially more generous than market loans.<br><br>The concessionality can be achieved either through interest rates below those prevailing on the market or longer maturity or grace periods, or a combination of those. Concessional loans typically have long grace periods. According to the OECD, the 'grant element' of ODA loans is of at least 25%. |
| - of which market rate | Loans extended at regular market conditions |
| Project Level Equity | A stock or any other security representing an ownership interest |
| Subordinated Debt | A debt owed to an unsecured creditor that can only be paid after the claims of secured creditors have been met |
| Capital markets (green, blue, thematic bonds) | Search definition of CBI Climate Bond Initiative for Bonds |

| | |
|---|---|
| | Green bonds with proceeds designated for markets green activities. |
| Project Finance | Is the financial anayslis of the complete life cycle of a project and the funding with non or limited recourse financial structure |
| Results Based Climate Finance "RBCF" | Payments made when results have been met: carbon credits, Biocredits, ecosystem services... |
| Offsetting (Credit Trading) | This refers to the trading of carbon credits or offsets, where entities can purchase credits to compensate for their greenhouse gas emissions. These funds can then be used to finance climate change projects |
| Blended Finance | Blended finance involves combining public and private funds to support climate change projects. It aims to leverage private sector investment by providing concessional finance, guarantees, or other financial instruments to reduce risks and attract private capital |
| Innovative Financial Instruments | These instruments include crowdfunding, securitization of climate-related assets, debt-for-nature swaps, and other mechanisms that aim to mobilize investment for climate adaptation |
| Guarentees | A formal agreement or assurance that conditions will be fulfilled and/or debt will repaid |
| Insurance | A contract, represented by a policy, in which a policy holder receives financial protection o reimbursement aganst losses from an insurance company |
| Nature Based/Climate debt swap | A debtor country is able to negotiate part of its debt in more favorable terms whilst commiting to invest in nature /climate initiatives |
| Corporate lending | Green loans with proceeds designated for lending green activities.<br><br>Project finance* for climate- and transition focused projects. |

| | |
|---|---|
| Asset managers and owners | Climate-focused funds* that invest in low-carbon managers of climate technology.<br><br>Green minus brown tilt funds that prioritize so-called green investments over brown. |
| Insurance | Low-carbon insurance discounts* with and better terms for insurance on low carbon investments.<br><br>Extended warranty warranty claims on green products.<br><br>Carbon credit quarantees for the performance of carbon credit projects. |

## Annex D. Sector Framework

The value chain of **energy system** It ranges from energy generation, transmission and distribution to final consumption. In this chain, clean energy includes, on the generation side, electricity generation through hydroelectric, wind, solar (photovoltaic and thermal), biomass and geothermal. Likewise, it also includes clean fuels: biofuels from biomass and more recently green hydrogen. On the other hand, there are the transmission and distribution networks, responsible for carrying electricity from the generation plants to the final consumption centers: homes, productive sector, services, among others. Finally, on the demand side, both at the residential and industrial level, in the field of clean energy, the segments of energy efficiency, electric mobility, distributed generation systems, electrification of uses and more recently demand management technologies and Energy storage.

This sector is responsible for almost 3/4 of the planet's total CO2 emissions, which is why the vast majority of climate investment is traditionally allocated to mitigation. However, adverse weather events are becoming more frequent and intense, also affecting energy generation. Thus, Latin America, which is the region with the highest proportion of hydroelectric generation, with more than 40% of its electrical matrix, shows increasing vulnerability to extreme drought events, so it is estimated that adaptation will become more relevant in the medium term. The case of non-conventional clean energies, such as solar and wind, is a paradigmatic case since their implementation results in a win-win, since on the one hand they mitigate by reducing GHG emissions and, on the other, they increase resilience, by diversify generation sources, resulting in co-benefits between mitigation and adaptation.

He **electric transport** is positioned as a key solution to reduce greenhouse gas (GHG) emissions from the transportation sector, responsible for a significant part of global CO2 emissions. However, the expansion of electric mobility faces challenges, such as the need for robust charging infrastructure and dependence on raw materials for battery manufacturing, raising questions of sustainability and long-term availability.

The sector ranges from vehicle production, charging infrastructure, to final use by the different demand sectors. The production stage includes both the manufacturing of the vehicles and the production of batteries, mainly lithium-ion, which is key to guaranteeing the performance and autonomy of these vehicles. Likewise, charging infrastructure is vital to guarantee the operation of

electric transportation, this includes public and private charging stations, slow, fast and ultra-fast charging systems, as well as solutions within the home.

For the purposes of this work, investments in inputs to supply the supply chain were not considered, which, considering the resources that the region has and the high demand for minerals necessary for the manufacture of components, fundamentally batteries, can be of dimensions significant. Namely, in the short term, investments of more than 12 billion US dollars are expected in lithium extraction between Argentina, Bolivia, Brazil, Chile and Mexico (Vostockcapital, 2024).

He **water sector** It is essential for the adaptation and mitigation of climate change due to its crucial role in the sustainable management of water, which affects both natural ecosystems and human communities (UNESCO, 2020). The IPCC (Intergovernmental Panel on Climate Change) has extensively addressed impact, adaptation and mitigation in the water sector in its reports, including AR6. Climate change affects the hydrological cycle, causing variability in water availability, changes in precipitation patterns and extreme events such as floods and droughts. These impacts generate significant challenges for sustainable water management.

The water sector value chain encompasses a variety of activities and subsectors essential to ensuring access to and sustainable management of water. These activities include capture and storage, which refers to the management of reservoirs and dams; treatment and distribution, which ensures that water is safe for consumption; and sanitation and recycling, which deals with treating wastewater and promoting its reuse (IPCC, 2021; IPCC, 2018).

The private sector plays a fundamental role in this value chain by promoting innovation and technology, developing new technologies for efficient water management. Additionally, it invests in infrastructure to improve the resilience and efficiency of the water system and adopts corporate responsibility practices that minimize environmental impact and promote responsible water use (Alliance for Water, 2022; UN, 2022).

