

PRESS RELEASE

Ministries of Finance address their key role in the design and implementation of policies and tools for climate action in the Latin American and Caribbean region.

Representatives of Ministries of Finance, Central Banks, and national and international experts met on June 10-11 in Brasilia to discuss strategies, actions, tools, and challenges in the context of economic growth and limited fiscal space together with high climate vulnerability to move towards a productive, sustainable, and equitable economy.

The high-level conference co-hosted by C3A, the World Bank, with the Ministry of Finance of Brazil and the Economic Commission for Latin America and the Caribbean (ECLAC), with the support of the Euroclima program, brought together a network of experts, scientists, regional economic leaders, and practitioners. They aimed to address the challenges of navigating the transition to sustainable practices within a difficult global and regional macroeconomic context. Key topics discussed included integrating climate considerations into economic, financial, and fiscal planning, mobilizing financial resources for sustainable projects, and coordinating efforts between different actors, including the private sector, to effectively respond to socio-environmental challenges.

"There is an urgent need to develop coordinated and strategic responses to the region's limited fiscal space and significant structural and institutional challenges," declared Santiago Lorenzo, Head of Climate Change Unit, ECLAC.

The event highlighted the high incidence of extreme weather events affecting the region due to its biological diversity and geographic location, necessitating rapid and effective responses to minimize negative impacts on local communities and economies. Participants examined how structural challenges, such as limited institutional response capacity and dependence on highly polluting sectors, complicate climate change management. The discussions emphasized strengthening public institutions, improving technical capacities, and allocating financial resources for the implementation, monitoring, and evaluation of climate policies. The importance of international cooperation to jointly address these challenges was also underscored.

One critical issue discussed was the difficulty of accessing global climate finance, worsened by asymmetries in access to financial instruments and budgetary constraints. Participants stressed the need for new regulatory frameworks and innovative financial architectures to integrate international public and private funds. The relevance of aligning climate change agendas with local government actions and financial mechanisms to ensure effective policy implementation was also emphasized.

Many Latin countries have implemented policies to address climate change and the green, sustainable, and just transition, such as issuing green e/or sustainable bonds, diversifying the energy matrix, and creating climate funds to mobilize resources for sustainable projects. Discussions on new financial instruments for climate and nature marked another significant phase of the event, emphasizing the alignment of environmental and financial objectives for long-term sustainability.

Participants recognized a widespread lack of knowledge about the macroeconomic scope of climate change and its implications, highlighting the need to improve the supply of specialized research and studies in the region. Presentations on climate scenarios and modeling tools showed that while transitioning to a low-carbon economy can be costly, the long-term costs of inaction would be even higher.

"To make informed decisions that bring together socioeconomic outcomes with climate objectives, Ministries of Finance require advanced analytical tools. It's time to innovate our approach to climate policy analysis," said Etienne Espagne, Co-Director of the C3A Program.

A significant conclusion of the conference was the need to match the time frames of academia with those of decision-makers while building capacity and knowledge within ministries to create effective public policies balancing both mitigation and adaptation to the climate crisis and its impacts.

The conference ultimately illustrated the preference for an integrated approach combining effective policies, financial innovation, and strong cooperation between academia, governments, and the private sector. This approach contributes to climate strategies are effective and equitable, addressing both immediate and long-term economic needs in the fight against the climate crisis.

Finally, the event underscored the urgency for Ministries of Finance in the Latin America and Caribbean region to take comprehensive actions, including biodiversity conservation and sustainable ecosystem management. These efforts should be coordinated at national and international levels to address climate change challenges and should consider scenario modeling tailored to the economic and structural characteristics of each country. The event concluded with a call for action to strengthen international cooperation, enhance understanding of the interdependence between the real and financial spheres, and develop appropriate structural solutions to address both the climate crisis and social and economic inequality in the region.

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About C3A

C3A is the acronym for the Coalition for Capacity on Climate Action. C3A is a program supported by The World Bank and the Coalition for Finance Ministers for Climate Action (CFMCA). The program originates from the COP27, where the Coalition of Finance Ministers for Climate Action recognized the lack of a systemic vision within finance Ministries to deal with the challenges of climate change and nature impacts. It highlighted a need for strengthened collaboration and further knowledge sharing between Ministries across countries. In that context, the World Bank made a firm commitment to support the Coalition members in their key concerns by designing the C3A Program.

C3A is a demand-driven initiative, supported by an external Knowledge Network formed by regional and international academics, practitioners, and experts. C3A can offer participating countries three main types of services: technical capacity sequences structured on demand and based on the scientific and policy-oriented materials, peer exchanges and climate and nature analytical tools so that Ministries of Finance can have their own analytical tool designed with local stakeholders and adapted to the national context.

The main partners of the C3A Program are the Coalition for Finance Ministers on Climate Action, the World Bank and the Climate Support Facility Trust Fund as the main funder, local and international institutions which coordinate the regional and thematic hubs, and academics, practitioners and experts, regionally and internationally, that form the Knowledge Network.

About ECLAC

The Economic Commission for Latin America (ECLA) - the Spanish acronym is CEPAL - was established by Economic and Social Council resolution 106(VI) of 25 February 1948 and began to function that same year. The scope of the Commission's work was later broadened to include the countries of the Caribbean, and by resolution 1984/67 of 27 July 1984, the Economic Council decided to change its name to the Economic Commission for Latin America and the Caribbean (ECLAC); the Spanish acronym, CEPAL, remains unchanged.

ECLAC, which is headquartered in Santiago, Chile, is one of the five regional commissions of the United Nations. It was founded with the purpose of contributing to the economic development of Latin America, coordinating actions directed towards this end, and reinforcing economic ties among countries and with other nations of the world. The promotion of the region's social development was later included among its primary objectives.

The Economics of Climate Change Unit of ECLAC's Sustainable Development and Human Settlements Division has been working on macroeconomic modeling of climate change impacts, climate finance and taxonomies of sustainable finance, use of economic instruments (taxes, ETS subsidies and social prices) and their distributive impacts, metrics and public policies for adaptation, and impacts and dependencies of the financial sector on biodiversity, information that allows the design of public policies aimed at mitigating the adverse effects of climate change and charting a path towards a more productive, inclusive and sustainable development model.