PROJECT DOCUMENTS

Unleashing sustainable growth

Financing green productive development policies in Latin America and the Caribbean

Ignacio Martínez
Andres Valenciano
Helvia Velloso
Daniel E. Perrotti

UNITED NATIONS
ECLAC

Thank you for your interest in this ECLAC publication

UNITED NATIONS

ECLAC

Please register if you would like to receive information on our editorial products and activities. When you register, you may specify your particular areas of interest and you will gain access to our products in other formats.

Register

Click on the link below for our social networks and other channels for accessing our publications:

https://bit.ly/m/CEPAL

Project Documents

Unleashing sustainable growth

Financing green productive development policies in Latin America and the Caribbean

Ignacio Martínez
Andres Valenciano
Helvia Velloso
Daniel E. Perrotti

This document was prepared by Ignacio Martínez, Consultant; Andrés Valenciano Yamuni, Acting Chief; Helvia Velloso, Economic Affairs Officer and Daniel E. Perrotti, Research Assistant, all of the Economic Commission for Latin America and the Caribbean (ECLAC) office in Washington, D.C.

United Nations publication
LC/WAS/TS.2024/7
LC/TS.2025/17
Distribution: L

Printed at United Nations, Santiago
S.2401274[E]

This publication should be cited as: I. Martínez and others, "Unleashing sustainable growth: financing green productive development policies in Latin America and the Caribbean", *Project Documents* (LC/WAS/TS.2024/7) (LC/TS.2025/17), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2025.

Contents

Tables

Figures

Boxes

Executive Summary

Latin America and the Caribbean (LAC), accounting for 8% of the global population and 7.3% of the world's GDP, face severe climate and fiscal challenges despite contributing only 3% of historical global emissions. The region is grappling with an escalating climate crisis, characterized by prolonged droughts, extreme rainfall, and hurricanes that threaten ecosystems and food and water security. These challenges are compounded by ongoing issues such as deforestation, glacier loss, and rising sea levels, which highlight the urgency of a green transition in LAC.

The global transition to low-carbon economies presents opportunities and challenges for the region, requiring a delicate balance between achieving development goals and meeting ambitious climate targets. To achieve it, LAC must address a significant investment gap, estimated at 7–11% of GDP annually by 2050, particularly in key areas such as renewable energy, sustainable infrastructure, and biodiversity conservation. High debt levels and limited fiscal space further exacerbate vulnerabilities, especially as global low-carbon policies threaten the region's trade-dependent economies. Despite these challenges, the region has unique opportunities to drive a green transition by leveraging its rich natural resources, biodiversity, and renewable energy potential.

In this context, Green Productive Development Policies (GPDPs) offer a transformative approach to align economic priorities with environmental sustainability. Unlike traditional industrial policies, GPDPs integrate environmental objectives to address market failures and foster innovation in low-carbon sectors. These policies focus on strengthening public-private coordination, promoting green technologies, and creating markets for sustainable goods. Despite challenges such as governance inefficiencies and resource misallocation, GPDPs can unlock the region's economic potential by fostering green value chains and enhancing global competitiveness.

Financing the green transition requires mobilizing diverse resources from public, private, and international sources. Domestic efforts, such as reallocating fossil fuel subsidies and leveraging public pension funds, must complement international mechanisms like Multilateral Development Bank (MDB) financing and climate funds. Innovative tools like green, social, and sustainability-linked bonds have emerged as pivotal instruments to channel investments into priority areas. However, addressing systemic barriers such as underdeveloped financial markets, regulatory inefficiencies, and macroeconomic instability is essential for scaling up sustainable financing.

To ensure the success of GPDPs, LAC governments must adopt comprehensive strategies that prioritize green sectors, set clear transition pathways, and foster regional collaboration. Redirecting subsidies, lowering capital costs, and building robust project pipelines are vital steps to mobilize investments and achieve sustainability goals. A harmonized regional approach can further amplify the impact of these efforts, fostering inclusive growth and resilience.

The transition to a green economy presents an unparalleled opportunity for LAC to redefine its economic future. By addressing investment gaps and systemic barriers through innovative policies and financing mechanisms it can ensure a transformative, inclusive, and resilient transition. GPDPs are central to this vision, offering a pathway to align economic growth and development with environmental objectives and secure a sustainable future for the region.

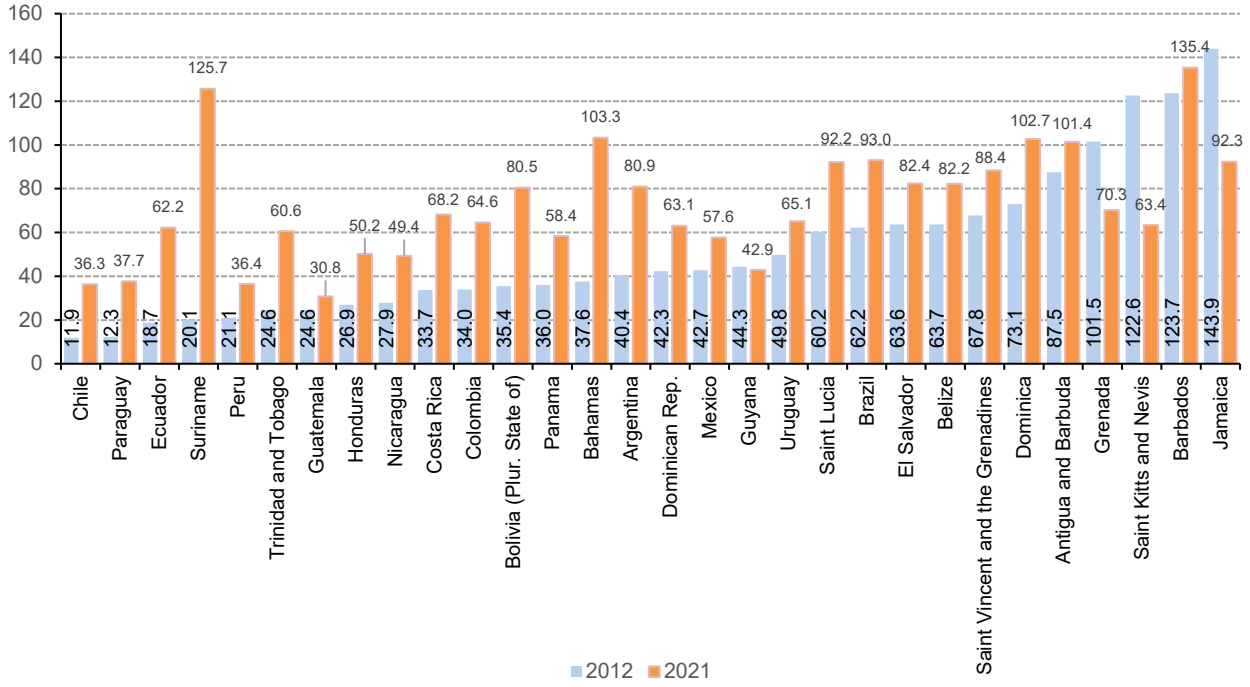
Introduction

Latin America and the Caribbean (LAC) account for 8% of the global population and contribute 7.3% of the world's Gross Domestic Product (GDP), amounting to US$ 12.2 trillion in terms of purchasing power parity (World Bank Group, 2024a). Despite its relatively modest contribution of approximately 3% to global historical emissions, LAC disproportionately suffers from the impacts of climate change (Ritchie, 2019). The region is grappling with an escalating climate crisis, characterized by prolonged droughts, extreme rainfall, and hurricanes that threaten ecosystems and food and water security. These challenges are compounded by ongoing issues such as deforestation, glacier loss, and rising sea levels, which highlight the urgency of a green transition in LAC.

Adding to these difficulties, LAC faces fiscal challenges stemming from high debt levels, limited fiscal space, and budgetary constraints aggravated by the COVID-19 pandemic (figure 1). Investment levels remain insufficient to address critical needs in renewable energy, sustainable manufacturing, and biodiversity conservation. Moreover, the global shift toward low-carbon development introduces transition risks, as the region's trade dependencies make it vulnerable to the decarbonization policies of high-income countries. Strategic autonomy policies in these nations could significantly reduce demand for LAC's primary resource exports (Ciarli, et. al., 2024), compounding economic pressures.

However, even amidst these climate and fiscal challenges, the region has an opportunity to turn adversity into advantage by leveraging Green Productive Development Policies (GPDPs). GPDPs offer a pathway to foster green growth by developing sectors essential for the green transition and channeling financing toward these priorities. By capitalizing on its rich biodiversity, abundant natural resources, and renewable energy potential —already accounting for 60% of its energy mix, double the global average— LAC can expand clean energy and circular economy value chains, generate jobs, and enhance energy security. Through strategic use of GPDPs, the region can bridge investment gaps, align economic priorities with climate goals, and build a resilient, sustainable future.

Figure 1
Government gross public debt in Latin America and the Caribbean
(As a share of GDP)



Source: ECLAC (2023a).

The next sections of this document will provide an in-depth analysis of the investment needed to achieve a successful green transition in LAC, identifying critical gaps in key areas such as renewable energy and infrastructure. It will also outline the concept and economic rationale behind GPDPs, demonstrating their potential as a strategic approach to help governments channel financing toward green priorities.

In addition, the document will explore various pathways for securing financing from public, private, and international sources, with a particular focus on sustainable bond issuance as a mechanism to attract and mobilize investments for green initiatives. The document concludes with a set of actionable recommendations to maximize the impact of GPDPs and their financing, providing a roadmap for policymakers to ensure a transformative, inclusive, and sustainable green transition in LAC.

I. Financing the green transition

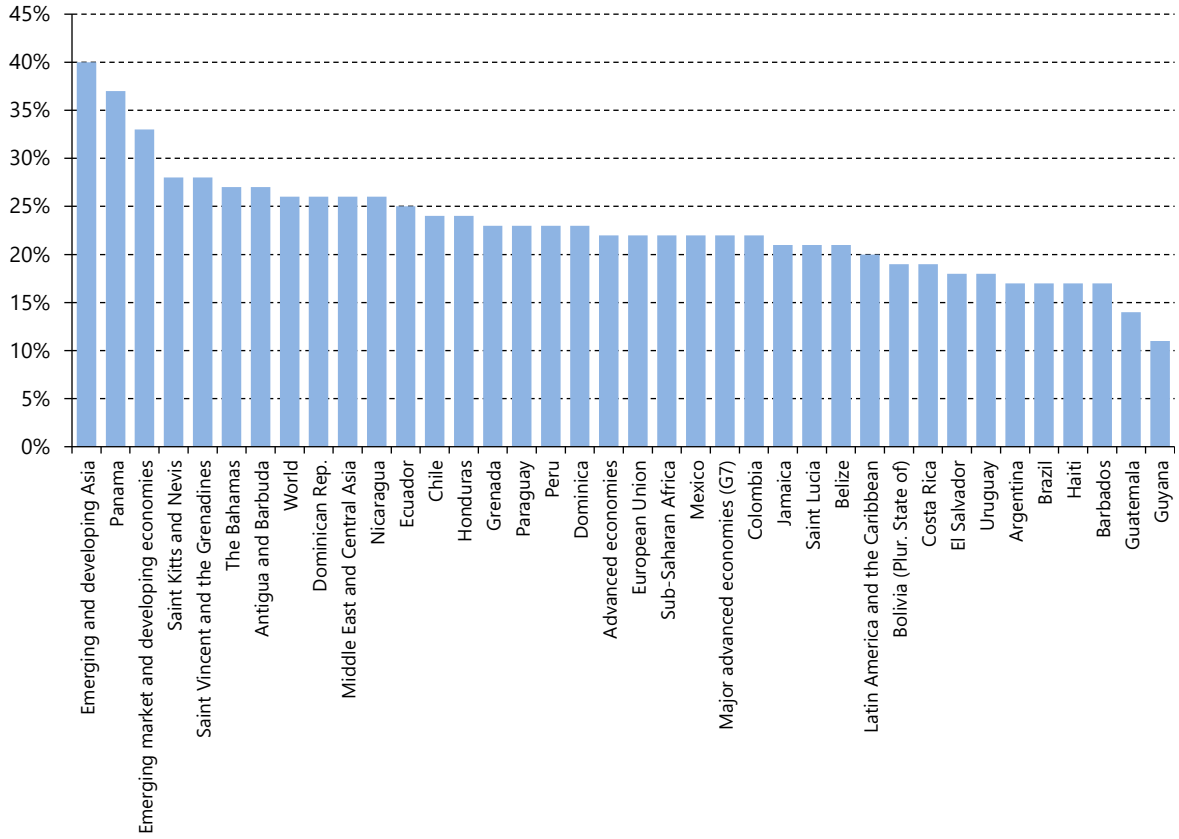
Achieving the green economic transition in LAC requires more than just acknowledging the need for investment. It demands specific, targeted action to mobilize capital and align it with strategic sectors. The region faces a significant funding gap, with current financial flows falling short of the resources needed to transition to low-carbon economies and build resilience against climate impacts. Addressing this challenge calls for specific steps to be taken to ensure that the necessary capital is directed where it is most needed.

This section examines the financial landscape of the green transition in three parts. It begins by analyzing the region's current investment levels to understand the baseline of climate-related spending. It then explores the investment gap, comparing available funding with what is required to meet climate and development targets. Finally, it highlights the key sectors with the most significant deficits, emphasizing where additional resources are most urgently needed to close the gap and accelerate progress toward a sustainable future.

A. Current investment levels in the region

LAC stands at a critical juncture, with the opportunity to leverage investment as a driving force for sustainable development and economic transformation. Yet, investment levels in LAC remain moderate to low compared to other emerging economies (figure 2). Between 2014 and 2023, LAC countries invested an average of 20% of GDP, significantly lagging emerging Asian economies, which invested 40% on average due to more favorable investment environments. Advanced economies averaged around 22% in the same period. Within the region, investment rates vary widely, with Panama leading at 37%, while larger economies like Brazil and Argentina average about 17% (IMF, 2023a). This disparity underscores the need for targeted policies to increase investments, especially in high-impact green sectors (ECLAC, 2024b).

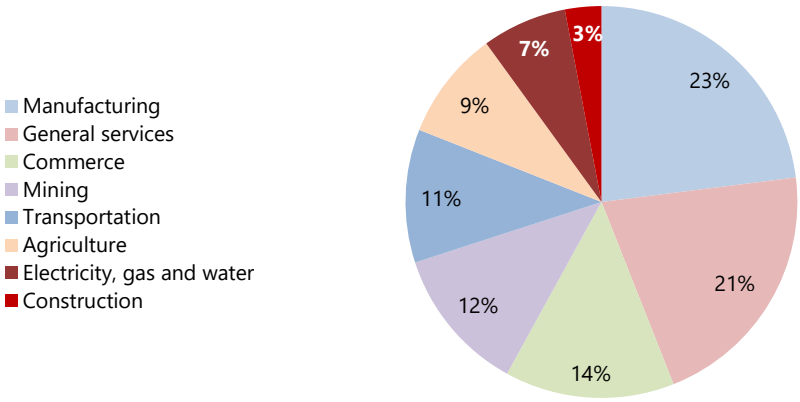
Figure 2
Investment in Latin America and Caribbean countries and other regions, 2014–2023
(Average, as a share of GDP)



Source: IMF (2023a).
Note: Gross capital formation is measured by the total value of gross fixed capital formation, changes in inventories and acquisitions, and fewer disposals of valuables.

Understanding the investment composition more deeply reveals the challenges and opportunities in aligning resources with the region's development objectives. Historically (figure 3), the investment landscape has been dominated mainly by sectors such as manufacturing (23%) and general services (21%), highlighting their importance in traditional economic frameworks. In contrast, sectors like commerce (14%), mining (12%), and transportation (11%) have garnered moderate investment shares, while sectors like agriculture (9%), electricity, gas, and water (7%), and construction (3%) consistently received less than 10% of total investment. These statistics underscore the urgent need to redirect resources toward sectors promoting sustainability and resilience strategically. On a positive note, machinery and equipment investment has grown over the last thirty years, indicating a shift toward modernization and innovation that could be leveraged for green development (OECD, 2023a).