Biodiversity or biological diversity is “the set of all living beings on the planet, the environment in which they live and the relationship they have with other species. Therefore, biodiversity is made up of all animals, all plants and all organisms , as well as all ecosystems, both terrestrial and marine, and all the relationships they establish among themselves” (FSU, 2024). Latin America and the Caribbean occupies a prominent position on this issue at a global level, since “it has 40% of the world's biodiversity and contains 7 of the 25 biodiversity hotspots in the world, 6 of the 17 megadiverse countries, 11 of the 14 terrestrial biomes and the second largest reef system in the world. (..) More than 30% of the fresh water available on earth and almost 50% of the world's tropical forests are found in the region” (UNEP, 2016).

Another important concept linked to biodiversity is that of **Nature-Based Solutions (SBN) .** These are habitats or activities that are carried out to “protect, sustainably manage and restore natural or modified ecosystems, which address social challenges effectively and adaptively, simultaneously providing benefits for human well-being and biodiversity” (IUCN, 2024) . They include, for example, mangroves and corals that protect coastlines from erosion and flooding, wetlands that filter nutrients from freshwater supplies, and habitat restoration to mitigate the effects of climate change and biodiversity loss. (Finance Earth, 2021).

Despite the importance of conservation, biodiversity continues to face increasing and significant threats. The most notable are the conversion of natural ecosystems to productive systems, pollution, climate change, overexploitation of populations and the introduction of exotic species (Semarnat, 2024). A study by the World Wildlife Fund (Lambertini, 2018) indicated that South and Central America has lost 89% of its populations of mammals, birds, fish, reptiles and amphibians. According to Global Forest Watch, 4 of the 10 countries with the greatest loss of tropical tree cover in 2017 were in LAC (Global Forest Watch, 2024). In our oceans, 90% of fish stocks are overexploited and major marine environments are contaminated with plastic (FAO, 2019).

The sector of **Agriculture, forestry and other land uses (AFOLU)** It is relevant in many economies in the region, since they directly represent between 5% and 18% of GDP in 20 LAC countries. The proportion is even higher if its contribution throughout the entire food chain is considered [40]. In particular, almost half of the region's primary GDP comes from livestock (IICA et al., 2023). Furthermore, LAC has 16% of the agricultural land, 33% of the surface suitable but not used for agriculture and 23% of the world's forest surface (ECLAC , et al., 2019).

[40] The agricultural and food systems of Latin America and the Caribbean are ready for a profound transformation (ba ncomundial.org)

Activities linked to AFOLU are the second main source of greenhouse gases (GHG), contributing close to 23% of total global emissions. Furthermore, they could reach up to 37%, if the entire agri-food chain is considered, including pre- and post-harvest activities. “In the case of LAC, the sector's participation in GHG emissions is even more relevant, especially in the livestock-raising countries of South America, given the importance of livestock farming as a source of methane emissions.” (ECLAC, et al., 2019). In LAC, agricultural emissions are mainly linked to livestock and agricultural production. Emissions from livestock explain two-thirds of total emissions from agriculture, while soil management for crops (including rice) represents the remaining 33% (IICA et al., 2023). On the other hand, agricultural production is also very vulnerable to climate variability and change and soils have been greatly affected by problems of degradation, desertification and deforestation (ECLAC et al., 2019).

Finally, it is worth clarifying that both the issue of biodiversity and SBN are closely linked to AFOLU, since they include topics such as: reforestation, improved agricultural practices, organic agriculture, ecotourism, agroforestry, among others.

**Table 1. Sectoral Categorization** [41]

| Type of Sectors | Subsectors included |
|---|---|
| **Renewable energy and energetic efficiency** | Power and heat generation |
| | Transmission and distribution of energy and heat |
| | fuel production |
| | Fuel transmission and distribution |
| | National budget and policy support and capacity development |
| **Transport** | Private road transport |
| | Railway and public transport |
| | water path |
| | Aviation |
| | Infrastructure oriented to transportation and urban development |
| | Other/Not specified |
| **Water** | Water supply and sanitation |
| | Sewage treatment |

[41] Established based on the Global Landscape of Climate Finance 2023 Metology, **Climate Policy Initiative** https://www.climatepolicyinitiative.org/wp-content/uploads/2023/11/GLCF-2023-Methodology.pdf

| Type of Sectors | Subsectors included |
|---|---|
| | National budget and policy support and capacity development |
| | Conservation and management of watersheds* |
| | Sustainable use of water resources* |
| | Water infrastructure* |
| | Other/Not specified |
| **Agriculture, Forestry and Other land uses** | Agriculture |
| | Forestry |
| | Fishing |
| | Food and diet |
| | National budget and policy support and capacity development |
| | Unspecified / Multiple |
| **Biodiversity and nature-based solutions** | _ |

*Category not established by CPI, included specifically in this study considering the interventions of the mapped entities .

## Annex E. Summary of interviews and stakeholder consultations

To collect relevant primary information from the perspective of key stakeholders, five structured interviews were conducted over a three-week period. The main objective was to identify the key private sector actors, as well as determine the most effective financing sources and financial instruments to encourage these investments. We also sought to obtain specific examples of projects or initiatives financed by the private sector in these areas, and to learn about the main actors involved and the Latin American countries where these projects are being developed with private financing.

The interviews were conducted with the following organizations:

| | |
|---|---|
| Oceans Finance Company[42] | |
| Convergence[43] | |
| Climate Policy Initiative[44] | |
| S&P Global Ratings[45] | |
| Global Compact[46] | |

Among the common points that should be highlighted are the following:

1. **Financial instruments**

Among the financial instruments most mentioned by actors are:

[42] https://www.oceansfc.com/
[43] https://www.convergence.finance/
[44] https://www.climatepolicyinitiative.org/
[45] https://www.spglobal.com/ratings/en/
[46] https://unglobalcompact.org/

- ➔ **Blended Finance:** Convergence Finance and Ocean Finance Company highlighted the use of blended finance, combining public, philanthropic and private capital to attract investments . This approach mitigates risks and increases profitability for private investors.
- ➔ **Sustainable and Sustainability-Linked Bonds (SLBs):** Global Ratings mentioned the growing use of sustainable bonds and SLBs in the region, especially in Brazil, Chile and Mexico. These bonds incorporate social and environmental performance indicators, thus attracting investors interested in social impact as well as financial returns.
- ➔ **Equity and Debt:** Interview with Fernando Castellanos of UN Global Compact highlights the predominant use of loans and venture capital (equity) in the region. Large companies have greater access to subsidies, but financing usually depends on loans and equity.

