



sfi24

Sustainable  
Finance  
Index 2024  
(data as of 2023)

Challenges and Opportunities  
to Accelerate the Transition  
to Sustainable Finance  
in Latin America and the Caribbean



gflac

GRUPO DE  
FINANCIAMIENTO  
CLIMÁTICO  
LAC



**Sustainable  
Finance  
for the Future**



**Sustainable  
Finance  
Index**



**Sustainable  
Finance  
Hub**



**Climate and Sustainable  
Finance Dialogues**

## Authors:

**Sandra Guzmán Luna**

Founder and General Director, GFLAC

**Orlando Barbosa Mejía**

Public Climate Finance Associate, GFLAC

## Communication and Design Strategy:

**Marisol Marín**

Senior International Strategic Communication  
Associate, GFLAC

**Federika Logwinczuk**

Institutional Strategic Communication Associate,  
GFLAC

**Jhon Cortés**

Senior Creative Design Associate, GFLAC

## Review and Editing of English Content:

**Liliana Elizondo**

Operations and Institutional Strengthening Associate



This publication is licensed under a Creative Commons  
Attribution-NonCommercial-NoDerivatives 4.0 International License.  
It is not a Free Culture license.

## Introduction

Latin America and the Caribbean, one of the regions most vulnerable to climate change, are at a decisive moment to redirect their economic policies towards sustainability. This shift is necessary to address the climate challenges that threaten the region and to seize opportunities for fostering resilient growth. The transition to a low-carbon economy is critical not only to meet international commitments to combat climate change but also to ensure inclusive and equitable economic growth.

In this context, the **Sustainable Finance Index (SFI)**, developed by the **Climate Finance Group for Latin America and the Caribbean (GFLAC)**, serves as a tool for monitoring national and international revenues and expenditures in developing countries related to climate change and other sustainable development objectives. It also identifies sources of carbon-intensive revenues and expenditures that may hinder progress toward low-carbon and climate-resilient development. The SFI aims to identify the gaps, challenges, and opportunities for transforming public finance systems in developing countries to advance sustainable finance.

Preliminary results of the SFI 2024, applied to the **20 highest-emitting countries** in Latin America and the Caribbean, reveal that the region faces significant financing gaps that hinder the transition to sustainability. Overall, the 20 countries studied received **19 times** more revenue from carbon-intensive activities than from climate and biodiversity finance. Additionally, the national budget dedicated to combating climate change and protecting biodiversity remains insufficient.

Furthermore, the SFI 2024 shows that countries such as Guatemala, with a score of 2.6 out of 4.0 points, and Honduras and Jamaica, with 2.5 points each, have increased their budget allocation to address climate change. In contrast, Bolivia (1.0 point), Trinidad and Tobago (0.6 points), and Cuba (0.5 points) have the lowest level of sustainable finances, primarily due to their high dependence on revenues and expenditures associated with fossil fuel production and sales.

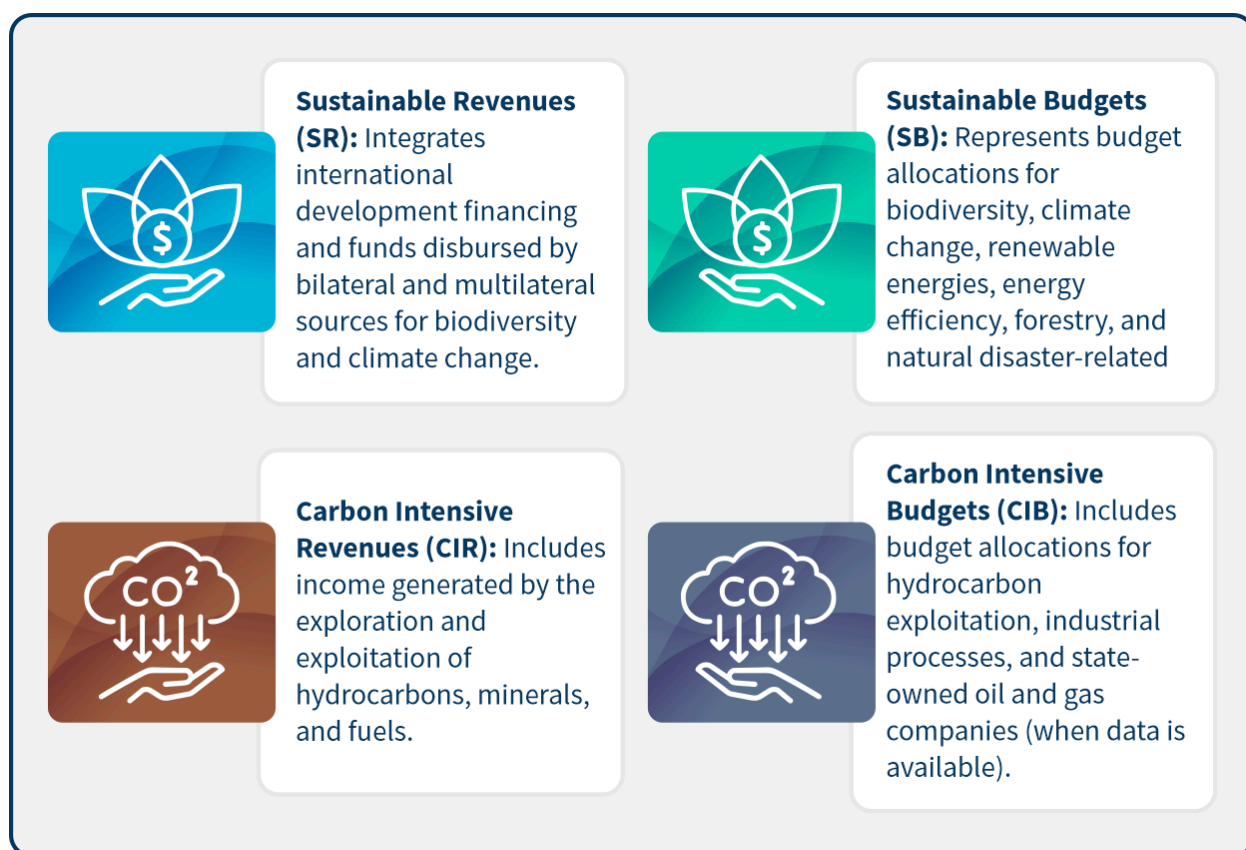
The SFI 2024 also highlights that the countries in the region are still far from meeting the target of allocating at least 2% of their Gross Domestic Product (GDP) to sustainable initiatives, a crucial objective for addressing current climate challenges. To mobilize resources toward sustainable sectors and ensure a more resilient future, coordinated actions such as carbon pricing, the elimination of fossil fuel subsidies, and the issuance of green bonds will be essential. These results underscore the urgent need for a financial transition toward sustainable models in the region. The Sustainable Finance Index and its findings are subject to continuous review and updates to ensure the quality and relevance of the information provided. Any suggestions or recommendations to improve its content are highly appreciated. Please feel free to contact us at the following email address: [finanzassostenibles@gflac.org](mailto:finanzassostenibles@gflac.org)



## Sustainable Finance Index

The Sustainable Finance Index (SFI) is a tool designed to monitor national and international revenues and expenditures in developing countries in response to climate change and associated sustainable development objectives. Additionally, it identifies financial flows that may hinder progress, such as activities related to the extraction and production of fossil fuels.

This fifth edition of the SFI, covering data up to 2023, was applied to the 20 highest-emitting countries in Latin America and the Caribbean. The index is calculated based on four variables composed of various national and international public finance items:<sup>1</sup>



The primary objective of the SFI is to provide a comprehensive analysis of revenue and expenditure trends related to both climate change and sustainable development in developing countries. This analysis not only identifies investments aligned with sustainability efforts but also pinpoints financial flows that may contradict sustainability goals. By classifying countries according to their levels of

<sup>1</sup> The selection of variables and construction of the Sustainable Finance Index has its theoretical basis in the work of Guzmán, Sandra (2020). Incorporating climate change into public budgets in developing countries. A mixed methods analysis applied to Latin American and Caribbean countries. Department of Politics, University of York. United Kingdom.

sustainable finance, the SFI facilitates the identification of investment gaps, financial needs, and funding opportunities.

