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Side event to the 4th International Conference on Financing for Development in Seville, Spain

'Innovative Initiatives for Climate Finance.
Reshaping Climate Finance Architecture for Latin America and the Caribbean'

Concept and Agenda

Organisation: EU-LAC Foundation
Venue: FIBES Sevilla Exhibition and Conference Centre, Sevilla , room: side event 4, unique ID number of event: 1968280
Format: face-to-face
Date & time: 30 June 2025, 16:30-18:00
Language: English

Background

Latin America and the Caribbean (LAC), and particularly the Caribbean subregion, stand at a critical crossroads in the global climate finance debate. The intensifying impacts of climate change —rising sea levels, stronger storms, and shifting weather patterns— are placing growing pressure on economies, infrastructure, and communities across the region. This is especially urgent for Small Island Developing States (SIDS) and low-lying coastal areas, where climate vulnerability is exacerbated by fiscal constraints and limited access to financing for mitigation and adaptation initiatives.

Despite growing global attention to climate finance, the distribution of funding remains deeply uneven. While total climate finance flows surpassed the $1 trillion mark annually in 2021–2022, only a small share —approximately 4% or $52 billion— was allocated to the LAC region[1]. This is insufficient when compared to the estimated annual need of $215–284 billion through 2030 to meet the region's Nationally Determined Contributions (NDCs), as projected by the Economic Commission for Latin America and the Caribbean (ECLAC). In other words, climate-related investments in the region must scale up by 8 to 10 times to bridge the current gap—equivalent to increasing flows from 0.5% to between 3.7% and 4.9% of regional GDP by 2030.

Following the recent COP29 summit in Baku, countries adopted a New Collective Quantified Goal on Climate Finance (NCQG), setting a target of $300 billion per year by 2035. Yet, this figure remains well below the $1.3 trillion annually that developing nations have identified as necessary. In the Caribbean alone, the financing demand is estimated at around $175 billion by 2030, covering key priorities such as protecting marine ecosystems, advancing sustainable fisheries, and fortifying coastal zones.[2]

In this context, there is an urgent need not only to expand the volume of climate finance, but also to reform the architecture through which it is delivered. Current mechanisms often fail to match

[1] Ruiz, M., & Martinez, G. (2024, April 10). *Latin America and the Caribbean: A key region for climate action lags on finance*. The Global Innovation Lab for ClimateFinance. https://www.climatefinancelab.org/news/lac-region-lags-climate-finance/

[2] Green Climate Fund. (2023, December 2). *Plugging the finance gap in the Caribbean.* Green Climate Fund. https://www.greenclimate.fund/news/plugging-finance-gap-caribbean

the region's specific development and climate vulnerabilities. Enhancing access, ensuring equitable distribution, and tailoring financial instruments to national and local realities are essential to closing the implementation gap.[3]

4th International Conference on Financing for Development

Despite numerous efforts, the financing gap to achieve the Sustainable Development Goals (SDGs) remains staggering, estimated between $2.5 and $4 trillion annually. While mobilising resources is essential, the real challenge lies in how these funds are allocated and utilised. Current financial systems are often geared toward short-term gains, which limits the scale of investments necessary for long-term, sustainable development. Filling this space requires a shift toward institutional reforms and the adoption of common standards to guide SDG-aligned financing. Establishing clear definitions, frameworks, and monitoring mechanisms can significantly enhance the ability to direct both public and private capital where it is most needed.[4] In this context, the Fourth International Conference on Financing for Development (FfD4)[5] emerges as a timely and strategic opportunity to reorient global financial flows, reinforce multilateral cooperation, and ensure that the ambitions of the 2030 Agenda are met with actionable commitments and effective implementation pathways.

Bridging the financing gap requires the concerted action of a wide array of stakeholders, including development banks, multilateral organisations, national governments, institutional investors, and philanthropic actors. Within this landscape, Multilateral Development Banks (MDBs) and Regional Development Banks play a crucial role, not only by providing capital, but also by shaping financial strategies that are better aligned with the SDGs. Institutions such as the World Bank, the Inter-American Development Bank (IDB), and CAF Development Bank of Latin America and the Caribbean offer both concessional and non-concessional finance, alongside technical expertise that strengthens countries' capacities to design and implement climate-smart, development-oriented projects.[6]

Such efforts are crucial for expanding access to long-term, low-cost capital, particularly for middle-income countries and SIDS that face barriers in tapping into international finance. The FfD4 process, in turn, presents as an important opportunity to enhance the role of such banks in mobilising private capital, expanding local currency financing, and fostering alignment with

[3] ETTG. (2025, January). *FfD4 as a turning point: Overcoming challenges to strengthen sustainable development finance. European Think Tanks Group*. https://ettg.eu/financing-the-2030-agenda-an-sdg-alignment-framework-for-public-development-banks/