Likewise, some Innovative Instruments were mentioned, Climate Policy Initiative mentions the implementation of innovative instruments such as participation and financing accounts for sustainable livestock farming in Colombia and regenerative agriculture in Mexico.

2. **Role of the Private Sector**

They mentioned that private sector actors relevant to financing climate change and biodiversity projects include various types of investors with different motivations and financing structures. These actors include **commercial investors** who seek risk-adjusted returns, investors who value both impact and commercial return, and large companies that face significant risks due to environmental issues, non-financial corporations, financial institutions, and international financial issuers. In addition, there is growing interest from large institutional investors concerned about the risks associated with climate change. **Development banks** and multilateral **financial institutions** also play an important role, although they tend to avoid high-risk projects. To attract more private investment, it is essential to reduce these risks and increase the profitability of the initiatives. **Hedge funds, corporations, family offices, and philanthropic capital** are also involved, using financial instruments such as blended finance to structure investments. Companies such as Scatec ASA (renewable energy) and Bruce Power LP (nuclear energy) are examples of private entities active in sustainable financing.

Ocean Finance Company highlighted that private investments in biodiversity and climate change projects come from four main sources such as commercial investors, investors who value the impact, companies facing risks from climate change, and large institutional investors concerned about the financial risk derived from problems environmental.

3. **More effective sources of financing and financial instruments to encourage private investments in climate change and biodiversity projects in Latin America and the Caribbean**

According to the actors interviewed, these include a variety of approaches and tools. Debt **-for-nature swaps** , as in the case of Galapagos in Ecuador, and **green bond issuances** are notable examples. Brazil, Chile and Mexico are leaders in green emissions, with Brazil showing high private sector participation, Chile with a more focus on **sovereign emissions** and Mexico with a combination of both sectors.

Blended **finance** and **equity** are crucial instruments, combining concessional and commercial financing to reduce risks and increase profitability. The involvement of philanthropists and donors, who provide **credit and insurance support** , is also significant. Furthermore, results-based incentives and technical assistance for new financial mechanisms are essential to attract private investments.

**Thematic bonds** and private equity funds focused on specific niches, such as renewable energy, are gaining traction. In Colombia, innovative financing in sustainable livestock farming and marketplaces for sustainable products are examples of how to structure effective financial instruments. Experience with novel instruments and adaptation to local contexts are keys to success in the region.

4. **Need for Incentives and Clear Regulations**

➔ **Local Taxonomies and Regulatory Frameworks:** The creation of local taxonomies and clear regulatory frameworks is crucial to encourage private investment, as mentioned by S&P Global Ratings and Convergence Finance. These frameworks help standardize practices and increase investor confidence.

➔ **Technical Assistance and Market Education:** Technical assistance and market education are essential to facilitate the use of novel and sustainable financial instruments. Climate Policy Initiative emphasizes the need for technical support for new financial mechanisms and the importance of education to encourage the adoption of these instruments.

5. **Projects in LAC where the Financing goes**

Featured projects:

➔ **Ecuador:** Debt-for-nature swap for the conservation of the Galapagos Islands. The country bought back $1.6 billion of its debt and issued a $656 million bond to finance the conservation of the Galapagos Islands. This project highlights the success of an initiative financed by the private sector.

➔ **Brazil:** Issuance of sustainable bonds, projects in sanitation, transportation and energy. Brazil raised $2 billion in its first sustainable bond issuance in 2023, focused on projects in the sanitation, transportation and energy sectors.

Regenerative agriculture and non-timber products in the Amazon.

- ➔ **Mexico:** Regenerative agriculture through initiatives such as Regenera Ventures.
- ➔ **Colombia:** Transition from traditional livestock farming to silvopastoral systems, financed through specific financing lines.
- ➔ **Chile:** Chilean sovereign bonds linked to sustainability. The Chilean government continues to lead the issuance of sustainable bonds, incorporating social objectives into its SLB documentation.

## 6. Conclusions

The implementation of diverse and innovative financial instruments, such as blended finance and sustainable bonds, is crucial to attract private investments in sustainable projects in Latin America and the Caribbean (LAC). These instruments make it possible to mitigate risks and improve the profitability of investments, encouraging the participation of the private sector in biodiversity and climate change initiatives. Furthermore, experience shows that private investments are essential to finance these projects, with a wide range of actors, from corporations to large institutional investors, playing important roles.

Likewise, it is essential to establish strong regulatory frameworks and provide technical assistance to standardize practices and increase investor confidence. The creation of local taxonomies and the promotion of financial education are key steps in this direction. Successful examples in countries such as Ecuador, Brazil, Mexico and Colombia highlight the positive impact and viability of sustainable investments in the region. Collaboration between public and private sectors, along with the support of international entities, emerges as a decisive factor for the success and expansion of these projects in LAC, promoting sustainable and resilient development.

Contact information of the person contacted :

| Name of person | Entity | Email | Cargo |
|---|---|---|---|
| Matías Hoban | S&P Global Ratings | mhoban@spglobal.com | Commercial Director, South America |
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| | | | |
|---|---|---|---|
| | Initiative (CPI) y Climate Finance Lab | | Global Innovation Lab for Climate Finance |
| Fernando Castellanos | UN Global Compact/ | castellanos@unglobalcompact.org | Head, Environment and Climate |

## Annex F. Challenges and opportunities of private financing specific to each sector

### Clean energies

The main challenges that limit the flow of private climate finance towards clean energy are summarized below, ranging from policies and regulations, local capacity, enabling infrastructure, technology maturity, social, cultural and environmental aspects to economic and market barriers. All of these interconnected factors feed back into private financing problems, enhancing the challenges that make it difficult to attract and sustain investments in the clean energy sector in Latin America.