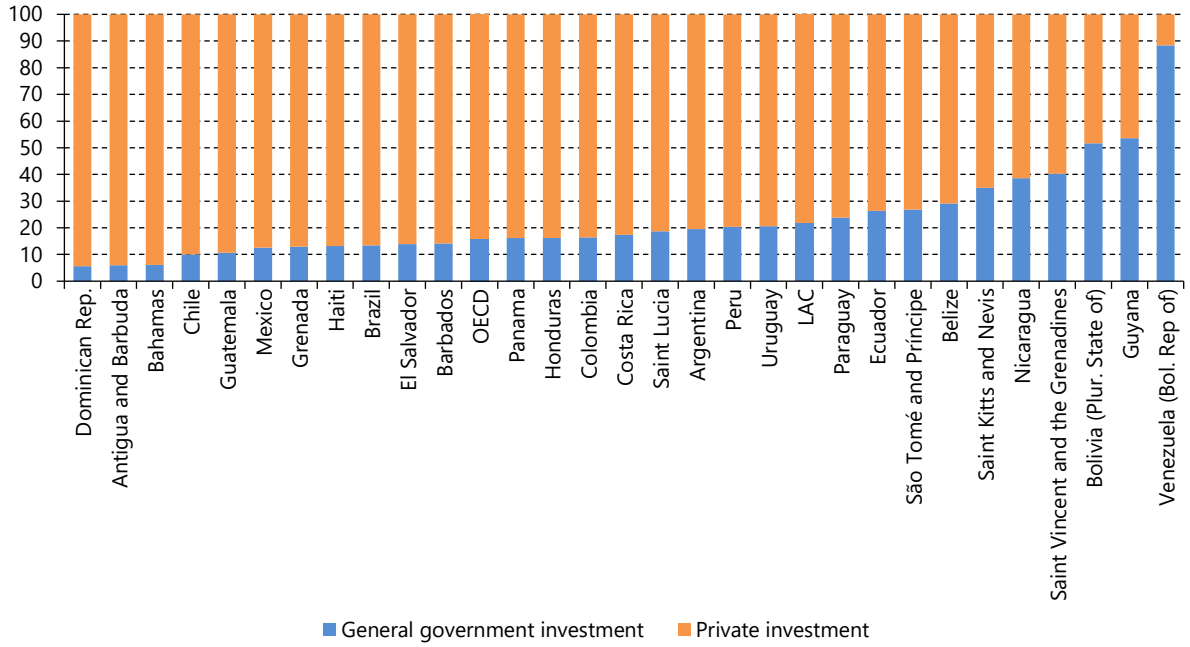
Figure 3
Sectoral distribution of total investment in Latin America and the Caribbean, 1990–2018
(As a share of total investment)



Source: ECLAC (2022) and OECD (2023a).

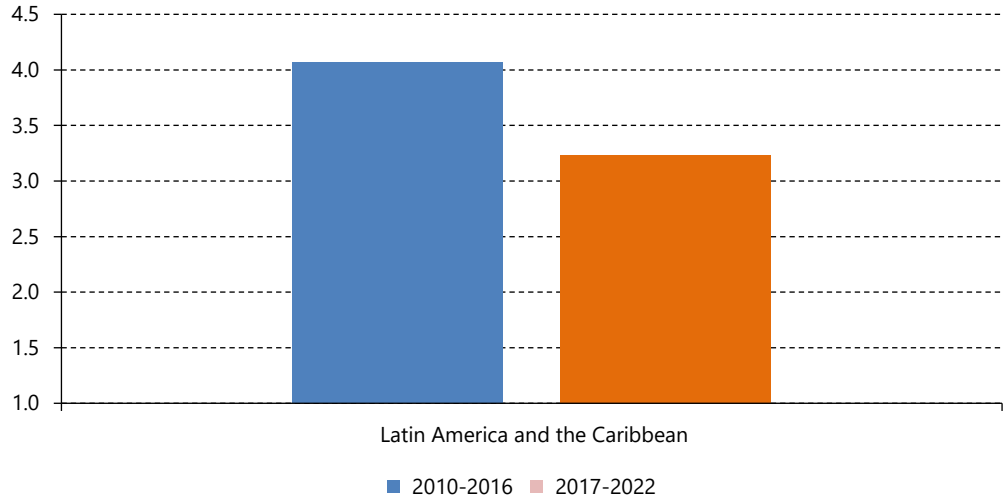
Private investment dominates the region's investment, contributing 78% of total investment in 2019 (figure 4). Foreign Direct Investment (FDI) remains a vital source of financing (figure 5), averaging 2.8% of GDP in 2023 and totaling US$ 184 billion — approximately 14% of global FDI. However, this figure marks a decline from previous peaks, signaling challenges in sustaining FDI levels in general and for green projects (OECD, 2023b). Private investment also shows significant concentration; in 2016, 10% of the region's top companies were responsible for 69% of long-term investments (ECLAC, 2024a).

Figure 4
Proportions of private and public investment in Latin America and the Caribbean, 2019
(As a share of total investment)



Source: IMF (2022) and OECD (2023a).

Figure 5
FDI inflows in Latin America and the Caribbean
(Averages, as a share of the GDP)

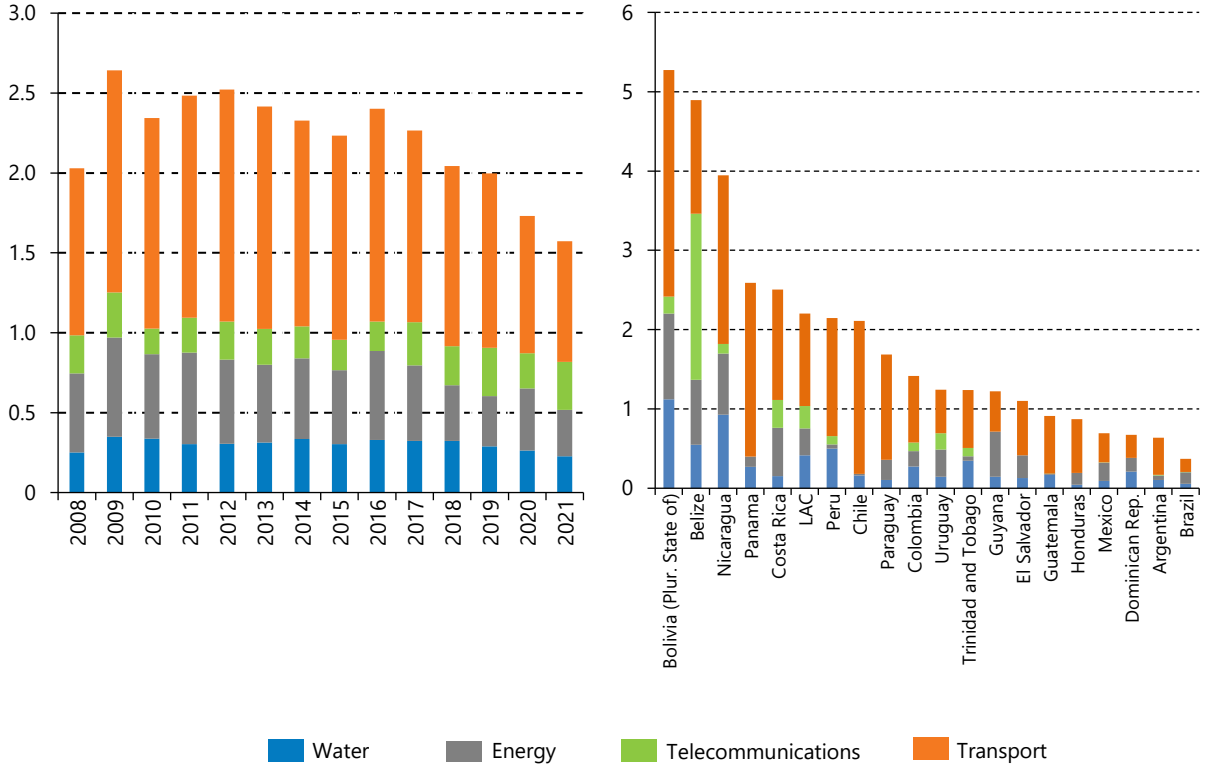


Source: World Development Indicators' database; OECD (2023a).

Figure 6
Sectoral breakdown of public infrastructure investment in Latin America and the Caribbean
(As a share of the GDP)

A. Public investment in infrastructure, 2008-2021
(Percentage, GDP)

B. Public investment in infrastructure, 2019
(Percentage, GDP)



Source: INFRALATAM and OECD (2023a). www.infralatam.org.

Public investment, especially in infrastructure (figure 6), has remained relatively low. It averaged 1.6% of GDP in 2021, with the highest allocations going to transport (0.76% of GDP), followed by telecommunications (0.30%), energy (0.29%), and water (0.23%). Transport investments are heavily skewed toward road infrastructure, which accounted for more than half of public spending in 11 out of 20 countries analyzed. For example, road infrastructure represented over 70% of public investment in Honduras, Paraguay, and Guatemala. Expanding public spending beyond roads to more sustainable sectors is essential to ensure an inclusive and green economic transition (OECD, 2023b).

B. The investment gap in Latin America and the Caribbean

As highlighted in the previous section, investment levels in LAC have historically been structurally low compared to other regions. This structural shortfall underscores the need for a transformative shift in financial flows to meet development and climate goals. The global context adds further urgency: achieving the green transition will require addressing these historical deficits, as well as significant additional investments focused explicitly on sustainability.

To analyze these investment gaps, it is crucial to understand the definition of green investments and the methodologies used to estimate their requirements. According to the OECD, green investments are broadly defined as financial commitments directed toward projects or companies that aim to mitigate climate change or enhance adaptation to its impacts (Inderst et. al., 2012). Estimating the financial needs for a green transition typically relies on models that use GDP percentages and sector-specific cost assessments. These models incorporate a range of variables, including technological trajectories, demographic trends, and national climate and development goals, providing a comprehensive framework to determine the scale of investment required.

In this context, ECLAC (2023b) estimates that LAC must allocate 3.1% of its GDP annually to infrastructure investments from 2015 to 2030 to limit global warming to below 2°C. To meet Nationally Determined Contributions (NDCs) by 2030, an additional US$ 2.1–US$ 2.8 trillion is required cumulatively between 2023 and 2030, representing an average of 3.7%–4.9% of regional GDP annually (ECLAC, 2023b). These investments are critical for mitigation and adaptation in priority areas such as renewable energy, deforestation prevention, disaster-resilient infrastructure, and sustainable transport. The urgency is clear: without these investments, the region faces escalating social and economic costs from climate inaction, including increased frequency and severity of extreme weather events (table 1, box 1).

Table 1
Annual investments required to meet NDC – ECLAC, 2023–2030
(As a share of the GDP)

Sector	Percentage of GDP
Energy system	0.22–0.97
Infrastructure: Transport	2.0
Electric public transport	0.02–0.08
Reducing deforestation	0.06
All mitigation	**2.30–3.11**
Poverty reduction	0.05–0.46
Infrastructure: irrigation	0.10
Infrastructure: water and sanitation	0.70
Infrastructure: riverine and coastal flood control	0.28
Comprehensive early warning systems	0.012
Comprehensive early warning systems	0.012
All adaptation	**1.40–1.83**
Total investment	**3.70–4.94**

Source: ECLAC (2023b).

Box 1
Filling the gaps: high priority sectors for investment

Key sectors requiring increased investment in LAC include energy, transportation, water management, telecommunications, and biodiversity conservation. Investments in climate-resilient infrastructure, such as flood defenses, adaptive transportation systems, and irrigation, are critical to safeguard the region against intensifying climate impacts. Addressing deficits in water and sanitation, flood protection, and other foundational sectors not only mitigates environmental risks but also enhances economic resilience and lays the groundwork for sustainable development. Strengthening the resilience of critical infrastructure is essential for economic competitiveness and sustainability. A resilience-based approach, focusing on robustness, redundancy, and recovery capacity, protects both public and private investments while fostering long-term growth (Perrotti, 2024). GPDPs include resilience strategies to minimize structural vulnerabilities, ensure operational continuity in uncertain scenarios, and attract foreign investment to fuel a just transition to a low-carbon economy.

Within these sectors, energy stands out as a critical priority. Investment in the energy sector across LAC has historically been low, averaging below 3% of GDP between 2014 and 2022, compared to 5% in regions like Eurasia and the Middle East. In 2022, energy investment reached US$ 150 billion — the highest level since 2014 — with US$ 55 billion directed to the power sector. However, fossil fuels continue to dominate, comprising US$ 80 billion of the total. Achieving Net Zero Emissions targets will require energy investments to rise to 4.1% of GDP by 2030, an 80% increase from current levels. Prioritizing renewable energy, energy efficiency, and grid modernization will be vital for reducing emissions, enhancing energy security, and driving economic growth. (International Energy Agency, 2023).

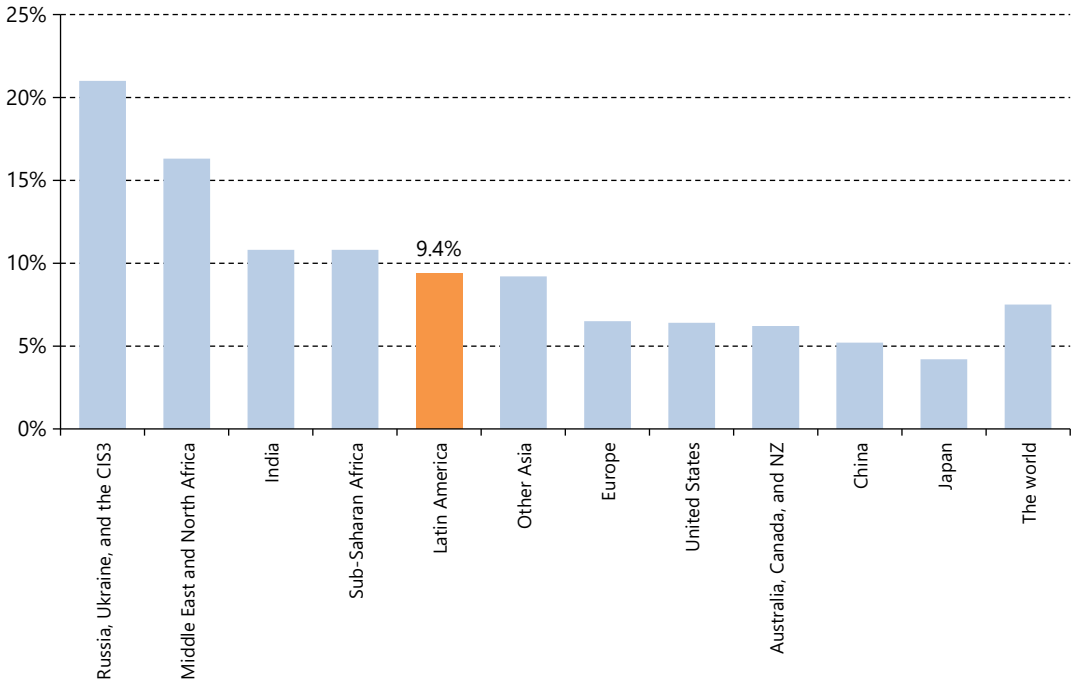
Source : Perrotti (2024) and International Energy Agency (2023).

The Inter-American Development Bank (2021) further emphasizes the scale of the challenge, estimating annual investment needs of 5%–19% of GDP by 2030. These requirements extend beyond climate-specific goals, addressing broader sustainable development priorities such as poverty reduction and improved access to services.

UNDP (2022) offers further insight into the scale of these requirements, estimating that annual investments of 7%–11% of GDP will be needed across the LAC-6 countries (Argentina, Brazil, Chile, Colombia, Mexico, and Peru) from 2021 to 2050 to transition to a low-carbon economy. The variation reflects differences in national GDPs, ambitions, and sectoral priorities. For example, Colombia may require 8%–13% of GDP annually due to its higher climate ambitions, while Mexico, with its higher GDP and lower targets, may need around 4% annually. These figures underscore the uneven financial demands within the region and the critical importance of tailoring investment strategies to individual country contexts.

McKinsey (2022) provides a broader global perspective in figure 7, estimating that US$ 9.2 trillion annually will be required worldwide to achieve net-zero emissions by 2050, with an additional US$ 3.5 trillion needed compared to current levels. This requirement is approximately 9.4% of LAC's GDP annually, reflecting the substantial investments necessary to transition energy and land-use systems (figure 7). Key areas include decarbonizing power generation, electrifying transport, and creating sustainable industrial processes. Although the costs are high, many green investments offer positive economic returns by reducing climate risks, boosting resilience, and unlocking growth in low-carbon sectors.

Figure 7
Spending on physical assets for energy and land-use systems, 2021–2050
(As a share of the GDP)



Source: McKinsey (2022).

II. Green productive development policies

This section explores green productive development policies (GPDPs) as a vital driver of the green transition. It begins with a definition of GPDPs and how they are distinguished from traditional industrial policies. Next, it explains the economic rationale for GPDPs, addressing market failures such as coordination gaps and underinvestment. Finally, it provides a brief account of how general PDPs have been used in LAC and some examples of how countries are now approaching GPDPs to promote inclusive, sustainable growth.

A. Definition

GPDPs are government-led initiatives that promote sustainability and foster inclusive economic growth. Unlike traditional industrial policies that focus on subsidies or protectionist measures, GPDPs are horizontal and vertical efforts aimed directly at productive transformation while integrating environmental sustainability into the core objectives of economic development.[1] The strategic focus of GPDPs centers on public-public and public-private partnerships and the use of an experimentalist governance approach to identify and address bottlenecks and implement strategies to enhance productivity, stimulate investment in low-carbon sectors, and encourage innovation in green technologies.

What sets GPDPs apart from traditional PDPs is their integration of environmental sustainability into the fundamental objectives of economic development. These policies tackle both supply and demand challenges. On the supply side, they advocate for green technologies, renewable energy, and sustainable infrastructure. On the demand side, GPDPs invigorate markets for environmentally friendly goods and services, creating a "green multiplier" effect that enhances job creation, boosts resilience, and increases productivity. By fostering the development of low-carbon value chains, GPDPs assist sectors in attaining economies of scale, reducing costs, and enhancing competitiveness, thus accelerating the transition to a sustainable, inclusive economy.