[4] OECD/UNDP. (2021). *OECD-UNDP impact standards for financing sustainable development: Best practices in development co-operation*. OECD Publishing. https://www.oecd.org/development/oecd-undp-impact-standards-for-financing-sustainable-development-744f109b-en.htm

[5] The IV International Conference on Financing for Development will take place from 30 June to 3 July 2025 in Seville; see: https://financing.desa.un.org/ffd4

[6] The IDB Group, for instance, has been actively scaling up its commitment to climate and environmental sustainability across Latin America and the Caribbean. By 2030, the IDB and its private sector arm, IDB Invest, aim to deliver over $11 billion annually in climate finance, while leveraging an additional $6.6 billion from other sources; see: BID. (2024, November 13). *BID elevará la financiación anual para el clima a US$11.300 millones para 2030, acelerando el impacto*. Banco Interamericano de Desarrollo. https://www.iadb.org/es/noticias/bid-elevara-la-financiacion-anual-para-el-clima-us11300-millones-para-2030-acelerando-el

national development plans, thereby making development finance more accessible, resilient, and impactful.

Equally important is the need to strengthen country-level leadership and ensure national ownership of development strategies. Tools such as Integrated National Financing Frameworks (INFFs) and country platforms are essential to align domestic priorities with international financial flows, fostering greater policy coherence and enabling more strategic, long-term fiscal planning.[7] Dialogue on this subject matter should place a strong emphasis on nationally led financing strategies that embed sustainability principles into institutional and budgetary frameworks. At the same time, experts argue that this is the momentum to reform MDBs and Public Development Banks (PDBs), particularly in the context of climate finance and the drive for a sustainable recovery. In this sence, FfD4 offers a timely platform to promote systemic reforms that enhance the agility, coordination, and effectiveness of these institutions. The G20 roadmap provides a useful reference for this agenda, highlighting the importance of improving capital adequacy, expanding access to concessional finance, and increasing the availability of local currency lending to better respond to country-specific needs.[8]

Enhancing domestic resource mobilisation (DRM) is equally vital, not only to reduce dependency on aid but to ensure locally driven development. Least Developed Countries (LDCs), especially in Africa, face persistent structural challenges, including narrow tax bases, high informality, illicit financial flows (IFFs), and weak enforcement systems.[9] At the FfD4, stakeholders can build on preparatory discussions to propose actionable steps at national, regional, and international levels. These include strengthening anti-corruption measures, improving public financial management, enhancing tax transparency, and supporting frameworks for international tax cooperation.[10]

In conclusion, FfD4 presents a critical opportunity to not only reaffirm global commitments but also drive systemic reforms in development financing. The Zero Draft of the outcome document, published by UNDESA in January 2025, addresses key issues such as SDG alignment, debt management, DRM, and the reform of MDBs. By emphasising the importance of nationally led financing strategies, strengthening regional cooperation, and enhancing institutional coordination, the FfD4 process can catalyse the necessary transformations to make sustainable development finance more efficient and equitable. As the conference approaches, it is vital that these discussions lead to concrete actions that bridge the financing gaps and ensure effective implementation of the 2030 Agenda.

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[7] Riaño et al. (2022). *Scaling up public development banks' transformative alignment with the 2030 Agenda for Sustainable Development*. In Development and public banks (pp. 96–127). Routledge. https://www.iddri.org/en/publications-and-events/study/scaling-public-development-banks-transformative-alignment-2030-agenda

[8] Riaño, M. A., Boutaybi, J., Barchiche, D., & Treyer, S. (2022). *Scaling up public development banks' transformative alignment with the 2030 Agenda for Sustainable Development*. In Development and public banks (pp. 96–127). Routledge. https://www.iddri.org/en/publications-and-events/study/scaling-public-development-banks-transformative-alignment-2030-agenda

[9] UNCTAD. (2023). *The Least Developed Countries Report 2023. United Nations Conference on Trade and Development.* https://unctad.org/publication/least-developed-countries-report-2023

[10] United Nations. (2023). *Promotion of inclusive and effective international tax cooperation at the United Nations*. https://docs.un.org/en/A/C.2/78/L.18/Rev.1

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Funding to promote instruments and programmes of financing for climate adaptation and mitigation for the Caribbean countries

The Caribbean region is particularly vulnerable to the impacts of climate change, yet it faces significant challenges in securing adequate financing for climate action. SIDS in the Caribbean are especially at risk due to rising sea levels, more intense hurricanes, and increased droughts. These nations often have limited access to international climate finance, hindered by complex application processes and stringent eligibility requirements from multilateral funds. Furthermore, these countries face a structural imbalance where mitigation projects tend to receive the bulk of climate funding, leaving adaptation efforts, which are critical to their survival, underfunded. The combination of constrained fiscal space, institutional limitations, and the high risk aversion of regional financial institutions exacerbates the difficulty of mobilising sufficient resources for climate action.

