



# Finance In Latin American and Caribbean NDCs



## KEY MESSAGES

- While 96 percent of LAC's financing requests for NDC implementation are supported by partners, only 59 percent of enhancement needs have been met. The majority of these unsupported requests relate to project pipeline development, where actual financing is often required.
- Demand for private sector engagement is high across NDC implementation and enhancement requests received from the LAC region, with most requests targeted towards accessing private finance for multi-sector projects and programs.
- Mobilizing resources and financing for projects and programs is a top priority across LAC implementation requests, while the number of countries requesting support for project development is low. This suggests that LAC countries require more technical assistance in resource mobilization than project development.
- Enhancement requests focus on the development of climate finance strategies, prioritizing activities which build strong financial foundations for revised NDCs through investment strategies, financial roadmaps, and integration into government processes such as climate smart public investment plans.
- Although the COVID-19 pandemic presents an entirely new set of challenges to financing NDCs, the NDC Partnership is working closely with partners and economic advisors to help member countries identify ways to align green economic recovery with climate initiatives.

## WHY CLIMATE FINANCE IS IMPORTANT IN LAC

**The NDC Partnership is actively engaged in 22 Latin America and the Caribbean (LAC) member countries to help mobilize climate finance and related technical support in the areas of NDC implementation and enhancement<sup>1</sup>. This Insight Brief is aimed at sharing trends in climate financing needs emerging from country requests to the Partnership.** The emerging message from LAC member countries is clear: the region is consistently asking for support to mobilize climate finance, particularly by involving private sector investors, in anticipation of the growing financial burden of climate change. According to the 2018 report by CEPAL, *The Climate Change Economy in Latin America and the Caribbean*, climate change impacts could cost LAC between 1.4 and 4.3 percent of annual GDP by the end of the century. However, the benefits of investing in climate action extend beyond avoiding economic losses; for example, increasing resilience and climate adaptation alone could potentially yield USD7.1 trillion in total net benefits for the LAC region through innovation and improved financial security<sup>2</sup>. The region could also create up to 37 million additional jobs by 2050 by moving to a fully renewable energy power matrix<sup>3</sup>.

Technical support for project preparation and improved access to international climate finance is essential to unlocking the investments needed for NDC implementation and enhancement in LAC countries. While technical assistance for NDC implementation appears to be on track, with 96 percent of LAC requests receiving support from partners, only 59 percent of NDC enhancement requests are supported. This support gap is particularly salient in the wake of the COVID-19 crisis, where raising climate ambition through NDC revision and enhancement goes hand in hand with economic recovery<sup>4</sup>. A recent NDC Partnership survey reveals that 71 percent of country respondents expect COVID-19 to shift financial resources away from their climate budget, including co-financing for projects already agreed upon with multilateral climate funds. In response, the Partnership's Economic Advisory initiative will embed economic advisors in eleven LAC countries<sup>5</sup>. However, swift and substantial support from key financial actors remains urgently needed to ensure NDC ambition stays on track.



# 22

The number of Latin America and the Caribbean (LAC) member countries the NDC Partnership is actively engaged in.

1 *Implementation* aims at putting into effect the actions presented in countries NDCs to the Paris Agreement. *Enhancement* activities aim at raising NDC ambition or improving the technical quality of new or updated NDCs. This study analyses a total of 198 requests presented to the Partnership as of June 16th, 2020 and is not weighted to scale or budget.

2 *Adapt Now: A Global Call for Leadership On Climate Resilience*. Global Commission on Adaptation.

3 *The Post-COVID-19 Recovery: How to Articulate Integrated Responses to The Health, Economic and Climate Crises In Latin America & The Caribbean*. UNDP.

4 *The Post-COVID-19 Recovery: How to Articulate Integrated Responses to The Health, Economic And Climate Crises In Latin America & The Caribbean*. UNDP.

5 As of September 14th, 2020, the NDC Partnership has received requests for embedded economic advisors within nine countries in Latin America and the Caribbean. These countries are Antigua and Barbuda, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Grenada, Mexico, Paraguay, Peru, and Saint Lucia.