[1] This new approach and rationale for PDPs is outlined in the Panorama of Productive Development Policies in LAC by ECLAC (ECLAC, 2024b).

A central aspect of GPDPs is their focus on establishing a well-structured financing framework, particularly in sectors identified as critical within sectoral clusters or through public-private coordination initiatives. By fostering innovative financing strategies and utilizing market mechanisms, GPDPs promote investments that align with long-term sustainability objectives and avoid the pitfalls of traditional policies that excessively rely on subsidies. This governance-driven approach maximizes the impact of public investments and generates synergies between economic and environmental goals, ensuring that investments target the sectors poised to drive the green transition.

Although GPDPs offer a promising approach to fostering a green economy, they encounter criticisms concerning institutional capacity, governance issues, and the risks of rent-seeking behaviors. A prevalent concern is the insufficient institutional capacity to manage complex, multi-stakeholder policies, which could undermine their effectiveness.[2] However, the new vision of GPDPs underscores robust institutional frameworks that promote transparency, accountability, and coordination. By concentrating on governance improvements and establishing sectoral clusters that unite key actors, GPDPs can navigate past challenges. Furthermore, GPDPs prioritize transparent selection criteria, develop independent oversight bodies, and implement performance-based incentives tied to specific milestones, such as emissions reductions or job creation, to curtail rent-seeking and prevent resource misuse. These strategies, bolstered by capacity-building efforts for public officials and businesses, can ensure that investments are consistently assessed and directed toward long-term sustainability.

Critics also contend that green technologies might struggle to compete with established, carbon-intensive industries without adequate subsidies. However, GPDPs address this issue by providing targeted incentives that mitigate the risks associated with the transition and foster an environment where new technologies can realize economies of scale. Through effective collaboration between the public and private sectors, GPDPs surmount market uncertainties and information asymmetries, thereby boosting investor confidence in the long-term viability of green technologies while avoiding prolonged fiscal dependencies.

B. Economic rationale

The transition to a green economy presents challenges that traditional market forces alone cannot address, particularly in overcoming market failures such as coordination gaps, externalities, and the under-provision of green technologies. GPDPs offer a structured framework to tackle these challenges, emphasizing a coordinated role for the state alongside private actors. By aligning policies with climate goals, GPDPs stimulate demand for sustainable goods and services, driving economic growth while promoting the adoption of green practices through effective public-private partnerships. These policies also address information asymmetries that may deter private investment in green technologies, creating an environment conducive to sustainable growth and innovation (Hallegatte et al., 2013).

A key feature of GPDPs is their capacity to mitigate risks like moral hazard and resource misallocation. By establishing clear environmental and economic objectives, GPDPs ensure that investments focus on long—term sustainability rather than short-term gains. This new approach towards GPDPs avoids fostering unsustainable fiscal dependencies — an essential consideration given LAC's constrained fiscal space. Instead, they create an enabling environment for private-sector innovation, using targeted incentives to address specific market failures. This approach ensures that investments are directed toward sectors that foster sustainable, long-term growth, reinforcing the region's green transition (Altenburg & Rodrik, 2017).

[2] ECLAC broadly refers to a lack of technical, operational, political, and prospective (TOPP) capabilities, which encompass the institutional capacities required to drive transformations in the development model. See (ECLAC, 2024c).

Global examples such as the U.S. Inflation Reduction Act (IRA), the European Union's Green Deal, the UK's Modern Industrial Strategy, and China's Belt and Road Initiative demonstrate the economic and social benefits of green development. These models prioritize sectors like renewable energy, sustainable manufacturing, and low-carbon technologies, highlighting that green goals are not just environmental imperatives but also strategic economic opportunities. However, these examples arise in contexts very different from those of LAC, requiring a tailored approach to achieve similar outcomes.

GPDPs provide this tailored approach by leveraging LAC's unique strengths, including rich natural resources and renewable energy potential. They offer a vision for sustainable development that avoids protectionism and large subsidies. They encourage countries to define productive priorities based on their specific economic structures, natural resource endowments, and societal needs, ensuring that policies are context-specific and impactful.

Aligning GPDP efforts with national and regional priorities is essential for maximizing their impact. Diverse stakeholders — including governments, the private sector, academia, and civil society — must actively participate in defining these priorities. By focusing on sectors with high potential for productive transformation, GPDPs can drive economic dynamism, job creation, and environmental sustainability. Regional collaboration and investment in high-impact sectors can further attract green financing, enhance supply chain resilience, and reduce climate vulnerabilities, positioning LAC as a global leader in green growth.

Finally, GPDPs represent a significant departure from traditional industrial policies by integrating sustainability at every stage. They prioritize projects with long-term viability, promote cross-sectoral collaboration, and ensure continuous monitoring to align outcomes with sustainability goals. Unlike conventional approaches that rely heavily on direct financial incentives, GPDPs embed financing within a broader strategy, making it a tool for achieving integrated, long-term development. The subsequent sections will explore current examples in LAC, and the financing mechanisms available for implementing GPDPs, including pathways to mobilize resources from public, private, and international sources, and the critical role of sustainable bond issuances in supporting these transformative policies.

C. Current green productive development policies in Latin America and the Caribbean

Historically, PDPs in LAC have played a limited role in driving economic transformation. While PDPs have been implemented in various forms across the region, they have often been marginal in scope, highly centralized, and disconnected from broader development goals. A key characteristic of traditional PDPs in the region has been the lack of inter-institutional coordination. Policies were often designed and executed in silos, limiting their ability to align with other economic or social strategies. Additionally, there has been a notable absence of systematic evaluations, which has hindered policymakers' ability to assess the outcomes of these policies, learn from their implementation, and make necessary adjustments to improve their impact. This narrow approach has constrained their effectiveness, leaving them unable to address the region's structural economic challenges comprehensively (ECLAC, 2024b).

This historical context underscores the challenges and opportunities faced by current GPDPs. Understanding this broader historical background of PDPs is essential to recognize both the potential and the limitations of GPDPs in driving green economic transformation in the region.

In this regard, ECLAC has identified key strategic sectors for the region's productive transformation grouped in three main categories: industry, services, and a "big push for sustainability". While industry and services focus on issues such as fostering innovation, export diversification, job creation, and social inclusion, the third category seeks to broaden the scope of traditional PDPs by focusing on a number of dynamic sectors that promote sustainability and tackle climate change but also support the productive transformation of countries in the region.

The third category leverages the region's natural wealth and emerging global trends to drive innovation and resilience. Sustainable agriculture, bioindustrialization and the bioeconomy promise to deliver high-value products while conserving ecosystems. Renewable energy sectors, such as green hydrogen and lithium, offer opportunities to decarbonize industries and position the region at the forefront of the global energy transition. Circular economy practices, including waste reduction and resource efficiency, further enhance the potential for sustainable growth. Additionally, investments in green mobility, such as Brazil's burgeoning electric bus industry (box 2), and integrated water management strategies support economic competitiveness and climate resilience. Sustainable tourism completes this vision by combining conservation with community-driven development.

This portfolio of sectors is illustrative; it's meant to support countries as they prioritize what strategies to pursue. It also reflects what is already happening on the ground as some countries in the region are already pursuing GPDPs. For example, Brazil recently introduced a US$ 10.8 billion platform to support conservation and green industrial hubs, representing a significant step towards aligning economic growth with environmental protection. This initiative exemplifies how countries in the region can integrate economic priorities with climate action, mirroring global trends in sustainable development.

The "big push for sustainability" is not only an environmental imperative but also a strategic economic opportunity. By aligning investments in green technologies, circular economies, and governance frameworks, the region can enhance its global competitiveness, foster inclusive growth, and build resilience to climate change. This vision complements the broader contributions of industry and services, showcasing a comprehensive path to transformative development that prioritizes economic progress alongside environmental and social sustainability.

Box 2
The big push for sustainability – advancing green mobility in Brazil

A notable example of this approach is Brazil's strategy to advance the electric mobility sector, focusing on electric buses as a cornerstone of green urban transportation. This initiative highlights how coordinated policies and investments can drive systemic change across industries, aligning economic growth with environmental sustainability through GPDPs in LAC.

Brazil is leveraging its competitive manufacturing advantage and extensive urban transport systems to position itself as a leader in electric bus production. The country has adopted a comprehensive strategy encompassing:

- Policy Coordination: National and subnational governments are harmonizing strategies, including fiscal incentives, regulations, and planning mechanisms, to create a conducive environment for green mobility investments.
- Strategic Investment: Infrastructure, technology, and supply chain investments are complemented by financial incentives and tax breaks to encourage private sector participation.
- Capacity Building: The strategy integrates workforce training, research, and technological innovation to enhance Brazil's production capabilities and competitiveness.
- Key Impacts and Opportunities.
- Economic Growth: Increased production and adoption of electric buses are expected to generate thousands of jobs, strengthen industrial value chains, and boost GDP.
- Environmental Gains: The shift to electric buses will significantly reduce greenhouse gas emissions and local air pollution, contributing to Brazil's climate goals.
- Social Inclusion: Promoting sustainable urban mobility improves public health and accessibility, particularly for marginalized communities.

Lessons for the Region

Brazil's approach demonstrates the importance of coordinated governance in mobilizing resources and aligning public and private efforts. Integrating sectoral policies with financial mechanisms creates synergies that maximize the impact of investments. This case exemplifies the "Big Push for Sustainability" framework's potential to catalyse transformative recovery, aligning the region's economic strategies with global climate and development objectives.

Source: Grankow and Oliveira (2023).

The reorganization of global value chains offers a cross-cutting opportunity for LAC to position itself in these strategic sectors. As global markets increasingly prioritize sustainability and resilience, there is growing demand for green technologies, renewable energy, sustainable agriculture, and low-emission manufacturing. By leveraging this transition, LAC countries can integrate more deeply into global value chains, focusing on sectors such as green hydrogen, electric vehicle components, and nature-based solutions. Furthermore, aligning with these global trends allows the region to attract investment, foster innovation, and develop high-value-added industries, all while advancing its own sustainability goals. This shift represents a unique opportunity to drive inclusive and sustainable economic growth while strengthening LAC's competitiveness in the emerging green economy. Argentina, for example, is advancing efforts in sustainable agriculture and lithium extraction, aligning with bioeconomy and energy transition trends. Similarly, Costa Rica continues to lead in biodiversity conservation and sustainable tourism, demonstrating how environmental protection can generate economic value. These approaches address sustainability goals and drive productivity, innovation, and export diversification.

Despite these advancements, the region faces significant challenges, including the already mentioned limited fiscal space, high debt, and regulatory barriers. Financial constraints heighten the risk of misallocation, while asymmetric information can deter private investment in green sectors.

III. Financing pathways for the green transition

Building on the framework of GPDPs, financing is essential for transforming these policies from conceptual models into actionable initiatives. Rather than treating financial resources as isolated incentives, GPDPs integrate financing into a cohesive strategy that supports project selection, aligns investments with sustainability objectives, and ensures effective monitoring and evaluation. This approach highlights the importance of designing financing mechanisms that not only address immediate funding needs but also ensure long-term viability and foster stakeholder collaboration.

Robust financial systems are critical for scaling up GPDPs, enabling the structural transformation required to enhance productivity and drive the green transition. These systems channel resources into sectors capable of delivering dynamic and sustainable growth, providing the liquidity necessary to support investments in renewable energy, circular economy initiatives, and green technologies. By aligning financial flows with GPDP objectives, financial institutions play a central role in facilitating the shift from traditional, less productive activities to innovative, high-productivity sectors. This alignment addresses economic, environmental, and social challenges while accelerating the transition to a resilient and sustainable economy.

In the context of LAC, financing GPDPs relies on a coordinated effort that combines public, international, and private resources. Public finance underpins investments in infrastructure and key productive sectors, while international sources, including multilateral development banks, climate funds, and philanthropic contributions, provide critical support for large-scale and localized initiatives. Private sector investments —such as blended finance, institutional capital, and carbon markets— further drive innovation, renewable energy development, and sustainable infrastructure. Together, these diverse funding sources create a comprehensive framework to advance LAC's sustainable development goals, fostering inclusive growth and long-term prosperity.

An important consideration is that the financing of GPDPs is also influenced by structural barriers that limit access to funding in many countries of the region. These barriers pose significant challenges to mobilizing the resources required to implement this kind of policy that, as ECLAC highlights, are *"the main instrument for fostering higher, sustained, inclusive and sustainable growth"* (ECLAC, 2024b). Moreover, ECLAC stresses that *"enabling macroeconomic environment is also essential, but while macroeconomic stability is a necessary condition, it does not suffice"* (ECLAC, 2024b). Therefore, in addition to recognizing the benefits of GPDPs, it is crucial for countries to work concurrently on overcoming these structural financing constraints, some of which are briefly summarized in box 3.

Box 3
Barriers to unlocking investment potential

LAC faces significant barriers that constrain the mobilization of financial resources needed to achieve climate goals and foster sustainable economic growth. These challenges arise from underdeveloped financial systems, regulatory inefficiencies, macroeconomic instability, poor public-private collaboration, and misaligned incentives, further exacerbating these issues, reducing the effectiveness of financial flows, and hindering progress on sustainable development.

Key barriers include:

- Underdeveloped Financial Systems: Financial markets in the region often lack affordable credit and tailored instruments for sustainable investments, making it difficult for the private sector and small and medium enterprises (SMEs) to access capital. Many SMEs face barriers in accessing international climate finance due to fragmented global governance frameworks.
- Regulatory Inefficiencies: Outdated regulations, bureaucratic delays, and fragmented green product and technology standards increase project costs and reduce competitiveness. Regional disparities in carbon pricing mechanisms, renewable energy tariffs, and sustainability metrics hinder coordinated action and limit the scalability of green projects (Bhattacharya et al., 2024).
- Macroeconomic Instability: Frequent fluctuations in exchange rates, inflationary pressures, and economic uncertainty create an unstable investment environment, discouraging domestic and foreign investors from committing to long-term green projects.
- Infrastructure and Innovation Gaps: Insufficient infrastructure and underdeveloped innovation ecosystems restrict the region's capacity to scale up renewable energy, circular economy practices, and other green initiatives. Weak technological advancement further limits LAC's ability to compete in emerging sustainable markets.
- Fragmented Public-Private Coordination: Poor collaboration between governments and the private sector, combined with misaligned priorities, often leads to inefficient resource allocation. For instance, private investors frequently prioritize short-term returns, while governments focus on long-term sustainability goals, resulting in missed opportunities for blended finance projects.

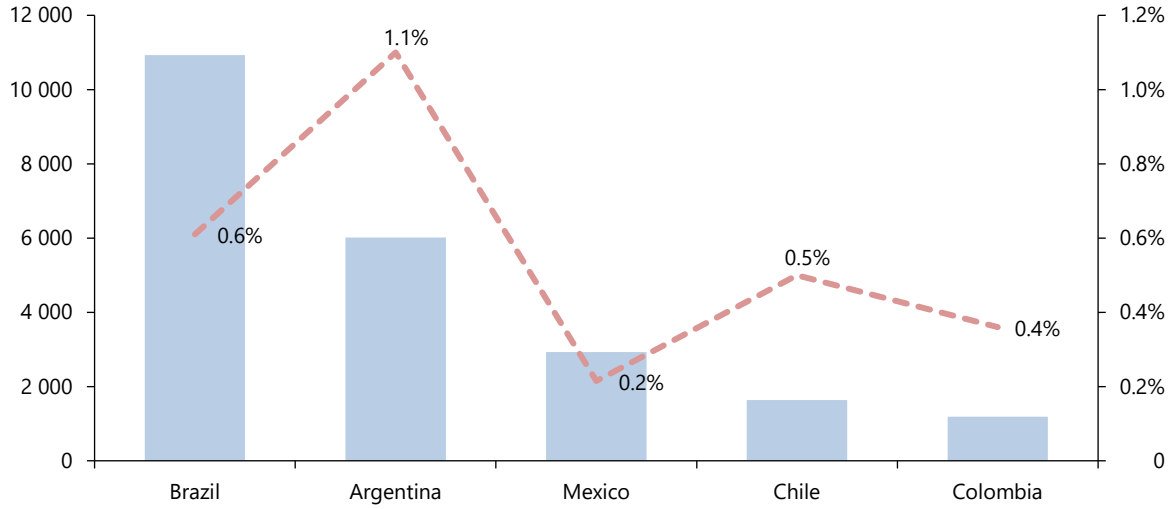
These barriers collectively constrain LAC's capacity to mobilize the financial resources needed for effective climate action and sustainable development. If these systemic challenges remain unaddressed, the region risks falling short of its green transition goals and missing the opportunity to unlock its full economic potential.

Source: Gobierno Regional de Los Lagos. Pacto por una Región Sostenible e Inclusiva, https://pactoregiondeloslagos.cl.

