Climate Funds Update

HEINRICH BÖLL STIFTUNG
WASHINGTON, DC

ODI Global

CLIMATE FINANCE REGIONAL BRIEFING: LATIN AMERICA

CLIMATE FINANCE FUNDAMENTALS 6

FEBRUARY 2025

Charlene Watson, ODI Global, **Liane Schalatek**, hbs, and **Aurélien Evéquoz**

Latin America is a highly heterogeneous region, with differences in levels of economic development and social and indigenous history, both among and within countries. The impacts of climate change – in particular glacial melt and changes in river flows, extreme weather events and risks to food production systems – affect development in both rural and urban areas in the region (World Bank, 2022). Climate finance in the Latin American region is highly concentrated, with Brazil, Mexico, Costa Rica and Colombia receiving close to half of the region's funding. Mitigation activities, including forest protection and reforestation, receive more than four times that of adaptation from multilateral climate funds, at USD 3.9 billion and USD 0.8 billion respectively. Since 2003, a total of USD 6.1 billion has been approved for 691 projects in the region from multilateral climate funds tracked by Climate Funds Update (CFU).[1] In 2024, 48 new projects were approved totalling USD 550 million. The Green Climate Fund (GCF) provided 53% of the approved funding for these new projects.

Introduction

Climate change could cost Latin America between 1.5% to 5% of gross domestic product (GDP) per year (ECLAC, 2014). Already, climate-related extreme whether events and resulting power and transport disruptions cost more than 1% of GDP on average across the region, and up to 2% annually in several Central American countries (World Bank, 2022). Agriculture is predicted to be the most affected economic sector, with a range of impacts including heightened erosion, moving growing zones and a proliferation of pests (FAO/ECLAC/ALADI, 2016). A further threat is the accelerating retreat of Andean glaciers, on which much of the region relies for its water supply, widespread droughts and continued deforestation of tropical forests (WMO, 2024). Adaptation needs in the region will have to be made more central within national sustainable development strategies, given the region's persistent income inequality and poverty in even its most developed economies, with more than a fourth of its population in poverty in 2024 (OECD et al., 2024). Climate shocks could add up to 5.8 million to the number of people in the region in extreme poverty by 2030, at 15% in 2022 (Word Bank, 2022). By some estimates, between 7% and 19% of the GDP by 2030 (USD 470 billion to USD 1,300 billion in 2030) will be required in infrastructure and social spending to meet the region's climate change goals in line with sustainable development (IDB, 2022).

Latin America is also expected to experience one of the highest increases in energy consumption rates in the world due to projected economic growth: this underscores the importance of a low-carbon development pathway. Energy, agriculture and land-use (e.g. deforestation) are the three largest sources of greenhouse gas (GHG) emissions in the region. Some Latin American countries have been leaders in committing to ambitious climate targets. In 2019, Costa Rica announced its goal to become carbon-neutral by 2050 and released a decarbonisation plan which detailed the country's intention to reach net-zero emissions through efforts focused on electrifying the public transport system, energy efficiency, and improved farming practices. Chile was among the first countries in the world to announce an updated Nationally Determined Contribution (NDC) in April 2020 (NRDC, 2020). Forest conservation regimes in many countries (such as Brazil, Peru and Ecuador) are an important part of the region's climate ambition, with a large majority of countries in the region aiming to increase the ambition of their NDCs through a focus on the protection, restoration and sustainable use of forests, grasslands and wetlands (UNFCCC, 2020), as well as on agriculture and land-use management and coastal ecosystems (Miranda, 2021).

Where does climate finance come from?

Since 2020, the GCF has been the biggest provider of climate finance in the region. It has approved USD 2,567 million across 40 projects for 13 countries in addition to 149 readiness projects (USD 109 million). It surpassed the Amazon Fund, which is the second largest contributor of climate finance in the region, having approved USD 904

million in grant finance for 118 projects within Brazil. The Clean Technology Fund (CTF), a World Bank-administered multilateral fund, with USD 718 million allocated to 43 projects in Brazil, Chile, Colombia, Ecuador, Honduras, Mexico, Nicaragua and Peru, comes in third (Table 1 and Figure 1). Almost all of this finance has been approved as concessional loans. These three funds make up 68% of the total funding for the region.

Bilateral climate finance also flows to Latin America. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate funds of Germany and the United Kingdom, who are active in the region.[2] Bilateral funds, however, are not tracked by CFU given their relative lack of transparently available detailed information of current activities and spending.

Who receives the money?

The distribution of multilateral climate fund flows in the region continues to be highly concentrated in the largest economies of Brazil (USD 1,393 million) and Mexico (USD 601 million), with a combined 33% share of all climate finance approved in the region (Figure 2). Costa Rica, Colombia, and Chile – all countries with high or upper-middle incomes – are other top recipients.

What is being funded?