The data collected in the SFI is updated annually and is based on publicly accessible sources, ensuring transparency and relevance. This approach offers an up-to-date perspective on financial dynamics related to sustainable development, providing governments, organizations, and stakeholders with a valuable tool for decision-making and resource mobilization toward sustainable initiatives.

The calculation of the SFI is based on assigning a score between 0 and 1 point for each of the four estimated variables. The Sustainable Revenues and Sustainable Budgets variables are considered positive, meaning that countries that generate and/or allocate more resources to activities addressing climate change and promoting sustainable development will obtain a higher score, closer to 1 point. Conversely, those that generate and/or allocate fewer resources to these activities will obtain a score closer to 0 points.

In contrast, countries that generate and/or allocate more resources to carbon-intensive activities will obtain a score close to 0 points, while those that generate and/or allocate fewer resources to these activities will obtain a score closer to 1 point.

Thus, the SFI rating depends on the score obtained in each of the four evaluated variables. The total score can range from 0 to 4 points. Based on this score, countries are classified into 7 categories of sustainable finance: **VERY HIGH**, **HIGH**, **MEDIUM HIGH**, **MEDIUM**, **MEDIUM LOW**, **LOW**, and **VERY LOW**.

For example, if a country has high sustainable revenues and high sustainable budgets, it could score 1 point on both variables. However, if it also has high carbon-intensive revenues and high carbon-intensive budgets, its score on these variables would be 0 points, resulting in a final score of 2 out of 4 points, placing the country in the **"MEDIUM"** category of sustainable finance. A hypothetical example of the SFI estimate is detailed in the following table.

**Table 1. Hypothetical example of SFI estimation**

Valuation of variables	Operating equation	SFI result	Classification of the 7 categories of sustainable finance
<b>SR: 1.0</b> <b>CIR: 1.0</b> <b>SB: 1.0</b> <b>CIB: 1.0</b>	$SR + CIR + SB + CIB = SFI$	$1.0 + 1.0 + 1.0 + 1.0 = 4.0$  The country would obtain a score of 4.0 points, placing it at a <b>"VERY HIGH"</b> category of sustainable finances.	<ul style="list-style-type: none"> <li>• <b>VERY HIGH</b> Score: 3.5 – 4.0</li> <li>• <b>HIGH</b> Score: 2.9 – 3.4</li> <li>• <b>MEDIUM HIGH</b> Score: 2.3 – 2.8</li> <li>• <b>MEDIUM</b> Score: 1.8 – 2.2</li> <li>• <b>MEDIUM LOW</b> Score: 1.2 – 1.7</li> <li>• <b>LOW</b> Score: 0.6 – 1.1</li> <li>• <b>VERY LOW</b> Score: 0.0 – 0.5</li> </ul>
<b>SR: 0.5</b> <b>CIR: 0.3</b> <b>SB: 0.4</b> <b>CIB: 0.2</b>	$SR + CIR + SB + CIB = SFI$	$0.5 + 0.3 + 0.4 + 0.2 = 1.4$  The country would obtain a score of 1.4 points, placing it at a <b>"LOW MEDIUM"</b>	

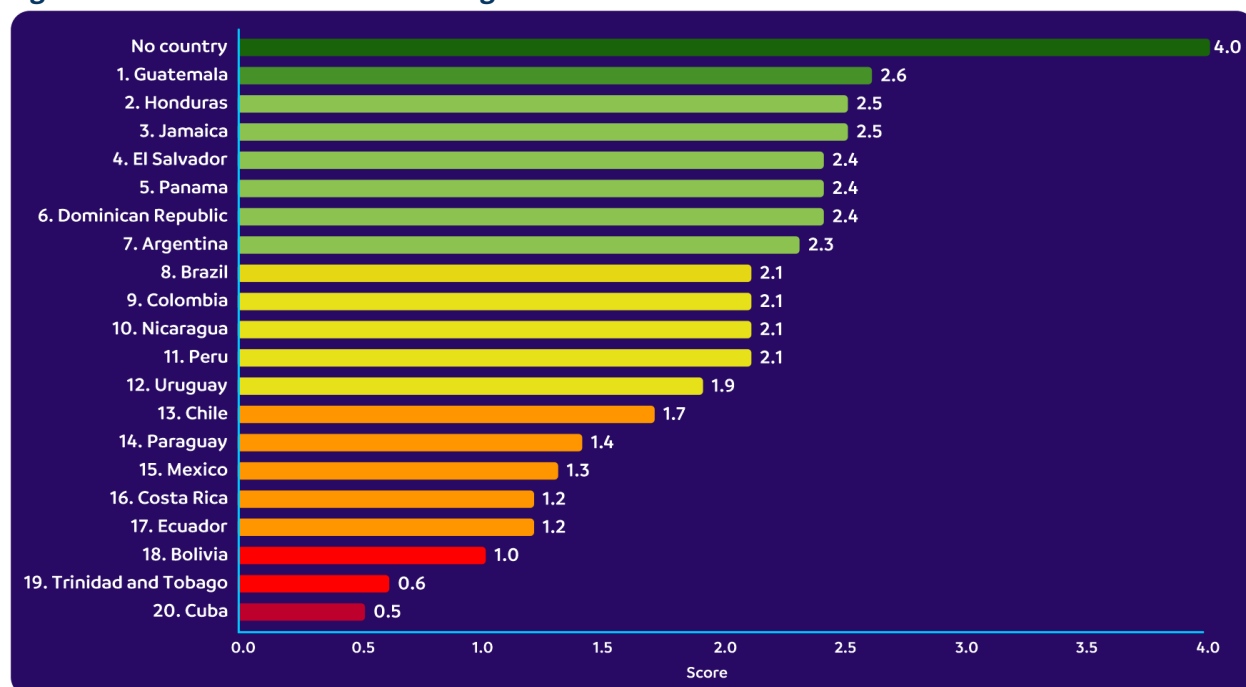




## Results of the Sustainable Finance Index 2024

### Sustainable Finance Index

Figure 1. Sustainable Finance Ranking 2024



Source: GFLAC staff calculations with data from various fiscal documents of the 20 study countries in 2023.

The **Sustainable Finance Index 2024** reveals a worrying scenario for Latin America and the Caribbean: none of the top 20 greenhouse gas-emitting countries in the region achieved a **"VERY HIGH"** or **"HIGH"** category in sustainable finance. This result highlights the persistent gap between financial flows from sustainable activities and those generated by carbon-intensive industries. This situation underscores the urgency of directing investments toward more sustainable economic models to accelerate the transition to a low-carbon economy and address the challenges of climate change.

**Guatemala, with a score of 2.6 out of a maximum of 4.0 points, leads the region's ranking at the "HIGH MEDIUM" category.**

This ranking is due to its efforts to reduce dependence on income from high environmental impact activities and increase budget allocations for initiatives related to climate change mitigation, adaptation, and biodiversity conservation.

**Other countries that reached the "HIGH MEDIUM" category of sustainable finance include Honduras and Jamaica with a score of 2.5 points; El Salvador, Panama, and the Dominican Republic with 2.4 points; and Argentina with 2.3 points.**

Argentina, in particular, showed significant progress compared to the previous edition due to the inclusion of information related to biodiversity financing. However, although these countries show progress toward greater financial

sustainability, they still face important challenges, such as diversifying their economies, reducing dependence on extractive industries and fossil fuels, and improving resource allocation toward low environmental impact activities.

Countries in the **"MEDIUM"** category of sustainable finance include Brazil, Colombia, Nicaragua, and Panama, all with a score of 2.1 points, followed by Uruguay with 1.9 points. Although these countries have made some progress, it remains limited and insufficient to meet the necessary investment needs in critical sectors such as the transition to renewable energy, biodiversity conservation, and climate change adaptation. This lack of resources compromises their ability to achieve global climate goals. Additionally, these countries often face structural barriers, including economies dependent on extractive or carbon-intensive activities, limited institutional capacities, and weak regulatory frameworks to incentivize the transition to more sustainable economic models.

