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PATH TO COMPREHENSIVE SECURITY:

DEVELOPMENT BANKING, FORGING THE FUTURE OF LATIN AMERICA

Conclusions and recommendations

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FROM GLOBAL CRISIS TO COMPREHENSIVE SECURITY: DEVELOPMENT BANKING, FORGING THE FUTURE OF LATIN AMERICA

CONCLUSIONS AND RECOMMENDATIONS
KEY POINTS

The current global landscape is characterized by growing multidimensional insecurity, ranging from energy and climate to the economy, digitalization, food, employment, and citizen security. These dimensions are deeply interconnected and mutually reinforcing, generating a global impact that demands coordinated, comprehensive, and long-term responses. Added to this scenario are geopolitical instability, the weakening of multilateralism and a projected reduction in international development aid, which creates an environment of uncertainty and structural challenges for Latin America and the Caribbean (LAC).

Global economic outlook and its impact on Latin America. The indirect impact of U.S. tariff policies arises from weaker global growth, driven by slowing global demand and the deterioration of credit markets, which negatively affects investment.

There is ample room to maneuver on monetary policy in Latin America and the Caribbean, given that the current restrictive stance of most central banks leaves considerable space for easing.

In this context, development banking emerges as a central and transformative player, with the capacity to influence and catalyze significant changes. These institutions act countercyclically during crises, maintaining or expanding credit when the traditional financial system shrinks, demonstrating their ability to foster economic and climate resilience. Its mandate goes beyond merely maximizing financial profits, focusing on human development, financial inclusion, and generating a sustainable social and environmental impact.

The **most pressing challenge today is how to finance the future.** One of the main challenges facing the region is mobilizing private capital to finance the productive and social sectors. It is known that countries in the region have fiscal restrictions that limit their ability to finance large investments.

The **trend toward supplier relocation represents a significant opportunity** for LAC, but taking full advantage of it will largely depend on each country's logistics capabilities, investment climate, and the consistency of domestic public policies.

Adaptation of financial instruments with agility to preserve the stability of the productive fabric. The successful outcomes of the program in critical situations, through public-private collaboration for economic recovery or the preservation of the productive sector, led to its reuse in response to other contingencies.

While some sectors **tend to downplay the urgency of climate change, development banks view this stance not as a risk, but as a political and financial challenge**.

Changes in approach to climate change **create a scenario that may lead to reduced international funding, limitations on technical cooperation, and greater difficulties in reaching multilateral agreements**, particularly affecting the most vulnerable countries in LAC. In response to this challenge, some institutions have strengthened their institutional strategies by embracing a development vision focused on sustainability.

From the perspective of development banking, it is emphasized that rather than simply new opportunities, there is a renewed responsibility to act as strategic allies in financing sustainable development. This entails stepping up efforts to catalyze triple-impact investments (economic, social, and environmental), design innovative financial instruments, engage the private sector, and address structural gaps, particularly in productive and social infrastructure.

Importance of regional, multilateral and extra-regional development banks. At a time when financial conditions are perceived as more restrictive and the cost of access to financing remains relatively high, regional and multilateral financial institutions are becoming increasingly important for accessing long-term financial and non-financial resources. However, they are required to improve access conditions in order to make them more agile and differentiated from private sources.

While progress has been made in renewable energy, the region still relies heavily on fossil fuels. This high dependence makes it vulnerable to fluctuations in international oil prices, environmental risks, and geopolitical insecurity. LAC has enormous potential for renewable energy, particularly hydroelectric, solar, and wind sources.

To achieve **true energy security**, it is essential to expand and diversify these capabilities at the regional level. Achieving this requires significant investments in infrastructure, distribution network modernization, energy storage, and the development of transition technologies, as well as strong political will to move toward greater regional energy integration.

The weakening of multilateralism, coupled with the retreat from international commitments, directly impacts the implementation of the SDGs and compliance with the Paris Agreement. However, some countries remain committed to global climate action. European nations, along with other major Asian economies, continue to promote green financing and instruments such as carbon markets to support decarbonization plans.

The report underscores the urgent need to mobilize private capital for sustainable development, especially at a time when fiscal constraints limit countries' ability to finance major investments. The urgency of swiftly adapting financial instruments is emphasized to preserve the stability of the productive fabric and of mainstreaming the climate approach across all financial policies and practices. Finally, a call to action is made for LAC and its development institutions to assume a proactive and leading role in global forums, highlighting their needs and proposals to build a more cohesive, resilient, and sustainable future in the region.

Global Economic Outlook and Impacts of Recent Protectionist Economic Measures

- Emerging markets (EMs) in Asia and Mexico are among the most directly exposed. Significant effects are also observed in Central American countries such as Nicaragua, Costa Rica, Honduras, and the Dominican Republic. In the latter, although exports represent a smaller proportion of GDP, around 60% of them are destined for the U.S., which is significant. In addition to trade, another important transmission channel is remittances. In Mexico, remittances represent between 3.5% and 4% of GDP and are a key component of domestic demand. In Central American countries, this percentage can exceed 20%. Although direct exposure to tariffs is limited for many EMs, the indirect impact arises from weaker global growth. In turn, credit conditions for EMs will deteriorate amid rising protectionism, as weakening market confidence negatively affects investment; and the US tariff announcements had a greater impact on corporate yields than on sovereign indicators. In the rest of the region, such drastic changes are not expected. Smaller economies continue to rely on remittances, but growth is expected to remain below 2%, which is a sign of structural weakness.

- As far as **interest rates** are concerned, **a reduction phase has already begun**. At the beginning of the year, a moderate decline was anticipated, but greater opportunities for cuts are now identified, as real rates remain above neutral levels, currencies have strengthened, and energy prices have fallen, reducing inflationary pressures. Four key risks have been identified in the banking sector, not only in LAC but globally. These include more than expected negative outcomes, such as a more pronounced economic slowdown, a deterioration in the real estate sector (particularly in the U.S. and China) that is hurting banks' asset quality more than expected, high levels of corporate and government debt, now close to historic highs—amid high interest rates—which could exacerbate corporate insolvencies and lead to a decrease in government support for the real economy and banks; as well as emerging risks related to digitalization, artificial intelligence, cybersecurity, and climate change.

- In this scenario, LAC has ample room to maneuver on monetary policy. Recent trade tensions have increased the likelihood of more aggressive monetary policy easing in most LAC countries. The current restrictive monetary policy stance of most central banks leaves ample room for easing; perhaps the exception is Brazil, with less room for interest rate cuts this year.

Growing Multidimensional Insecurity and Global Challenges

- **Growing multidimensional insecurity demands coordinated, comprehensive, and long-term responses.** A crisis in a specific area has systemic effects, which directly impact other sectors. Therefore, isolated solutions are not enough: deep integration among public, private, and social actors is required, as well as a critical review of the current development model. We need to move toward a new paradigm that allows us to rebuild a more just, equitable, and resilient order, with cross-cutting public policies and financial tools capable of responding to the complexity of the present. In this context, development financing faces key challenges, such as the limited availability of resources for public investment and adequate attention to the most vulnerable sectors. Moving from multiple crises or insecurity to building comprehensive security in our economies is not only important, but urgent. In a global context marked by uncertainty, the experience of some countries demonstrates that economic growth, when properly directed, can be an effective vehicle for ensuring stability, inclusion, and sustainability.

- **The most pressing challenge today is how to finance the future**. In this sense, climate finance appears to be a critical dimension. There are regions that face a structural paradox. For example, the Caribbean is one of the regions most vulnerable to climate change, yet at the same time it faces severe restrictions in accessing affordable financing. While new financial instruments have been created to raise funds, products such as green bonds, adaptation funds, and other climate instruments are often offered under conditions similar to those of traditional debt, without recognizing the specific characteristics and asymmetries of vulnerability.

- This **situation demands a thorough review of the international financial system and decisive action on the part of development banks**. The discourse must translate into differentiated, fair, and innovative financial mechanisms. This is where Institutions such as development banks must position themselves as key players in creating specific solutions tailored to territories, including innovative financial products for climate resilience, adaptation, and just transition. It is also unacceptable that countries that do not face solvency or collateral problems continue to struggle to access adequate climate financing. Therefore, it is necessary to redefine risk metrics and rethink access criteria so that they reflect the true needs of the most vulnerable countries. This is a call to collective action, to redesign the rules of the financial game in favor of sustainable development and climate justice.

- The trend toward supplier relocation represents a significant opportunity for LAC, but its utilization will depend largely on each country's logistics capabilities, investment climate, and the consistency of public policies. This link needs to be analyzed not only from a commercial perspective, but also in terms of industrial development, export diversification, and technological autonomy. Likewise, the evolution of trade balances is today a key indicator for understanding new economic dynamics. In many countries in the region, trade — for example with China — has grown substantially, driven by structural factors such as the demand for raw materials, sector-specific competitive advantages, and the transformation of the productive sector. In this context, regional recomposition processes acquire renewed importance. Regional integration, trade cooperation, and productive coordination can strengthen LAC's position in the face of changes in the global economic order. At the same time, it is necessary to revalue the role of regional institutions dedicated to trade, financing, technological innovation, and sustainable development in order to build a common strategy that allows the region to intelligently integrate into the global economy.