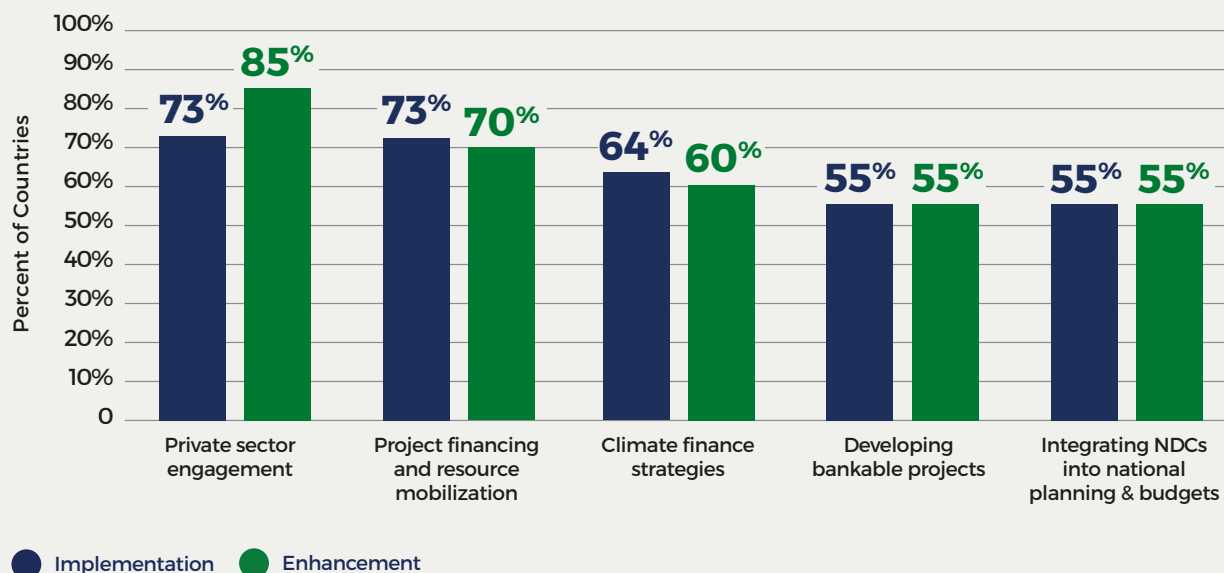
## FINANCE NEEDS FOR NDC IMPLEMENTATION AND ENHANCEMENT

LAC finance requests to the Partnership include for both NDC implementation and enhancing the ambition of revised NDCs. This brief presents sectoral, focus area, and activity trends on the LAC region's finance needs, in addition to partner responses and gaps in support. This information enables the NDC Partnership to respond with coordinated action towards NDC implementation and accelerate climate finance.

Climate finance requests are made by 80 percent of engaged LAC member countries and make up 30 percent of all country requests. Through the NDC Partnership's Climate Action Enhancement Package (CAEP), which provides targeted financial and technical support for NDC enhancement, 20 LAC countries dedicate 38 percent of their CAEP activities to accessing climate finance, including mobilizing resources for NDC implementation and integrating NDCs into financial planning and national budgeting processes.

The following sections will provide an LAC regional overview of the country requests and partner responses in each of the Partnership's five climate finance focus areas (Figure 1). For a detailed overview of each finance focus area's criterion, and the global finance trends behind them, reference *Understanding NDC Financing Needs*.

**FIGURE 1. PERCENT OF LAC COUNTRIES WITH FINANCE REQUESTS BY FOCUS AREA**



## CLIMATE FINANCE STRATEGIES AND FINANCIAL ROADMAPS

**Of the 64 percent of LAC member countries who submit implementation requests in this focus area, most requests are for technical support to develop climate finance strategies, NDC investment plans, and/or financial roadmaps which align with existing national, local, or sectoral plans.** These tend to be multi-sectoral and cover both adaptation and mitigation. Guatemala, for example, has requested support to integrate its enhanced NDC and targets into its 2030 National Sustainable Development Plan. That being said, a few LAC requests (27 percent) in this focus area target specific sectors, mostly in transport and energy. Only 35 percent of implementation requests in this focus area go unsupported by Partnership partners, 80 percent of which are multi-sector in nature and the remaining 20 percent falling within the buildings or transport sectors.

For NDC enhancement, developing climate finance strategies and financial roadmaps encompasses the majority of finance-related activities and is mentioned at least once by 17 countries. While most countries indicate a need for multi-sectoral strategies and roadmaps, there is a diverse number of single-sector activities, with nearly 20 percent of requests found in AFOLU (10 percent) and energy (9 percent) combined. Just under half of all activities go unsupported in this focus area, with the largest sector gaps seen equally spread across energy, industry, and transport.