In the **"MEDIUM LOW"** category of sustainable finance, Chile is located with 1.7 points, followed by Paraguay with 1.4 points, Mexico with 1.3 points, and Costa Rica and Ecuador with 1.2 points. These countries reflect limited progress and significant deficiencies in resource allocation to sustainable sectors, compromising their ability to effectively address climate and environmental challenges. In Mexico's case, although it achieved a slight improvement over the previous edition, its ranking reflects a strong dependence on carbon-intensive activities, such as oil and gas extraction. This is further exacerbated by insufficient budget allocations for financing the energy transition and environmental protection. Mexico has a vital role to play in leading the transition to clean energy. However, its current policies have prioritized investments in fossil fuels, delaying the development of renewable energy projects and sustainable technologies.

**On the other hand, countries such as Bolivia, with 1.0 points, and Trinidad and Tobago, with 0.6 points, are in the "LOW" category of sustainable finance due to their high dependence on fossil fuel-related activities and limited investment in climate initiatives. Cuba ranks last in the index, with a score of 0.5 points, placing it in the "VERY LOW" category.**

The performance of Bolivia and Trinidad and Tobago reflect economies deeply tied to extractive industries and high carbon intensity. In the case of Trinidad and Tobago, its historical dependence on natural gas and oil production makes it one of the highest per capita greenhouse gas-emitting countries in the region. Bolivia, on the other hand, has a limited economic structure, relying heavily on natural gas exports as its main source of income. Both countries face serious challenges to diversifying their economies and investing in sustainable sectors that contribute to an effective energy transition.

Cuba, for its part, faces not only economic and structural constraints but also a marked lack of transparency and data on key variables, such as revenues and budgets related to carbon-intensive activities. This lack of transparency affects its index score and limits its ability to attract international financing. If the availability and quality of information are not improved, Cuba risks being excluded from future editions of the index.

Overall, the results of the Sustainable Finance Index 2024 reveal an inescapable reality: Latin America and the Caribbean are lagging behind in the transition to sustainable financial models. None of the countries in the region reached the **"VERY HIGH"** or **"HIGH"** category of sustainable finance, demonstrating a strong dependence on economic activities with high environmental impact, such as intensive mining and fossil fuel exploitation and commercialization. This situation not only exacerbates the global climate crisis but also exposes the region to significant

economic, social, and environmental stability risks.

Despite some individual progress, the overall picture indicates that efforts made so far are insufficient to address the magnitude of the climate challenges. The persistent gap between revenues generated by sustainable activities and those from carbon-intensive industries highlights the need for a structural transformation in the region's economies. This shift requires a strategic reorientation of financial flows towards sectors with low environmental impact and high sustainable development potential.

The index also reveals shortcomings in climate and financial governance. Many countries in the region lack robust policies and effective mechanisms to attract and channel resources to sustainable projects. Furthermore, the lack of transparency in resource management and the absence of reliable information in some cases limit the ability to plan and implement effective transition strategies. In this context, the SFI 2024 should serve as an urgent call to action for governments, the private sector, and the international community.





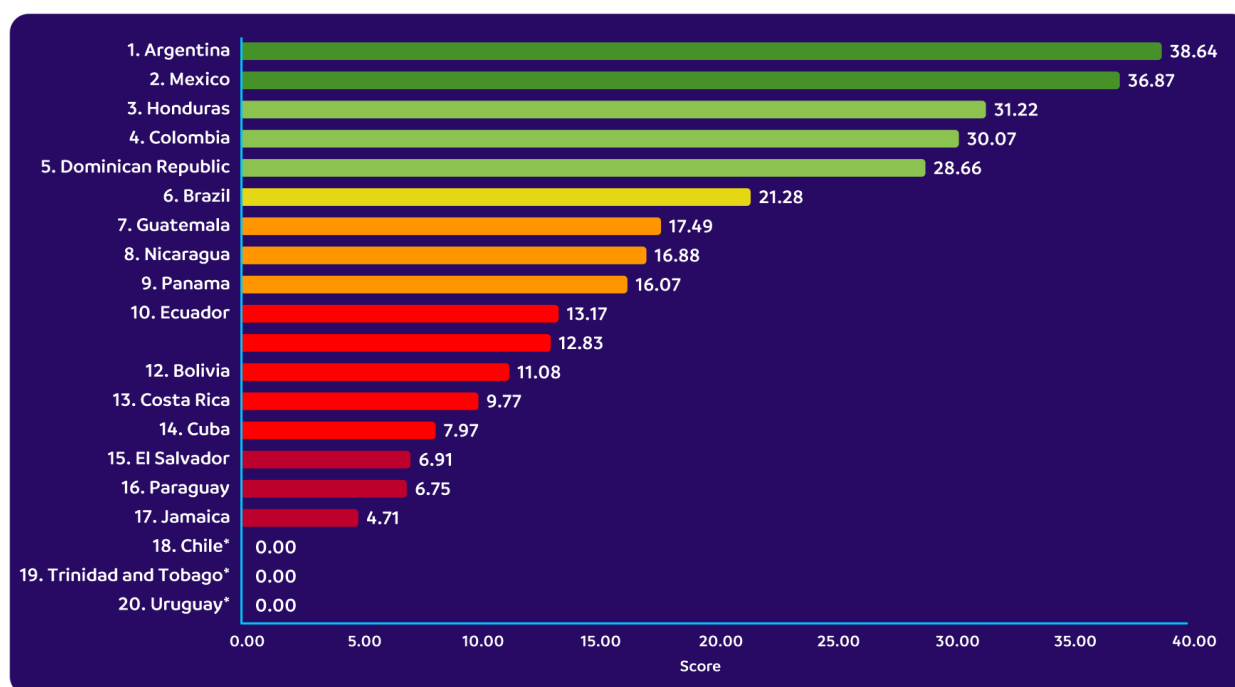


## Sustainable Revenues

**The Sustainable Revenues (SR)** variable systematizes the income obtained from development financing from bilateral and multilateral sources, as well as other official flows earmarked for biodiversity and climate change. The calculation of this variable is based on the percentage of total development financing allocated to biodiversity and climate change.

The data used comes from the Organization for Economic Cooperation and Development (OECD) and is compiled in the Aid Atlas platform, with the most recent available data updated to 2021. It is important to note that Chile, Trinidad and Tobago, and Uruguay are not listed as recipients of this type of financing, so no data is available for these countries.

**Figure 2. Ranking of Sustainable Revenues 2024 (% of total) data to 2021**



(\*) No data

**Source: GFLAC staff calculations with OECD consulted information in Aid Atlas in 2024 with data to 2021.**

**The results show that Argentina and Mexico stand out as the main recipients of biodiversity and climate change funding in the region, placing them in the "HIGH" category for sustainable revenues. Argentina received a total of \$2.0 billion for biodiversity and climate change, representing 38.64% of its total development funding**

However, more than 95% of these resources, equivalent to \$1.9 billion, came from loans,

indicating a high dependence on credit mechanisms. This reliance poses significant risks to the country's fiscal sustainability, as increased indebtedness could limit its capacity to implement long-term climate and conservation policies. Similarly, Mexico registered \$2.3 billion in sustainable financing, representing 36.87% of its total developing funding. This allocation highlights Mexico's strategic role in global biodiversity and climate change agendas, given its rich biodiversity and vulnerability to climate

impacts. However, like Argentina, Mexico faces significant challenges in effectively implementing these resources, particularly in ensuring a lasting and substantial impact on climate conservation and mitigation.



In the **"MEDIUM HIGH"** category of sustainable revenues are Honduras (31.22%), Colombia (30.07%), and the Dominican Republic (28.66%). These countries have successfully allocated a significant portion of their total development financing to biodiversity and climate change. Brazil, with 21.28%, is categorized as **"MEDIUM"**, a noteworthy position considering the size of its economy and the global significance of its ecosystems, such as the Amazon. However, its proportion remains relatively low given its regional importance, raising concerns about the effectiveness of its strategy to mobilize international resources for sustainability. This could hinder its ability to implement projects that meet the rigorous standards required by international funders.

