Climate Funds Update

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CLIMATE FINANCE REGIONAL BRIEFING: LATIN AMERICA

CLIMATE FINANCE FUNDAMENTALS 6

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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 4.6 billion and USD 1.1 billion respectively. Since 2003, a total of USD 7.4 billion has been approved for 746 projects in the region from multilateral climate funds tracked by Climate Funds Update (CFU).[1] In 2025, 56 new projects were approved totalling USD 1.3 billion. The Green Climate Fund (GCF) provided 42% of the approved funding for these new projects.

Introduction

Climate change could reduce regional gross domestic product (GDP) by around 6% by 2030, underscoring the significant economic costs of climate inaction in Latin America (ECLAC, 2025a). Already, climate-related extreme weather 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, 2025). As a region highly dependent on nature and ecosystem services, their loss or degradation amplifies the climate impacts on agriculture, water, fisheries and human settlements while reducing adaptive capacity. 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 a quarter of its population in poverty in 2024 (ECLAC, 2025b; OECD et al., 2024). Climate shocks could add millions to the number of people in the region in extreme poverty by 2030, currently at 62 million or 9.8% (ECLAC, 2025b; World Bank, 2022). By some estimates, between 7% and 19% of the GDP by 2030 (USD 470 billion to USD 1.3 trillion in 2030) will be required in infrastructure and social spending alone to meet the region's climate change goals in line with sustainable development (IDB, 2022). Total cumulative investment needs for climate action in the region could be as high as between USD 2.1 trillion and USD 2.8 trillion between 2023 and 2030, equivalent to an average annual investment of between 3.7% and 4.9% of regional GDP until 2030 (ECLAC, 2025a).

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-emission 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. Already 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. 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 nationally determined contributions (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).

More than 80% of new or updated NDCs from the region include mitigation and adaptation targets for the agriculture, forestry and land-use sectors, key for making progress in meeting climate commitments while protecting ecosystems and livelihoods (UNDP, 2025).

Where does climate finance come from?

Since 2020, the GCF has been the biggest provider of climate finance from CFU-tracked funds in the region. It has approved USD 3,117 million across 46 projects for 13 countries in addition to 159 readiness projects (USD 125 million). It surpassed the Amazon Fund, which is the second largest contributor of climate finance in the region, having approved USD 1,244 million in grant finance for 141 projects within Brazil. The Clean Technology Fund (CTF), a World Bank-administered multilateral fund, with USD 1,032 million allocated to 48 projects in Brazil, Bolivia, Chile, Colombia, Ecuador, Honduras, Mexico, Nicaragua and Peru, comes in third (Table 1 and Figure 1). Almost all of the CTF finance has been approved as concessional loans. These three funds make up 73% 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, Norway and the United Kingdom, which 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 1,920 million) and Mexico

Table 1: Funds supporting Latin American countries (2003–2025, USD millions)

Fund	Approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1, GCF-2)	3,117.3	46
Amazon Fund	1,244.0	141
Clean Technology Fund (CTF)	1,032.7	48
Global Environment Facility (GEF-4, 5, 6, 7, 8)	626.2	155
Adaptation Fund (AF)	278.5	58
Forest Investment Program (FIP)	260.9	26
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
Partnership for Market Readiness (PMR)[3]	25.9	15
Millennium Development Goal Achievement Fund (MDG-F)[4]	24.4	7
Global Climate Change Alliance (GCCA)	24.1	2

Figure 1: Funds supporting Latin American countries (2003-2025)