- Investment and financing must be urgently mobilized to address the major structural challenges affecting LAC countries. While national development banks (NDBs) have the same operational logic as the rest of the banking system, their economic rationale goes beyond the maximization of financial profits, and they play a crucial role in this purpose. They have a public mandate that allows them to act countercyclically, channel resources toward strategic sectors, and promote the financial inclusion of traditionally excluded individuals, sectors, projects, and territories. In this regard, four key messages were highlighted regarding the NDBs: a) **Financial inclusion as a structural priority.** Access to credit, savings, digital payments, and insurance are fundamental conditions for improving the quality of life and unleashing human potential in countries; b) **Strong governance for sustainable impact.** NDBs must ensure robust governance frameworks, with transparency, accountability, and efficient risk management, to guarantee long-term financial and institutional sustainability, maximizing their social and economic impact; c) **Beyond financial matters, human development as a purpose.** NDBs must transcend their commercial role to become a true pillar of human development. There are experiences that demonstrate that it is possible to align the financial function with social and environmental objectives through strategic projects that transform territories and communities; and, d) **Cooperation and technical assistance.** Collaboration among NDBs, as well as access to technical assistance to share best practices, innovate in financial products, and strengthen institutional capacities.

- **Adaptation of financial instruments with agility to preserve the stability of the productive fabric.** The successful outcomes of the program in critical situations, through public-private collaboration for economic recovery or the preservation of the productive sector, have led to its reuse in response to other contingencies. This case underscores the importance of coordinating different response instruments and not considering them as substitutes for each other. An example is the case of the Instituto de Crédito Oficial (ICO) of Spain, which, in response to the current situation generated by the intensification of protectionist trade policies, has created a new guarantee program, particularly aimed at Spanish companies integrated into global value chains or with direct or indirect exposure to the U.S. market. The goal is to provide short-term liquidity and medium- and long-term financing to facilitate productive reconversion, exploration of new markets, and development of new products. The program allows financing of up to 15% of exports to that market, based on estimates of elasticity to tariff variations.

- In Brazil, Banco Nacional de Desenvolvimento Econômico e Social (BNDES) has assumed a strategic role in the face of growing global challenges, positioning itself as a key player in the reconstruction and transformation of the national economy. The Bank promotes various programs and instruments to strengthen financial resilience and encourage investment in strategic sectors. Highlights include the expansion of its guarantee fund, created during the pandemic; the establishment of emergency financing lines to respond to natural disasters, with a special emphasis on infrastructure reconstruction and economic recovery in affected areas; and the intensification of its action on urban sustainability with the launch of a new program to support sustainable cities, which includes investments in urban mobility, basic sanitation, and resilient infrastructure; the reactivation of the Amazon Fund, which channels international cooperation resources for sustainable development and environmental conservation in the Amazon; and the Climate Fund, a source of preferential financing to scale up investments in climate projects nationwide. To secure these resources, BNDES has diversified its funding sources through increased international cooperation and access to the domestic market. Thus, it reinforces its commitment to an inclusive, resilient, and sustainable development model.

- In Paraguay, Banco Nacional de Fomento (BNF) has been **strengthening its strategic focus on more sustainable banking, adapting to both current challenges and long-term structural opportunities** to address significant challenges in financial inclusion and productive development. It has begun to strategically position itself in emerging sectors aligned with sustainable development, with a special focus on small agricultural producers, micro, small, and medium-sized enterprises (MSMEs), and women entrepreneurs in the agricultural and industrial sectors. Along with other measures and actions, it is leveraging public incentives to attract foreign investment, the maquila and free trade zone regime, and the promotion of value chains in agriculture and agribusiness. It also provides financing for logistics infrastructure for the Paraguay-Paraná Waterway, a strategic hub for foreign trade in the country and neighboring regions, and for the development of ports, shipyards, and other facilities that strengthen the country's competitiveness. It also participates in financing forestry projects linked to a large-scale industrial investment in pulp, with an estimated amount close to US$4 billion, which is exceptionally large given the size of the country's economy. The bank's support focuses on the planting and development phase of the required forest raw materials.

- **Comprehensive and collaborative approach.** In the case of Corporación Nacional de Finanzas Populares (CONAFIPS) of Ecuador, whose primary mandate is to channel resources to stakeholders in the popular and solidarity economy—that is, to sectors at the base of the economic pyramid—it carries out this function through partner institutions such as cooperatives and mutual societies, with whom it also works to strengthen institutional capacity through technical assistance. Its comprehensive approach, combining financing, technical support and information, and coordination with other public and private agents and international agencies, has allowed it to maintain a delinquency rate close to 0%. The efficiency of its model contributes to the stability of the solidarity financial system and the sustainability of its operations.

- As we see, NDBs are **redefining their role, no longer just as a source of financing, but as structural agents of socioeconomic and climate transformation.** They have in common: Their countercyclical role in the face of crises, their contribution to economic and climate resilience, and their ability to transform global challenges into local opportunities through financial innovation, sustainability, and strategic alliances. NDBs act as a counterweight to economic crises (pandemics, wars, natural disasters), maintaining or expanding credit when the traditional financial system shrinks; they implement emergency credit lines, debt restructuring, and state guarantees to prevent business bankruptcies and sustain employment; they prioritize MSMEs, agriculture, and vulnerable groups with tailored financial products, technical support, and territorial integration; they advance the green agenda; they seek international collaboration through some type of alliance with multilateral organizations, regional agencies, or extra-regional national development banks to finance sustainable projects or raise fresh resources.

Economic Overview of the Central American Region

- The countries that make up the Central American Monetary Council (CMCA)—Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic—have collectively maintained growth rates (4.1% in 2024) above the LAC average, driven by financial and insurance activities, tourism, construction, and transportation. Additionally, they have experienced relative price stability with year-on-year inflation rates of 2.30% as of March 2025. They have also maintained a fiscal policy aimed at improving the sustainability of public finances, which has resulted in a reduction in central government debt as a percentage of GDP, reaching 44.8% in 2024. This has contributed to lowering country risk and upgrading credit ratings of several CMCA countries, facilitating access to financing on better terms and supporting their economic growth. However, the regional trade deficit reached US$58.965 billion, an increase of 5.2% compared to 2023. This deterioration is explained by the growth in imports of consumer goods and raw materials. However, there was a significant improvement in the current account of the balance of payments, mainly driven by the increase in family remittances and the strong performance of inbound tourism. In total, the region received US$56,733.8 million in remittances, a key source of foreign exchange and support for domestic consumption. In Honduras, El Salvador, and Nicaragua, remittances represent more than 20% of GDP.

- While regional progress in fiscal and monetary management is recognized, the current international scenario has direct implications for the CMCA countries, not only due to their high dependence on remittances, but also due to the reconfiguration of capital flows, supply chains, and strategic investments under schemes such as nearshoring and friendshoring. The CMCA member countries still face significant structural challenges to sustain and boost this growth over the long term and warn that it is essential to continue strengthening their capacities to cope with external shocks. The gap between national savings and required investment, along with the need to diversify productive sectors and strengthen resilience to external shocks, demands a greater role for the NDB in these countries. In this context, the NDB is expected to play a key role in mobilizing resources for strategic sectors such as infrastructure, technological innovation, human capital, climate change adaptation, and institutional strengthening. These elements are essential for potential GDP growth, reducing poverty, and closing the structural gaps that limit the region's sustainable development.

Caribbean Region Navigating Global Challenges

- In recent years, **the Caribbean region has faced a series of challenges that have tested its resilience and adaptive capacity**. In this context, the Caribbean is at a critical crossroads. Its heavy dependence on tourism and high trade deficits make it particularly vulnerable to external shocks. Recent geopolitical actions have had significant economic and security consequences for Caribbean economies. Given this reality, it is essential to understand and address these challenges to safeguard the economic stability of the Caribbean. A clear example of these challenges is the projected impact of U.S. global tariffs in 2025, which is estimated to result in a real GDP loss of between 1.27% and 2.33% in Barbados. The rest of the Caribbean is expected to face similar effects due to its dependence on imports and tourism, and the impact of up to 10% of its exports.

- The **Caribbean is on the front lines of climate change, facing more frequent and intense events** such as hurricanes, rising sea levels, forest fires, coastal erosion, and the loss of critical infrastructure. The region's small economies have limited capacity to adapt to these changes, highlighting the crucial role of NDBs, regional and multilateral organizations, and extra-regional development banks in financing adaptation and mitigation strategies. Projections suggest that climate damage could represent up to 5% of GDP in 2025 and exceed 20% by 2100, unless strong regional action is taken. **Currently, efforts are underway to strengthen the Caribbean's resilience, such as improving access to climate finance, enhancing disaster risk management, and developing sustainable energy solutions.**

- Faced with this complex context, **Caribbean NDBs have assumed a strategic role as catalysts for resilience and innovation**. By implementing more inclusive financial models, the strengthening of technical capacities and the adoption of new technologies seek not only to ensure access to financing but also to support key sectors such as agriculture, small businesses, and sustainable energy. **The need for solutions tailored to local realities has driven collaboration between regional and international institutions**, facilitating the development of projects focused on food security, gender equity, and financial inclusion. It is also recognized that comprehensive security is not limited to territorial protection, but encompasses social, environmental, digital, and economic dimensions. Within this framework, fostering strategic alliances—such as those led by the Green Climate Fund, the French Development Agency, and other multilateral entities—is considered crucial to strengthening their capacity to address systemic risks. The path to a more resilient and sustainable Caribbean requires a profound transformation of its financial structures, greater regional cooperation, and a long-term strategic vision. They believe that only through an integrated approach that combines development, innovation, and equity will it be possible to guarantee a secure and prosperous future for the Caribbean.