To bridge this financing gap, there is an urgent need for innovative financial instruments that are more suited to the unique circumstances of Caribbean nations. Instruments such as green bonds, climate-resilient debt clauses, and the international carbon markets under Article 6 of the Paris Agreement offer promising avenues to unlock additional climate finance. These tools can help attract both public and private sector investments while providing flexibility to address local challenges. However, these instruments must be coupled with technical assistance, capacity-building efforts, and better financial governance to ensure that projects are bankable and meet international standards. Regional cooperation is crucial in this regard, as it allows for the pooling of resources, sharing of best practices, and alignment of financing flows with national climate and development priorities. The Caribbean Development Bank (CDB), the Caribbean Community Climate Change Centre (CCCCC), and the Caribbean Biodiversity Fund (CBF) are instrumental in this effort, providing region-specific solutions that enhance climate resilience and promote sustainable development.

In addition to exploring innovative financial instruments, strengthening bi-regional cooperation between the European Union (EU) and LAC regions is vital for overcoming the financing challenges facing the Caribbean. The EU-LAC Global Gateway Investment Agenda (GGIA) and initiatives like Euroclima are key examples of bilateral and biregional cooperation that aim to channel climate finance into the region, with a focus on ensuring equitable access to resources for adaptation and mitigation projects. The EU has pledged significant financial resources, with over €45 billion earmarked for projects aligned with climate and biodiversity goals in Latin America and the Caribbean.[11] Similarly, the Latin America and Caribbean Investment Facility (LACIF) supports sustainable economic growth in the region through technical assistance, investment grants, and financing instruments such as debt, equity, and guarantees. These initiatives highlight the importance of fostering strong partnerships between international financial institutions, national governments, and the private sector to address the unique climate challenges of the Caribbean.

The FfD4 Conference presents a critical opportunity to advance regional financing solutions that complement global efforts and address the Caribbean's specific needs. By promoting greater policy coherence, increasing financial flows, and enhancing institutional capacity, the conference can catalyse more effective financing strategies for climate action in the Caribbean. Strengthening

[11] European Union (2023). *EU LAC GGIA | Green partnerships within the Global Gateway Investment Agenda* https://www.euroclima.org/en/recent-events/en-news/2001-eu-lac-ggia-green-partnerships-within-the-global-gateway-investment-agenda

regional and subregional institutions, such as the CDB and CCCCC, while aligning these efforts with international frameworks, is essential to ensure that the Caribbean can effectively access and mobilize the resources required to build climate resilience and drive sustainable development in the face of a rapidly changing climate.

Objectives of the FFD4 Side event

This side event convened by the EU-LAC Foundation seeks to contribute to these urgent discussions by exploring practical, innovative, and regionally adapted approaches to climate finance. By bringing together a diverse range of stakeholders, the session aims to surface actionable strategies to mobilise resources more effectively and equitably, reshape institutional pathways, and support the LAC region in advancing a just, climate-resilient future.

Agenda

30 June – 16:30-18:00

FIBES Sevilla Exhibition and Conference Centre, room: side event 4

Time	Segment	Speakers
16:30-16:35	Inauguration	**Alberto Brunori** – Executive Director, EU-LAC Foundation
16:35-16:45	Keynote	**Keith Nurse** – President College of Science, Technology and Applied Arts of Trinidad and Tobago (COSTAATT)
16:45-17:45	Interventions	**Wayne Henry** – Director General, Planning Institute of Jamaica **María José Martínez** – Deputy Minister for Public Credit, Ministry for Finance, Dominican Republic **Carlos Arturo Hoyos** – Viceminister for Foreign Affairs, Panama **Daniel Cámara Ávalos**, Director General of American Regional Organisations, Ministry of External Relations, Mexico **Sebastian Nieto Parra** – Head of Latin America and the Caribbean, OECD Development Centre **Maria Jimena Duran** – Senior Executive for Global Partnerships CAF Development Bank for Latin America and the Caribbean **Luis Jimenez Mc Innis** – Representative, Office in Europe, Inter-American Development Bank (IDB) **Monica Corrales** – Director of Sectoral, European and Multilateral Cooperation, AECID
17:45-17:55	Open discussion with the public	Q&A moderated by: **Yaritza Hernandez** – Communications Officer, EU-LAC Foundation
17:55-18:00	Closing	**Anna Barrera** – Director of Programmes, EU-LAC Foundation