In the **"MEDIUM LOW"** category are Guatemala (17.49%), Nicaragua (16.88%), and Panama (16.07%). Despite facing structural and financial constraints, Guatemala stands out positively as 29.91% of its financing, equivalent to \$55 million, came from grants. This form of non-reimbursable funding significantly reduces the risks associated with indebtedness and provides greater flexibility to implement sustainable projects without compromising long-term fiscal stability.

Countries in the **"LOW"** category of sustainable revenues include Ecuador (13.17%), Peru (12.83%), Bolivia (11.08%), Costa Rica (9.77%), and Cuba (7.97%). Cuba's case is particularly relevant, as 100% of its sustainable financing came from grants, totaling \$27 million. This exclusively grant-based approach contrasts with other countries in the region, which rely heavily on loans to finance their climate and biodiversity projects. While this could be an advantage in avoiding debt, the limited amount of available resources suggests a low capacity to implement large-scale projects.

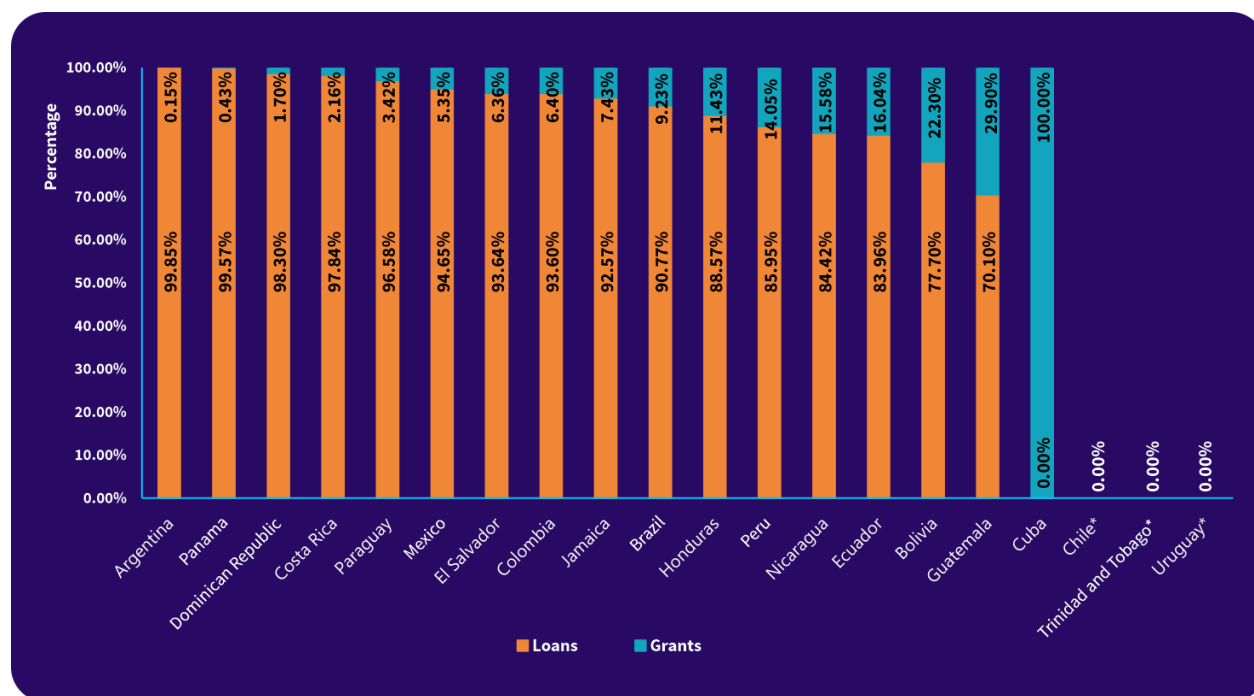
**In the "VERY LOW" category are El Salvador (6.91%), Paraguay (6.75%), and Jamaica (4.71%).**

These countries face significant challenges in mobilizing sustainable financing. Their low percentages may be linked to structural constraints in their economies and institutional limitations in assessing international funds. Key obstacles include inadequate regulatory frameworks, lack of transparency in resource management, and deficiencies in strategic planning for sustainable projects, which undermine the confidence of financiers. international

**Furthermore, the analysis of this variable reveals a concerning trend: 92.6% of funding for biodiversity and climate change in the region is provided in the form of loans, while only 7.4% is distributed as grants.**

This reliance on debt imposes a significant financial burden on recipient countries, limiting their ability to invest in other critical development sectors. As shown in the following graph, countries such as Argentina, Costa Rica, Panama, Paraguay, and the Dominican Republic rely on loans for more than 95% of their environmental efforts.

**Figure 3. Biodiversity and climate change funding flow classified by loans and grants in percentage by 2021**



(\*) No data

**Source: GFLAC staff calculations with OECD consulted in Aid Atlas in 2024 with data to 2021.**

While loans are a valid tool, an overreliance on them in a region with high levels of inequality and climate vulnerability is unsustainable. A fundamental shift is needed to alleviate this financial burden, particularly by increasing subsidies, especially given the structural vulnerabilities many economies in the region face.

However, the increase in subsidies should not be viewed merely as a numerical solution but rather as an opportunity to optimize resource allocation. It is crucial that funds earmarked for biodiversity protection and climate change mitigation are directed toward projects with real, measurable

impacts. Ensuring the effectiveness of these investments is essential; otherwise, even a higher volume of resources may fail to deliver the expected results.

To advance towards a more sustainable and resilient future, it is not enough to increase available financing, it must also be distributed fairly and equitably among the most vulnerable countries, without perpetuating structural dependencies. This requires the international community to assume shared responsibility in designing more inclusive financial mechanisms that promote sustainable economic development without compromising the fiscal stability of the region's countries.

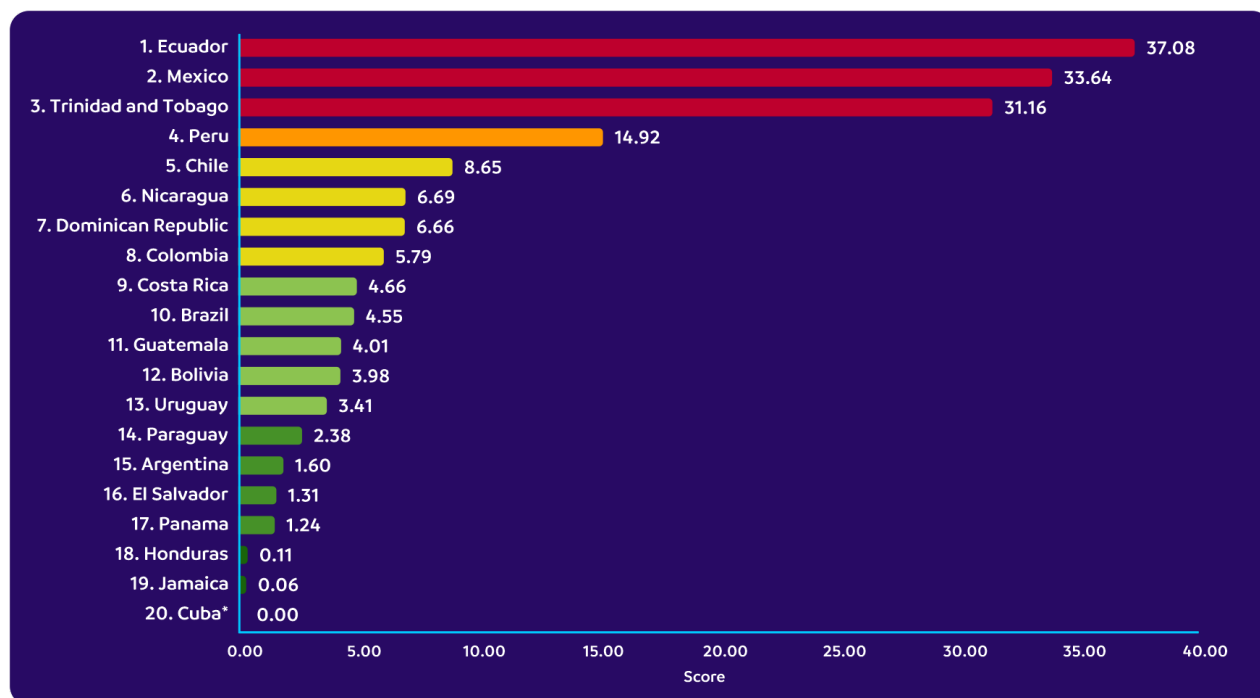


## Carbon Intensive Revenues

**The Carbon Intensive Revenues (CIR)** variable measures the amount of resources generated from tax and non-tax schemes applicable to the commercialization and export of fossil fuels, as well as revenues associated with the export and production of hydrocarbons and minerals. The calculation of this variable is based on the percentage these revenues represent in relation to the total revenues collected in the countries under study in 2023.