- **Caribbean NDBs often face limitations in terms of the financial tools, technical resources, and scale needed to provide comprehensive security solutions**. However, the emergence of a new global financial architecture presents an opportunity. By working in a coordinated manner, Caribbean NDBs can leverage the support of international financial institutions. The Development Finance Corporation (DFC) and Belize are creating venues where NDBs can have a voice and representation in regional and international forums.

- While CARICOM promotes regional cooperation, national interests and political fragmentation often limit its effectiveness. Small Caribbean states, both individually and collectively, lack sufficient diplomatic influence to address large-scale challenges. **Regional collaboration is essential to effectively address its challenges.** Therefore, the DFC is implementing a strategy that includes: 1) working together to ensure that Caribbean NDBs have a collective voice at the international level; 2) working to close capacity gaps. The DFC provides technical assistance to build key capabilities; 3) collaborating with various entities to catalyze investments in frontier markets. It is innovating in financial instruments that offer guarantees, seed capital, and other mechanisms to encourage investment, particularly in sectors linked to climate resilience and economic sustainability.; 4) committed to creating and strengthening markets where they do not exist or are underdeveloped, ensuring that there is a demand and supply of capital to finance critical initiatives in the region; and 5) establishing strategic alliances, without which objectives cannot be achieved.

- Countries such as Jamaica have faced many years of high debt levels, low productivity, and institutional barriers that limited economic growth and development. Over the past decade, they have made significant progress, such as reducing the debt-to-GDP ratio from 155% to 60% by 2024. However, they still face five major challenges: access to capital on appropriate terms; the scale and impact of interventions, i.e., small and large projects; reducing financial risks; productive diversification; and promoting innovation and productive linkages. **To address the challenge of access to capital,** they have implemented several strategies: 1) Availability: Through alliances with international partners, they have managed to attract capital, strengthen corporate governance and align their policies with global standards; 2) Private sector participation: They seek to ensure that companies understand the national development strategy and become involved in it; 3) Eligibility: Ensure that beneficiaries access funds under conditions that make the investment profitable. In addition, they have created the SME Stock Exchange, and the Microenterprise Stock Exchange will be launched in 2026. In turn, the Development Bank of Jamaica (DBJ) has designed solutions such as: 1) Debt instruments: Channeling credit through commercial banks and microfinance institutions to various economic sectors; 2) Grants to improve the governance, competitiveness, and solvency of companies seeking access to financing; 3) Venture capital as one of the most innovative interventions.

- To address the challenge of **scale and impact of interventions**, Jamaica is promoting public-private partnerships (PPPs) in infrastructure, green technologies, and climate finance, and supporting entrepreneurship, innovation, and new ideas that can drive its development. For **de-risking**, some solutions include: Credit guarantees for agriculture, supply chain financing, and reverse factoring to address specific issues in key sectors. In terms of **productive diversification**, the goal is for agriculture to become a sector focused on higher value-added and export products. There is also an emphasis on strategic import substitution, especially of food products, to reduce external dependence and strengthen the local economy. In addition, **innovation in digital services** is being promoted, as this type of infrastructure is key to opening new entrepreneurship opportunities, improving productivity, and enabling companies to compete globally. The sectors where they are exploring productive linkages are agriculture and tourism, recognizing the great potential in connecting local producers with hotels and restaurants. This would promote import substitution, manufacturing growth, and the integration of strategic sectors.

- The Development Bank of Saint Kitts and Nevis (DBSK-N), whose mission goes beyond lending, seeks, with the support of the Caribbean Development Fund (CDF), to have a significant impact on the communities it serves. **One of the main challenges the Bank faces is assuming a higher level of risk compared to commercial banks.** This factor increases the risk profile of its loans, leading to a higher probability of default. In response, the Bank is seeking ways to lend more sustainably and profitably, while generating a positive impact on communities. The Bank has concluded that the traditional lending model may not be sustainable in the long term. Therefore, it is exploring new forms of financing and forging innovative alliances that best fit the risks it must assume. An additional challenge is that many of the bank's clients, particularly those most affected by climate change, lack the resources to address problems of this magnitude. This calls for innovative solutions that allow the Bank to continue lending sustainably while maintaining profitability.

- DBSK-N firmly believes that, as a NDB, it must adapt and innovate. Many of its clients cannot access financing through traditional commercial banks due to their higher risk profiles. This involves embracing new technologies, finding new financing models, and developing products that fit the specific needs of its diverse client base, which spans sectors such as agriculture, SMEs, tourism, and mortgages. Therefore, **it is focused on closing this gap by seeking new credit assessment models that allow it to provide essential development financing** while operating under international standards. One of the bank's key approaches is the integration of artificial intelligence (AI) and generative AI into its lending processes. This would allow it to personalize its approach to clients, improving efficiency and quality of service. In addition, the bank believes that having international partners to support its efforts is crucial, and participating in international discussions allows it to learn from the experiences of others and adopt best practices to remain sustainable.

- AFD, a French public development bank that aims to promote sustainable development and climate resilience, believes that development cannot be separated from security. Security must be viewed in a comprehensive manner, taking into account the specific vulnerabilities of regions such as the Caribbean. Economic shocks resulting from global disruptions are already threatening the region's social and economic security. At the same time, the Caribbean faces rising inequality, unemployment, and social fragility, while geopolitical challenges, such as energy dependence on fossil fuels, are adding pressure. Moreover, the region is extremely vulnerable to climate change and natural disasters, which jeopardize its ability to prosper. These challenges are interconnected, and therefore, AFD emphasizes that security and development are inseparable. In line with this vision, it provides financial and technical support to local institutions.

Regional Energy Security: Innovative Mechanisms to Promote Investment

- Ensuring reliable and sustainable access to energy resources is essential for the development and stability of LAC. While the region has made progress in renewable energy, it still relies heavily on fossil fuels—accounting for 62% of its energy use, according to the Latin American Energy Organization (OLADE). This high dependence makes the region vulnerable to international oil price fluctuations, environmental risks, and geopolitical insecurity. LAC has favorable natural conditions that make a cleaner energy matrix achievable. The region holds enormous potential in renewable energy—particularly in hydropower, solar, and wind—which represents a competitive advantage that should be leveraged. Some countries are already integrating these sources into their energy matrices. However, **to achieve true energy security, it is essential to expand and diversify these capabilities at the regional level.** This will demand major investments in infrastructure, modernization of distribution networks, storage, and the development of energy transition technologies. In addition, strong political will is needed to move toward greater regional energy integration. The International Energy Agency (IEA) estimates that, globally, annual investment in the energy transition must increase by approximately US$150 billion. This presents a significant challenge for all countries in identifying sources of financing, in a context of technological change that is expanding investment needs. In the energy sector, costs are expected to rise sharply, with losses of up to 1.5% of GDP due to extreme events related to climate change.

- Paraguay has been recognized worldwide for having a clean, renewable, and abundant source of energy, positioning it as a model in LAC. Its energy production exceeds domestic demand, allowing it to become an energy supplier and a key player in regional energy security. However, this abundance also presents challenges. **Such high energy availability makes it difficult to mobilize financing for new technologies, especially when electricity is very cheap.** Although the country has a large supply of electricity, its industrial matrix still relies on biomass for 85%. While this can be considered a sustainable source, its environmental impact depends on rational use. Moreover, the transportation sector is highly dependent on fossil fuels.

- Faced with this situation, **Paraguay has begun to promote electromobility and the use of electricity in the industrial sector. It is also making structural investments to strengthen its transmission and distribution infrastructure.** In this regard, the support of institutions such as the IDB and the Green Climate Fund has been important in developing the first line of energy efficiency. However, studies indicate that certain sectors will have a slower transition, so they are working to incorporate more efficient technologies, particularly in the use of heat in industrial processes. The main financial challenge is that the low cost of electricity reduces the incentive for the private sector to adopt more efficient but expensive technologies. For this reason, innovative financial solutions are being designed. Dependence on imported fossil fuels, volatile international prices, inflation, and high interest rates directly impact energy costs and reinforce this dependence.