## INTEGRATING NDCS INTO NATIONAL PLANNING, BUDGETS, AND REVENUE STREAMS

**This focus area is largely focused on capacity building activities which mainstream climate finance considerations into government operations and allow governments to access, mobilize, and track public funds for climate change related purposes. Implementation support for these activities is requested by six LAC countries.** While most requests are multi-sector, mitigation requests dominate and budgeting for energy activities emerges as a priority. For example, Saint Lucia has committed USD23 million in domestic funding to near and long-term investments in energy infrastructure through their Partnership Plan. To improve transparency and mainstreaming into government's market mechanisms, Saint Lucia has requested advisory support to outline all available incentives for renewable energy and energy efficiency. Forty-two percent of implementation requests in this focus area remain unsupported, half of which are related to energy or waste; the remaining half of which are multi-sector in scope.

Enhancement activities in this focus area make up the same proportion as that found in implementation requests. Twelve countries flag enhancement support needs in the area, largely in the energy and buildings sectors. The majority of LAC countries request enhancement activities relating to NDC costing or cost-benefit analysis, suggesting that this is an important area of NDC enhancement. The vast majority of these requests are for mitigation. Notably, the Dominican Republic is the only LAC Small Island Developing State (SIDS) to request enhancement support to budget for annual investments in adaptation measures, risk management practices, and resilience for territorial planning in provinces and

municipalities<sup>6</sup>. Indeed, many countries did not include cost assessments in their original NDC, and for those that did, there is room for improvement in terms of accuracy and scope of NDC actions for both mitigation and adaptation components. It is worth noting that nearly half of the focus area's activities remain unsupported, flagging a support gap that needs to be addressed.



## DEVELOPING BANKABLE PROJECTS AND PIPELINES

**This focus area includes requests to identify, assess, and develop specific projects or pipelines of projects<sup>7</sup>. Of the six LAC countries who make these requests, just two countries make the majority of them: Honduras and Saint Lucia. Both countries emphasize the need for project preparation support for adaptation projects, in the water and renewable energy sectors.** For instance, Saint Lucia has indicated a need to develop a bankable project proposal to drill exploratory geothermal power wells, and Antigua and Barbuda has requested support to quantify the cost of drought on the economy as part of the country's sustainable water resource management initiative. Out of all implementation requests in this focus area, 44 percent remain unsupported, half of which fall within the energy sector.

Only eleven countries request enhancement support in this focus area, making it one of the least requested areas of finance support in LAC. This is different from other NDC Partnership regions with CAEP engagement, where project pipeline development is often countries' top financial priority. The AFOLU sector lays claim to the majority of these activities from a sectoral perspective, but the most need still resides in projects that are multi-sector. When broken down by activity, 55 percent of countries are devoted to generating project pipelines, with the rest going to project preparation activities. In all, just over half of enhancement finance needs are unsupported, primarily for activities in project pipeline development.



## PROJECT AND PROGRAM FINANCING AND RESOURCE MOBILIZATION & PRIVATE SECTOR ENGAGEMENT

**Eight LAC countries request NDC implementation support for project and program financing and resource mobilization. This focus area deals with financial readiness, in addition to enhancing access to climate finance through blended finance mechanisms and financial vehicles.** For the LAC region, the implementation of these requests frequently means identifying sources of private sector financing, demonstrating the importance of supplementing public finance in the region with private finance and creating the enabling environments that allow LAC governments to successfully do so. Antigua and Barbuda, for instance, has requested technical support to establish a Revolving Loan Facility for Adaptation and Mitigation for the Private Sector. Countries also flag a need for technical assistance to mobilize multilateral finance and develop climate-relevant financial vehicles. For example, Grenada aims

6 [Climate finance in the Caribbean region's Small Island Developing States](#). Stockholm Environment Institute.

7 Project pipeline development refers to the identification and prioritization of implementable projects to be presented to investors, whereas project development includes the activities to prepare a specific project for investment by conducting relevant analyses and ensuring its 'bankability'.

to accredit and operationalize a Direct Access Entity as an entry point to Green Climate Fund financing opportunities. Requests in this focus area are almost exclusively multi-sector in nature, and most (80 percent) are supported.