For this edition, public data obtained from national reports and official documents were used. It is important to note that, due to restrictions in the availability of disaggregated data, it was not possible to include information for Cuba. This reflects a common limitation in the analysis of this variable in the region, where transparency and access to detailed data can vary significantly between countries.

**Figure 4. Ranking of Carbon Intensive Revenues 2024 (% of total) data to 2023**



(\*) No data

**Source: GFLAC staff calculations with various fiscal documents of the 20 study countries in 2023.**

The results reveal that Ecuador, Mexico, and Trinidad and Tobago stand out as the economies most dependent on carbon-intensive revenues, ranking at the **"VERY HIGH"** category of carbon-intense income.. Ecuador generated \$16.1 billion, representing 37.08% of its total income. Mexico registered \$133.3 billion, equivalent to

**33.64% of its total income. Trinidad and Tobago obtained \$2.8 billion, accounting for 31.15% of its total income.**

This high dependence on fossil fuel revenues poses significant challenges for the implementation of energy transition policies. Despite global commitments to decarbonization, these countries face significant pressures to

maintain investment in the fossil fuel industry, which could hinder efforts to adopt cleaner and more sustainable energy sources.

Peru follows with 14.92% of its total income coming from carbon-intensive activities. Mining, particularly of metals such as copper and gold, is a key component of its economy and is directly linked to global carbon emissions. Consequently, Peru ranks in the **"HIGH MEDIUM"** category.



In the **"MEDIUM"** category are Chile (8.65%), Nicaragua (6.69%), Dominican Republic (6.66%), and Colombia (5.79%). These countries maintain a moderate dependence on carbon-intensive activities, although their economies are more diversified compared to those more reliant on fossil fuels or mining. However, they still face major challenges in reducing their exposure to emission sources, particularly in strategic sectors such as mining in Chile, which is one of the region's largest copper producers, and the hydrocarbon sector in Colombia and the Dominican Republic.

In the **"LOW MEDIUM"** category are Costa Rica (4.66%), Brazil (4.55%), Guatemala (4.01%), Bolivia (3.98%), and Uruguay (3.41%), presenting a lower proportion of revenues linked to carbon-intensive activities. Although their dependence on these sources is relatively low, these countries still face the challenge of gradually reducing their carbon footprint while promoting a sustainable economy. To achieve this, they must strengthen public policies that encourage investment in clean energy and support economic diversification towards less carbon-intensive sectors.

In the **"LOW"** category are Paraguay (2.38%), Argentina (1.60%), El Salvador (1.31%), and Panama (1.24%), indicating a low dependence on carbon-intensive activities.

**On the other hand, Honduras (0.11%) and Jamaica (0.06%) are at the "VERY LOW" category, being the least dependent on fossil fuel activities in the region.**

This scenario presents an opportunity for these countries, as they could be pioneers in the adoption of renewable energies and the development of low-carbon strategies. However, this potential must be supported by proactive policies, incentives for climate investment, and institutional strengthening to facilitate access to clean technologies. Additionally, these countries should leverage their dependence to build a more sustainable and climate-resilient economic infrastructure.

Overall, these results show that most Latin American and Caribbean countries are economically dependent on carbon-intensive activities. This dependence not only hinders progress towards sustainable economies but also poses a significant obstacle to meeting international climate change mitigation commitments, such as those established in the Paris Agreement. Therefore, the urgent implementation of comprehensive strategies to decrease this dependence is fundamental. These strategies should focus on economic diversification, promoting sectors that reduce the vulnerability of economies to fossil fuel and mineral markets. Likewise, transitioning to low-carbon economies requires a redesign of taxation schemes, introducing environmental taxes that discourage harmful practices and promote sustainable alternatives.





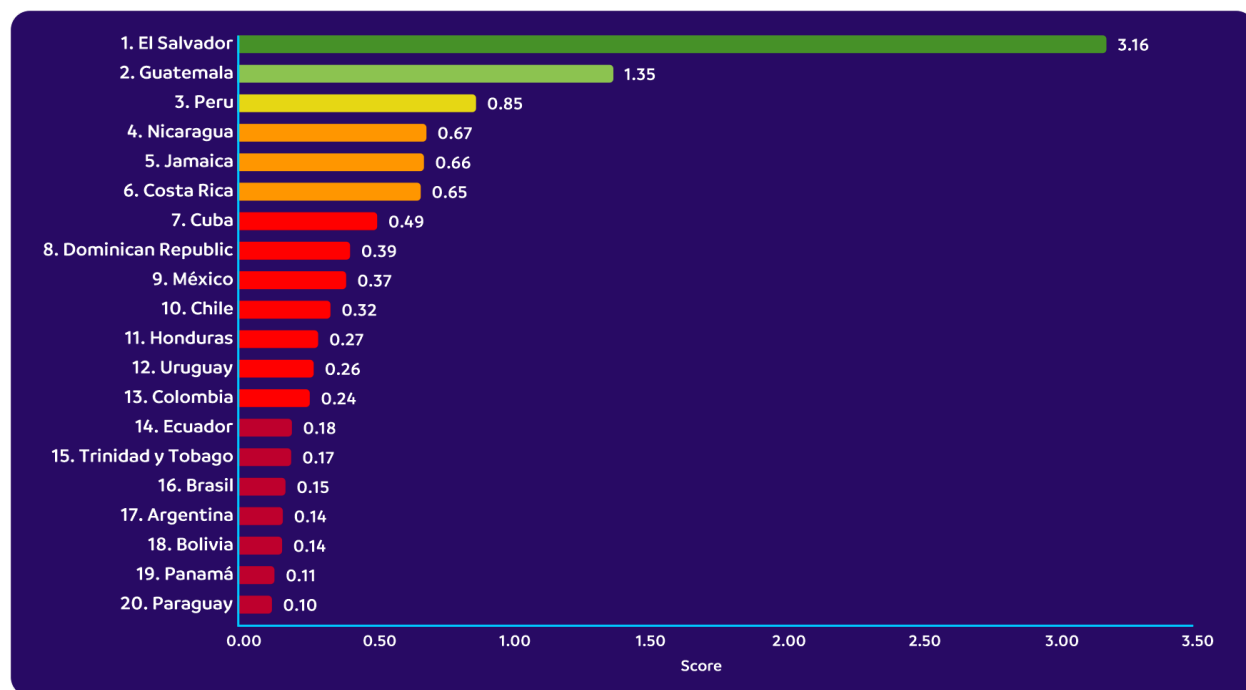
## Sustainable Budgets

**The Sustainable Budgets (SB)** variable analyzes the public budget that governments allocate to key sectors related to environmental and climate sustainability. This analysis includes resources allocated specifically to biodiversity, climate change, and forest management within the environmental sector, energy efficiency, and renewable energy in the energy sector, and natural disaster response. For this edition, the analysis was based on official and public data from each of the 20 countries studied. The calculation of this variable considers the percentage that these budgetary items represent

in relation to the total budget allocated in 2023, providing a clear perspective of economic priorities in the area of sustainability.

It is important to note that, although some countries may be allocating more resources to these sectors, the lack of clear and detailed labeling of budgets can make it difficult to identify the precise amounts allocated. To avoid overestimating this variable, only those resources explicitly labeled as earmarked for environmental or climate sustainability activities are counted.