- Despite the challenges, **advancing the energy transition could generate significant annual savings. In the case of Colombia—particularly in the industrial and transportation sectors—it could generate annual savings of up to US$1.5 billion**. Therefore, the transition not only responds to a climate commitment, but also provides tangible economic benefits for the country and its businesses. From this perspective, Banco de Comercio Exterior de Colombia S.A. (Bancoldex) has structured a comprehensive sustainability strategy. This goes beyond internal eco-efficiency and includes elements such as strengthening corporate governance, implementing diversity, equity, and inclusion policies, and robust management of social and environmental risks. One of the most important pillars of this strategy has been the promotion of green finance. Currently, it is operating in a context that demands decisive progress toward the energy transition. It recognizes that, as a development bank, it plays a crucial role, given its ability to anticipate market gaps, conduct its own technical analyses, access specialized information, and mobilize strategic alliances, all while acting as a bridge between the public and private sectors. It also understands the importance of designing segmented products that deliver visible results in the short, medium, and long term, and that contribute to a sustainable and inclusive energy transformation.

- The energy challenge in Colombia is substantial. Only 0.3% of the vehicle fleet is electric, compared to 3% in other LAC countries. In addition, around 4 million people in the country still lack access to electricity, and nearly 1.6 million households continue to use firewood for cooking, with the resulting impacts on public health and the environment. To scale up its efforts, Bancóldex launched the "Energía Solar se Reactiva" (Solar Energy Reactivates) program, an initiative that combines public resources from the National Infrastructure Development Fund (Fontes) with the bank's technical capacity to design financial products with guarantees and attractive terms for businesses. The program provides approximately US$75 million for solar photovoltaic energy installation projects, offering loans with terms of up to 10 years, grace periods, and competitive interest rates. In addition to reducing energy costs, this investment generates tax benefits: exemption from value-added tax (VAT), accelerated depreciation, and a reduction in corporate income tax during the first five years. However, **challenges persist. Project structuring continues to be an obstacle due to limited technical capabilities and slow processes.** Emerging technologies such as green hydrogen or geothermal energy involve higher costs, require validation pilots, and demand deeper understanding. Moreover, it is essential to continue raising awareness across all departments within financial institutions—not just risk units—about the strategic value of these investments.

Food Security and Agricultural Finance: Strengthening Resilience Through Innovation

- **Although LAC is the world's largest food-exporting region**, accounting for 66% of global soybean exports, 43% of beef exports, and 24% of fruit exports, **it still faces alarming levels of hunger and undernourishment**. Between 2022 and 2023, food insecurity fell from 30.2% to 28%, and undernourishment fell from 6.6% to 6.2%. However, more than 41 million people continue to suffer from hunger in LAC, particularly in the Caribbean and several Central American countries. The factors behind this situation are multiple and complex. Climate change has intensified extreme events such as hurricanes, droughts, floods, and wildfires, affecting production, trade, and access to nutritious food. Added to this are structural inequalities in access to basic services, productive resources, and opportunities, particularly among indigenous and Afro-descendant populations. LAC also has the highest cost of accessing healthy diets in the world, which exacerbates malnutrition. This, along with poverty and inequality, constitutes a critical barrier to ensuring the right to food. Recent projections indicate that the agricultural sector could experience a 10% to 20% decline in yield by 2050.

- In the countries that make up the Central American Monetary Council, while improvements have been observed in their economic management, the food sector nevertheless shows the greatest year-over-year price variation. This behavior in food prices is of particular concern from a social perspective, since food products constitute a significant portion of consumption by lower-income households, **disproportionately impacting the most vulnerable sectors of the population and exacerbating food security challenges in a region that already has high levels of structural poverty**.

- One of the **main challenges facing food systems globally is limited access to financing, even though local farmers are responsible for producing up to 80% of the world's food.** This situation is especially critical in regions like Africa, where an annual financing gap persists that, according to the International Food Policy Research Institute (IFPRI), could reach US$350 billion. As for LAC, the region faces obstacles that limit progress toward more resilient food systems: High exposure to climate and market risks; a lack of rural infrastructure, connectivity, and financial services; low penetration of instruments adapted to rural conditions; and persistent territorial, gender, and generational inequalities.

- Despite the urgency, there are significant gaps in the financing needed to transform agri-food systems. In 2021, only US$77 billion of official development assistance was allocated to food and agriculture. FAO estimates that at least US$4 trillion will be needed between 2024 and 2030 for low- and middle-income countries. When universal access to healthy diets is also considered, the total need amounts to US$15 trillion globally. **Current public spending focuses on subsidies and consumption, without sufficiently addressing the structural drivers of growth and climate resilience**. Faced with these limitations, FAO promotes blended finance and impact funds as complementary mechanisms. By the end of 2023, there were 81 active agri-food funds in low- and middle-income countries, with a global portfolio of US$4 billion. With the inclusion of multisectoral funds, the figure increases to US$6 billion. These instruments prioritize improving rural livelihoods, food security, nutrition, and employment, helping to reduce risks and attract more commercial capital.

- The International Fund for Agricultural Development (IFAD), which plays a strategic role in promoting sustainable rural development and transforming food systems, focuses on strengthening the resilience of small-scale producers through a mix of financial inclusion, environmental sustainability, and institutional innovation. It applies a financing model that combines directly channeled loans and grants; co-financing from governments, international donors, and private actors; and technical interventions aimed at strengthening institutional and community capacities, mobilizing more than US$3.5 billion annually in sustainable rural investments. IFAD sees strategic opportunities for agricultural financing. IFAD **has identified three key lines of innovation: Transformative business models based on sustainability, scalability, and inclusion; digital finance as a vehicle to reduce costs, improve coverage, and strengthen the producer-finance link; and the creation of inclusive financial ecosystems in partnerships with NDBs and local actors**. The idea is to go beyond traditional credit—it is about generating an enabling environment for comprehensive rural development. To this end, IFAD has implemented tools for vulnerable rural populations: Digital financial literacy platforms focused on women, youth, and indigenous people; results-based payment mechanisms to incentivize private sector solutions; mobile apps with productive management and credit analysis tools; and support for cooperatives, microfinance institutions, and rural fintechs for territorial expansion. In this process, partnerships with NDBs are key. That's why, since 2023, IFAD has strengthened its collaboration agenda through bilateral meetings and technical roundtables in Ecuador, Bolivia, Brazil, Colombia, Mexico, and Paraguay; participation in regional forums; joint design of the Inclusive Financial Ecosystem for Food Systems Transformation program; and support for national strategies, co-investment programs, and financial innovation initiatives.

- For its part, the Food and Agriculture Organization of the United Nations (FAO), in collaboration with multilateral actors, NDBs, and governments, promotes solutions focused on inclusion, sustainability, and the structural transformation of agriculture. To this end, **it has identified several priority areas for intervention, including**: **Strengthening social protection and access to healthy diets, developing early warning and risk management systems, investing in rural infrastructure and irrigation systems, and facilitating regional and global agri-food trade**. These measures are complemented by strategies to increase agricultural efficiency through digital technologies, precision agriculture, and soil mapping. FAO collaborates with more than 30 international financial institutions in 70 countries. In 2024, it participated in the design of 51 investment projects totaling US$7 billion, of which US$1.1 billion were for LAC. **To scale the impact of these funds and mechanisms, they consider it essential to advance in three key dimensions: Consolidating clear and stable regulatory frameworks; strengthening local technical and institutional capacities; and preparing viable, resilient, and attractive projects for investment.**

- **Food security represents a strategic area of interest for countries. Addressing it from the perspective of NDBs allows for the identification of three key dimensions that directly influence its strengthening**. First, food production and the development of the agri-food value chain require a significant amount of financing. This need implies a close relationship with the regulatory frameworks that govern financial institutions, which determine credit flows and support mechanisms for the sector. Second, the agricultural-livestock sector occupies a structurally less favorable position compared to other productive sectors. Activities such as those in industry or services tend to offer higher profitability and more attractive operating conditions, which limits the competitiveness of agriculture in the allocation of financial resources. Third, the challenge of financial inclusion facing agriculture. Unlike consumer or housing loans, where recovered funds can be redistributed, agricultural financing requires a continuous cycle. Producers who repay a loan need immediate access to new resources to restart their production cycle, which requires mobilizing additional funds if they want to expand the sector's productive capacity. Strengthening food security therefore requires an integrated approach that coordinates sustained access to financing, the reduction of structural gaps compared to other sectors, and the design of financial schemes tailored to the agricultural cycle.

- In Colombia, Fondo para el Financiamiento del Sector Agropecuario (Finagro), part of the National Agricultural-Livestock Credit System, was created to close the financing gap for small-scale producers. This system establishes that commercial banks must make mandatory investments of a percentage of their deposits in Agricultural-Livestock Development Bonds, whose resources are managed by Finagro, complemented by subsidies from the Ministry of Agriculture—amounting to approximately US$11 to US$12 billion under administration—positioning Finagro as a major financial player in rural areas and enabling it to offer differentiated conditions based on the size of the producer. **This financing model has strengthened coordination with the rural ecosystem, with Finagro acting as a catalyst to channel resources throughout the rural value chain: production, processing, and commercialization**. The institution's intervention portfolio covers not only agricultural activities, but also initiatives in rural housing, agroecology, tourism, subsistence mining, and infrastructure improvement. An example is the agro-territorial credit line, aimed at financing rural infrastructure projects such as tertiary roads, cold chain systems, collection centers, and energy transition. Projects are financed at preferential rates through municipalities and provincial governments. The source of funding allows it to offer interest rates up to three percentage points below the average market rate, facilitating the deployment of funds on accessible terms.