A. Domestic public finance: allocations and challenges

In LAC, spending PDPs varies significantly across LAC countries, reflecting diverse priorities and fiscal capacities. For example, Argentina leads with 1.1% of GDP dedicated to PDPs, equivalent to US$ 6 billion, while Brazil allocates 0.6% (US$ 10 billion). Chile and Colombia invest 0.5% (US$ 1.6 billion) and 0.4% (US$ 1 billion) of GDP, respectively, whereas Mexico has the lowest share at 0.2% (US$ 2.9 billion). These differences emphasize the need for better coordination and efficient resource allocation to optimize PDP effectiveness. Strategic investments in PDPs are crucial for driving innovation, boosting competitiveness, and promoting sustainable economic growth, enabling LAC countries to address development challenges and seize opportunities in emerging sectors (figure 8).

Figure 8
Spending on productive development policies in Latin America and the Caribbean countries, 2021–2022
(Average, millions of dollars in left axis, share of the GDP in right axis)



Source: ECLAC (2023b).

State-owned investors, including Central Banks (CBs), Sovereign Wealth Funds (SWFs), and Public Pension Funds (PPFs), also play a significant role in mobilizing resources for green productive development. Together, these institutions manage US$ 1.2 trillion in assets under management in the region, with Central Banks holding US$ 968 billion, Public Pension Funds managing US$ 183 billion, and Sovereign Wealth Funds accounting for US$ 42 billion (Global SWF, 2024). Their ability to direct long-term capital towards infrastructure, renewable energy, and sustainable initiatives positions them as key actors in advancing GPDPs. Strengthening their role through targeted policy frameworks and incentives can unlock further investment for sustainable economic growth.

Additionally, LAC governments increasingly leverage innovative financing tools to address socioeconomic challenges. Among these, Green, Social, Sustainability, and Sustainability-Linked (GSSS) bonds have become critical and rapidly growing sources of financing. Aligned with the Sustainable Development Goals (SDGs) and the Paris Agreement, these bonds have accumulated total issuances of US$ 161 billion in the region (ECLAC, 2024d). Chapter 4 explores GSSS bonds in greater depth, detailing their role in expanding the sustainable finance landscape beyond traditional sectors like energy and agriculture to new areas such as automotive, technology, and real estate. Emerging trends, including gender bonds and bonds supporting digital transformation, signal a broadened focus within the region's sustainable finance ecosystem.

Brazil, Chile, and Mexico are at the forefront of the GSSS bond market in LAC, leveraging these instruments to fund critical initiatives in energy transition, infrastructure development, and sustainable manufacturing. In 2023, the region accounted for nearly half of global blue bond issuance, reflecting its strong commitment to marine ecosystem protection and climate resilience. These developments highlight the growing importance of GSSS bonds in driving sustainable development, addressing environmental challenges, and supporting LAC's transition to a low-carbon, climate-resilient future.

Collaboration between government agencies and development banks has been instrumental in issuing these bonds. The capital raised is directed toward strategic initiatives aligned with environmental and social goals, facilitating a shift toward sustainable growth. This trend highlights the increasing role of innovative financing in addressing industrial challenges and broader development needs, positioning LAC for a transition to sustainable and inclusive economic growth.

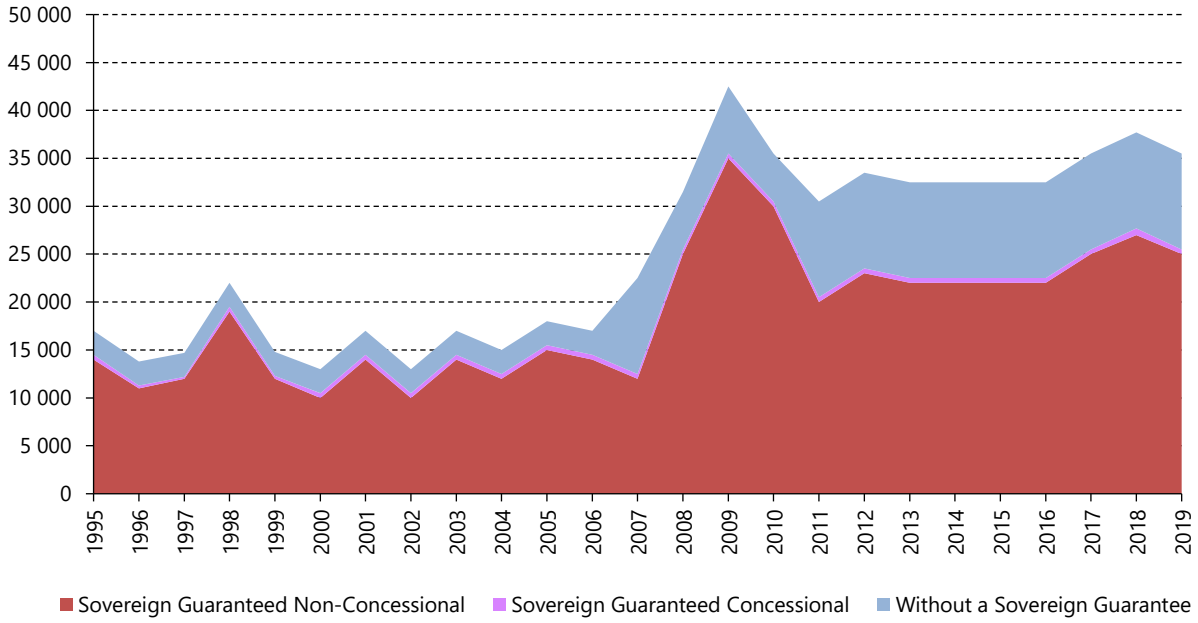
B. International mechanisms: partnerships for sustainability

Multilateral Development Banks (MDBs) have been pivotal in supporting LAC by providing essential financing. In response to the COVID-19 pandemic, MDBs approved approximately US$ 50 billion in new regional resources in 2020 (Fleiss, 2021). The World Bank, the Inter-American Development Bank (IDB), and the Development Bank of Latin America (CAF) have all expanded their commitments, focusing on infrastructure development, climate resilience, and economic recovery. In 2021 alone, MDBs allocated US$ 9.82 billion in climate finance to LAC, accounting for 20% of global climate finance directed to low-and middle-income economies (Multilateral Development Banks, 2024. These figures highlight the critical role that MDBs play in advancing sustainable development and climate action across the region (figure 9).

Climate funds represent another vital source of international financing, helping LAC address environmental challenges and promote sustainable development. Between 2003 and 2019, multilateral climate funds provided approximately US$ 3.857 billion to the region. Key contributors included the Clean Technology Fund (US$ 930.1 million), the Green Climate Fund (US$ 929.7 million), and the Amazon Fund (US$ 720.4 million) (Watson & Schalatek, 2020). These funds target mitigation and adaptation efforts, focusing on emission reductions, renewable energy expansion, and biodiversity conservation. This financial support has been instrumental in addressing environmental challenges exceeding many LAC countries' domestic financial capacities.

Beyond meeting immediate climate goals, international climate financing drives green development in the region. By funding projects in renewable energy, sustainable land management, and ecosystem conservation, multilateral institutions help lay the foundation for long-term economic growth aligned with environmental sustainability. These initiatives foster job creation in emerging green sectors, strengthen climate resilience, and enhance the region's global contributions to climate solutions. Multilateral climate financing, therefore, not only supports environmental objectives but also acts as a catalyst for economic transformation, positioning LAC for sustainable and inclusive prosperity.

Figure 9
Financing approvals by major MDBs by type of risk
(U.S. millions of dollars)

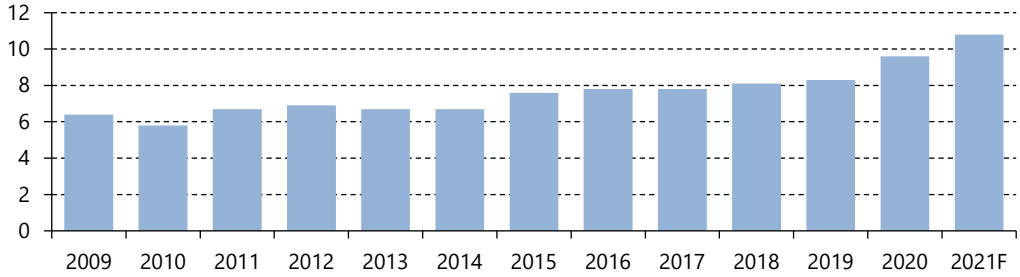


Source: Fleiss (2021). MDBs included: World Bank, Inter-American Development Bank (IDB), and Development Bank of Latin America (CAF).

C. Private contributions: unlocking potential through investment

The success of GPDPs in LAC is significantly attributed to private sector contributions. Historically, private investment has accounted for 70% to 76% of total investment in the region, underscoring its critical role in facilitating the transition to a sustainable economy (OECD, 2023b). This involvement spans direct investments in renewable energy, sustainable infrastructure, and partnerships that leverage blended finance mechanisms to de-risk projects and attract further investment (figure 10).

Figure 10
Private philanthropy flows, 2009–2021
(US billions of dollars)



Source: OECD (2023c).

The private sector has substantial untapped potential to mobilize even more resources by capitalizing on catalytic instruments such as blended finance. For instance, for every dollar of concessional capital deployed, private finance mobilization has steadily increased, with the leverage ratio reaching 2.65 in 2023 —higher for larger projects. This potential offers hope for the future of sustainable finance in LAC (Convergence, 2024). This trend underscores the growing capacity to channel significant private funding into green initiatives, including through public-private partnerships (PPPs) that align public and private interests in sustainable development.

Institutional investors, including pension funds and insurance companies, are poised to play a pivotal role in financing large-scale green projects. These investors provide the long-term capital essential for renewable energy and climate-resilient infrastructure sectors. Additionally, venture capital and private equity funds drive investments in innovative technologies and start-ups focused on sustainability, including renewable energy systems, circular economy solutions, and low-carbon technologies. These capital sources are instrumental in fostering innovation and scaling solutions that directly align with GPDP objectives.

Carbon markets represent another emerging avenue for private sector contributions. Companies increasingly participate in compliance and voluntary carbon markets to offset emissions, funding projects such as reforestation and renewable energy installations. These markets generate financial resources for climate projects and align with corporate sustainability strategies, creating synergies with green productive policies.

While smaller in scale, philanthropy also plays a targeted and impactful role in supporting green initiatives. Global philanthropic contributions to sustainable development have averaged US$ 9.6 billion annually between 2018 and 2020, with LAC receiving a modest share of 9%, or US$ 0.4 billion per year (OECD, 2023c). Despite its limited scale, philanthropic funding supports localized, high-impact environmental conservation, social resilience, and innovation projects. This complements larger-scale investments by fostering green technologies and practices critical to achieving GPDP objectives.

To fully harness the private sector's potential in financing GPDPs, it is crucial to integrate strategic roadmaps that align investments with the region's development and climate objectives. Clear guidance on priority sectors, along with de-risking instruments and other recommendations discussed in Chapter 5, can provide the confidence needed for greater private sector participation. This emphasis on strategic roadmaps reassures the audience about the direction of sustainable finance in LAC.

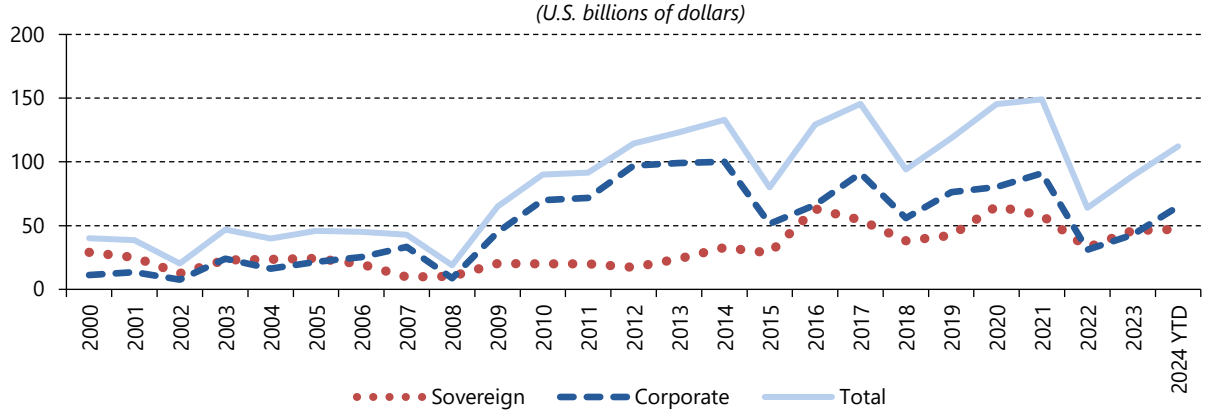
IV. Deep dive in innovative financial mechanisms: sustainable bond issuances

Financial markets' focus has increasingly moved towards climate action and the achievement of the SDGs, and interest in sustainable financial instruments has increased accordingly. An overwhelming 96% of institutional investors participating in a survey by Natixis Investment Managers in May 2020 said they had a key role to play in tackling global challenges such as climate change (Natixis, 2020).

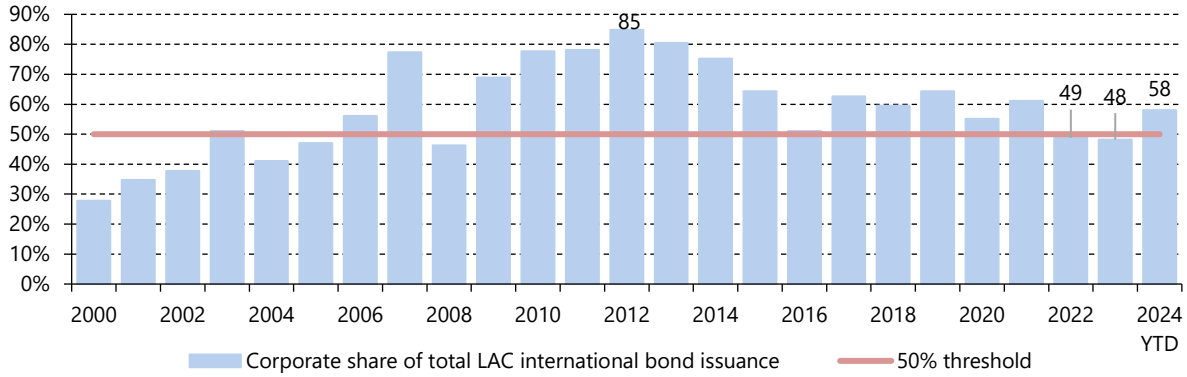
In this context, it is important to stress that Latin American and Caribbean corporate bonds emerged as a mainstream product in the global credit space in the past twenty years, as external funding shifted from sovereign issuers to corporations and banks. They were the main driver of the region's international debt issuances from 2009 to 2021 and again in the first ten months of 2024 (figure 11A). In this period, the share of corporate debt issuances grew from 28% of total LAC's international bond issuances in 2000 to a peak of 85% (figure 11B). This share fell below 50% in 2022 and 2023 as rising global interest rates significantly impacted the region's international bond issuances, which reached a low point in 2022. The impact on corporate issuances was particularly strong, with private non-bank corporates experiencing a 70% drop in bond activity in 2022 (figure 11C and table 2).