**Figure 5. Ranking of Sustainable Budgets 2024 (% of total) data to 2023**

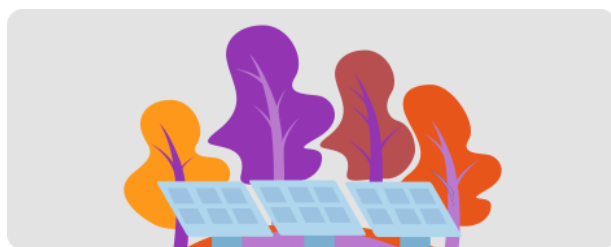


Source: GFLAC staff calculations with various fiscal documents of the 20 study countries in 2023.

The results highlight El Salvador as the best-positioned country, with an allocation of \$291 million, representing 3.16% of its total budget. This percentage places it at the **"HIGH"** category, making it the only country

that significantly exceeds the regional average and demonstrating a notable commitment to integrating sustainability into its budget planning.

Guatemala, with an allocation of \$199 million, equivalent to 1.35% of its total budget, is positioned in the **"HIGH MEDIUM"** category of sustainable budgets. However, no other country has allocated more than 1.0% of its budget to areas related to biodiversity, climate change, energy efficiency, renewable energies, and natural disasters. This overall picture reveals a limited prioritization of environmental and climate sustainability within national budgets. Therefore, it is necessary for the countries of the region to redefine their budget priorities, fulfill their international commitments on environmental and climate issues, and transition toward more resilient and sustainable economic models.



Peru falls into the **"MEDIUM"** category of sustainable budgets, with an allocation of \$488 million, representing 0.85% of its total budget. Although this figure is above the regional average, it remains insufficient to comprehensively address the major climate and environmental challenges facing the country. The high incidence of natural disasters, such as floods and droughts, calls for more robust budget planning that prioritizes climate resilience and natural resource conservation.

In the **"LOW MEDIUM"** category are Nicaragua (0.67%), Jamaica (0.66%), and Costa Rica (0.65%). These allocations are notably insufficient to meet the specific climate challenges of each country. In the case of Nicaragua, one of the most vulnerable countries to extreme climate events in Central America, resources are needed to improve resilient infrastructure and strengthen the adaptive capacity of communities. However, the low budget allocation indicates a lack of

prioritization of these critical challenges, leaving the country exposed to devastating impacts, particularly affecting the most vulnerable communities.

Jamaica, as a Caribbean island, faces major risks related to sea level rise, coastal ecosystem degradation, and loss of marine biodiversity. Despite these challenges, the lack of allocated resources limits efforts to protect its ecosystems. This low level of investment not only restricts the implementation of climate change mitigation and adaptation policies but also delays progress toward a sustainable energy transition and the consolidation of low-carbon economies.

In the **"LOW"** category of sustainable budgets are Cuba (0.49%), the Dominican Republic (0.39%), Mexico (0.37%), Chile (0.32%), Honduras (0.27%), Uruguay (0.26%), and Colombia (0.24%). These countries exhibit a significant gap between their economic capacities, climate commitments, and actual needs for addressing climate change. These figures reflect limited budget allocation that are not aligned with the climate challenges and capacities of these nations. In the case of Mexico, the country's heavy reliance on carbon-intensive sectors, such as hydrocarbons, hinders the redistribution of resources toward sustainable sectors and delays progress toward an energy transition.

**In the "VERY LOW" category of sustainable budgets are Ecuador (0.18%), Trinidad and Tobago (0.17%), Brazil (0.15%), Argentina and Bolivia (0.14%), Panama (0.11%), and Paraguay (0.10%). These countries allocate less than 0.20% of their national budgets to sustainable activities, reflecting an alarming disconnect between budgetary priorities and the critical environmental challenges they face, particularly in a context of high climate vulnerability and ecological wealth.**

Ecuador and Bolivia are highly vulnerable to extreme climate events that impact both their economies and populations. However, the limited

allocation of resources to sustainable activities undermines their ability to implement effective adaptation and mitigation policies. Brazil, home to the Amazon, the world's largest and most strategic ecosystem, faces a contradiction between its fundamental role in global climate stability and underinvestment in sustainability. Accelerated deforestation and pressure to expand extractive activities not only threaten biodiversity but also jeopardize international emission reduction commitments. Therefore, it is critical that these countries re-evaluate their budget priorities and adopt strategies that drive investment in sustainability.

In summary, these results reveal a concerning reality: Most countries in Latin America and the Caribbean allocate only a minimal fraction of their national budgets to critical sectors such as biodiversity conservation, climate change mitigation, renewable energy transition, and natural disaster management. These sectors are not only essential for addressing the growing climate crisis but also to ensure the long-term resilience and sustainability of their economies.

**While countries like El Salvador and Guatemala have allocated relatively higher percentages within the regional context, their efforts are insufficient given the scale and urgency of climate and environmental challenges. Most nations continue to lag behind, allocating less**

**than 1% of their national budgets to sustainable activities. This level of investment is concerning, as it not only limits their capacity to respond to climate change impacts but also compromises socioeconomic development and increases the vulnerability of their communities.**

To reverse this trend, governments must adopt a transformative approach that combines a substantial increase in resource allocation with comprehensive and coordinated strategies. It is essential to prioritize key areas such as climate change mitigation, renewable energy, and the conservation of critical ecosystems. Additionally, clear and effective budget labeling systems must be implemented to track resources allocated to sustainable initiatives, improving transparency, accountability, and monitoring the impact of investments.

The transition to green and resilient economies depends not only on the volume of resources allocated but also on the quality and effectiveness. It requires a commitment from governments to redefine their strategies, integrating sustainability as a central and cross-cutting axis in their public policies. In this context, immediate and decisive action will be key to meeting climate challenges, fulfilling international commitments, and guaranteeing a sustainable future for the region.



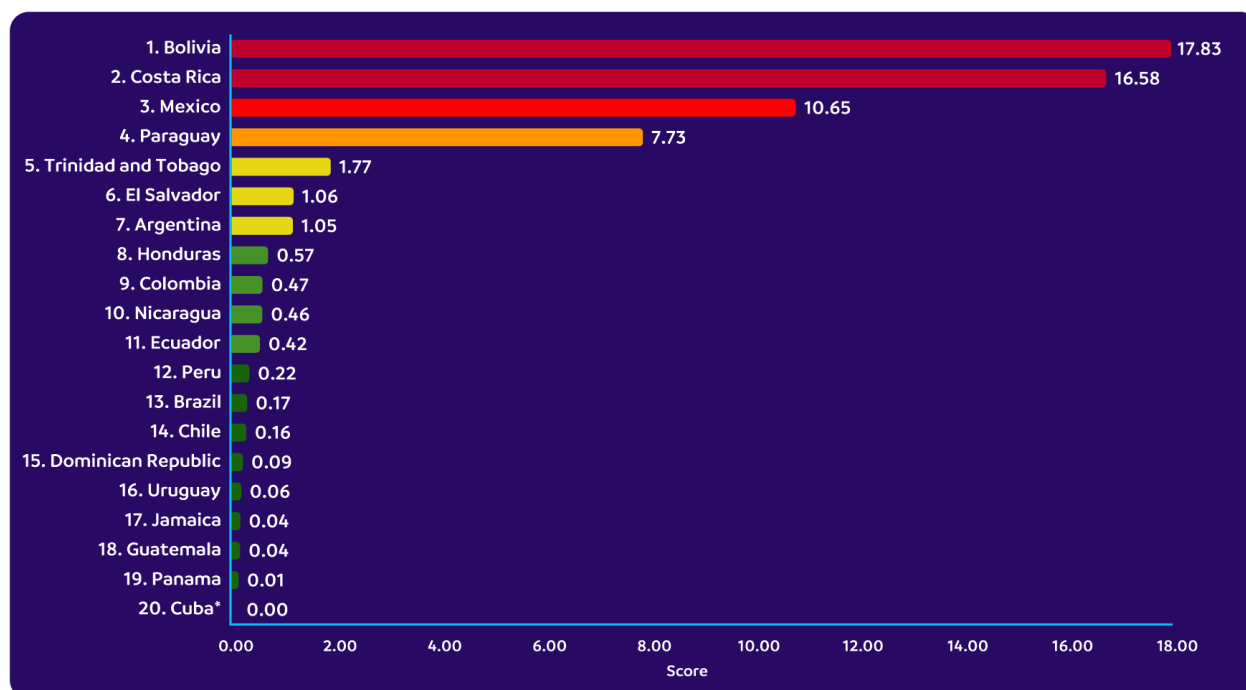


## Carbon Intensive Budgets

The **Carbon Intensive Budgets (CIB)** variable analyzes the budget allocated to activities such as hydrocarbon exploitation, including exploration and extraction, petrochemical refining, and transportation, among other activities within the energy sector. It also includes information on the budget allocated to state-owned oil and gas companies in countries with such companies with

such entities. For this edition, the analysis was based on public and official data for each country for the year 2023. The calculation of the variable is based on the percentage that these items represent within each country's total budget. However, in the case of Cuba, disaggregated information on these activities was not obtained due to data availability limitations.