**The cost of capital**

One of the most determining obstacles to making investments in the region viable is the high cost of capital. According to the Capital Cost Observatory [1] of the International Energy Agency (IEA), the cost of capital in large Latin American countries, such as Mexico and Brazil, can be up to three times higher than in Europe, United States or China. As an example, for a photovoltaic solar plant project, financing costs represent 60% of the total levelized costs in Brazil, while for China they reach 30% and for the European average 25% (IEA, 2023).

This implies that investment projects in renewable energy in the region, which are fundamentally supported through debt, have to reach very high profitability thresholds to compensate for the (over) financing costs compared to other regions. In other words, the high cost of financing requires projects with higher project profitability rates so that it is attractive to investors. Part of these limitations could be mitigated by developing the financial system, which also presents some disadvantages compared to other regions, if we measure it in terms of the proportion of private credit or stock market capitalization with respect to GDP, for example (IEA, 2023 ).

**[1] The Cost of Capital Observatory is an initiative of the IEA, the World Economic Forum, ETH Zurich and Imperial College London.**

| TIPO DE BARRERA | RIESGO / BARRERA | |
|---|---|---|
| POLÍTICA Y REGULACIONES | Incertidumbre regulatoria | Leyes/regulaciones poco claras y/o rígidas<br>Cambios frecuentes en las políticas energéticas |
| | Contractual | Distribución de riesgos entre las partes no es adecuada o es ambigua (cumplimiento de contratos, resolución de conflictos) |
| CAPACIDAD ADMINISTRATIVA LOCAL | Licencias y permisos | Retrasos y/o procesos poco claros para obtener licencias y permisos de |
| | Adquisición de tierras | Disponibilidad y/o alto costo de la tierra, derechos de propiedad poco claros y tierras no registradas |
| | Requisitos estrictos de contenido local | Exigencias de contenido local muy altas (empleo y compononetes) |
| INGRESOS | Compra de energía | Retrasos en los pagos de la energía y/o servicios energéticos por parte de la contraparte |
| | Volumen | Baja demanda de energía |
| | Medición, reporte y verificación | Falta de información para elaborar una línea base confiable y verificar los ahorros de energía (eficiencia energética) |
| | Renegociación de contratos | Renegociación de contratos de compra de energía debido a conflictos de precios o tras identificar precios más bajos en otras regiones |
| | Precio | Exposición a precios variables en el mercado mayorista con capacidad limitada para gestionar fluctuaciones de precios con instrumentos de cobertura |
| INFRAESTRUCTURA HABILITADORA | Infraestructura insuficiente | Ausencia de infraestructura adecuada para soportar nuevas tecnologías energéticas (redes de transmisión, sistemas de almacenamiento) |
| TECNOLOGÍA | Madurez de la tecnología | Incertidumbre sobre el desempeño de nuevas tecnologías sin antecedentes locales ni demostración amplia a nivel global |
| MERCADO | Tasa de interés | Cambios inesperados en la tasa de interés (variable) de un préstamo |
| | Moneda | Inflación inesperada y fluctuaciones en el tipo de cambio |
| | Financiero | Mercados de capital locales subdesarrollados; restricciones de convertibilidad de moneda y restricciones para repatriar capital |
| ECONÓMICAS | Costo Inicial | Costos iniciales muy elevados |
| | Riesgos económicos | Riesgos asociados a la volatilidad de los precios de la energía y a la estabilidad económica general del país |
| FINANCIAMIENTO | Disponibilidad de financiamiento adecuado | Dificultad de acceso al financiamiento a largo plazo y tasa fija |
| | Costo del financiamiento | Alto costo de financiamiento |
| | Capacidades del sistema financiero | Capacidad limitada de los bancos locales para evaluar proyectos de energías limpias |
| | Capacidad empresas locales | Escasez de empresas locales con la capacidad financiera para participar en proyectos energéticos a gran escal |
| SOCIALES Y CULTURALES | Aceptación social | Resistencia de las comunidades locales a proyectos energéticos (ambientales, de salud, de empleo) |
| | Desconocimiento | Falta de conocimiento o comprensión sobre los beneficios y necesidades de inversión en nuevas tecnologías energéticas |
| AMBIENTALES | Impacto Ambiental | Proyectos que tienen un impacto significativo en el medio ambiente pueden enfrentar oposición y restricciones por parte de las comunidades locales |
| | Regulaciones Ambientales | Estrictas normativas ambientales pueden aumentar los costos y la complejidad de los proyectos energéticos |
| CAPACIDADES LOCALES | Capacidad empresas locales | Escasez de empresas locales con la capacidad para participar en proyectos energéticos a gran escala. |
| | Personal capacitado | Falta capacidades técnicas locales para desarrollar y mantener proyectos energéticos avanzados. |

Source: Own elaboration based on (IEA, 2021)

*Opportunities in the clean energy sector*

Green hydrogen has enormous potential as a solution for energy generation in Latin America, which could attract significant investments in the medium term. This technology offers a clean and efficient alternative to fossil fuels, allowing us to diversify the energy matrix and ensure a sustainable supply. In addition to contributing to climate change mitigation, green hydrogen can be a crucial financing driver, promoting the development of specialized infrastructure and the creation of green jobs in the region. In this way, Latin America has the opportunity to position itself at the forefront in the adoption of green hydrogen, attracting important flows of international investment and reinforcing its role in the global energy transition.

### Transport

Financing electric mobility presents important challenges, many of which coincide with those of the clean energy sector. Given their characteristics, both sectors present high initial costs that are amortized after use, both present technologies that are not yet fully mature and uncertainty associated with political and regulatory definitions.

Regarding economic-financial barriers, the electric transportation sector faces the aforementioned problems associated with the cost of capital, the limited but growing availability of insurance adapted to this technology, and a shortage of long-term financial products necessary for this. segment.