Figure 11
Latin America and the Caribbean bond issuance

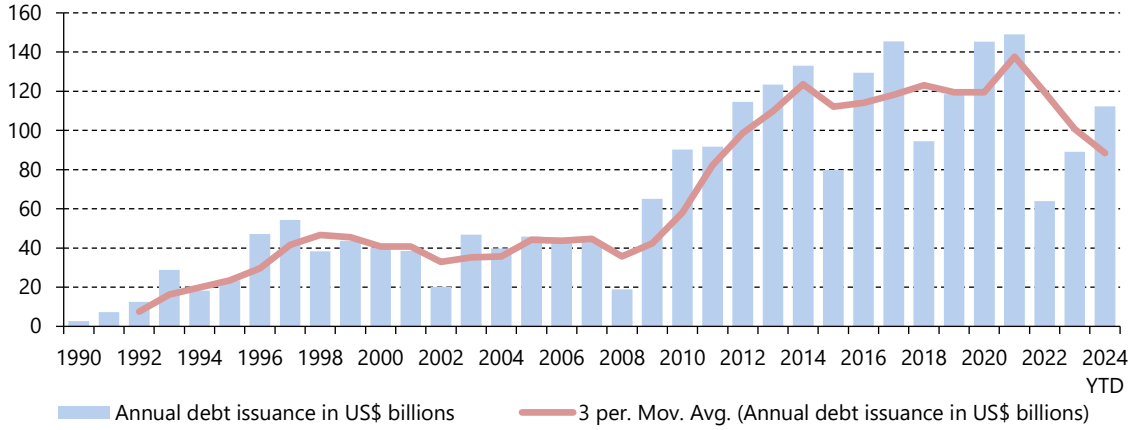
A. Annual Latin America and the Caribbean international bond issuance by issuer type, 2000–2024 YTD
(U.S. billions of dollars)



B. Annual Latin America and the Caribbean corporate share of the total international bond issuance, 2000–2024 YTD
(Percentages)



C. Annual Latin America and the Caribbean international bond issuance, 1990–2024 YTD
(US billions of dollars)



Source: Bustillo and Velloso (2013), p.55. Velloso and Perrotti (2023), p.22.
Note: Updated to October 2024. The data includes only bonds issued in the international market and is based on market sources, including Dealogic, LatinFinance, and Bloomberg, among others. YTD=year-to-date, as of 31 October 2024. and

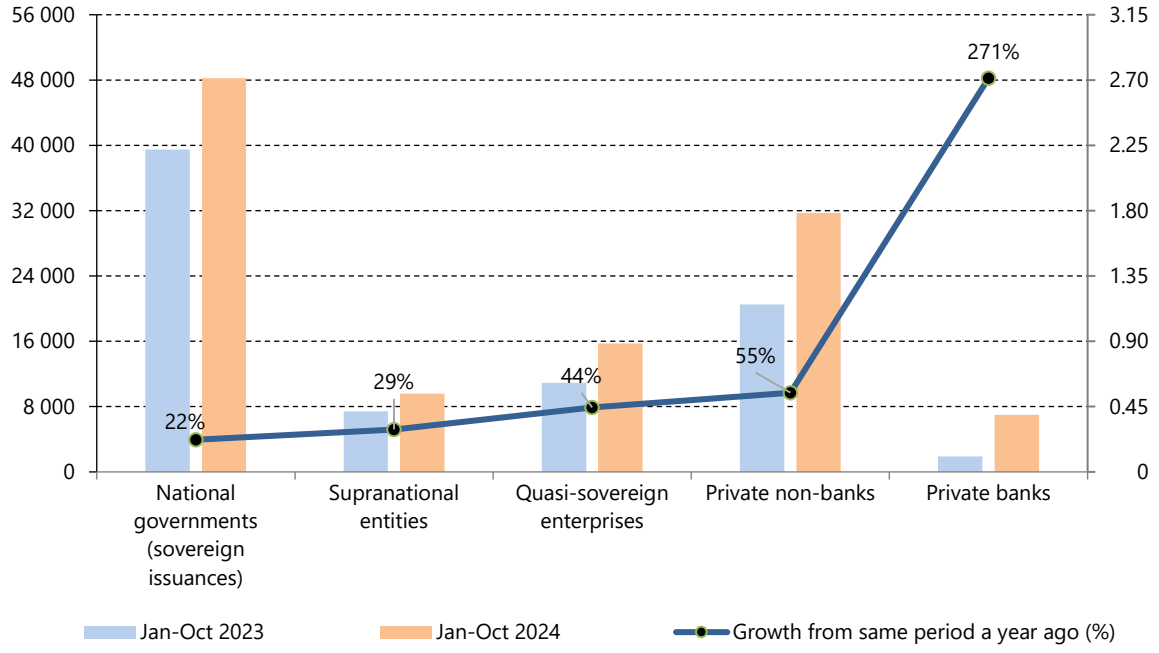
Table 2
Latin America and the Caribbean international bond issuances by sector, 2022
(U.S. millions of dollars, percentages, and number of deals)

	Private banks	Private non-banks	Quasi-sovereign enterprises	Supranational entities	National governments (sovereign issuances)	Total
Total 2022	1 347	19 178	5 208	5 392	32 764	63 889
Year—on—year growth (percentages)	-84%	-70%	-59%	-15%	-43%	-57%
Share of Total (percentages)	2%	30%	8%	8%	51%	100%
Number of deals	8	34	8	28	29	107
Deals year—on—year decline	-30	-80	-8	-2	-25	-145

Source: ECLAC (2024e).

After the U.S. Federal Reserve's monetary policy tightening peaked in July 2023, LAC corporate bond issuances began recovering (figure 12), with private non-bank corporates increasing international issuances by 55% in the first ten months of 2024. This rebound was supported by easing borrowing costs as the Federal Reserve reduced the federal funds rate by 100 basis points between September and December 2024.

Figure 12
Latin America and the Caribbean debt issuances by type of issuer, Jan to Oct 2023–Jan to Oct 2024
(U.S. billions of dollars and percentages)



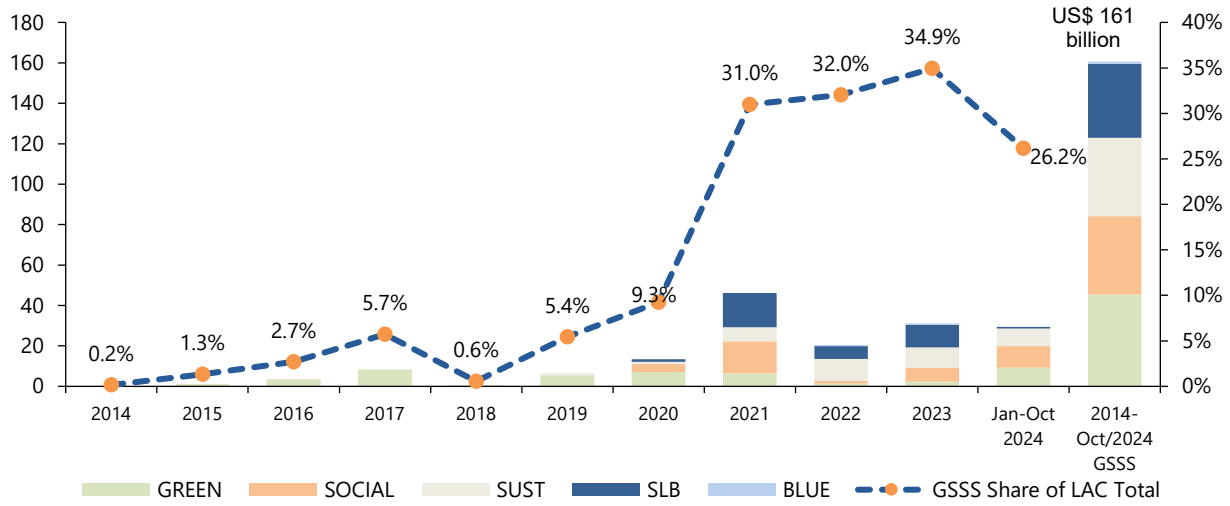
Source: ECLAC (2024f), p.9.
Note: Updated to October 2024. YTD=year-to-date, as of 31 October 2024.

The region's private corporate sector was the first to issue green bonds in international bond markets, and until June 2019, when the first sovereign green bond was issued in international markets, all LAC green bond issuances were from the corporate sector, underscoring its importance in financing sustainable growth in the region. Although improved borrowing conditions from mid-2023 to end-2024 had a positive impact on the region's corporate sector's ability to access external bond financing, further incentives are essential to foster a more attractive investment environment and unlock private climate finance.

A. Evolution

The evolution of LAC's green, social, sustainability, and sustainability-linked (GSSS) bond market points to four key trends. The first two trends —*rapid growth and resilience*, with GSSS bonds rising from less than 1% of total issuances in 2018 to 35% in 2023 despite global financial challenges, and *diversification of instruments*, with the region's international bond issuers increasingly issuing social, sustainability, and sustainability-linked bonds (SLBs) since 2020— are captured in figure 13. The third anf fourth trends include *higher sovereign participation* in the GSSS total since 2020 and the presence of a *"greenium"*—the amount by which the yield on a GSSS bond is lower than an otherwise identical conventional bond. Together, these trends underscore the region's adaptability and progress in leveraging diverse instruments to attract sustainable investments .

Figure 13
Annual Latin America and the Caribbean international GSSS bond issuance, 2014–2024 YTD
(Left axis, US billions of dollars; Right axis, Percentages)



Source: Nuñez et. al. (2022), figure 2, p.19.
Note: Updated to October 2024. YTD=year-to-date, as of 31 October 2024.

B. Main characteristics and trends

LAC represented 3% on average of the global sustainable bond issuances from 2018 to 2023 according to Dealogic, a minor participant in the global sustainable bond market. However, the average share of GSSS bond issuances in the region's total in this six-year period (12%) was higher than the comparative global share (9%). Between December 2014 and October 2024, 106 LAC issuers issued 273 international GSSS bonds in 15 different currencies. 77 of those issuances came from the sovereign sector, 125 from the private sector, and the rest from supranational entities and quasi-sovereign issuers (state-owned enterprises). Most of the bonds issued during this period were directed at financing renewable energy, sustainable agricultural and forestry initiatives.

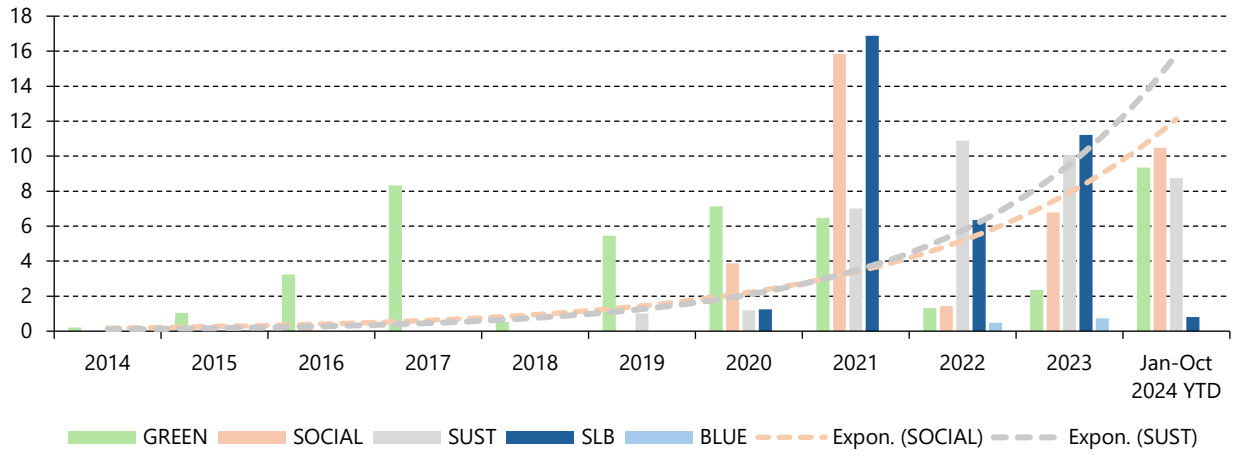
1. Distribution by types of instruments

Initially, green bonds dominated LAC's sustainable bond market, but the focus expanded to social and sustainability-linked bonds (SLBs) over time (figure 14A). Social bond issuances surged after COVID-19, while SLBs gained traction following the International Capital Markets Association (ICMA)'s release of its Sustainability-Linked Bond Principles in 2020.[3] ICMA provides widely recognized principles that guide global sustainable bond issuances, fostering market integrity and transparency. In 2021, SLB issuances surged to US$ 16.9 billion, becoming the region's most frequently used sustainable instrument, as they were seen as attractive because of their inclusiveness. In 2021, for example, 60% of the region's SLB issuances came from the highyield sector, with the instrument opening doors for non-investment grade companies. However, SLBs' share of total GSSS bond issuances dropped sharply from 36% in 2023 to just 3% in 2024, reflecting shifting market dynamics (figure 14B).

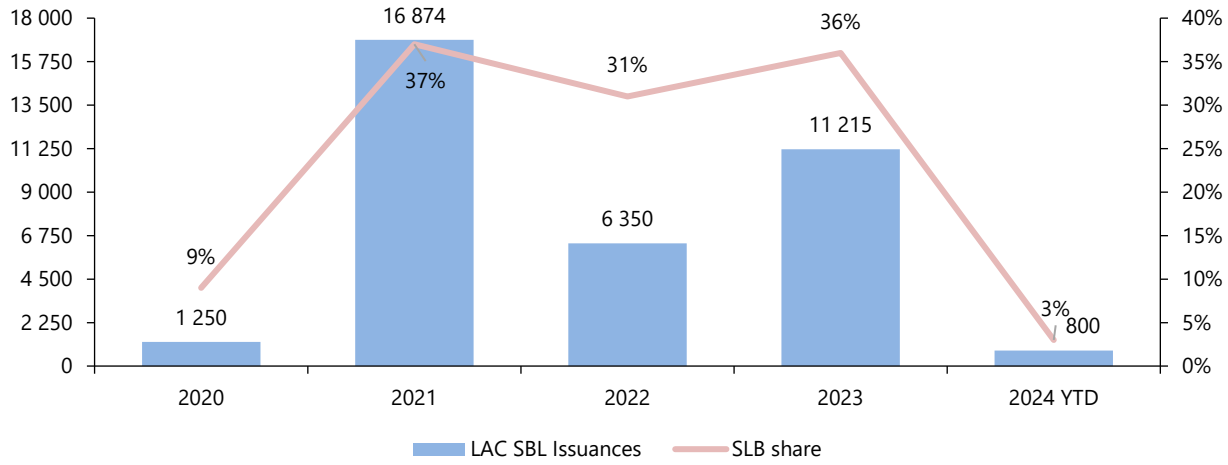
[3] ICMA, "Sustainable Finance" https://www.icmagroup.org/sustainable—finance/.

Figure 14
Latin America and the Caribbean GSSS and SLB bond issuance

A. Annual Latin America and the Caribbean international GSSS bond issuances by type of instruments, 2014–2024 YTD



B. Annual Latin America and the Caribbean international SLB bond issuances, 2020–2024 YTD
(US millions of dollars and percentages)

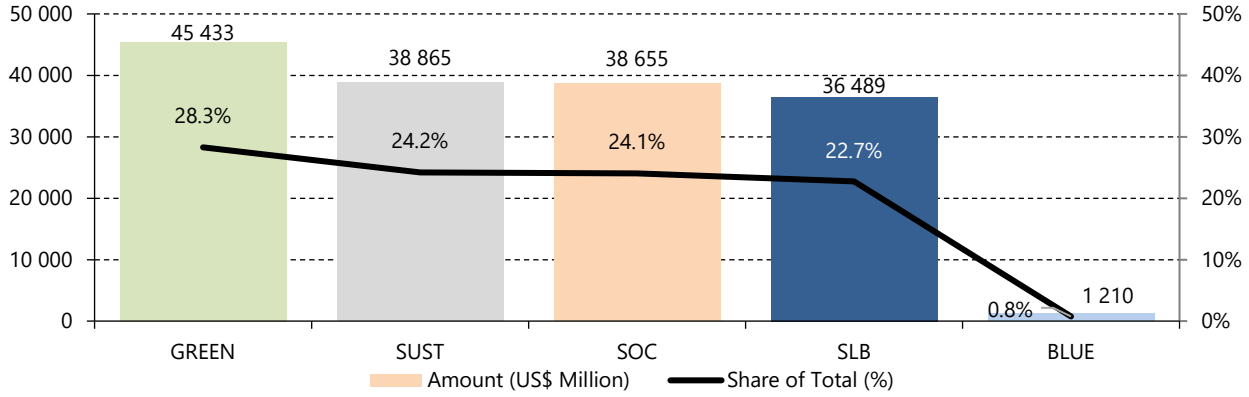


Source: Nuñez, Velloso and Da Silva (2022). Figure 11, p.25. Figure 12, p.26.
Note: Updated to October 2024. YTD=year-to-date, as of 31 October 2024.

The sharp decline in SLB issuances may have contributed to the drop in GSSS bonds' share of LAC's total international issuances from 35% in 2023 to 26% in the first ten months of 2024. This decline may stem from credibility concerns, including lack of aggressive green improvements made after SLBs are issued. The distribution of the region's international GSSS bond issuances by type of instruments since the Covid19 pandemic suggests a departure from global trends, which have shown green bonds and SLBs with shares of about 60% and 6% of the total, respectively.[4] In the four-year period from 2020 to 2023, the region's preferred instruments were SLBs with a 32% share, followed by sustainability (26%), social (25%) and green bonds in last (15%)(figure 15). However, concerns about the SLB structure may be leading investors in the region to focus on the other types of sustainable instruments.

[4] Moody's (2024), Exhibit 1, and Environmental Finance Data (2024).

Figure 15
Latin America and the Caribbean international GSSS bond issuances by type of instruments, 2014–2024 YTD
(Left axis, Millions of dollars; Right axis, Percentages)



Source: Velloso and Perrotti (2023), Figure 10, p.26.
Note: Updated to October 2024. YTD=year-to-date, as of 31 October 2024.

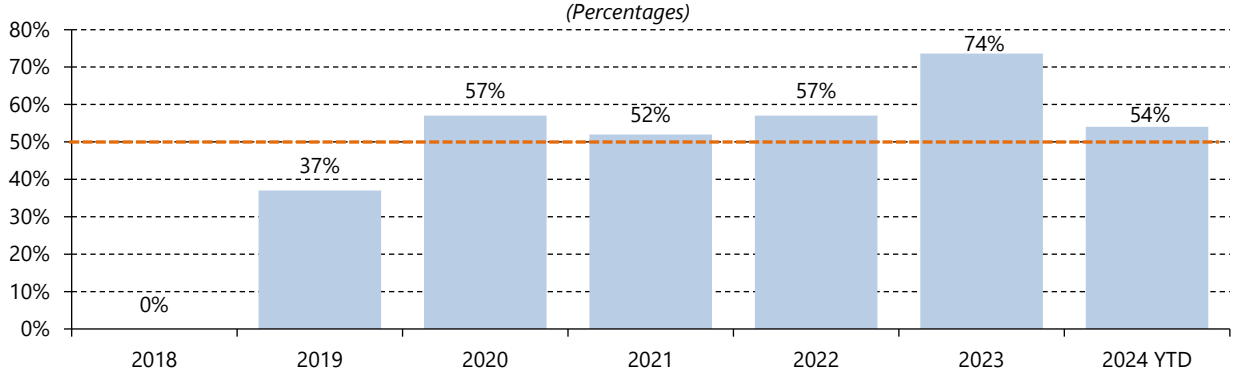
2. Distribution by types of issuers

One major trend in the region's sustainable bond issuances in the past five years has been the larger role national governments are now playing in the sustainable bond market. In June 2019, Chile issued the region's first green sovereign bond in international markets. From then to October 2024, nine countries —Chile, Ecuador, Guatemala, Mexico, Peru, Bahamas, Uruguay, Brazil, and Colombia— in order of appearance in the international markets, issued green (or blue), social, sustainability, and sustainability-linked bonds. The sovereign sector has thus become the driver of the region's overall international sustainable issuances, accounting for the largest share of the GSSS total since 2020 (figure 16A).