**Figure 6. Ranking of Carbon Intensive Budgets 2024 (% of total) data to 2023**



(\*) No data

Source: GFLAC staff calculations with various fiscal documents of the 20 study countries in 2023.

The results indicate that Bolivia and Costa Rica are the countries with the highest proportion of their national budget allocated to activities related to hydrocarbon exploitation and production, placing them in the **"VERY HIGH"** category of carbon-intensive budgets. Bolivia allocated \$8.1 billion to this sector, representing 17.82% of its total budget, a figure that reflects its strong economic dependence on hydrocarbon exploitation.

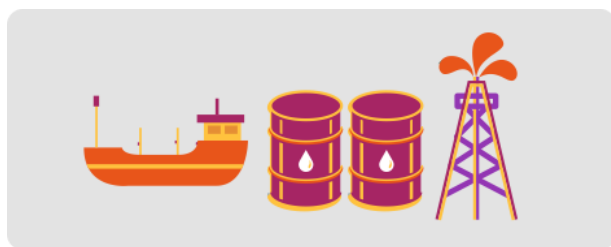
This budgetary approach underscores the contradiction between the need to diversify its economy and its persistent investment in sectors with high levels of greenhouse gas emissions.

Costa Rica, for its part, allocated \$3.7 billion, equivalent to 16.57% of its total budget, primarily to the Costa Rican Petroleum Refinery (RECOPE)

This allocation highlights the country's need to maintain infrastructure linked to fossil fuel

consumption, which contrasts with decarbonization and sustainable development efforts.

The high allocation of resources to carbon-intensive sectors in both countries not only limits their capacity to finance the transition to more sustainable energy models but also increases their vulnerability to fluctuations in the global energy market and the impacts of climate change. In Bolivia, this strategy reflects the lack of a diversified approach that prioritizes sectors with sustainable growth potential. In Costa Rica, the investment in RECOPE raises questions about how the country will progress on its climate commitments without a structural shift in budgetary priorities.



In the **"HIGH"** category of carbon-intensive budgets is Mexico, which allocated 10.65% of its total budget to activities related to the oil industry, revealing a marked dependence on this sector. A significant part of these resources were allocated to Petróleos Mexicanos (PEMEX), focusing on hydrocarbon exploration, extraction, and refinancing projects. This prioritization not only calls into question Mexico's ability to meet its international climate commitments but also contrasts with its enormous potential in renewable energies, such as solar and wind. The current allocation perpetuates a fossil fuel-based development model, delaying the transition to a low-carbon, climate-resilient economy.

Paraguay falls into the **"HIGH MEDIUM"** category, with 7.33% of its budget dedicated to carbon-intensive activities. Although the proportion is lower than Mexico's, this allocation goes to fossil fuel-related activities, limiting the

country's ability to move toward sustainability and energy diversification strategies.

In the **"MEDIUM"** category, countries such as Trinidad and Tobago (1.77%), El Salvador (1.06%), and Argentina (1.05%) show a lower proportion of allocations to carbon-intensive activities. This difference could reflect both a prioritization of other strategic sectors in their national budgets and fiscal constraints that limit financing for large hydrocarbon projects. However, this level of allocation also presents opportunities for these countries to redirect resources toward more sustainable initiatives, such as energy transition and strengthening low-emission sectors.

The **"LOW"** category of carbon-intensive budgets includes Honduras (0.57%), Colombia (0.47%), Nicaragua (0.46%), and Ecuador (0.42%). These results suggest a lower direct allocation to sectors such as hydrocarbons and mining, which could be a positive indicator in the transition to less carbon-dependent economies. This trend, in principle, offers an opportunity for these countries to prioritize investments in sustainable sectors, such as renewable energy and environmental conservation. However, the low share of budget allocation could, in many cases, be influenced by fiscal constraints that limit investment capacity in energy infrastructure projects.

In the **"VERY LOW"** category of carbon-intensive budgets are Peru (0.22%), Brazil (0.17%), Chile (0.16%), the Dominican Republic (0.09%), Uruguay (0.06%), Jamaica and Guatemala (0.04%), and Panama (0.01%).

These percentages show minimal allocations to activities related to hydrocarbons and mining, which, in principle, could be interpreted as an opportunity to move towards more sustainable economies. However, this level of investment also raises questions about the real sources of emissions and government strategies to address environmental challenges.



In the case of Brazil and Chile, despite their low direct allocation percentages, their economies are significantly linked to sectors with high environmental impact. This discrepancy suggests that their reliance on carbon-intensive activities may be more associated with fiscal incentives, indirect subsidies, and sectoral policies that are not necessarily reflected explicitly in national budgets. These situations highlight the need to understand not only direct budget allocations but also the regulatory frameworks and economic incentives that perpetuate carbon emissions.

In summary, this analysis demonstrates the urgency of reorienting national budgets towards sustainable activities, marking a fundamental step in addressing climate change challenges and promoting resilient economic development. The

persistent allocation of resources to carbon-intensive sectors hinders not only the mitigation of greenhouse gas emissions but also the transition to diversified economies that are less dependent on fossil fuels.

Reorienting the budget towards clean and sustainable alternatives is not just an environmental issue but an integral strategy to ensure long-term economic stability and security. By adopting fiscal and budgetary policies that prioritize investment in renewable energy and environmental conservation, the countries of the region will be less dependent on carbon-intensive activities, more resilient to global crises, and prepared to transition toward a more just and sustainable model.

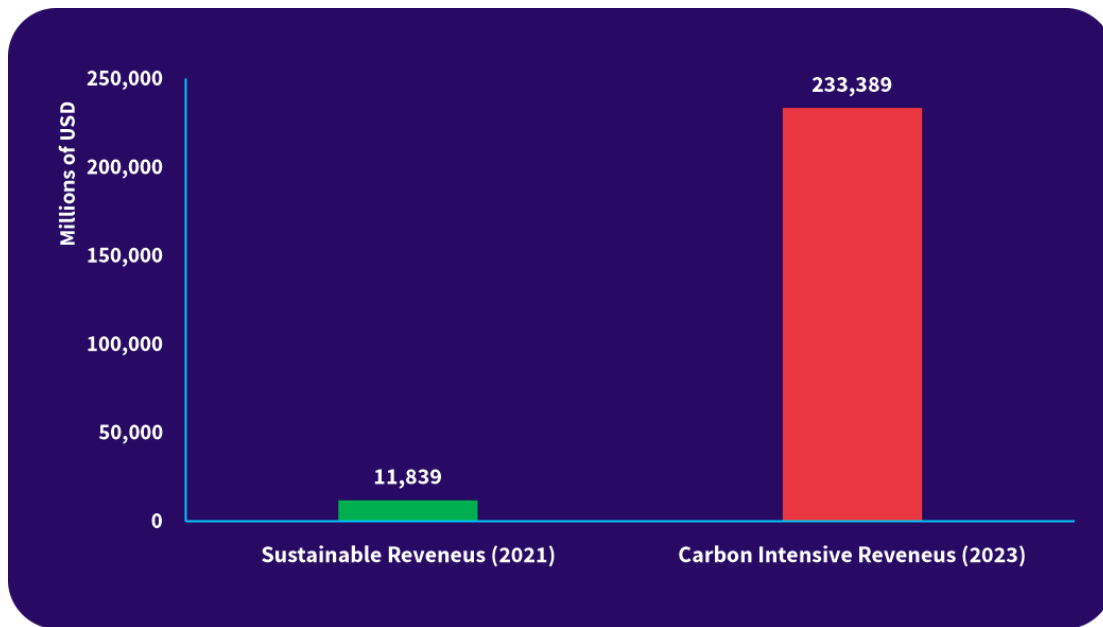


## Sustainable Revenues versus Carbon Intensive Revenues

A comparative analysis between Sustainable Revenues (2021 data) and Carbon-Intensive Revenues (2023 data) reveals a concerning disparity in the economic priorities of Latin American and Caribbean governments. This contrast reflects limited progress in aligning financial flows with global sustainability and climate change mitigation goals.