To date, 64% of funding has supported mitigation activities in the region with 33% for mitigation general and 31% for mitigation from forestry and land use (Table 2 and Figure 3). Only 14% of funding supports adaptation projects and the remaining 22% supports projects with multiple

Table 1: Funds supporting Latin American countries (2003–2024, USD millions)

Fund	Approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1, GCF-2)	2,567.3	40
Amazon Fund	903.5	118
Clean Technology Fund (CTF)	717.7	43
Global Environment Facility (GEF-4, 5, 6, 7, 8)	617.6	149
Forest Investment Program (FIP)	260.9	26
Adaptation Fund (AF)	239.7	53
Forest Carbon Partnership Facility (FCPF)	227.6	16
Pilot Program for Climate Resilience (PPCR)	119.3	22
Scaling Up Renewable Energy Program in Low Income Countries (SREP)	75.4	18
Special Climate Change Fund (SCCF)	50.9	13
Adaptation for Smallholder Agriculture Programme (ASAP)	49.6	6
UN-REDD Programme	46.6	10
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	30.8	2
BioCarbon Fund	30.0	2
Partnerships for Market Readiness (PMR)	25.9	15
Millennium Development Goal Achievement Fund (MDG-F)[3]	24.4	7
Global Climate Change Alliance (GCCA)	24.1	2

Figure 1: Funds supporting Latin American countries (2003-2024)

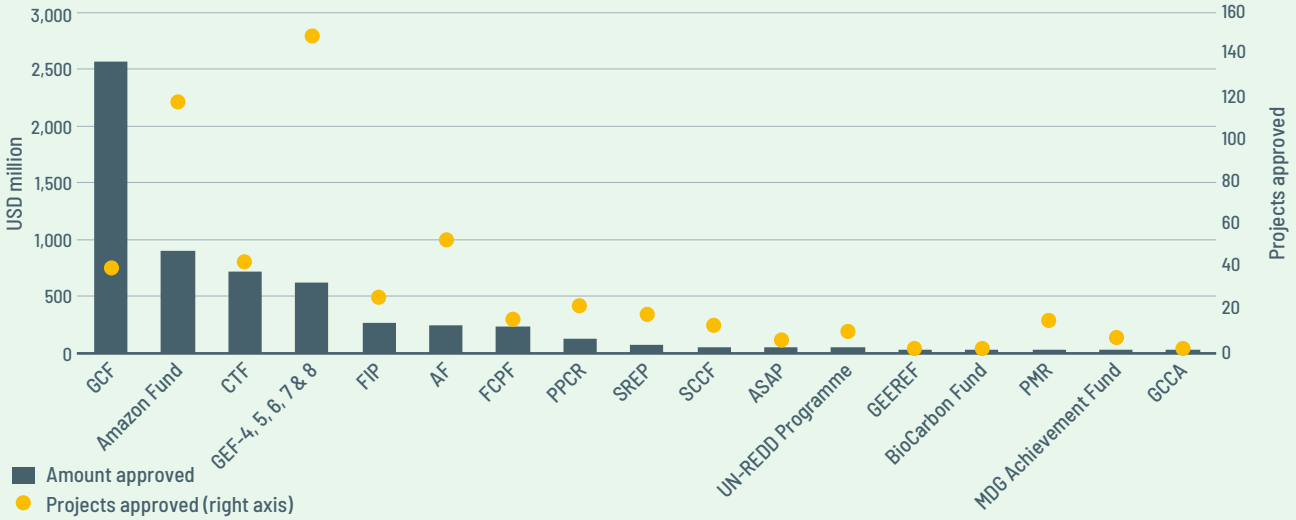
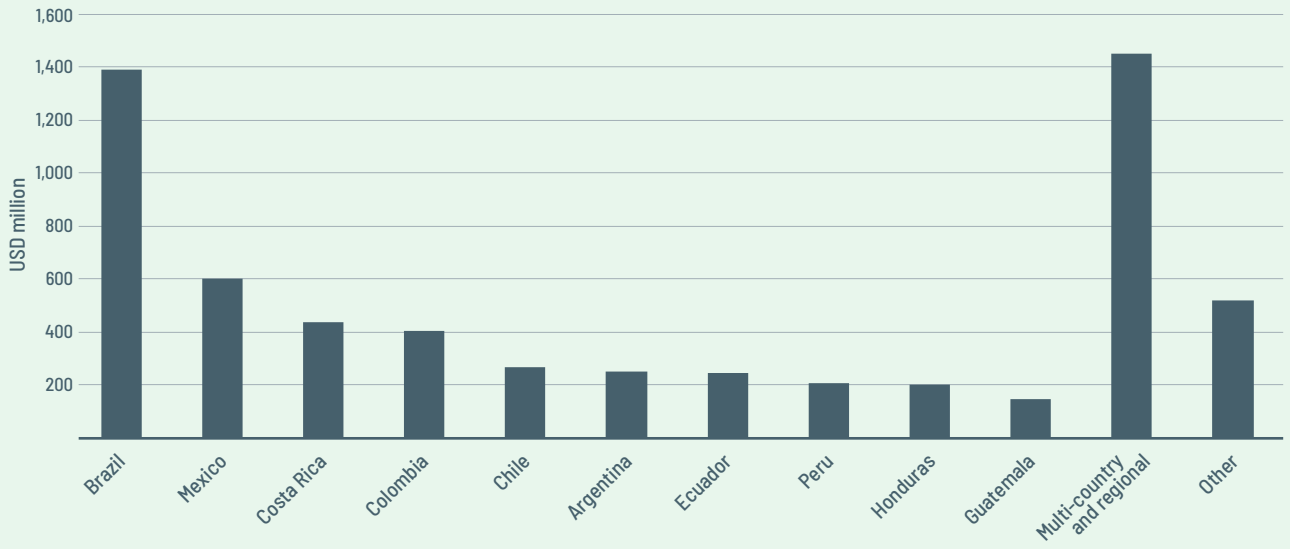