Corresponding enhancement needs in this focus area are nearly as prevalent as for implementation, requested by eleven LAC countries; however, LAC countries identify more private sector enhancement finance activities than any other region. While implementation trends in this category focus on private sector financing, enhancement activities focus on efforts to increase engagement with the private sector by working to define various roles the private sector can play in regard to providing funding, information and data access, and reporting. For instance, Peru plans to organize intersectoral working groups with the private sector in order to develop a portfolio of projects for private investment, thus accelerating NDC implementation. And in Colombia, the government will invest nearly USD1 million in voluntary agreements for NDC implementation across the energy, agriculture, and industry sectors. These agreements will be used to improve the companies' understanding of climate risk within their value chains.

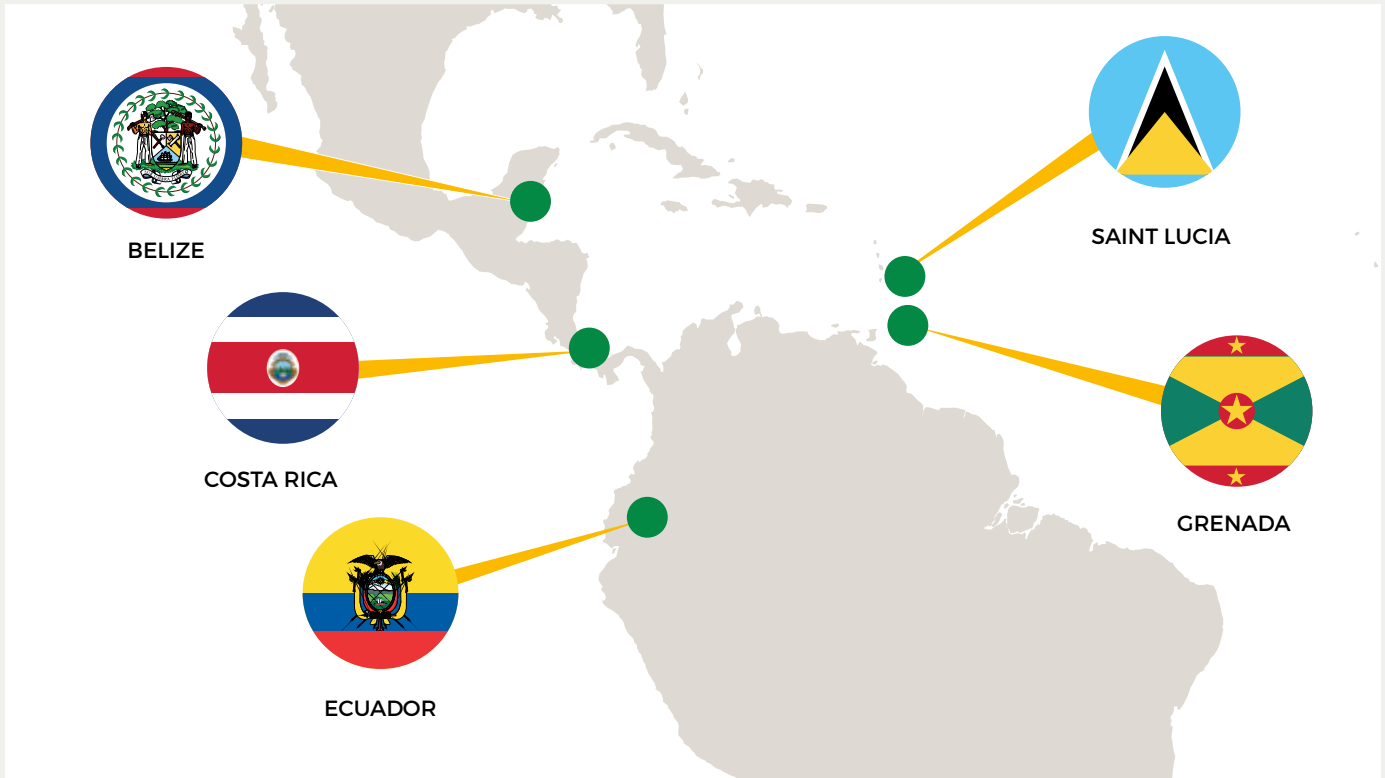
## FIGURE 2. MAP OF NDC PARTNERSHIP FINANCE CASE STUDIES IN LATIN AMERICA AND THE CARIBBEAN

### SAINT LUCIA

Saint Lucia's Partnership Plan offers a detailed outline of how the government is preparing to provide adequate climate finance and ensure the climate-resiliency of its prioritized economic sectors. The Plan is designed to operate as a national planning and monitoring tool that includes all sectoral actions towards NDC objectives in addition to those that require support from international cooperation agencies. With approval from the Cabinet and the Ministry of Finance, Saint Lucia signaled its commitment to the Plan by announcing that USD 23 million from domestic resources will be made available up to 2035 as part of the country's share towards NDC implementation. These resources will take into account both near- and long-term goals, with government finances committed to NDC implementation for the 2020 fiscal year and through the next decade.