- In the Dominican Republic, development banks have played a key role in strengthening the agricultural sector. Thanks to financial policies geared toward productive development, the country has managed to increase its food self-sufficiency to 85%, a fundamental milestone at a time when food security has become a regional and global priority. One example of an innovative response is the Zero-Interest Rate Program for agricultural financing, implemented during the pandemic. **This initiative enabled many producers to join the formal financial system, addressing one of the major limitations of agricultural credit**: high volatility of prices and the perception of risk in the sector. Unlike other sectors, agriculture is often subject to unpredictable weather and market conditions, which raise interest rates and reduce access to credit.

- Considering the combination of climate vulnerability and structural exclusion that limit investment and inclusive growth in rural areas, the Inter-American Institute for Cooperation on Agriculture (IICA), from a sectoral perspective, promotes a positive vision of the strategic value of agriculture. This vision is based on the fundamental role of the sector as a driver of development, peace, and stability. Food security is understood as the foundation of all security: **without food, there is no peace, no socioeconomic security, and no environmental or energy sustainability.** This vision is based on three central pillars: 1) The economic importance of agriculture: It represents approximately 7% of the regional GDP and generates more than 15% of employment; 15% of global food exports come from LAC; and the multiplier effect of agriculture, evidenced by studies indicating that agricultural growth is up to four times more effective in reducing poverty than growth in other sectors; 2) Agriculture as a climate solution. Only 10% of global climate resources reach LAC, and just 7% of that portion goes to agriculture. Nature-based solutions such as agroforestry, sustainable soil management, and integrated landscape management are promoted. 86% of these solutions are funded with public resources, so it is necessary to incorporate the private financial sector; and 3) Overcoming structural barriers in access to financing: Small-scale producers, youth, and women face limitations in accessing opportunities in bioeconomy, the circular economy, or carbon and biodiversity-related credits; it is necessary to develop "bankable" projects that articulate a business vision with environmental and social impact; improving data and evidence on the efficiency of public, private, or cooperative investments is essential to justify the expansion of financing.

- **To enable agriculture to play its role as a driving force of transformation, IICA proposes aligning three pillars in a comprehensive approach to policies, financing, cooperation, and producers**: 1) Innovative public policies, promoted by governments with technical support from international organizations; 2) Effective technical cooperation, aimed at developing institutional capacities and preparing viable and scalable projects; 3) Diversified financing, with a focus on mixed instruments such as blended finance, which combine public and private resources. A fourth fundamental component is added to these pillars: a focus on the producer. Any transformation strategy must incorporate their voices, needs, and capacities. Attracting new generations to rural areas depends on creating an environment that recognizes the value of agricultural work and positions it as a profitable, innovative, and strategic activity.

- The French Development Agency (AFD) has a long history of strengthening agricultural financing and rural development, integrating technical cooperation with financing strategies tailored to the needs of the territories. It works closely with the NDBs, governments, and multilateral organizations to expand access to rural credit, promote comprehensive agricultural policies, and support productive transformation in vulnerable environments. **AFD's experience shows that countries that actively support their agricultural-livestock sectors with public policies and subsidies tend to develop greater resilience and competitiveness**. Among the key institutions for this support, the NDBs occupy a central place. AFD has financed more than 100 operations in partnership with 40 NDBs from 40 countries, mobilizing more than €1.2 billion. These interventions have focused not only on expanding access to financing, but also on integrating credit with institutional strengthening, training, technical assistance, and infrastructure development programs.

- Financing with a territorial and value chain approach. AFD **promotes a holistic vision of the food system, where the NDB is a key player, but recognizes that it is not sufficient on its own. It is essential to coordinate this with complementary policies** that strengthen the producer service environment, including education, rural infrastructure, agricultural extension, productive organization, and on-farm technical advice. In light of the growing impacts of climate change on agriculture, it also promotes financing strategies that strengthen territorial resilience, prioritizing the development of local infrastructure, such as medium- and small-scale warehouses, integrated into the territories, avoiding exclusive dependence on large centralized investments. This decentralization of services and infrastructure facilitates more localized responses and promotes resilient food systems. This approach addresses both the challenges of access to credit and the structural factors that limit agricultural profitability.

- **The structured model applied by AFD to channel financing, known as Greenfield, combines lines of credit with technical assistance and consists of several phases**: 1) Institutional diagnosis: assessment of the applicant bank's mandate and strategy to verify its orientation toward financial inclusion or green financing; 2) Negotiation and strategic alignment: common objectives are agreed upon, including climate finance targets (up to 70% of funds allocated to mitigation and adaptation); 3) Identification of existing best practices: analyzing the bank's current operations to recognize activities already aligned with inclusion or sustainability, even if they were not previously classified as such; 4) Design of eligibility criteria: development of the technical and financial frameworks for the new line of credit; and, 5) Implementation of non-reimbursable technical assistance: support for staff training, institutional strengthening, and development of specialized financial products. The model maximizes the impact of financing by aligning resources, institutional capacities, and the SDGs in a single strategy.

Political and Economic Changes and their Effects in the face of Climate Change

- One of the main risks identified is climate risk. Although it has become less prominent in recent discussions in some venues, this risk not only persists but is intensifying over time. Its impact is projected to be long-term, but its consequences are already being felt in economies, financial institutions, and social conditions, particularly in developing countries. Added to this is a significant reduction in international development aid, creating a bleak outlook for the next two or three years. The weakening of multilateralism, coupled with the retreat from international commitments, directly impacts the implementation of the SDGs and compliance with the Paris Agreement. However, some countries remain committed to global climate action. The EU, along with other major Asian economies, continues to promote green financing and instruments such as carbon markets to support decarbonization plans.

- **Regardless of context, there are certain mechanisms for transmitting climate risks to the financial system.** Climate change risks affect the economy and the financial system through two main channels: physical risks, related to extreme weather events, and transition risks, arising from changes in policies, technology, and consumption patterns. These risks generate economic impacts such as asset destruction, business disruption, forced migration, and increased costs, which reduce asset values, household wealth, and business development. At the financial level, this translates into market and credit losses, capital flight, increased uncertainty, and operational risks, weakening the stability of the financial system and affecting growth and productivity conditions. The international economic system is undergoing a structural transformation driven by two key challenges: the urgent climate crisis and an unstable geopolitical landscape marked by conflict, resource competition, and economic weakening. In a context of increasing global warming, we can observe: 1) Greater exposure in poor countries: They often face higher temperatures and greater per capita GDP losses, widening global inequality by up to 25%. Global GDP losses range from 1% to 5% annually due to extreme events; 2) Rising costs of public debt: Climate change has increased financing costs in vulnerable countries (+1.17 p.p.), resulting in over US$40 billion in additional interest payments; 3) Inequality within countries: Low-income communities, such as uninsured Latinos in the U.S., suffer greater damage due to lower investment in climate protection.

- There are specific opportunities in mechanisms established by the Paris Agreement, which enable bilateral agreements between countries with surplus emissions reductions and countries that need to complement their targets by purchasing those surpluses. Some LAC countries have already signed these types of agreements (known as ITMOs), and their expansion represents a strategic avenue for results-based financing. These type of mechanisms do not generate debt, as they are structured under a payment-for-results model: countries receive financial compensation for verified emission reductions, which are subsequently used by other nations to meet their own commitments.

- **NDBs are already making transformative investments that comprehensively and interconnectedly address the global climate, biodiversity, and sustainable development agendas**. In parallel, **a capital market structure is being developed to mobilize sustainable financing through the issuance of bonds that are 100% aligned with the SDGs**. This proposal has the participation of key stakeholders such as the IDFC, the World Bank, and MIGA. The model is based on an architecture that combines several strengths: 1) The issuance will be backed by highly rated public development banks, such as AFD, KfW, JICA, and the EIB, which will allow for very favorable financial conditions; 2) MIGA will contribute its guarantee and AAA rating, further reducing the cost of capital; 3) NDBs will channel resources, particularly those with lower credit quality, thus strengthening their role as key implementers in emerging countries. This scheme will allow financial resources to reach projects that currently cannot access financing under adequate conditions. An initial facility of between US$5 and US$10 billion is planned, with potential for growth. The approach is complemented by so-called country platforms, mechanisms that help organize priorities and structure projects, and which can be strengthened thanks to this new financing model. As a background, the capital market mechanism launched by the Green Climate Fund (GCF Capital) stands out, issuing US$500 million in bonds at preferential rates, leveraged by its institutional balance sheet. The new proposal seeks to replicate and scale this logic, mobilizing private capital in support of global public objectives such as sustainability.