Figure 2: Top ten recipient countries by amount approved (2003-2024)



foci. The continued low financial support for adaptation measures is despite significant adaptation and resilience building needs in the region.

Of the 48 new projects in Latin America in 2024, significant support was forthcoming from the GCF. The GCF approved USD 275 million for five projects (two regional programmes and three projects in Ecuador, Peru, and Mexico) as well as 20 readiness projects totalling USD 14 million. In 2024, the Amazon Fund approved a record high of USD 205 million for 11 new projects. The Climate Investment Funds (CIFs) saw the addition of one project located in Honduras worth USD 7 million. GEF-8 approved one new project in Argentina (USD 4.7 million) and continued its support to countries' National Communications and Biennial Update Reports, approving USD 5.2 million for four projects. The Adaptation Fund (AF) approved USD 33.7 million for five projects in Honduras, Peru, Nicaragua and Uruguay. Finally, the Adaptation for Smallholder Agriculture Programme (ASAP) approved USD 4.4 million for one new project in Brazil.

The largest projects approved in the region in 2024 were through the GCF and the Amazon Fund. The GCF projects aimed to promote e-mobility and sustainable transport systems in seven countries (USD 122 million) and to enhance climate resilience In high-altitude communities in Peru (USD 43 million). Amazon Fund's "Amas Plans" sought to enhance the security and territorial sovereignty of indigenous lands in the Amazon (USD 59 million).

Figure 3: Approved funding across themes (2003-2024)

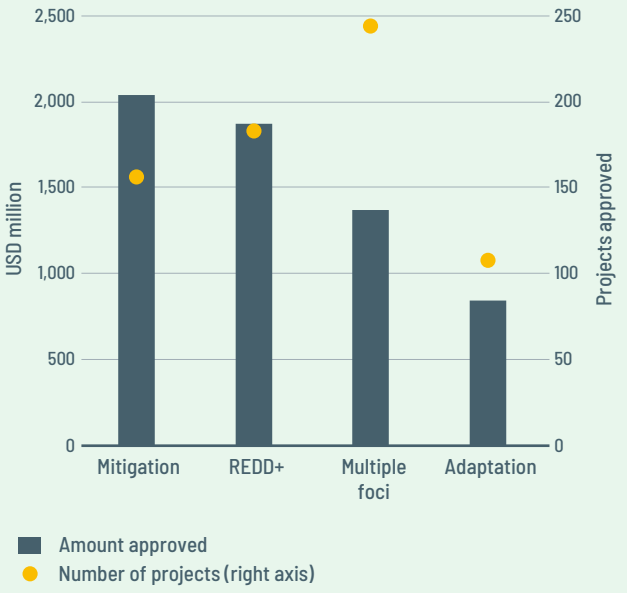


Table 2: Approved funding across themes (2003-2024)

Theme	Amount approved (USD millions)	Projects approved
Mitigation	2,037.3	156
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	1,870.4	183
Multiple foci	1,370.7	244
Adaptation	841.6	108

References and further reading

Climate Funds Update: www.climatefundsupdate.org

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Endnotes

1. The Caribbean is excluded from this regional analysis. Caribbean countries are featured in a separate briefing on Small Island Developing States (SIDS) (see CFF 12).
2. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to Latin America since 2008 included USD 234 million from Germany's Internationale Klimaschutzinitiative (IKI, international climate initiative) and USD 82 million from the UK's International Climate Finance (ICF).
3. The Millennium Development Goal Achievement Fund (MDG-F) was operational from 2007-2013. As of May 2019, all of its projects had been financially closed.

The Climate Finance Fundamentals are based on Climate Funds Update data and up to 2021 also available in French and Spanish at **www.climatefundsupdate.org**

ODI Global
203 Blackfriars Road | London | SE1 8NJ | UK
Tel:+44 (0)20 7922 0300

Heinrich Böll Stiftung Washington, DC
1432 K Street, NW | Suite 500 | Washington DC 20005 | USA
Tel:+1 202 462 7512