### ECUADOR

The Ministry of the Environment and Water and the Ministry of Economy and Finance are co-leading the process of building Ecuador's National Climate Finance Strategy (EFIC), a planning instrument that will define Ecuador's vision, priorities, and strategic lines on the sources and uses of climate finance. Under CAEP, both government institutions have identified ambitious activities to set this strategy into motion. These range from the use of new tools and methods to reflect climate and NDC needs in economic modelling and planning, to creating an action plan for improving climate-related public expenditure across all sectors. Ecuador is also considering project pipeline development and the establishment of innovative fiscal instruments to



enable their implementation. Further, the country offers an exemplary case study of intersectoral coordination through the Mesa de Finanzas Sostenibles, co-led by the Environment and Finance Ministries, which works to promote the responsibility of the financial sector in supporting a sustainable economic transition.

## COSTA RICA

Costa Rica's National Decarbonization Plan, developed in collaboration with the Inter-American Development Bank (IDB), identifies ambitious planning, investment, and public budget reforms to catalyze the country's transition to a net-zero emission economy by 2050. With IDB support through a USD230 million loan and additional technical assistance from the French Development Agency (AFD), Costa Rica will make several innovative fiscal policy reforms. These include the implementation of a green tax in an effort to decouple Ministry of Finance

revenues from gasoline sales and enable carbon pricing, in addition to engaging with national and international financial sectors to develop a climate finance strategy for mobilizing public and private funds. The strategy will also take into consideration "financial engineering" schemes like public-private partnerships (PPPs) to support the Plan's portfolio of projects. Moreover, a labor strategy will be implemented to ensure a socially just transition across the Costa Rican labor market.

## BELIZE

Belize has submitted strategic requests for support to the NDC Partnership, including activities to enhance access to and track climate financing. The country is currently developing an updated NDC that will be more innovative, ambitious, and accurate with respect to the proposed actions, costing, macro-fiscal feasibility, and transparency. Linked to the revised NDC, Belize will prepare an NDC Implementation

Plan and an associated climate finance strategy. The financial strategy will consider national and international public and private finance and help map, prioritize, and mobilize financial resources for adaptation, mitigation, and cross-cutting projects and programs in its NDC. To track and report on the finance used to support NDC actions, the country is working to refine its finance Measuring, Reporting, and Verification system.

## **GRENADA AND SAINT LUCIA, GGGI, CLIMATE ANALYTICS, AND OECS**

The Climate Action Enhancement Package (CAEP) provides NDC Partnership member countries and partners the forum to respond to countries' climate financing needs as a consortium. Working with the Global Green Growth Institute (GGGI), the Organisation of Eastern Caribbean States (OECS), and Climate Analytics to deliver on specific activities under CAEP, the Governments of Saint Lucia and Grenada will take on capacity building activities which move NDC projects and programs into implementation. For instance, in 2019, OECS and GGGI worked jointly to review insurance mechanisms for solar PV installations and increase access to financing opportunities that support green growth.

### **CREDITS**

*This Insight Brief was written by Skylar Bee and Sam Morton of the NDC Partnership Support Unit, with valuable inputs from several other members of the Support Unit.*



## **NDC PARTNERSHIP SUPPORT UNIT**

### **WASHINGTON, DC, USA OFFICE**

World Resources Institute  
10 G Street NE Suite 800, Washington, DC 20002, USA

Phone: +1 (202) 729-7600

Email: [supportunit@ndcpartnership.org](mailto:supportunit@ndcpartnership.org)

### **BONN, GERMANY OFFICE**

P.O. Box 260124, D-53153  
Bonn, Germany

Phone: (49-228) 815-1000

Email: [supportunit@ndcpartnership.org](mailto:supportunit@ndcpartnership.org)

**[ndcpartnership.org](http://ndcpartnership.org)**