- In Brazil, Banco da Amazônia is currently heavily focused on fostering dialogue with international organizations, with the goal of exchanging experiences and establishing new standards for financing in the region. Banco da Amazônia's socio-environmental criteria are more stringent than Brazil's national standards—which are already strict—and even exceed the Latin American average. However, this level of commitment has not yet been widely recognized globally. There is also a need to correct misperceptions about food production and economic activities in the Amazon. **It is essential to develop actions aimed at achieving a balance between forest conservation and generating employment and income for the local population.** More than 20 million people live in the Brazilian Amazon, not counting those living in other Amazonian countries such as Colombia, Peru, Ecuador, and Bolivia. Any discussion about climate change or nature conservation must necessarily take into account the people who live in these territories. The upcoming meeting, **COP30, will represent a key opportunity for the Amazonian peoples to make their voices heard and for proposed solutions to respect the knowledge of local populations**, a crucial aspect for the region's future. The Amazon is often discussed without the participation of those who live there. This meeting will allow international delegates to directly experience the challenges and needs facing Amazonian communities. Feeling this reality creates a much stronger impact than just seeing or hearing it. The goal is to seek solutions that achieve a balance between economic development and natural resource conservation, promoting a truly sustainable development model for the region.

- **Regarding priority mechanisms and partnerships to strengthen climate action and sustainable financing, Banco da Amazônia has been promoting strategic partnerships with multilateral and bilateral organizations for some time**. While many of these conversations have been ongoing for years, this period marks a turning point toward their realization. One of the most significant alliances for the institution is its participation in the **Green Coalition**, an initiative with great potential impact in the Amazon region. In addition, a joint plan with the IDB and the World Bank is under negotiation, which could be formalized during the upcoming COP. However, the partnership established with the AFD stands out, as it has proved particularly fruitful. Cooperation with AFD is not limited solely to granting lines of credit, but encompasses a broader approach that includes technical assistance, training, and specialized support, particularly focused on the most vulnerable areas of the Amazon. These regions often lack access to essential technical assistance services, which prevents small-scale farmers from moving forward with their projects.

- In turn, Banco da Amazônia has designed specific actions to promote the development of financial products appropriate for the bioeconomy chain and foster productive integration across the territory. One of the most innovative products in this regard is the "Pecuária Verde" or "Green Livestock" program, which seeks to significantly increase livestock density—up to tenfold—in a single area. This significantly reduces pressure on forests without affecting the income-generating capacity of rural families. The bank's strategy prioritizes interventions with a direct and concrete impact on the lives of Amazonian and Latin American populations. The **goal is clear: to demonstrate, through tangible experiences, that it is possible to conserve forests while simultaneously creating jobs and generating income, thereby improving the quality of life in both Amazonian cities and communities**. These are the experiences the institution seeks to highlight in venues such as the COP, not only as best practices but also as replicable models for other Pan-Amazon countries. Collaboration with AFD has been particularly noteworthy, both for its technical support and for its promotion of training initiatives that strengthen local capacities.

- Today, **there are foundations and philanthropic actors willing to contribute real resources to transformative initiatives. These types of initiatives should be leveraged and incorporated structurally into sustainable development planning**. It is also important to prevent different types of organizations from continuing to operate in isolation. Collaboration across sectors—public, private, philanthropic, and civil society—is essential to overcome the siloed approach that has characterized many interventions to date. Finance In Common (FIC) seeks to play a fundamental role not only as an integrative platform, but also as an agile entity that facilitates coordinated action. There are already valuable experiences of inter-institutional cooperation, such as the global network of regional associations of development banks. Ultimately, to build a more inclusive, effective, and representative international financial architecture, it is essential to recognize and strengthen the role of civil society, philanthropy, and other strategic actors. It is not just about listening to critical voices, but about integrating diverse capacities and perspectives that contribute to concrete solutions, especially in a region with urgent needs and high potential such as LAC.

- Since a significant portion of some NDBs' primary target group is women and farmers, the climate focus is strategic rather than ideological. In this sense, **it is considered essential to institutionalize climate commitments so that they do not depend on political cycles**. The importance of fostering partnerships with regional and multilateral actors, strengthening local technical capacities, and demonstrating that sustainable investments are not only environmentally responsible but also financially profitable and socially fair is also highlighted. This must be part of a long-term agenda that seeks to transform climate challenges into opportunities to generate green solutions with a sustainable impact. Venues for dialogue and regional cooperation are essential for advancing the climate and development agenda with coherence and innovation.

- **Given this context, there is a need to integrate climate considerations into financial policies and practices. To this end, several priority actions are proposed to strengthen the financial system's resilience to climate change**: 1) Strengthen climate risk disclosure to ensure that financial institutions adequately report their exposure to, and strategies for addressing, both physical and transition risks; 2) Align with international standards (TCFD, ISSB): by adopting globally recognized frameworks to ensure consistency and comparability of information; 3) Integrate these risks into financial supervision frameworks; 4) Mobilize investments aligned with sustainable criteria; 5) Adopt international sustainability standards (ESG, taxonomies, climate stress tests); 6) Advance the implementation of regulatory frameworks for sustainable taxonomy, an area where LAC has made significant progress.

Relationship with Regional, Multilateral and Extra-regional Financial Organizations

- **The relationship and cooperation with multilateral, regional, and extra-regional national development banks and LAC NDBs are essential to strengthening capacities and improving responses to the challenges they face**. Aware that current challenges require an integrated response within the development agenda, ICO continues to consolidate its role as a key player in the internationalization of Spanish companies. Last year alone, €2 billion was allocated to international operations, out of a total of €7 billion in lending activity. This boost is a response to the structural change in the Spanish economic model since the 2008 crisis, which has turned the country into an export power within the EU. In the LAC region, ICO has carried out more than 46 operations with 26 different counterparties, mobilizing €5 billion in recent years. The financed projects have mostly been green and sustainable, aligned with the sustainable development goals, which has contributed to the social and economic well-being of LAC. Looking ahead, the institution seeks to continue strengthening this line of work through direct investment projects, large-scale infrastructure, and project finance schemes.

- Given the mobilization of private capital and the fiscal constraints limiting LAC's ability **to structure energy projects, regional organizations such as the IDB view the promotion of public-private partnerships as a key strategy**. To that end, they are working along three pillars: 1) Technical assistance and institutional strengthening. Support is provided to national and local governments and structuring entities, in developing regulatory frameworks that build investor confidence. This includes training and capacity-building programs; 2) Access to financing. They finance projects and support sectoral and institutional reforms in the energy sector. In this effort, **collaboration with NDBs is considered essential due to their broad reach, which allows them to engage with more stakeholders.** For this reason, partnerships with NDBs are being strengthened to align efforts and support countries, issuing companies, and NDBs in accessing the capital markets through green bonds for clean energy projects; 3) promoting the use of guarantees to reduce risks and attract private investment. For example, in Ecuador, a US$77 million investment guarantee has been structured to back power purchase agreements between private generators and public distribution companies. This guarantee covers up to five months of delayed payments in case of default by the distributors or the government. The initiative is expected to mobilize US$1 billion in private investment. Debt swap mechanisms have also been used to create fiscal space and finance the energy transition; and 4) Blended finance, particularly involving NDBs. One example is the Ecofast program in Brazil, which includes auctions involving both public and private banks. The selection criterion is the level of private investment that can be leveraged using public funds. In its first edition in 2024, the program mobilized approximately US$8 billion in private investment with just US$1 billion in public funding. Ecofast also helps mitigate exchange rate risk and is in its second round.

- KfW, the German Development Bank, which promotes both national and international economic development through various financing programs, **is involved in energy security in LAC through the Regional Program for Energy Efficiency in Electricity Transmission, in partnership with CAF–Development Bank of Latin America and the Caribbean.** The program aims to support energy efficiency and improve the integration of renewable energy into the region's electricity transmission and distribution systems. It has US$185 million in financing, granted under the development loan modality with a subsidized interest rate. The program has financed the modernization of the electricity transmission grid in Paraguay and the expansion of renewable energy generation capacity in Bolivia with the construction of a photovoltaic plant. Currently, Bolivia uses only 10% of solar and wind sources. Through this project, efforts are being made to support the diversification of its energy matrix. In Chile, the Green Hydrogen Financing Platform aims to promote the renewable hydrogen market in order to support local supply chains and strengthen the green hydrogen production potential. This operation is being carried out jointly with the European Union and the European Investment Bank (EIB). The financing amounts to EUR 100 million plus a EUR 16.5 million promotional loan, plus non-repayable funds.

- The Asian Infrastructure Investment Bank (AIIB), a multilateral institution with assets of approximately US$100 billion, works in various infrastructure sectors, including energy, water, transport, sustainable cities, digital infrastructure, and social infrastructure. The AIIB prioritizes green infrastructure and supports its member countries in meeting their environmental and associated development goals by financing projects that generate local environmental improvements. Regarding the products and tools it offers **to support the energy transition and security in Asian and LAC countries, it recognizes three key aspects: energy matrix diversification; energy transmission, distribution, and storage networks; and demand-side management**. The AIIB offers a variety of products, from policy-based loans to direct financing through national development banks. Example in LAC, BDMG of Brazil and Conafips of Ecuador. In addition, it has the capacity to co-finance projects with other banks and mobilize blended financing, collaborating with donors and non-profit organizations to mitigate risks and create bankable projects. It also works with investment funds and offers loans in hard and local currencies. It also provides technical assistance for development projects in areas such as the environment and social affairs. The AIIB also supports projects that leverage private financing, either directly or indirectly, in sectors within its mandate. The bank plays a catalytic role by increasing the appetite of private investors and other stakeholders to invest in infrastructure in emerging markets and in productive sectors linked to basic infrastructure.