On the other hand, although the total cost of ownership of electric vehicles is lower than that of combustion vehicles, that is, considering their entire useful life, the initial investment cost continues to be a decisive barrier for the acquisition of this type of vehicle. vehicles. This situation is even more complex in contexts where transportation systems present high levels of informality, which limits access to financing, despite the fact that there is great interest on the part of the private sector to finance this type of initiatives, not only from the financial sector but by energy companies and electric vehicle manufacturers.

| TIPO DE BARRERA | RIESGO / BARRERA | |
|---|---|---|
| POLÍTICA Y REGULACIONES | Incertidumbre regulatoria | La falta de políticas claras y consistentes para la movilidad eléctrica crea incertidumbre y desincentiva la inversión. |
| | Falta de coherencia entre políticas nacionales y locales | La falta de alineación entre políticas nacionales y locales puede crear confusión y barreras adicionales para los inversores |
| | Inadecuadas políticas de incentivos | La ausencia de incentivos adecuados, como subsidios y exenciones fiscales, limita la rentabilidad de los proyectos de movilidad eléctrica |
| | Subsidios en sentido opuesto | Los subsidios a los combustibles fósiles hacen que el costo-beneficio de invertir y financiar la movilidad eléctrica sea menos atractivo |
| | Falta de estándares y regulaciones | La ausencia de estándares y regulaciones claras para la infraestructura de carga dificulta la planificación y el financiamiento de estos proyectos |
| INGRESOS | Ingresos impredecibles | La variabilidad en los ingresos de los proyectos de movilidad eléctrica puede aumentar el riesgo percibido por los inversionistas. |
| INFRAESTRUCTURA HABILITADORA | Déficit de infraestructura de carga | La falta de infraestructura de carga adecuada es una barrera significativa para la adopción masiva de vehículos eléctricos. |
| | Desafíos en la integración con la red eléctrica | La integración de estaciones de carga con la red eléctrica existente puede ser técnicamente desafiante y costoso |
| MERCADO | Problemas de suministro | Problemas de suministro aumentan fuertemente los tiempos de entrega |
| | Mercado incipiente | Mercado aún en desarrollo, lo que limita las oportunidades de negocio y |
| ECONÓMICAS | Altos costos iniciales | Los costos iniciales de adquisición de vehículos eléctricos y la infraestructura de carga pueden ser prohibitivos sin subsidios o financiamiento adecuado |
| | Altos costos de capital | Los proyectos de movilidad eléctrica requieren inversiones iniciales significativas, lo que puede ser un obstáculo para muchos inversores. |
| FINANCIAMIENTO | Altas tasas de interés y primas de riesgo | Las tasas de interés elevadas y las altas primas de riesgo reflejan la percepción de alto riesgo en la región, encareciendo el costo del financiamiento. |
| | Escasez de financiamiento | Los proyectos de movilidad eléctrica requieren financiamiento a largo plazo, |
| | Limitada disponibilidad de seguros | La falta de opciones de seguros adecuados puede aumentar el riesgo percibido por los inversores |
| SOCIALES Y CULTURALES | Resistencia al cambio | Los hábitos y preferencias establecidos pueden ser difíciles de cambiar, especialmente si los consumidores no están convencidos de los beneficios de |
| | Preocupaciones sobre la autonomía | Las preocupaciones sobre la autonomía limitada de los vehículos eléctricos pueden desincentivar su adopción |
| AMBIENTALES | Preocupaciones sobre el impacto ambiental | Las preocupaciones sobre el impacto ambiental de la producción y disposición de baterías pueden influir negativamente en la percepción de los proyectos de |
| | Falta de infraestructura para reciclaje | La ausencia de infraestructura adecuada para el reciclaje de baterías puede ser una barrera para la adopción de vehículos eléctricos |
| CAPACIDADES LOCALES | Falta de experiencia en el sector | La escasez de empresas con la experiencia necesaria para desarrollar y operar proyectos de movilidad eléctrica limita la viabilidad de estos proyectos |

Fuente: elaboración propia

## Electric mobility financing models: their opportunities and restrictions

Faced with these challenges, some innovative financing models are proposed. In addition to the traditional debt and capital mechanisms, typically provided by governments and development banks, there are new financing models that allow spreading risks and attracting financing from

other types of actors that assume new roles: energy companies and manufacturers of electric vehicles

Namely, concessional business models where the public sector grants the management and exploitation of public works with payments from user fees; financial leasing, where the property belongs to the financier, providing the fleet and/or the cargo service and associated infrastructure and the transportation companies are only responsible for the operation; asset unbundling models, where financing is opened up between various actors by splitting capital costs, which are then leased to operators; "Pay as You Save" (PAYS) models in which energy companies finance infrastructure and electric vehicles, recovering the investment through service fees are some of the innovative alternatives that allow us to distribute risks and obtain financing from various sources. sources, making the implementation of electromobility more viable (CFF, 2020). Some characteristics of these instruments, as well as their opportunities and restrictions, are highlighted below:

| | INSTRUMENTO | OPORTUNIDADES | RESTRICCIONES |
|---|---|---|---|
| Asociaciones público-privadas (APP) | Contrato a largo plazo integrando diseño, financiamiento, construcción y operación de infraestructura pública | . Proyectos a gran escala<br>. Integración en un solo contrato | . Estructura compleja y costosa<br>. Poco atractiva para proyectos pequeños y medianos |
| Financiamiento mixto o concesional | Combina banca de desarrollo y comercial para financiar movilidad eléctrica | . Condiciones de financiamiento preferenciales<br>. Reducción de costos de operación | . Necesidad de productos financieros específicos<br>. Dependencia de fondos internacionales |
| Separación de activos | Permite participación de nuevos actores en adquisición y operación de autobuses eléctricos | . Reducción del costo de capital<br>. Atracción de nuevos inversores. | . Participación de muchos actores<br>. Complejidad en la estructura de préstamos |
| Pay as You Save (PAYS) | Empresa de energía invierte en equipos y recupera la inversión mediante un cargo fijo en la tarifa eléctrica | . Aumento de actores clave,<br>. Empresas de energía involucradas<br>. No se registra como deuda | . Necesidad de negociación,<br>. Dependencia de aprobación regulatoria<br>. Requiere garantías gubernamentales |
| Bonos Verdes | Instrumento de deuda utilizados para financiar proyectos sostenibles | . Atracción de inversores interesados en sostenibilidad<br>. Buena reputación | . Proceso de emisión complejo<br>. Costos asociados a la certificación. |
| Financiamiento privado directo | Capital aportado por entidades privadas para financiar iniciativas verdes | . Disponibilidad de capital<br>. Mayor flexibilidad en términos y condiciones | . Mayor riesgo para los inversores |