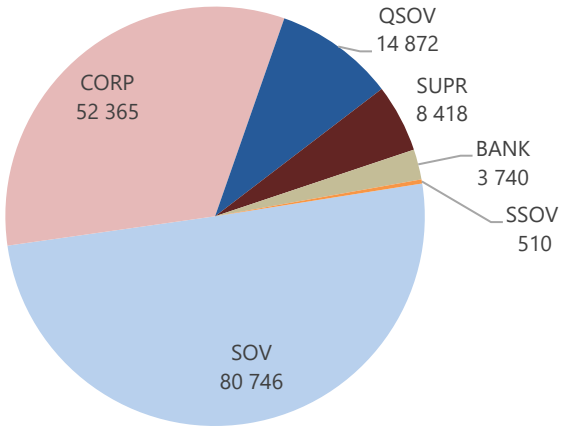
Despite this recent trend of a more prominent role for the sovereign sector in the past five years, the distribution of the total LAC international GSSS issuance from December 2014 to October 2024 by type of issuers underlines the importance of the corporate sector in the development of the region's capital markets, and the role it can play in the mobilization of resources for a sustainable future in the region (figure 16B).The share of GSSS bond issuances from private banks and private non-banks was on an upward trend from 2019 to 2021. In 2021, it increased fivefold from the previous year. However, as mentioned earlier, it declined by more than half in 2022, as tighter global financial conditions had a strong impact on the region's private corporate sector's international debt issuances (figure 16C).

Figure 16
Latin America and the Caribbean international GSSS bond issuance

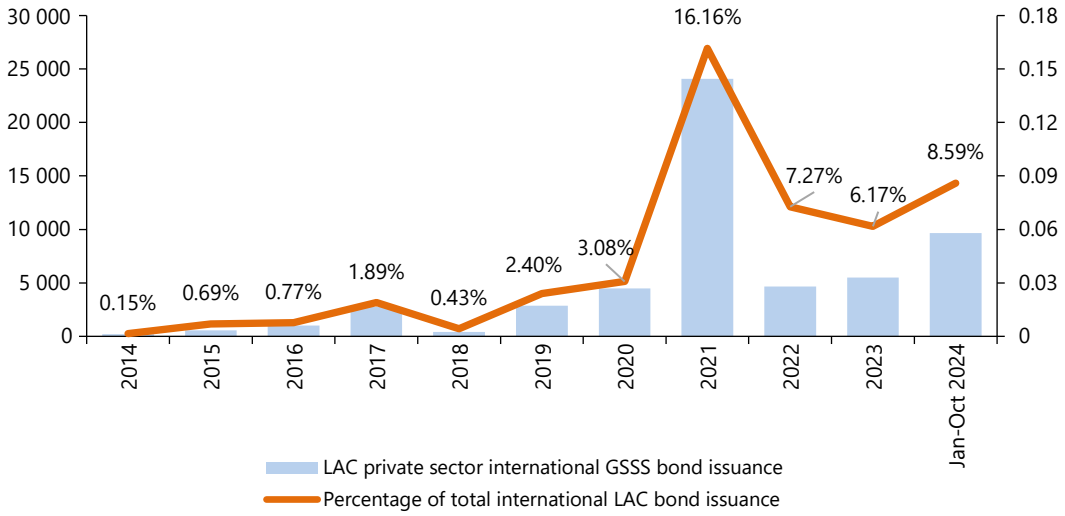
A. Sovereign bonds as a share of Latin America and the Caribbean international GSSS bond issuances, 2018–2024 YTD
(Percentages)



B. Latin America and the Caribbean international GSSS bond issuances by type of issuers, 2014–2024 YTD
(Percentages)



C. Latin America and the Caribbean private sector international GSSS bond issuances, 2014–2024 YTD
(Left axis, US billions of dollars; Right axis, Percentages)

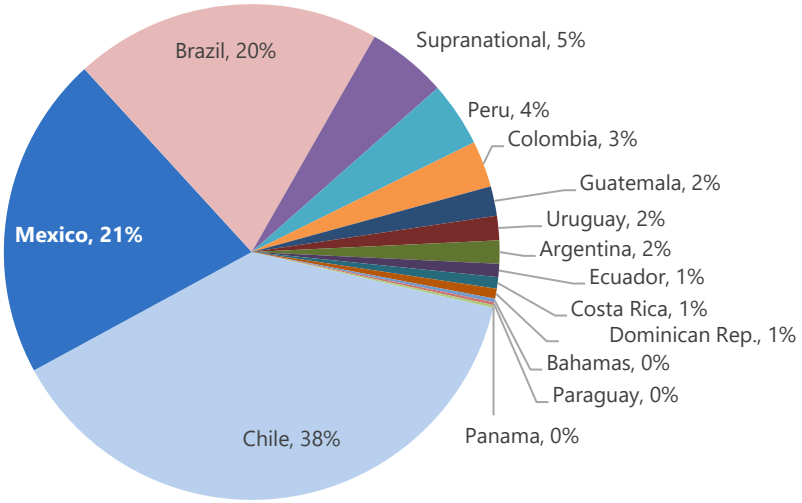


Source: ECLAC (2023c), figure 6, p.11. Velloso and Perrotti (2023), figure 12 and figure 13, p.27.
Note: Updated to October 2024. YTD=year-to-date, as of 31 October 2024. Sov=sovereign, Corp=corporate (private non-bank), Qsov=quasi-sovereign (state-owned companies), Supr=supranational entities, Bank=private banks, and Ssov=sub-sovereign (states, cities, and provinces).

3. Country, sectoral, and currency distribution

Between December 2014 and October 2024, LAC's international GSSS bond issuances originated from 14 countries and three supranational entities, with Chile, Mexico, and Brazil leading as the top three issuers. Chile accounted for 38.5% of the total, Mexico for 21.1%, and Brazil for 20.0%, collectively contributing US$ 128 billion — 80% of the region's total GSSS bond issuances during this period. These figures underscore the concentration of activity among a few key players (figure 17).

Figure 17
Distribution of Latin America and the Caribbean international GSSS bond issuances by country, 2014–2024 YTD
(Percentages)

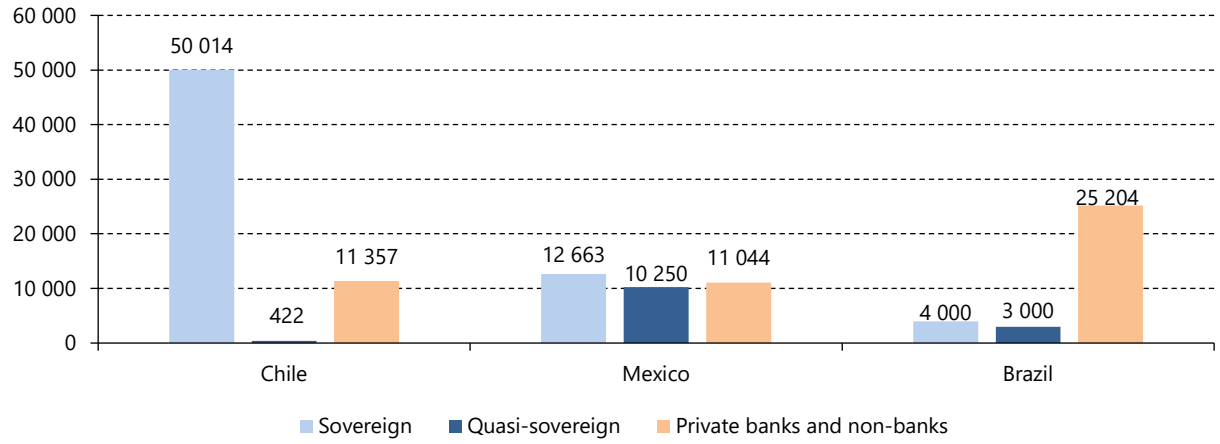


Source: Veloso and Perrotti (2023), figure 14, p.28.
Note: Updated to Oct. 2024. YTD=year-to-date as of 31 October 2024.

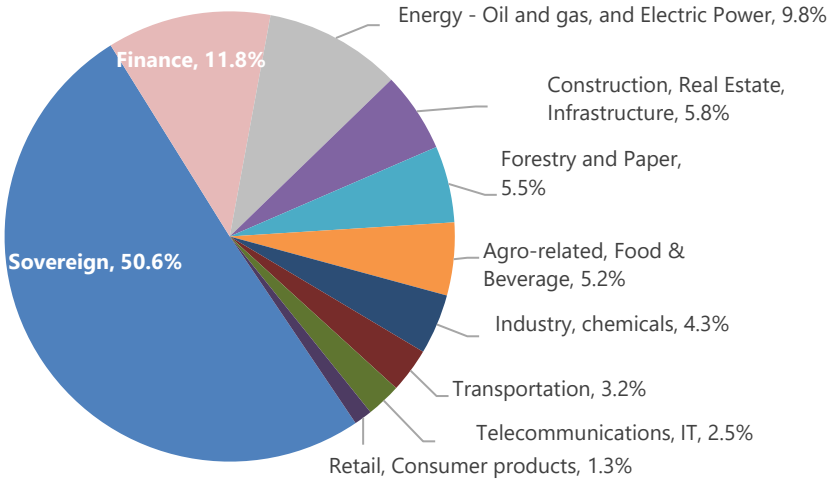
Chile dominates the region's sovereign GSSS issuances with a total of US$ 50 billion of bonds issued from 2019 to October 2024, of which US$ 26 billion were social bonds (67% of the region's total). Mexico issued US$ 12.7 billion in sovereign GSSS bonds in the same period, all of them sustainability bonds. Brazil's GSSS bond issuances, on the other hand, are primarily corporate-driven (78% of its total), and the country issued its first sovereign GSSS bond only in 2023 (figure 18A). Regarding the distribution by sector, the sovereign sector accounted for 51% of LAC's GSSS market from December 2014 to October 2024, followed by the financial (12%) and energy (10%) sectors (figure 18B). Most bonds (68.5%) in this almost ten-year period were issued in U.S. dollars, followed by euros (12.9%). Chilean pesos (9.4%) came in third, reflecting Chile's significant activity in the sustainable debt market (figure 18C).

Figure 18
Latin America and the Caribbean GSSS bond issuance additional characteristics

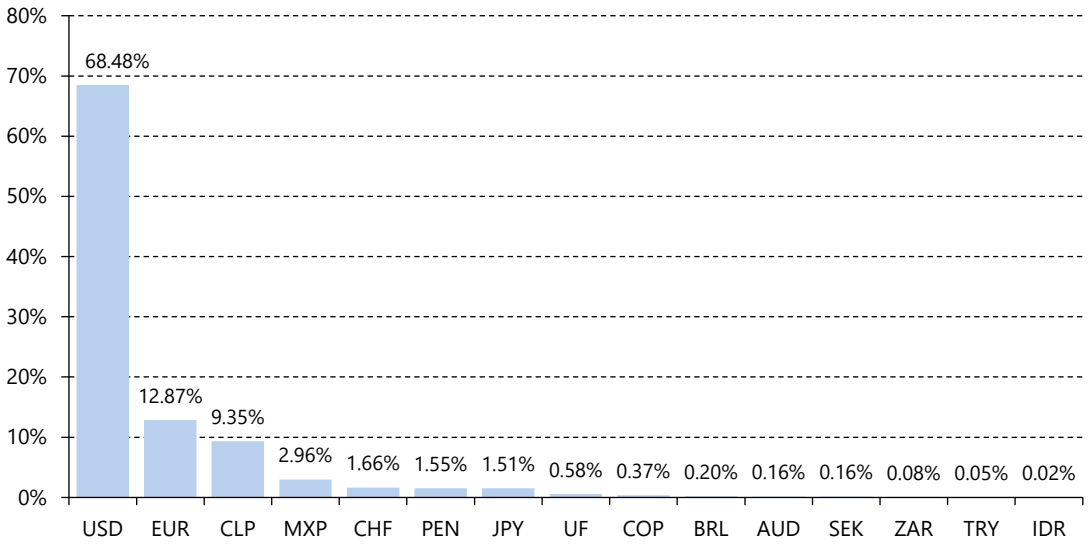
A. Top three Latin America and the Caribbean issuers of GSSS international bonds, 2014–2024 YTD
(U.S. millions of dollars)



B. Distribution of Latin America and the Caribbean international GSSS bond issuances by sector, 2014–2024 YTD



C. Distribution of Latin America and the Caribbean international GSSS bond issuances by currency, 2014–2024 YTD



Source: Velloso and Perrotti (2023), figure 16, p.29. Velloso and Perrotti (2023), figure 16, p.30. Velloso and Perrotti (2023), figure 17, p.30.
Note: Updated to October 2024. In figure B, the sovereign sector includes three green bond issuances by Argentina's La Rioja and Jujuy provinces totalling US$ 510 million. YTD=year-to-date as of 31 October 2024.

C. Critical Challenges

Since 2014, LAC's international sustainable debt market has expanded significantly, with Chile, Mexico, and Brazil leading the region in GSSS bond issuances (table 3). Chile's has the highest number of benchmark deals, with 39 of its 53 benchmark deals being sovereign bond issuances. In the case of Brazil, 39 of its 41 benchmark issuances came from the corporate sector. Benchmark issuances may contribute to unlock private climate finance in the region.

However, barriers such as limited issuer knowledge, complex processes, and inconsistent reporting hinder participation. A March 2019 Climate Bond Initiative (CBI) study found that only 68% of the green bonds studied benefited from regular post-issuance reporting, with just 53% providing reporting on allocation/impact metrics (CBI, 2019). With no single global standard or recognized legal definition, and most of the market criteria based on voluntary compliance, it is difficult to conclusively say if some bonds are indeed having the desired environmental and/or social impact, raising fears of "greenwashing" (making false or misleading statements about the environmental benefits of a product or practice), "green hushing" (under-reporting or under-communicating sustainable practices) or "green wishing" (unattainable green targets)[5].

Table 3
Latin America and the Caribbean GSSS international bond market from 2014 to 2024, YTD
(U.S. millions of dollars, percentages, and numbers)

Country	Amount of GSSS debt issued *(US millions of dollars)*	% of LAC GSSS bond market	Number of issuers	Number of deals	Number of Benchmark Deals[a]	% Benchmark Issuance[a] by Amount	Average instrument size *(US millions of dollars)*
Chile	61 793	38.46%	20	75	53	94%	824
Mexico	33 957	21.14%	18	47	30	94%	722
Brazil	32 204	20.05%	26	53	41	92%	608
Supranational	8 418	5.24%	4	51	4	39%	165
Peru	6 766	4.21%	7	10	4	78%	677
Colombia	4 858	3.02%	4	9	4	78%	540
Guatemala	3 100	1.93%	3	4	4	100%	775
Uruguay	2 550	1.59%	2	3	2	86%	850
Argentina	2 426	1.51%	5	8	1	29%	303
Ecuador	1 383	0.86%	2	4	1	47%	346
Costa Rica	1 200	0.75%	3	3	1	42%	400
Dominican Republic	1 050	0.65%	2	2	1	71%	525
Bahamas	385	0.24%	1	2	0	0%	193
Paraguay	300	0.19%	1	1	0	0%	300
Panama	263	0.16%	1	1	0	0%	263
Total	160.652	100.0%	99	273	146	57%	588

Source: Velloso and Perrotti (2023), table 3, p.31. Updated to October 2024. Based on data compiled by the ECLAC Washington Office and Bernabé Argandoña et al. (2022).
[a] Benchmark bond provides a standard against which the performance of other bonds can be measured. Its size offering generally means at least US$ 500 million; thus, LAC deals that were at least US$ 500 million in size have been included as benchmark deals.
Note: YTD=year-to-date, as of 31 October 2024.

[5] It is in this context that the International Sustainability Standards Board (ISSB) was established in November 2021 at the United Nations Climate Change Conference (COP26) to deliver a global baseline of sustainability disclosures that meet capital market needs. The ISSB standards build significantly from existing reporting frameworks and standards. The ISSB was created by the International Financial Reporting Standards (IFRS) Foundation in response to a global consultation in 2020 and confirmed the growing and urgent demand among investors and key stakeholders for a consistent, international set of sustainability reporting standards and disclosures. In June 2023, the ISSB issued its inaugural standards — IFRS S1 and IFRS S2 (see Núñez et al., 2023).