- The Italian financial institution Cassa Depositi e Prestiti (CDP) is positioned as a key player in the international development finance architecture, combining technical, financial, and diplomatic capabilities. Since 2014, CDP has charted an upward path in the field of international cooperation. Initially focused on one-off operations with its own resources, it consolidated its role in 2020 when it was officially named the Italian institution for international development cooperation. CDP's strategy is based on three pillars: 1) Multi-stakeholder partnerships: Works closely with national, European, and international stakeholders to maximize the impact of its interventions; 2) Private Sector Development: Promotes sustainable investment in partner countries, with a focus on productive and job-creating sectors; 3) Financial innovation: Blended finance that integrates its own funds, Italian public funds, and EU funds, optimizing the use of resources. These interventions respond to a clear mission to promote sustainable and inclusive growth, with environmental and climate protection aligned with the SDGs. **Among the prioritized regions is LAC, where the focus is on: 1) Financing both the public and private sectors with instruments adapted to local conditions; 2) Facilitating the connection of Italian companies with local partners to share knowledge and opportunities; 3) Adapting to country-specific dynamics, including credit risks and public-private structures.**

- CDP manages a wide range of instruments and resources, both refundable and non-refundable: Medium- and long-term loans for medium- and large-sized enterprises; equity participation through funds; guarantees to reduce investment risk; and grants for technical assistance and project preparation. The instruments are channeled through vehicles such as: 1) The Italian Revolving Fund for Development Cooperation (€5 billion); 2) the Italian Climate Fund, with a €4.2 billion allocation for climate mitigation and adaptation actions, biodiversity protection, and combating desertification; and 3) Blending programs that combine public funds and private investment for high-impact projects. **In LAC, its more determined entry represents an opportunity to strengthen strategic alliances with public development banks, governments, and local businesses. Italy's experience in infrastructure, energy transition, and sustainability can provide significant added value to the region's productive and climate transformation processes.**

- **Climate finance for LAC: opportunities for development banks.** The Green Climate Fund (GCF), the United Nations multilateral climate change fund, guides national priorities and approves investments financed with its resources. The Fund offers a wide range of financial instruments, such as grants, concessional loans, equity investments, and guarantees. One of its key characteristics is its appetite for risk, which allows it to support innovative projects that may present uncertainty about their viability or success. In this sense, the GCF can act as a first-loss partner, reducing risk for other investors and helping to mobilize additional financing. Compared to other climate finance players, the GCF shows a greater appetite for risk than other multilateral funds or development banks. Currently, 12 national and regional development banks in LAC are accredited by the GCF. Of these, only two (CAF and CABEI) plus the IDB have managed to have projects approved by the Fund. Therefore, **there is an important opportunity to enhance regional participation, especially through strengthening NDBs and providing support on attractive terms** in: 1) Concessional financing with more favorable conditions than those of the market; 2) Possibility of acting as a first-loss partner, which facilitates the mobilization of third-party resources; 3) Access to financing for technical, economic, financial, gender, and social and environmental safeguards feasibility studies required for the Fund's operations. For each project proposal, up to US$1.5 million may be requested for this purpose. In addition, there is a Readiness window for direct-access entities, such as national development banks, which provides up to US$1 million for capacity building and internal process strengthening, project proposal design, and monitoring and learning activities. This support helps institutions meet the Fund's accreditation standards, which relate to transparency, gender, safeguards, and other requirements.

- The Small Industries Development Bank of India (SIDBI) is a consolidated NDB model, with a loan portfolio of US$58.37 billion focused on comprehensive support for micro, small and medium-sized enterprises (MSMEs), with a multisectoral approach that combines: 1) Direct financing: By May 2025, approximately US$3.77 billion in loans had been placed; 2) Institutional refinancing with coverage for more than 9.4 million MSMEs through nearly 200 financial institutions, totaling US$53.59 billion. Furthermore, loans channeled through third-party partnerships—co-financing and syndicated loans—doubled, reinforcing the expansion strategy through partnerships with financial intermediaries. These results demonstrate greater penetration, outreach, and diversification of the financing mechanisms promoted by SIDBI; 3) Government Program Management: An example is PM SVANidhi, an app, a government initiative designed to facilitate a simplified process for applying for loans. It connects street vendors with national lenders, making it easier for them to apply, track their application status, and access other benefits and services; and PLI, a performance-linked incentive program that provides businesses with incentives for incremental sales of products manufactured in national production centers. Its objective is to boost the manufacturing sector and reduce imports; 4) Venture Capital Funds: Has supported 1,274 startups, contributed to the creation of 22 unicorns, and committed US$1.397 billion through fund-of-funds investments; and 4) Development and Promotion: 180,000 beneficiaries in livelihood and enterprise development programs.

- Additionally, SIDBI operates the Credit Guarantee Fund Trust for Micro and Small Enterprises, established 25 years ago in collaboration with the Government of India and with significant impact. Between 2024 and May 2025 alone, it issued 2.71 million guarantees, totaling US$35.94 billion, and enabling the creation of 30.3 million cumulative jobs. It also promotes the green ecosystem through its PanchGreen Mission, aligned with India's 2030 and 2070 goals. It mobilizes resources with support from agencies such as KfW, AFD, and the Green Climate Fund (GCF), and offers the Partial Risk Sharing Facility to share risks in energy efficiency projects. Furthermore, it is leading the digital transformation of MSMEs through the Udyamimitra Portal, a platform integrating over 460 lenders and multiple government schemes; the Udyam Assist Platform, which supports the formalization of informal enterprises with over 63 million registrations and 273 million jobs created; and GST Sahay, an invoice discounting platform. **SIDBI proposes areas of direct collaboration with LAC in financial assistance and institutional strengthening; partial guarantee funds for vulnerable segments; joint projects in the circular economy, renewable energy, and energy efficiency; and the exchange of best practices in MSME ecosystems.**

- **AFD is committed to empowering and partnering with NDBs in the Caribbean region to provide long-term capital, concessional financing, and technical assistance to address their challenges**. In the Caribbean, AFD has been working directly with NDBs through credit lines, technical assistance, and cooperation, with the aim of supporting sectors such as agriculture, climate resilience, food security, and gender equality. Likewise, with initiatives that aim to guarantee the stability and security of the financial system in the face of climate risks and shocks, while promoting financial inclusion. This initiative benefits the entire financial system in the region, including both public and private banks.

- STOA Infrastructure & Energy Fund is an investment fund specializing in financing essential infrastructure in countries of the Global South, with a focus on Africa and LAC, created as a joint initiative of the Caisse des Dépôts and the Agence Française de Développement (AFD). Its objective is to promote sustainable development through investments that generate positive social and environmental impacts, while ensuring competitive returns. Currently, **with the launch of Fund II, STOA is entering a new phase of expansion that seeks to prioritize projects in sectors critical to human and environmental development; geographic diversification between Africa and LAC**; and partnerships with public and private investors to leverage available resources, with a focus on sustainability by applying criteria aligned with international standards and global climate commitments. The fund seeks to combine financing for real assets and business platforms, with an emphasis on long-term sustainability and strengthening local capacities. In LAC, it has active operations in Brazil and the Dominican Republic, where it primarily participates in PPPs for sustainable transportation projects and wind farm expansions in the pre-construction stage, always seeking to maintain a significant shareholding position that allows it to influence their strategic development.

- African Export-Import Bank (Afreximbank) has been working to strengthen relations between Africa and the Caribbean. Although trade between the two regions is almost nonexistent—only 2%—it recognizes that both regions share similar challenges, such as infrastructure gaps, the need to develop SMEs, and technological innovation, among others. These common points form a solid basis for collaboration. Of the 15 CARICOM member countries, 12 are members of Afreximbank, which provides a platform for promoting cooperation. During the COVID-19 pandemic, joint efforts were undertaken to provide countries in Africa and the Caribbean with access to vaccines under improved conditions. It has also conducted financial operations with The Bahamas to support SMEs; financed a climate-related initiative to support the reconstruction of educational facilities in Saint Lucia; and worked in partnership with allies to assist Suriname. Moreover, to further advance this relationship and having identified the lack of trade information among member countries, it developed a digital platform that facilitates access to critical trade information for investors, enhancing awareness of opportunities across different countries. This connects with broader efforts to promote trade, making it easier for SMEs to find potential partners and investors. Another important challenge that has been addressed is the ease of international payments, a significant obstacle in foreign trade due to de-risking issues. To this end, Afreximbank created the Pan-African Payment and Settlement System, which has now been adopted in the Caribbean as the Caribbean Payment and Settlement System. This facilitates international payments in local currencies, making transactions easier and more efficient.