**The data are compelling: In the 20 countries analyzed, revenues from carbon-emitting activities far exceeded the resources allocated to biodiversity protection and climate change mitigation. While funds allocated for sustainable initiatives amounted to only \$11.839 billion, carbon-intensive activities generated \$233.389 billion, representing 19 times more revenues.**

**Figure 7. Regional Analysis: Sustainable Revenues (2021) versus Carbon Intensive Revenues (2023)**



**Source: GFLAC staff calculations with OECD consulted data in Aid Atlas and various fiscal documents of the 20 study countries in 2023.**

This gap not only highlights the region's economic dependence on extractive and emitting activities, such as fossil fuel exploitation and mining, but also underscores the need for structural change to finance the transition to low-carbon economies.

**When analyzing climate finance alone, the gap is even more alarming: revenues from carbon-intensive activities exceed by 25 times the resources allocated to the fight against climate change, which amount to \$9.207 billion.**

These figures reveal the region's continued reliance on highly polluting sectors and demonstrate the urgent need for structural changes in economic and financing policies.

The disparity in financial flows reveals that, while revenues from carbon-intensive activities

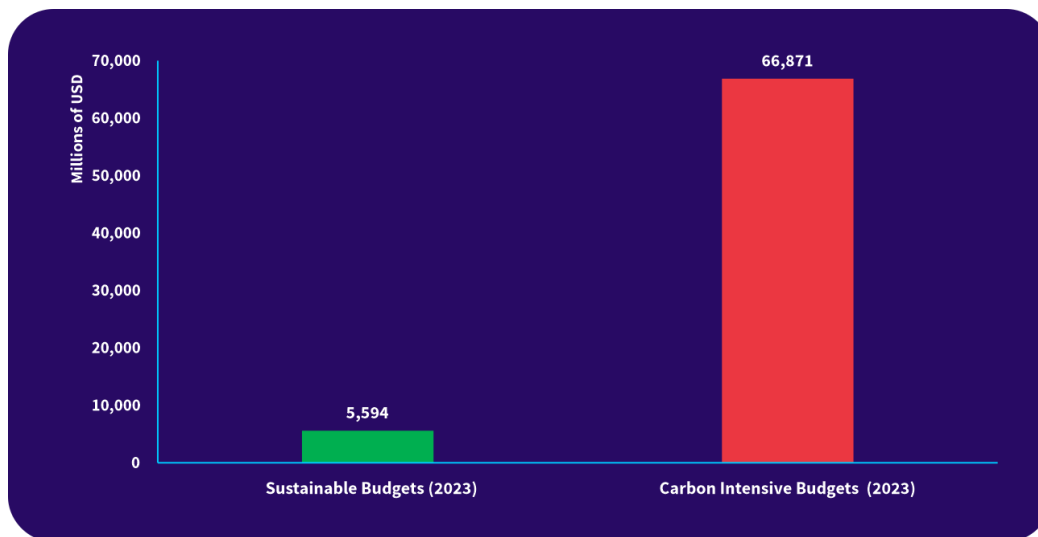
continue to dominate, resources allocated to mitigate climate change impacts remain insufficient. In a context where the climate crisis is already having devastating effects, this financial gap must be urgently addressed to ensure a sustainable and resilient future.

## Sustainable Budgets versus Carbon Intensive Budgets

The comparative analysis of sustainable budgets versus carbon-intensive budgets, using data from 2023, exposes a contradiction in the allocation of public resources in the region. This contrast not only measures the level of commitment of countries to the fight against climate change but also assesses the real priorities behind budgetary decisions.

**The data are concerning: the 20 countries analyzed allocated \$66.871 billion to carbon-intensive activities, while only \$5.594 billion went to sustainable initiatives. This implies that, on average, 12 times more resources were allocated to sectors generating high carbon emissions than to those aimed at mitigating climate change and fostering resilient economies.**

**Figure 8. Regional Analysis: Sustainable Budgets (2023) versus Carbon Intensive Budgets (2023)**



**Source: GFLAC staff calculations with various fiscal documents of the 20 study countries in 2023.**

This budget imbalance highlights the contradictions between countries' pledges to reduce their greenhouse gas emissions and the reality of their budget allocations. Despite the commitments made by many governments to transition toward low-carbon economies, the

data reveals that resources allocated to activities that intensify global warming exceed those dedicated to sustainable initiatives. Without a strategic reallocation of public resources, the goals of reducing emissions and fostering resilient economies will remain out of reach.

## Regional context: Analysis of the qualitative variables

### Biodiversity Funding (2021)



Received:  
**\$1.3 billion**  
(32.58% of global  
biodiversity funding)

**Global Total:** \$4.0 billion  
**Challenges:** Deforestation,  
habitat loss, climate change,  
limited institutional capacity  
for resource management .

### Climate Change Financing (2021)



Received:  
**\$9.6 billion**  
(16.19% of global climate  
development financing)

**Global Total:** \$59.3 billion  
**Challenges:** Limited  
resources for  
mitigation/adaptation,  
inequitable distribution,  
restricted accessibility .

### Greenhouse Gas Emissions (2021)



Regional Share:  
**8.12% of global**  
GHG emissions

**Total Emissions:** 4.1 billion  
MTCO<sub>2</sub>e  
**Global Total:** 49.5 billion  
MTCO<sub>2</sub>e  
**Concerns:** Socio-  
environmental vulnerability,  
global climate commitments.

### Regional Economy (2023)



Regional Share:  
**8.12% of global**  
GHG emissions

**Global Total:** \$105.4 billion  
**Growth Rate:** 1.4% (below  
global average of 1.8%)  
**Challenges:** Market

### Unemployment (2023)



Regional Rate:  
**6.12%**  
(higher than global average of 5.0%)

**Challenges:** Structural  
labor market issues,  
inequality, lack of inclusive  
employment policies

## Conclusions

The SFI 2024 sends a clear and urgent message: Latin American and Caribbean countries have a unique opportunity to lead the global transition to sustainability. However, achieving this goal requires profound transformations at the national level and strong international support. To this end, governments must prioritize a series of structural reforms to facilitate the transition to more sustainable economies, including: budgetary and fiscal reforms that increase the allocation of resources to clean energy, energy efficiency projects, and climate change adaptation measures; the disincentivization of environmentally harmful economic activities, such as fossil fuel exploitation, through the progressive elimination of subsidies and the introduction of carbon taxes; and expanded access to financing for sustainable projects, especially in key sectors such as biodiversity protection and renewable resources.

The success of this transition does not depend solely on local efforts. International cooperation is essential to provide resources and eliminate financial barriers that hinder progress. In this regard, financial institutions and development banks must play an active role in financing sustainable projects by offering favorable conditions for developing countries. Additionally, global climate finance commitments, such as the New Collective Quantified Goal (NCQG) established at COP 29 in Baku, should prioritize public funding in the form of grants, particularly for adaptation actions, to prevent an increase in the debt levels of countries most affected by the climate crisis.

The most pressing challenge is ensuring that the region's economic development is inclusive, resilient, and sustainable. This requires not only adapting to the effects of climate change but also leveraging the energy transition as an opportunity to reduce inequalities, create green jobs, and strengthen the region's economic and environmental security.

The SFI 2024 provides a clear roadmap: It identifies existing gaps, highlights areas requiring greater investment, and outlines how countries can prioritize sustainability in their economic agendas. At this critical juncture, political will, international cooperation, and a strategic approach are essential to ensure that the region's development is prepared to meet the challenges of the future.





**sfi24**  
Sustainable Finance  
Index 2024

[www.sustainablefinance4future.org](http://www.sustainablefinance4future.org)