Fuente: elaboración propia en base a (CFF, 2020)

## Opportunities in electric transportation

In 2023, for the first time, electric transportation and its associated infrastructure was the main destination of investments globally (36%), slightly surpassing renewable energies (35%), followed by the expansion of electrical networks (18% ). The rest of the investments were distributed between freight transport, clean industry, electrified heat, hydrogen, carbon capture and storage, energy storage and nuclear energy (BloombergNEF, 2024).

To align with the “Net Zero” emissions scenario, in line with the Paris Agreement, investment in clean energy should triple between now and 2030. Although both renewable energies, transmission and distribution networks and storage should double its investment speed until the end of the decade; Due to its weight in global emissions, the electrification of transport should be a priority, where it is estimated that it would have to capture 37% of the total funds allocated to the energy transition. Thus, the short and medium term perspectives indicate that there will be a significant expansion of investment in supply chains, fundamentally for battery manufacturing.

Complementary to electric mobility, the potential of green hydrogen for heavy-duty and long-distance transportation could attract very significant investments in Latin America in the medium term. Due to its ability to offer a clean and efficient alternative to traditional fossil fuels, green hydrogen is emerging as a viable solution to reduce emissions in the transportation sector in segments where electric mobility presents some restrictions. This technology can be a crucial vector of investment in the region, capturing important financing flows.

### AFOLU

In relation to the Agriculture, Forestry and Other land uses sector, the

following barriers to advance your financing:

- Being more sustainable in the agroindustrial sector may imply higher costs. Particularly for small farmers, or the first phase of the value chain, as they must change their practices. One practice could be, for example, regenerative agriculture. In relation to this point, it is worth commenting that “Generally, bank loans can be 5 to 10 years, but restoration is something long-term, and it takes us a while to achieve amortization. Banks are often not willing to wait. We could do shorter loans and assume that we will be able to raise capital later and then refinance it. But that adds an element of risk, which is difficult for the bank and also for us to assume. Our investors don't want to take that much risk either” (Ivory, R. et al., 2024).

- On the other hand, although carbon credits are a growing source of innovative financing for the climate transition, especially in forestry, investors remain hesitant to invest. Traditionally, banks may also compensate for riskier investments by requiring collateral in the event of loan default. In reforestation projects, providing land as collateral can be contradictory to the purpose of a company focused on forest restoration for two reasons. First, banks consider reforested land to have less value than grassland land, so it may not be perceived as an acceptable form of collateral. Second, if the reforested land is seized as collateral and the land use is changed to livestock or unsustainable agricultural practices, the entire purpose of the project is undermined. (Ivory, R. et al., 2024).

- Measuring the environmental impact of agricultural and forestry transactions, especially those that are NbS, is more difficult since the technology to do so can be more specialized and there is no standardization. (Ivory, R. et al., 2024).

The following opportunities were identified to advance its financing:

"The coordination of institutions that incorporate and develop public and private financing instruments, of bilateral, multilateral and national cooperation organizations, will be crucial to access financing sources that allow implementing public policies to respond to the impacts of climate change. " (UNDP and Paraguay Environment Secretariat, 2013).

- Blended finance can help reduce the risk of agricultural transactions affected by climate change. Longer term structures and concessional financing can help make sustainable transition loans viable for both farmers and banks. These loans can be provided to small farmers to help them cover the costs associated with the transition, while taking into account the increased risks associated with a temporary drop in productivity. (Ivory, R. et al.,2024).

- Blended financing can encourage measures that take into account externalities and standardization. (Ivory, R. et al.,2024).

### Biodiversity and SBN

In relation to the biodiversity and SBN sector, the following barriers were identified to advance its financing:

- Firstly, the need to understand the importance of conserving biodiversity is highlighted to justify its financing, since otherwise its degradation and loss would hinder development. In this sense, the Paris Agreement and the Convention on Biological Diversity have contributed to promoting the participation of the financial sector (Studer-Noguez, 2020). Likewise, the new Kunming-Montreal Global Biodiversity Framework establishes that it is necessary to have sufficient financial resources for adequate implementation of the framework and establishes in goal 19 the following: "Substantially and progressively increase, in an effective, timely and easily access, the level of financial resources from all sources, including national, international, public and private resources (...) [47]"
- Existence of challenges that arise for small and medium-sized companies when it comes to putting together successful growth strategies and converting innovative ideas for conservation into projects susceptible to investment.

[47] https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-es.pdf

- These companies, by their nature, tend to work under challenging regulatory frameworks, as well as, they may face infrastructure difficulties.
- To achieve both positive financial and conservation impacts, they need to create alliances in dispersed communities and balance competing objectives (preserving and/or restoring nature while providing livelihoods in local communities).
- Lack of knowledge on the part of fund providers of what an investment in biodiversity is. (Castro, G. and Locker, L., 2000)

The following opportunities were identified to advance its financing:

- Innovative financing is required to mobilize public and private financial resources towards biodiversity conservation projects.
- Promote concessional and combined financing during the initial development of projects.
- Diversify risk particularly in structuring multiple heterogeneous projects by sector and geography for cash flow purposes.
- Risk financing for impact investment.
- Collaboration establishing alliances.
- Establish a proof of concept and track record.
- Measure and report on biodiversity and its financial impacts.
- Government policies and regulations allow impact investing. “The way to achieve objectives and monitor progress is to have strong NBSAPs (National Biodiversity Strategies and Action Plans) linked to national legislation, with allocated financial resources and capacity development and monitoring plans.” (Tamayo, E. et al., 2023; Deutz, A. et al., 2021)
- Incorporate specific national biodiversity financing plans (NBFP) (UNEP FI et al., 2023 and Tamayo, E. et al., 2023).
- Build critical biodiversity capacity internally and promote ownership at executive/board level to shape governance. (Tamayo, E. et al., 2023).
- Periodically examine and evaluate investors' portfolios to detect risks to biodiversity (arising from dependencies and impacts), at sectoral and local level, using tools such as ENCORE, IBAT, WWF Risk Filter Suite and UNEP-WCMC Nature Risk Profile for investors. risk management processes. (Tamayo, E. et al., 2023).
- Participate in relevant initiatives, such as the Finance for Biodiversity Foundation, the TNFD and the Science-based Target Network (SBTN). (Tamayo, E. et al.,2023).
- Share lessons learned and mobilize others to undertake coordinated individual and collective action. (Tamayo, E. et al.,2023).
- Need to disseminate a taxonomy that determines what is considered an investment in biodiversity and what is not. (Castro, G. and Locker, L., 2000).

## Annex G. Role of the Carbon Market in Climate Finance

Carbon markets are growing rapidly as many countries and companies intend to use emissions reduction credits to meet their climate commitments. Effectively harnessing carbon revenues can also enable climate change mitigation projects to attract investment from a variety of sources. There are two concepts that we have identified, which are becoming potentially attractive for private sector investment.

- First, carbon-linked bonds are providing upfront capital for some projects, by securitizing future emissions reduction revenues. This is the case of the projects developed by ACICAFOC through the neotropical foundation in Costa Rica [48].
- Second, carbon markets are mitigating currency risks by offering tailored hedging tools, facilitating access to foreign loans for local currency investments. This is the case of the Forest Carbon Cooperative Fund (FCPF), through its carbon fund created exclusively for REDD+ initiatives [49].

To successfully implement a financial response to climate change, it is crucial to modify, expand and optimize capital flows, supported by consistent policies, thus the LAC region has in recent years developed numerous initiatives to implement regulations focused on voluntary capital markets. carbon. The table below provides a summary of these regulations.

| Country | Official Name of the Regulation | For whom regulation is relevant | Link |
|---|---|---|---|
| Argentina | Resolution 385/2023 | Project Developers | https://www.boletinoficial.gob.ar/detalleAviso/primera/298356/20231114 |
| Brazil | Bill No. 2,148, DE 2015 | - Carbon Credit Buyers<br>-Project Developers | https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=1548579 |
| Chili | Law No. 20,780 - Tax Reform that Modifies the Income Taxation System and Introduces | -Project Developers<br>- Validation and Verification Bodies<br>- Carbon Credit Buyers | https://www.bcn.cl/leychile/navegar?idNorma=1067194 |

[48] https://www.acicafoc.org/organizaciones/neotropica/

[49] https://www.forestcarbonpartnership.org/carbon-fund

| Country | Official Name of the Regulation | For whom regulation is relevant | Link |
|---|---|---|---|
| | Various Adjustments in the Tax System | | |
| Chili | Supreme Decree No. 4 - Approves the regulation of projects to reduce pollutant emissions to offset emissions taxed in accordance with the provisions of article no.8 of law no. 20,780 | -Project Developers<br>-Independent Crediting Standards<br>- Validation and Verification Bodies<br>- Carbon Credit Buyers | https://www.bcn.cl/leychile/navegar?idNorma=1067194uZf6yjxDm.pdf |
| Chili | Exempt Resolution No. 1420/2023 of the MMA - Recognizes the external certification programs indicated, their verifying entities, and their methodologies are valid ex officio; in accordance with the provisions of Supreme Decree No. 4, of 2023, of the Ministry of the Environment, which approves regulations for projects to reduce pollutant emissions to offset emissions taxed in accordance with the provisions of Article 8 of Law No. 20,780 | -Project Developers<br>-Independent Crediting Standards<br>- Validation and Verification Bodies | https://www.bcn.cl/leychile/navegar?idNorma=1199542 |
| Colombia | Law 1819 of 2016 | - Carbon Credit Buyers | https://www.chaparral-tolima.gov.co/NuestraAlcaldia/SaladePrensa/Documents/Ley-1819-29-dic-16-Reforma - Tributaria-Diario-Oficial-50101.pdf |

| Country | Official Name of the Regulation | For whom regulation is relevant | Link |
|---|---|---|---|
| Colombia | Decree 926 of 2017 | -Project Developers<br>-Independent Crediting Standards<br>- Validation and Verification Bodies<br>- Carbon Credit Buyers | https://www.minambiente.gov.co/wp-content/uploads/2022/01/13.-Decreto-926-de-2017.pdf |
| Colombia | Law 2277 of 2022 | -Project Developers<br>- Carbon Credit Buyers | https://www.suin-juriscol.gov.co/viewDocument.asp?id=30045028 |
| Colombia | Resolution No. 1447 of 2018 | -Project Developers<br>-Independent Crediting Standards<br>- Validation and Verification Bodies | https://www.minambiente.gov.co/wp-content/uploads/2022/01/15.-Resolucion-144 7-de-2018.pdf |
| Costa Rica | Decree No. 37,926/MINAE - Regulations for the regulation and operation of the domestic carbon market | -Project Developers<br>- Validation and Verification Bodies | https://www.imprentanacional.go.cr/pub/2013/11/11/COMP_11_11_2013.html |
| Ecuador | Ministerial Agreement No. MAATE-2023-053 | -Project Developers<br>-Independent Crediting Standards<br>- Validation and Verification Bodies<br>- Carbon Credit Buyers | https://www.ambiente.gob.ec/wp-content/uploads/downloads/2023/06/Atrabajo-Ministerial-Nro.-MAATE-2023-053.pdf |
| Honduras | Decree No. 54-2023 | -Project Developers | https://www.tsc.gob.hn/web/leyes/Decreto-54-2023.pdf |
| Panama | Executive Decree No. 100 of October 20, 2020 | -Project Developers | https://www.gacetaoficial.gob.pa/pdfTemp/29138_C/GacetaNo_29138c_20201020.pdf |
| Paraguay | Law No. 7190 / on carbon credits | -Project Developers | https://www.bacn.gov.py/leyes-paraguayas/11986/ley-n-7190-de-los-creditos-de-carbono |

| Country | Official Name of the Regulation | For whom regulation is relevant | Link |
|---|---|---|---|
| Peru | Ministerial Resolution No. 156-2022-MINAM | -Project Developers<br>-Independent Crediting Standards | https://www.gob.pe/institucion/minam/normas-legales/3308574-156-2 022-minam |

Modified from: Gold Standard. Carbon market regulations tracker.