- India has established itself as one of the world's most dynamic economies, ranking as the fifth-largest global economy in 2023 and projected to become the fourth-largest by 2025 and the third-largest by 2028, with an estimated nominal GDP of US$5.6 trillion. This growth is driven by strong domestic demand, infrastructure development, and significant export dynamism, both in goods and services. In 2024, India ranked 18th among the world's largest merchandise exporters and 8th among the largest services exporters. **In terms of foreign trade, merchandise exchange between India and LAC has shown sustained growth, rising from US$29 billion in 2020 to US$47 billion in 2024**, with a compound annual growth rate of close to 10%. Indian exports to LAC are concentrated in sectors such as vehicles and auto parts, chemicals, pharmaceuticals, textiles, and machinery, while imports from LAC include precious metals, fuels, vegetable oils, minerals, and agricultural products.

- The Export-Import Bank of India (India Exim Bank), a state-owned financial institution that acts as an export credit agency, offering both concessional and commercial financing, and plays a strategic role in the country's international economic policy. As of March 2025, the bank had committed more than US$27 billion in credit lines to 62 countries, including a growing stake in LAC. These funds have financed high-impact projects in infrastructure, energy, water, agriculture, health, and manufacturing, contributing to sustainable development in these countries. Projects include roadworks, solar plants, water treatment systems, and industrial free zones. The bank also promotes the internationalization of Indian companies by supporting trade, financing export projects (US$7 trillion by 2024), and supporting overseas investments, amounting to US$9.21 billion in 78 countries. They have supported more than 500 MSMEs, and 713 international subsidiaries or joint ventures have been established. **Through its trade assistance program, the bank has strengthened the integration of Indian companies into emerging and hard-to-reach markets by facilitating foreign trade transactions with financial and technical support. Since its implementation, the program has expanded the presence of Indian exporters in regions such as LAC**, Africa, and Asia. In addition, the institution maintains strategic alliances with international banks in more than 100 countries, allowing it to offer guarantees, lines of credit, and flexible financing solutions for short-term operations.

- Relationships with multilateral, regional, and extra-regional financial institutions allow access to both financing and knowledge transfer. This is the case of Brazil's BNDES, which has enabled the diversification of its sources through greater international cooperation and access to the domestic market. Externally, it has strengthened alliances with entities from Brazil, Russia, India, China, and South Africa (BRICS), the New Development Bank, the Inter-American Development Bank (IDB), the World Bank, and European agencies. Domestically, BNDES raised approximately US$1.94 billion through the issuance of development bonds, following the approval of a new legislative framework. This mechanism has been essential in mobilizing resources toward priority sectors.

Blended Finance to Close Investment Gaps in Developing Countries

- **Relevance of blended finance.** Blended finance is key to closing infrastructure investment gaps, particularly in developing countries. Key factors for the effective application of blended finance include market volatility, risk/return profile, risk allocation, cost of capital and project viability, as well as the required capital intensity. Also crucial is its ability to attract private investment, especially in projects that offer low financial returns but a high development impact. Among the **mechanisms identified** for implementing blended finance, public-private partnerships (PPPs), funds, and financial facilities stand out. The current results of the **Project Finance Factory (PFF)** mechanism in Russia, for example, reflect significant progress in structuring infrastructure projects through blended finance. What makes this facility particularly attractive is its **interest rate risk hedging mechanism**. All loans are structured with floating rates. Commercial banks are protected from interest rate volatility, and borrowers benefit from a government subsidy that kicks in when the key interest rate exceeds a certain threshold—currently around 7%. Since its launch in 2018, they have structured 40 projects, with a total investment of US$65 billion. US$32 billion corresponds to syndicated loans, US$11 billion was contributed by VEB.RF, and US$22 billion comes from other financing sources.

- Among the **main challenges and barriers** to the implementation of blended finance identified by the BRICs group are: 1) **Regulatory and legal environment**. These include a lack of standardization, unclear legal principles, conservative regulatory frameworks, and inadequate tax and accounting treatment; 2) Regarding the **institutional and coordination framework**, several obstacles are identified, such as a lack of bankable projects, a lack of coordination among the various actors involved, a lack of specialized advisors in blended finance, weak accountability, significant data and transparency gaps, limited participation by development finance institutions, and ineffective government action; 3) The **market environment** also presents significant challenges, including differences in risk appetite, prioritization of financial returns over development impact, lack of clear exit strategies, risk of market distortions, lack of local currency and long-term financing, immature bond markets, high transaction costs, and limited availability of financial tools; and, 4) In the area of **knowledge and capacities**, the challenges include low awareness and limited institutional capacity at the local level, inadequate project planning, difficulty in understanding risk transfer mechanisms, and frequent confusion between the concepts of "addition" and "additionality."

- The BRICS countries are generally familiar with the blended finance approach, although they show varying levels of sophistication in using it to finance infrastructure projects. The most influential and promising players in the field of blended finance are multilateral development banks (MDBs) and development finance institutions, including NDBs. Development banks play a key role not only in financial areas, but also in non-financial ones, such as capacity building and technical support. The most common financing instruments used by BRICS countries to finance infrastructure projects are debt instruments. All the identified blended finance mechanisms (PPP, funds and facilities) are widely used to finance infrastructure projects. Blended finance is increasingly seen as a powerful tool for mobilizing private capital while ensuring efficient use of public resources. However, the use and structure of blended finance mechanisms vary significantly across countries.

ALIDE, Development Banks: A Call to Action

- **Reaffirmation of the Unique Transformative Power of Development Banks.** Development banks has a unique transformative power that distinguishes them from other financial institutions, giving them the responsibility to transform specific successful practices into universal standards within the global development banking community. Their countercyclical role during crises, their ability to maintain or expand credit when the traditional financial system shrinks, and their commitment to economic and climate resilience position them as indispensable agents of socioeconomic and environmental transformation. These institutions are not only sources of financing, but also catalysts for financial innovation, promoters of sustainability, and drivers of strategic alliances that enable global challenges to be transformed into local opportunities.

- **The Imperative of Integrating a Climate Approach into Financial Policies and Practices.** Climate risk, which encompasses both physical risks from extreme events and transition risks related to decarbonization, is a persistent and growing threat that directly impacts economies, financial institutions, and social conditions, particularly in developing countries. Its effects translate into market losses, credit portfolio deterioration, capital flight, increased uncertainty, and greater operational risks in key sectors such as agriculture and energy. Understanding that climate risk is a systemic financial risk, not merely an environmental one, requires its proactive integration into regulatory frameworks and institutional practices.

- To strengthen the financial system's resilience to climate change, it is a priority to enhance climate risk disclosure, align with international standards such as the TCFD and ISSB, and integrate these risks into financial supervision frameworks. It is essential to mobilize investments aligned with sustainable criteria, adopt international sustainability standards (ESG, taxonomies, climate stress tests), and advance the implementation of regulatory frameworks for sustainable taxonomy, an area where LAC has shown significant progress.

- **The Importance of the Active Presence of LAC in Global Forums (COP30, FfD4).** The active presence of development banks in global discussion forums, such as the 2025 United Nations Climate Change Conference (COP30) and the International Conference on Financing for Development (FfD4), is essential. LAC and its development finance institutions cannot remain on the sidelines of these processes; they have the mission and responsibility to bring their needs, capabilities, and proposals to the global table. This active participation is crucial to ensuring that global solutions are effective, adapted to local realities, and capable of generating a tangible impact on the most vulnerable communities.

- The region has valuable experience in designing and implementing innovative financial instruments, as well as in supporting projects related to energy transition, resilient infrastructure, sustainable agriculture, and productive strengthening with a territorial focus, among other priority areas. The transformation of LAC from an aid recipient to a proactive actor and co-creator of global solutions is essential to ensure that development and climate agendas reflect the region's realities and capabilities.

- **Commitment to Cohesive, Resilient, and Sustainable Development for LAC.** The path toward a more resilient and sustainable future for LAC requires a profound transformation of its financial structures, enhanced regional cooperation, and a long-term strategic vision. Only through an integrated approach that combines development, innovation, and equity will it be possible to ensure a secure and prosperous future for the region. This involves building national and regional consensus by coordinating short-, medium-, and long-term policies that guarantee more cohesive and sustainable development throughout Latin America.

- In a context marked by high volatility, a slowdown in global GDP, and a decline in international trade, the relevance of national development banks and international organizations financing climate action will become increasingly evident in the coming years. Their role will be crucial in addressing the structural challenges affecting the most vulnerable economies. Even in high-income countries, the communities most affected by climate impacts are often those made up of migrants from developing countries. These communities face greater barriers to adaptation and recovery. In climate risk analysis, both physical risks and transition risks must be considered. The latter, linked to the decarbonization process and economic transformation, present greater technical challenges for quantification, but have equally significant impacts: lower growth, compromised productivity, deteriorating financial conditions, and direct impacts on the financial system. Observable effects include market losses, credit portfolio deterioration, capital outflows, increased uncertainty, and greater operational risk, particularly in key sectors such as agriculture and energy.