While LAC's GSSS bond market has grown significantly, offering crucial tools for sustainable funding and climate risk pricing, many issuers find these instruments costly and complex, questioning their tangible benefits. However, empirical analysis by Velloso and Perrotti (2023) revealed a "greenium" for GSSS bonds, where issuers paid 55–63 basis points less in coupon rates compared to conventional bonds from 2014 to 2022. An updated estimate through October 2024 shows similar results but with a greenium of between 29 to 58 basis points. This statistically significant advantage, derived using the Propensity Score Matching methodology, highlights the financial incentive for ESG investments despite implementation and complexity challenges .

V. Recommendations

The analysis in the previous chapters point to two areas of recommendations —how to enhance impact of GPDPs and how to mobilize resources for them— that are crucial to secure a sustainable future for Latin America and the Caribbean in its efforts to align economic growth and development with environmental and social goals.

A. Key steps to enhance impact

Integrating GPDPs into broader economic and development plans is crucial to ensure coherence and "maximize impact. Governments must declare ambition with clear plans and targets to align economic development with green economic transformation. Setting measurable performance indicators and metrics is key to accurately assessing progress and ensuring accountability. For example, Saudi Arabia's Vision 2030 economic diversification program, which aims to increase non-oil exports significantly, demonstrates how strategic planning can foster long-term economic stability and resilience (Mati & Rehman, 2023). Similarly, South Korea's goal to reduce import dependence on key goods by 50% by 2030 highlights the importance of diversifying supply chains to enhance economic security (Kang, 2023). These examples provide valuable models for LAC to adopt bold, actionable goals integrating sustainability with economic growth and driving the region's green transformation.

The complexity of sustainable development demands a comprehensive and integrated approach, rather than isolated approaches (Ciarli et al., 2024). GPDPs align with this vision by combining economic growth and environmental sustainability through a strategic mix of instruments. These policies inherently prioritize coordinated action across sectors to enhance synergies and address multiple objectives, including resilience, inclusiveness, and sustainability. Such a holistic strategy ensures that systemic challenges are addressed effectively.

Clear transition pathways and phased timelines provide the predictability and structure necessary to achieve ambitious green transformation goals. GPDPs can provide a robust framework for achieving ambitious green transformation goals by establishing clear transition pathways and phased timelines. These policies offer the predictability and structure necessary for adopting clean technologies, transitioning from fossil fuels, and building capacity in strategic sectors. Phased timelines serve as roadmaps that guide

industries and governments in implementing gradual yet effective shifts toward sustainability. By setting specific deadlines for phasing out high-emission technologies and scaling up renewable energy, GPDPs signal to markets and private actors the direction of policy changes. This reduces uncertainty, fosters confidence, and encourages businesses to align their strategies with green objectives, driving innovation, resource mobilization, and long-term planning. Additionally, phased approaches allow governments to manage the socio-economic impacts of the transition by providing time to develop the skills, infrastructure, and governance frameworks needed to support new, sustainable industries.

A coordinated approach that leverages public and private resources is essential for advancing green economic transformation in LAC. Governments must prioritize effective governance, de-risking investments, and addressing market failures where private sector coordination is insufficient. Collaboration between public and private actors can mobilize resources and drive transformative green projects (see an example in box 4). Building on Chile's success with its green hydrogen strategy illustrates the potential of leveraging public resources alongside private sector efficiency across various industries. Targeting sectors where Chile holds competitive advantages, such as mining, agriculture, and energy, can enhance supply chain value and catalyze broader economic benefits (Hunton Andrews Kurth, 2024). Additionally, positive spillovers, including productivity gains across industries, highlight the importance of targeted green investments in fostering sustainable growth and innovation Haggard & Kang, 2015.

Box 4
The Los Lagos pact – A model for green and inclusive regional development

The Los Lagos Region in Chile has set a groundbreaking precedent by signing the "Pacto por una Región Sostenible e Inclusiva" (Pact for a Sustainable and Inclusive Region). This initiative, led by Regional Governor Patricio Vallespín and the Universidad de Los Lagos, is an exemplary case of multi-stakeholder collaboration for sustainable development. Over several months, public and private actors —including policymakers, business leaders, labor representatives, and academia— worked collaboratively to identify shared priorities, address critical environmental challenges, and establish a framework for action.

The Pact highlights the importance of coordinating diverse efforts to avoid duplication, fill gaps, and maximize synergies. Multi-actor coordination mechanisms, such as councils and committees, have played a central role in aligning strategic agendas and mobilizing resources toward high-impact projects. This process underscores the value of integrating financial instruments, like targeted incentive systems, with productive development policies to ensure the effective implementation of commitments.

Key outcomes of the Pact include over 200 commitments across strategic sectors such as agriculture, aquaculture, construction, and maritime industries. Examples include sustainable soil management to enhance agricultural productivity and carbon storage, water reuse protocols for construction, and strategies to improve health monitoring in livestock. The maritime sector emphasized circular economy principles by targeting waste management and emission reductions, while the aquaculture industry committed to climate change mitigation and adaptation measures.

This initiative illustrates the importance of addressing fragmented efforts by fostering institutional frameworks that enhance coherence and impact. The Pact facilitates the operationalization of sustainable development goals and exemplifies how regional agreements can align local economic activities with global climate objectives. The Los Lagos Pact offers valuable insights for regions seeking inclusive and sustainable development by leveraging collaborative governance and linking policy priorities with tailored financing mechanisms.

Source: Gobierno Regional de Los Lagos. Pacto por una Región Sostenible e Inclusiva, https://pactoregiondeloslagos.cl.

Harmonized regulatory standards and effective governance are essential for enabling green investments in LAC. GPDPs can play a pivotal role in fostering harmonized regulatory standards and effective governance, which are crucial for allowing green investments. By integrating clear and transparent frameworks for project approval, GPDPs can align with broader productive development policies to enhance inter-ministerial coordination and foster public-private collaboration, thereby maximizing the impact of green initiatives. Simplifying regulations and eliminating bottlenecks through GPDPs creates an investor-friendly environment, making green finance more accessible and attractive to institutional investors. For example, inclusive design processes for green taxonomies under GPDPs can establish clear standards for green investments while ensuring compatibility with global frameworks. This approach also promotes active

engagement with stakeholders — including private companies, financial institutions, pension funds, and public entities — fostering a shared language among financial actors which helps streamline capital flows and advance sustainability goals (OECD, 2024).

Robust Monitoring, Reporting, and Verification (MRV) systems, standardized sustainability disclosure frameworks, and data-sharing mechanisms are essential for enhancing investor confidence and reducing the cost of capital in LAC. Investors often perceive risks in emerging markets and developing countries as higher than actual project risks, making transparent and accessible data critical to mitigating these perceptions (Bhattacharya et al., 2024). Leveraging digital platforms for streamlined data collection, reporting, and dissemination can significantly enhance accountability, as seen in Uruguay's MRV system, which facilitated the issuance of a sovereign bond in 2022 (UNDP, 2023). Similarly, Ecuador's climate finance tracking platform integrates environmental spending into national budgets, providing a replicable model for the region. Gradually adopting global standards, such as IFRS S1 and S2 established by the International Sustainability Standards Board (ISSB), can align LAC with international best practices, thereby improving its credibility as an investment destination. These frameworks, combined with mandatory disclosures of climate transition plans, strengthen investor trust, attract green finance, and drive measurable environmental and economic benefits (Transition Planning Taskforce, 2024).

Key players, including central banks, credit rating agencies, and institutional investors, must take the lead in integrating climate considerations into their decision-making frameworks. Their proactive role is crucial in fully realizing the potential of LAC in achieving GPDPs. This necessitates a blend of fiscal and monetary policies and traditional micro and meso interventions, which are essential for LAC countries. They should expand their GPDPs toolkit to incorporate long-term, comprehensive strategies that tackle social and environmental challenges and strategic objectives. Sovereign wealth funds (SWFs), public pension funds (PPFs), asset managers, and regulators are vital in aligning investment strategies with sustainability targets and facilitating the region's shift towards renewable energy, sustainable infrastructure, and low-carbon industries. For instance, with US$ 12.9 trillion in global assets under management, SWFs are a pivotal source for financing LAC's green transition, providing significant opportunities to enhance investments in key sectors (Global SWF, 2024).

Collaboration and integration between countries are beneficial and essential for scaling leadership in GPDPs across LAC. A clear example of regional cooperation is the Renewables in Latin America and the Caribbean (RELAC),[6] which promotes the transition to renewables. However, regional collaboration must extend beyond energy to include sustainable agriculture, manufacturing, and infrastructure development, all critical to advancing GPDPs. By strengthening cooperation in these areas, the region can improve its competitiveness in key industries such as clean technologies, electromobility, and sustainable resource management. This integrated approach can enhance regional innovation, attract investment, and improve trade relationships, driving collective economic growth. Regional integration also enables sharing best practices, pooling resources, and aligning national policies with common sustainability goals.

B. Harnessing more financial resources

To maximize scarce public funds and diversify economies, LAC governments should prioritize targeted investments in scaling green industries and fostering sustainable economic growth. GPDPs can play a critical role in prioritizing public funding for high-impact sectors such as renewable energy, green hydrogen, electromobility, sustainable agriculture, water management, biodiversity, and advanced manufacturing. By involving a diverse range of stakeholders, GPDPs can ensure that prioritization exercises reflect both national needs and regional potential, directing resources toward areas with the greatest potential for sustainable and productive outcomes. For instance, expanding advanced industries like data centers and electromobility can diversify economies and drive technological innovation. Additionally, the use of low-emissions hydrogen in fertilizers and green steel

[6] https://hubenergia.org/en/relac.

production can transform markets, strengthen supply chains, and promote industrial decarbonization. Concentrating cleantech clusters in specific countries or regions, as guided by GPDPs, can amplify regional competitiveness, foster economies of scale, and enhance supply chain resilience. In this context, it becomes particularly important to strengthen National Public Investment Systems as key agents for the social assessment of investment projects that maximize both their sustainable and productive potential.

Redirecting fossil fuel subsidies toward clean energy and sustainable infrastructure is crucial for advancing GPDPs in LAC. This shift can unlock fiscal resources for investments in renewable energy, electromobility, and sustainable manufacturing, addressing market distortions that hinder green growth. For instance, in 2022, Chile spent approximately US$ 2.8 billion on fuel subsidies. The potential of redirecting these funds toward regional clean technology innovation clusters could position LAC as a global leader in solar, wind, and battery technologies, boosting regional competitiveness and fostering local industrial development.[7] Redirecting these funds toward regional clean technology innovation clusters could position LAC as a global leader in solar, wind, and battery technologies, boosting regional competitiveness and fostering local industrial development. However, challenges like limited transparency in subsidy allocation, unclear subsidy amounts, and cross-subsidies that undermine policy goals must be addressed. A balanced approach is needed, beginning with improving transparency to ensure that subsidies are allocated in line with sustainability objectives. Engaging governments, industries, and communities is key to designing policies that minimize disruptions, particularly for vulnerable groups. A gradual, well-managed reallocation of subsidies can ensure a smooth transition while establishing monitoring mechanisms to track the impacts and maintain accountability. By addressing these challenges, LAC can successfully transition to a green, productive economy, creating long-term economic and environmental benefits.

Lowering the cost of capital is critical for scaling up investments in key sectors. Strategies like interest rate subsidies, green bonds with favorable terms, and institutional investor incentives can make sustainable projects financially viable (Network for Greening the Financial System, 2023). Blended finance plays a pivotal role by combining concessional and commercial finance to address market gaps. Tools like first-loss guarantees, political risk insurance, and concessional loans can mitigate risks, attract private sector participation, and mobilize significant funding for high-impact projects. For example, concessional finance can de-risk long-term green hydrogen initiatives, making them attractive to private investors while driving innovation and job creation.

Developing structured green project pipelines is critical for advancing investable transition activities and optimizing each sector's shift toward a green economy. As mentioned in the previous section, GPDPs facilitate the establishment of clear ambitions and well-defined targets, which are essential for sending strong demand signals to markets and encouraging investments in transformative opportunities. By organizing and presenting a transparent portfolio of bankable projects, GPDPs help build investor confidence and attract financing for impactful green initiatives. Clear ambition and well-defined targets create a strong demand signal, encouraging investment in transformative opportunities. By presenting a transparent portfolio of bankable opportunities, governments can build investor confidence and attract financing for impactful green initiatives. A great example of creating investment pipelines is the Glasgow Financial Alliance for Net Zero's initiatives in Brazil. These initiatives, in collaboration with the Brazilian Development Bank (BNDES), aim to mobilize public and private finance to support the country's green growth agenda and climate transition goals, and they serve as a model for other countries in the region (Net Zero Alliance, 2024). Well-structured pipelines unlock vital funding and ensure efficient implementation, delivering measurable outcomes and accelerating progress toward sustainability objectives (Bhattacharya et al., 2024).

Multilateral development banks (MDBs) are crucial in bridging the financing gaps for green development in LAC. They leverage innovative mechanisms and structural reforms to unlock critical funding opportunities. In November 2024, MDBs announced plans to collectively channel US$ 120 billion annually into

[7] Government Has Already Spent on Fuel Subsidies the Equivalent of the Entire 2022 Free Education Budget," LyD, 18 July 2022.

climate financing for low-and middle-income countries by 2030. This significant commitment underscores the importance of MDBs in the global effort to combat climate change and promote sustainable development (World Bank Group, 2024b). This surge in funding represents a transformative opportunity for LAC to strategically position itself and secure a substantial share of these resources to advance its GPDP agenda. The World Bank's decision to lower its equity-to-loan (E/L) ratio to 18% is expected to generate an additional US$ 3 billion annually, enhancing its capacity to support transformative GPDPs in the region (World Bank Group, 2024a). Similarly, the Inter-American Development Bank (IDB) has introduced a pioneering US$ 1 billion securitization transaction under its "originate-to-share" model. This model increases lending flexibility by allowing banks to originate loans and share the risk with other investors. It also encourages private sector participation by providing opportunities for private investors to finance sustainable development projects (IDB, 2024). These reforms demonstrate how MDBs are evolving to meet the growing demand for green financing and support sustainable transitions in LAC. Capturing these financial resources to deploy GPDPs in LAC effectively demands a well-coordinated strategy that aligns regional priorities with MDB funding criteria. Efforts must focus on building robust, investment-ready project pipelines and tailoring proposals to meet the financing requirements of MDBs. This includes presenting high-impact projects in renewable energy, sustainable infrastructure, and green industrialization that demonstrate clear benefits for regional and global sustainability objectives.

Engaging with international platforms and funding initiatives is critical for LAC governments to secure the climate finance necessary for advancing sustainable development and fostering global partnerships. Strategic alignment with international climate goals can amplify the region's ability to attract and deploy funds effectively. Between 2003 and 2019, LAC secured approximately US$ 4 billion for 470 climate-related projects from multilateral climate funds, with 65% of this funding originating from the Clean Technology Fund (CTF), Green Climate Fund (GCF), and Amazon Fund. However, this allocation was heavily concentrated, with Brazil and Mexico receiving nearly half of the funds. This imbalance highlights the need for LAC countries to diversify project pipelines and develop equitable financing strategies to ensure broader regional access to resources (Watson & Schalatek, 2020). Recent developments, such as establishing the New Collective Quantitative Goal (NCQG) at COP29 in Azerbaijan, which aims to mobilize US$ 300 billion annually in climate finance for low- and middle-income countries, present a pivotal opportunity for LAC. This ambitious goal promises to significantly boost the region's green financing capacity, paving the way for a more sustainable future (UNFCCC, 2024b). LAC governments should adopt coordinated regional approaches to fully capitalize on these opportunities. Emphasizing the co-benefits of climate investments, including enhanced economic resilience, global stability, and environmental sustainability, is crucial for successfully deploying GPDPs.

Mechanisms like the Bridgetown Initiative and Special Drawing Rights (SDRs) allocations offer transformative solutions to enhance liquidity and financial capacity for LAC governments to deploy GPDPs. The Bridgetown Initiative, spearheaded by Barbados, represents a bold attempt to reform the international financial architecture to meet the twin challenges of climate change and development finance. Central to its framework are innovative approaches such as rechanneling SDRs to fund critical projects in low- and middle-income countries, leveraging private capital. Bridgetown 3.0 takes this vision further by proposing a US$ 500 billion issuance of SDRs aimed at enhancing the financial liquidity of vulnerable nations and introducing levies on fossil fuel windfall profits and emissions in shipping and aviation to fund global public goods (Bridgetown Initiative, 2024). For LAC governments, integrating these tools into GPDPs presents a unique opportunity to secure financing for renewable energy projects, biodiversity conservation, and sustainable value chains. By adopting the Bridgetown principles, LAC countries can access much-needed resources while aligning national strategies with global sustainability goals.