This progress in the region demonstrates that carbon revenues are emerging as a key financing strategy especially for mitigation projects. An innovative blended finance mechanism is being developed to address the increase in debt service. This concessional financing includes guarantees from multilateral and national organizations, as well as capital contributions from international entities, sovereign and philanthropic funds. In fact, this type of mechanism is already being used by actors such as BIOFIN [50].

Additionally, the voluntary carbon market plays a crucial role in allowing private actors and organizations to invest in a variety of emissions reduction projects, such as sustainable agriculture and energy efficiency. However, projects based on natural credits, such as REDD+, are facing significant credibility challenges. It is essential then that actors in this market clearly define the methodologies used to measure and verify carbon reductions, with the aim of increasing transparency and trust in this sector in the long term.

A prominent example of how this need is being addressed is the Fondo Acción initiative, which has established a unit dedicated to blue green carbon in Colombia. This unit focuses exclusively on the implementation, certification and commercialization of forest carbon projects. The main objective of this initiative is to resolve market concerns through rigorous and transparent practices, thus strengthening the credibility of REDD+ projects [51].

The continued development of results-based payments (RBP) for initiatives such as REDD+ is essential to ensure the environmental integrity of the region. The increase in RBP-funded initiatives to reduce carbon emissions underscores the effectiveness of this approach and its importance in mobilizing significant resources towards forestry and land use sectors in LAC.

However, investors are also turning to a new trend of engineering and technology projects, which offer more predictable and quantifiable emissions reductions, with sustained growth. This includes technologies such as direct air capture and biochar production, which could become pillars of the

[50] https://www.biofin.org/news-and-media/biodiversity-credit-effective-trade-mechanism

[51] https://fondoaccion.org/wp-content/uploads/2022/05/Unidad-de-carbono-VA-ESP.pdf

voluntary market due to their ability to provide concrete and measurable solutions for climate change mitigation. In this study we were able to identify actors such as Carbon Equity, Enterprise Growth Fund Limited (EGFL), SF500, among others, who currently invest in this type of innovative solutions.

## GLOBAL OVERVIEW OF CARBON CREDITS BY SECTOR

Ecosystem Marketplace's (EM) annual State of the Voluntary Carbon Market report provides insight into the global supply and demand landscape for carbon credits. In the context of the year 2023, it analyzed how the volume and value of different types of projects that generate carbon credits changed.

Some categories, such as Energy Efficiency, Agriculture and Community Devices, saw increases in the number of credits generated. For example, Energy Efficiency credits rose 43%, while Agriculture credits increased 24%. On the other hand, there were categories such as Renewable Energy and Land Use and Forestry that experienced a decrease in the number of credits.

Which shows that the market is changing due to factors such as the availability of new projects and changes in demand and interest for different types of carbon credits. Below is a summary of these results for each of the sectors:

| Sector | 2022 | | 2023 | |
|---|---|---|---|---|
| | Volume (MtCO2e) | Worth (USD) | Volume (MtCO2e) | Worth (USD) |
| Agriculture | 3.8 | $41.7M | 4.7 | $30.6M |
| Biodiversity and Nature-Based Solutions | 57.4 | $584.2M | 28.2 | $222.3M |
| Clean energies | 92.7 | $386.1M | 28.6 | $111.1M |
| Transport | 0.18 | $770K | - | - |

1. **Agriculture**

The Agriculture category has shown consistent growth (24%) in credit transaction volume since 2019. This indicates a growing interest and commitment in sustainable agricultural practices that contribute to carbon capture and climate change mitigation. The sustainable management of cropland and grasslands, as well as the reduction of methane emissions in livestock and rice production, are highlighted areas. Projects in Asia and Latin America and the Caribbean are the main contributors to the transaction volume in Agriculture.

2. **Biodiversity and Nature-Based Solutions**

This sector is mapped within the REDD+ category and a notable drop is found in natural credit transactions, with its share decreasing from 46% in 2022 to 37% in 2023. The price of these credits also fell by 65%, which which resulted in a 68% decrease in the total value of natural credits in the Voluntary Carbon Market (VCM). The decline in demand for natural credits is attributed to several factors, including public criticism of REDD+ methodologies. Criticism has affected the perception of accuracy in baseline calculations and the availability of credits for sale.

3. **Clean energies**

Renewable Energy projects represented the second largest category by volume of carbon credit transactions in 2023. These projects help mitigate carbon emissions by replacing fossil fuel consumption with renewable energy. They include generation of electricity and heat through wind, solar, hydroelectric, geothermal, biogas obtained from organic waste and renewable biomass. Specifically in Latin America and the Caribbean, 11% of these credits have been commercialized, which underlines the growing adoption and expansion of renewable technologies for the region.

4. **Water**

Within the EM report, water-related activities focus exclusively on the creation of household/community devices for water purification. However, no information is provided on activities that specifically focus on watershed conservation.

5. **Transport**

According to Ecosystem Marketplace, transportation projects within the VCM have been minimal during 2023, with only two developments registered. These projects focus on improving the efficiency of transportation systems to reduce emissions, which includes the implementation of new infrastructure such as mass public transportation and electric vehicles. These initiatives not only seek to reduce dependence on fossil fuels, but also reduce greenhouse gas emissions significantly.