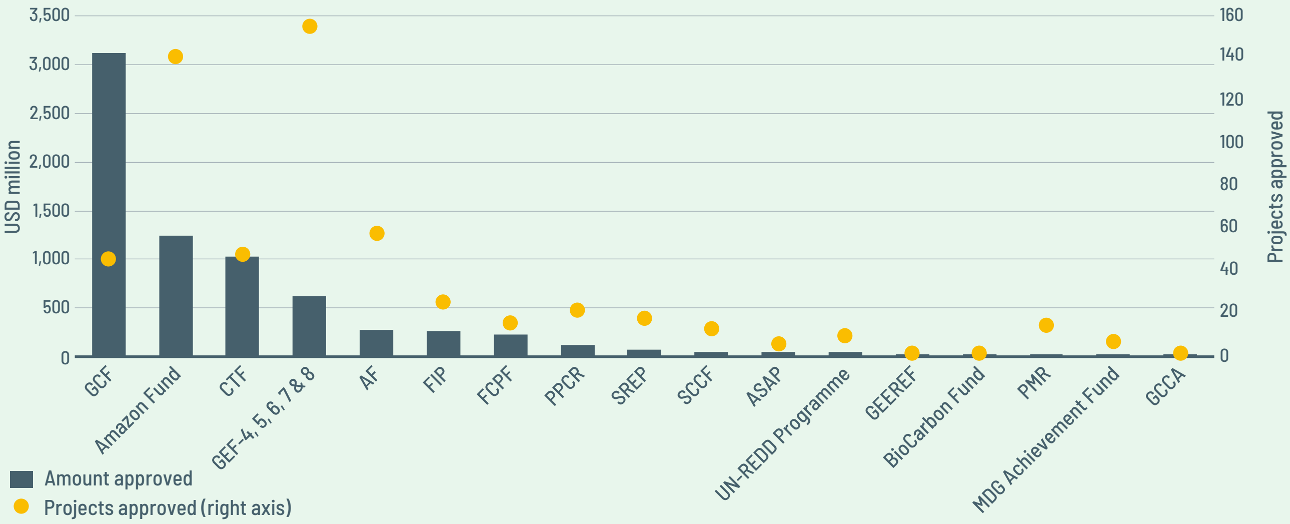
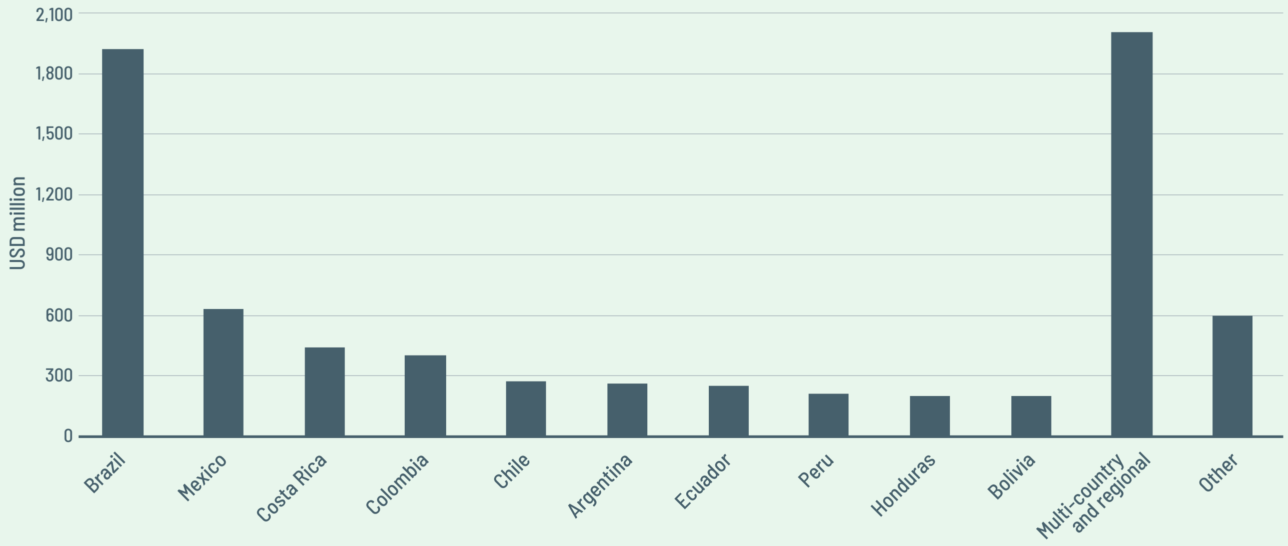


Figure 2: Top ten recipient countries by amount approved (2003-2025)



(USD 629 million), with a combined 34% 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, 63% of funding has supported mitigation activities in the region with 33% for general mitigation efforts and 30% for mitigation from forestry and land use (Table 2 and Figure 3). Only 14% of funding supports adaptation projects and the remaining 23% supports projects with multiple foci. The continued low financial support for adaptation measures is despite significant adaptation and resilience building needs in the region.

Of the 56 new projects in Latin America in 2025, significant support was forthcoming from the GCF. The GCF approved USD 546 million for six projects (two regional programmes, two in Brazil and two projects in Mexico and Paraguay) as well as 10 readiness projects totalling USD 16 million. In 2025, the Amazon Fund approved a record high of USD 378 million for 23 new projects. The Climate Investment Funds (CIFs) saw the addition of six projects. Of these six projects, one falls under SREP (USD 7.3 million), while the other five are financed by the CTF, including two regional programmes (USD 163 million) and three single-country projects (USD 152 million). GEF-8 approved one new project in Ecuador (USD 0.9 million) and continued its support to countries' National Communications and Biennial Update Reports, approving USD 7.7 million for five projects. Finally, the AF approved USD 38.8 million for one regional project and four projects in Argentina, Honduras, Costa Rica, and Panama.

The largest projects approved in the region in 2025 were financed through the GCF and the CTF. The two largest GCF projects are regional programmes aimed at supporting large-scale protection of the Amazon biome (USD 200 million) and strengthening water security in the Amazon biome (USD 162 million). The CTF approved one regional programme aimed at accelerating the deployment of clean and renewable energy across the Amazon region (USD 153 million).

Figure 3: Approved funding across themes (2003-2025)

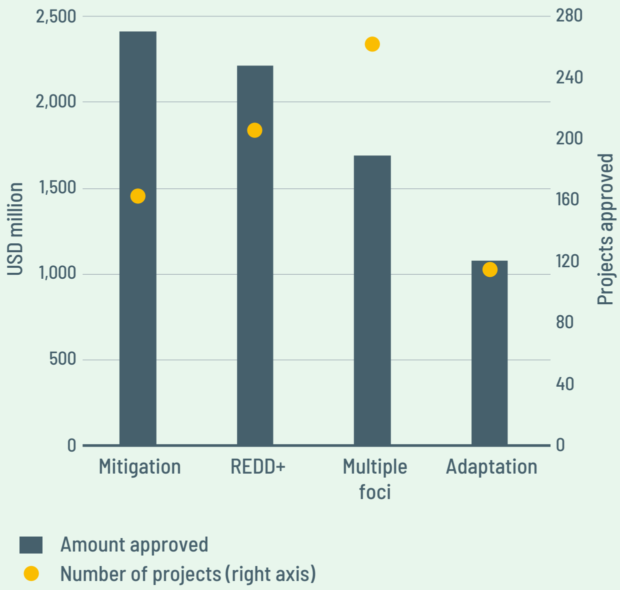


Table 2: Approved funding across themes (2003-2025)

Theme	Amount approved (USD millions)	Projects approved
Mitigation	2,414.8	163
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	2,210.8	206
Multiple foci	1,691.3	262
Adaptation	1,072.1	115

References and further reading

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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 Partnership for Market Readiness (PMR) concluded its operations in 2022.
4. 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**

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