For the region to fully leverage its GSSS bond potential, robust regulatory frameworks, harmonized taxonomies, and effective transparency measures are essential. Clear standards and reliable external reviews are needed to minimize greenwashing risks and build investor trust. Aligning national taxonomies with global frameworks will enhance cross-border investments, while capacity building and

improved data systems will support accurate sustainability assessments. Standardizing Environmental, Social, and Governance (ESG) definitions and disclosure frameworks is critical to reducing complexity, lowering transaction costs, and enabling issuers to access global markets more efficiently. MDBs can again play a pivotal role in this effort by offering guarantees, supporting project structuring and evaluation, and assisting with certifications and impact assessments. Collaboration between governments, the private sector, and multilateral organizations can further streamline the development of impactful and sustainable financial instruments. (OECD, 2024 and Velloso and Perrotti, 2023).

In summary, realizing the vision of a green, productive economy in LAC relies on the region's ability to harness financial resources effectively, address systemic barriers, and foster inclusive growth through GPDPs. By prioritizing targeted investments, reallocating subsidies, lowering capital costs, and leveraging international climate financing opportunities, GPDPs can position LAC as a global leader in sustainable development. Success will depend on building strong, coordinated strategies that align GPDP initiatives with national, regional, and global climate objectives, ensuring equitable access to funding while mitigating disruptions for vulnerable populations. By embracing innovation, collaboration, and bold policy reforms under the framework of GPDPs, LAC can accelerate its sustainability transition.

VI. Conclusion

The transition toward a green economy in LAC represents an environmental imperative and a transformative opportunity to redefine the region's economic future. LAC possesses unparalleled natural resources, biodiversity, and renewable energy potential, which are pivotal for a sustainable economic transformation. By leveraging these advantages, the region can position itself as a global leader in renewable energy production, sustainable agriculture, and circular economy practices. The "big push for sustainability" as ECLAC emphasizes, provides a comprehensive framework to align economic priorities with environmental protection, fostering resilience and inclusivity. This transformation must be supported by strong institutional frameworks, effective governance, and strategic regional collaboration, with particular emphasis on developing a comprehensive and sustainable financing framework.

A critical aspect of this transformation lies in addressing the significant investment gaps identified. Current financial flows, falling short of the required 7–11% of GDP annually to meet climate and development objectives, necessitate innovative financing solutions. GPDPs emerge as a cornerstone for this transition, offering targeted strategies to stimulate private sector participation, redirect public funds, and leverage international climate finance. Integrating tools such as GSSS bonds has already demonstrated substantial promise in mobilizing resources for high-impact sectors, including renewable energy and sustainable infrastructure. Expanding these mechanisms while enhancing their transparency and impat measurement is vital.

The green transition presents an opportunity to reorient the region's economic structure toward high-impact sectors. Renewable energy, sustainable agriculture, biodiversity conservation, and advanced manufacturing are identified as priority areas. Investments in these sectors not only mitigate climate risks but also create quality jobs, strengthen value chains, and promote technological innovation. Examples such as Brazil's advancements in green hydrogen and electric mobility demonstrate the transformative potential of aligning economic strategies with green objectives. Expanding such regional initiatives can amplify their impact, ensuring a just and inclusive transition.

The findings and recommendations of this report present a compelling case for decisive and coordinated action. The green transition is an environmental necessity and an unparalleled economic opportunity for LAC. By embracing GPDPs, addressing systemic barriers, and mobilizing diverse financing sources, the region can unlock its full potential as a global leader in sustainable development. This vision requires commitment from governments, private sectors, and civil society alike to ensure the region's resilient, inclusive, and prosperous future.

Bibliography

Altenburg, T., & Rodrik, D. (Eds.) (2017). Green industrial policy: Concept, policies, country experiences. UN Environment; German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE).

Bernabé Argandoña, L. C., Cruz Rambaud, S., & López Pascual, J. (2022). The impact of sustainable bond issuances on the economic growth of the Latin American and Caribbean countries. Sustainability, 14, 4693.

Bhattacharya, A., Songwe, V., Soubeyran, E., & Stern, N. (2023). A climate finance framework: Decisive action to deliver on the Paris Agreement – Summary. Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

Bridgetown Initiative (2024). Bridgetown Initiative on the reform of the international development and climate finance architecture: Version 3.0.

Bustillo, I., & Velloso, H. (2013). Debt financing rollercoaster: Latin American and Caribbean access to international bond markets since the debt crisis, 1982–2012. United Nations.

Ciarli, T., Madariaga Espinoza, A., & Foster-McGregor, N. (2024). Industrial strategies for tackling the challenges of the twenty-first century: Trends in objectives, rationales, and design in policy and academia (LC/TS.2024/78). Economic Commission for Latin America and the Caribbean.

CBI-Climate Bonds Initiative (2019). Post-issuance reporting in the green bond market, March 2023.

Convergence. (2024). State of Blended Finance 2024: Climate Edition.

Economic Commission for Latin America and the Caribbean — ECLAC (2024a). Foreign direct investment in Latin America and the Caribbean, 2024 (LC/PUB.2024/8—P).

_____(2024b). Panorama of Productive Development Policies in Latin America and the Caribbean.

_____(2024c). Development Traps in Latin America and the Caribbean: Vital Transformations and How to Manage Them.

_____(2024d). Capital flows to Latin America and the Caribbean: First ten months of 2024 (LC/WAS/TS.2024/6).

_____(2024e). Capital flows to Latin America and the Caribbean: 2023 year-in-review and early 2024 developments (LC/WAS/TS.2024/1).

_____(2024f). Capital flows to Latin America and the Caribbean: First four months of 2024 (LC/WAS/TS.2024/3).

_____(2023a). Public debt and development distress in Latin America and the Caribbean (LC/TS.2023/20).

_____(2023b). The economics of climate change in Latin America and the Caribbean, 2023: financing needs and policy tools for the transition to low-carbon and climate-resilient economies (LC/TS.2023/154).

_____(2023c). Capital flows to Latin America and the Caribbean: 2022 year-in-review and early 2023 developments (LC/WAS/TS.2023/1).

_____ (2022). Economic Survey of Latin America and the Caribbean 2022 (LC/PUB.2022/9-P/Rev.1).
Environmental Finance Data (2024), "Sustainable Bond Roundup: Q4 (October-December) 2023," Presentation slides, 7 February 2024.
Fleiss, P. (2021). Multilateral development banks in Latin America: Recent trends, the response to the pandemic, and the forthcoming role.
Global SWF (2024). State-Owned Investors 2024: Annual Report.
Gramkow, C. & Oliveira, G. (2023), Impulsionando investimentos em ônibus elétricos no Brasil: uma agenda de trabalho, Documentos de Projetos (LC/TS.2023/5).
G20 Sustainable Finance Working Group (2023). 2023 G20 Sustainable Finance Report: Volume I.
Haggard, S., & Kang, M. K. (2015). The Politics of Growth in South Korea: Miracle, Crisis, and the New Market conomy.
Hallegatte, S., Fay, M., & Vogt-Schilb, A. (2013). Green industrial policies: When and how (Policy Research Working Paper No. 6677). The World Bank.
Hunton Andrews Kurth (April 30, 2024). "Chilean Government Releases its Green Hydrogen Action Plan 2023–2030".
Inderst, G., Kaminker, C., & Stewart, F. (2012). Defining and measuring green investments. OECD.
Inter-American Development Bank (2024). IDB Invest launches landmark $1 billion securitization in Latin America and the Caribbean.
_____(2021). The infrastructure gap in Latin America and the Caribbean: investment needed through 2030 to meet the sustainable development goals.
International Monetary Fund (2023a). World Economic Outlook Database. Washington, DC.
_____(2023b). Global Financial Stability Report. October 2023.
_____(2022). Investment and Capital Stock Dataset.
International Energy Agency (2024). Energy technology perspectives 2024.
_____(2023). Latin America energy outlook 2023: World energy outlook special report.
Kang, Y. (2023, December 13). S. Korea to diversify its import portfolio of key industrial materials by 2030. Yonhap News Agency.
Mati, A. and Rehman, S. (2023). Saudi Arabia's Economy Grows as it Diversifies. IMF blog.
McKinsey (2022). The net-zero transition: What it would cost, what it could bring. McKinsey Global Institute.
Moody's (2024). Sustainable bond issuance to hold steady in 2024 amid moderating economic growth, Sector in-depth, Sustainable Finance—Global, 24 January 2024.
Multilateral Development Banks & Development Finance Institutions (2024). 2022 joint report: Mobilization of private finance by MDBs and DFIs.
Natixis (2020). Natixis Survey Finds Institutional Investors Putting Capital to Work to Address Global Problems.
Net-Zero Asset Owner Alliance (2021). Scaling blended finance: Position paper. UN—convened Net—Zero Asset Owner Alliance.
Network for Greening the Financial System (2024). The green transition and the macroeconomy: A monetary policy perspective.
Núñez, G., Velloso, H., & Da Silva, F. (2023). ESG disclosure, corporate reputation, and financing costs: Evidence from Latin America and the Caribbean. Project Documents (LC/TS.2023/124/Rev.1). Economic Commission for Latin America and the Caribbean.
_____(2022). Corporate governance in Latin America and the Caribbean: Using ESG debt instruments to finance sustainable investment projects. Project Documents (LC/TS.2022/23). Economic Commission for Latin America and the Caribbean.
OECD (2024). The surge of green, social, sustainability and sustainability-linked (GSSS) bonds in Latin America and the Caribbean: Facts and policy implications. OECD Development Policy Papers, No. 56.
_____(2023a). Scaling up the mobilisation of private finance for climate action in developing countries: Challenges and opportunities for international providers.
_____(2023b). Latin American Economic Outlook 2023: Investing in Sustainable Development.
_____ (2023c). Private philanthropy for sustainable development, 2018–20: Data and analysis.
Perrotti, D. E. (2024). Infraestructura y desarrollo económico: Lecciones aprendidas desde América Latina. Marcial Pons y Universidad de Alcalá.
Richie, H. (2019). Who Has Contributed Most to Global CO2 Emissions? Our World in Data.

Transition Planning Taskforce (2024, April). Opportunities and challenges relating to the use of private sector transition plans in emerging markets and developing economies.

UNDP (2023). How countries in Latin America and the Caribbean are financing their climate goals. United Nations Development Programme.

_____(2022). The challenges of climate mitigation in Latin America and the Caribbean: Some proposals for action.

United Nations Framework Convention on Climate Change (UNFCCC) (2024b). COP29 UN Climate Conference agrees to triple finance to developing countries, protecting lives and livelihoods.

Velloso, H., & Perrotti, D. E. (2023). Sustainable bond issuances in international markets, 2014–2022: Characteristics, trends, and greenium in Latin America and the Caribbean. Studies and Perspectives Series – ECLAC Office in Washington, D.C., No. 25 (LC/WAS/TS.2023/5). Economic Commission for Latin America and the Caribbean.

Watson, C., & Schalatek, L. (2020). Climate Finance Regional Briefing: Latin America. Overseas Development Institute (ODI) and Heinrich Böll Stiftung (HBS).

World Bank (2024a). World Bank Group announces new financing and adjusts pricing terms.

_____(2024b). Multilateral development banks to boost climate finance.

_____(2024c). International Comparison Program (ICP): A worldwide statistical initiative to collect comparative price data and detailed GDP expenditures to produce purchasing power parities (PPPs) for the world's economies.

Annex A1

Table A1.1
Industrial Strategies Examples

Jurisdiction Name	Name	Prominent features for manufacturing
United States	Inflation Reduction Act (IRA)	Provides financial support, including investment and production tax credits, grants for clean energy technology manufacturing and industrial decarbonization, and requirements for domestic value additions.
European Union	Net—Zero Industry Act (NZIA)	Sets manufacturing capacity targets for clean energy technologies and their components, promotes resilience through supply diversification, implements more efficient administrative and permitting processes, and supports innovation through regulatory sandboxes. It does not include direct financial support but aims to facilitate faster access to finance.
Japan	GX Promotion Strategy	It aims to promote a stable energy supply and decarbonize the energy sector while maintaining economic growth, including carbon pricing. Sovereign Japan Climate Transition Bonds will be issued over the next decade and repaid with carbon pricing revenues.
Canada	A Made—in—Canada Plan	Provides economic investment tax credits across various technologies to support the transition to net zero, including CCUS, clean technology adoption, clean hydrogen, clean technology manufacturing, and clean electricity. In addition, the 2024 budget provides tax credits for EV supply chains.
China	14th Five—Year Plan 2021—2025	China has a "dual circulation" strategy to reduce reliance on exports for economic growth by boosting domestic consumption while maintaining its participation in the global economy, mainly through the Belt and Road Initiative. China's 14th Five—Year Plan targets clean energy as one of the key areas for competitive funding.
India	Make in India	It aims to transform India into a global manufacturing hub, reducing imports and creating opportunities for export—led growth. Production—linked incentive (PLI) schemes have been introduced to support these goals, including for clean energy technology manufacturing.
Republic of Korea	Industrial Supply Chain 3050 Strategy	It aims to reduce the import dependence on a single country to 50% by 2030 for 185 key goods, including batteries and cathode and anode materials, vehicles, silicon wafers, and urea. A range of incentives are being considered.
Australia	Future Made in Australia Act	Aims to boost clean energy technology manufacturing and industrial decarbonization through tax incentives and streamlined approvals to accelerate projects in strategic critical minerals, hydrogen, and clean energy manufacturing.
South Africa	Just Energy Transition (JET)	It aims to achieve the country's decarbonization goals while boosting upstream manufacturing, localizing clean energy value chains, and creating jobs.
Brazil	Nova Indústria Brasil	It aims to promote industrialization through various missions, including one on energy transition. It features a prominent role for the Brazilian Development Bank (BNDES) and the Innovation Agency (FINEP), including mechanisms such as public procurement and local content requirements.
Malaysia	New Industrial Master Plan 2030	It aims to bolster the manufacturing sector, targeting advanced materials, EVs, renewable energy, and CCUS, among other sectors. The plan sets a target of 6.5% annual growth in the manufacturing sector.
Saudi Arabia	Vision 2030:	It aims to diversify the economy and reduce domestic dependence on oil, aiming to increase non—oil exports from 16% to 50% of non—oil GDP. It includes initiatives such as the "Made in Saudi" program, which aims to boost the competitiveness of locally made products.
Kazakhstan	Third Modernization of Kazakhstan	Global Competitiveness: Aims to transform Kazakhstan into one of the top 30 most developed countries by 2050. Concerning manufacturing, this includes promoting advanced technological integration, increasing productivity, and enhancing global competitiveness by leveraging innovation and new technologies.

Source: International Energy Agency (2024).

Table A1.2
Productive Development Policy Instruments in Latin America and the Caribbean

Country	Institutions	Number of Instruments
Argentina	Three ministries: Ministry of Agriculture, Livestock and Fisheries, Ministry of Science, Technology and Innovation, Ministry of Productive Development	50 programs (25 involving subsidy and financial instruments, and 25 tax—related); 257 instruments in the Ministry of Science, Technology, and Innovation and the Ministry of Productive Development
Brazil	Eight ministries: Ministry of Development, Industry and Trade, Ministry of Science, Technology and Innovation, Ministry of Regional Integration and Development, Ministry of Agriculture and Livestock, Ministry of Health, Ministry of Defense, Ministry of Mining and Energy, Ministry of Transport	154 instruments
Chile	Seven ministries: Ministry of Agriculture, Ministry of Science, Technology, Knowledge and Innovation, Ministry of Economy, Development and Tourism, Ministry of Energy, Ministry of Social Development and Family, Ministry of Mining, Ministry of Labor and Social Security	319 instruments (252 of them are direct support)
Colombia	Five ministries and one agency: Ministry of Agriculture and Rural Development, Ministry of Commerce, Industry and Tourism, Ministry of Information and Communications Technology, Ministry of Science, Technology and Innovation, Ministry of Culture, Ministry of Labor (only the National Learning Service — SENA)	129 (2021) and 115 (2022) instruments
Mexico	Three secretariats and one agency: Secretariat of Labor and Social Welfare, Secretariat of Welfare, Secretariat of Finance and Public Credit, National Council of Humanities, Sciences and Technologies (CONAHCYT)	Ten programs

Source: ECLAC, 2024b.

Financing the transition to a green economy in Latin America and the Caribbean demands innovative approaches to address the region's significant investment gap, estimated at 7%–11% of GDP annually by 2050. This publication focuses on the financial strategies underpinning green productive development policies, which make up a transformative and comprehensive framework that integrates economic goals with environmental sustainability.

Key insights include strategies to reallocate subsidies, lower capital costs and foster private sector investment through blended finance and institutional capital. Innovative tools like green, social and sustainability-linked bonds have emerged as pivotal instruments to channel investments into priority areas and must be enhanced. However, in order to scale up sustainable financing, systemic barriers such as underdeveloped financial markets, regulatory inefficiencies and macroeconomic instability must be addressed. This report also emphasizes the role of robust governance and regional collaboration in optimizing resource allocation, and offers actionable recommendations that provide policymakers and stakeholders with a financial road map to harness green productive development policies as a catalyst for sustainable, inclusive and resilient growth in the region.

ECLAC

Economic Commission for Latin America and the Caribbean (ECLAC)
Comisión Económica para América Latina y el Caribe (CEPAL)
www.cepal.org/en

LC/TS.2025/17