



Results report for Latin America and the Caribbean, 2020

EXECUTIVE SUMMARY

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The Climate Finance Group for Latin America and the Caribbean (GFLAC) is a civil society organisation that carries out actions to increase transparency, accountability and the inclusion of human rights, gender equity and sustainability criteria in the construction of a financial architecture that allows reducing emissions that cause climate change and increasing resilience to its adverse impacts. GFLAC aims to contribute to the achievement of the objectives of the United Nations Framework Convention on Climate Change and the Sustainable Development Goals, through research, dialogue facilitation, awareness-raising, information dissemination, capacity building and strengthening of governmental and non-governmental actors, among others.



The combination of environmental, health and economic crises that the world is facing - deepening during 2020 due to the Covid-19 pandemic - makes clear the need to transform planning processes and the alignment of financial mechanisms so that countries, governments, societies and economies can prepare for these common problems that will increase in the context of climate change.

In this context, the question arises about the availability and source of the financial resources to attend to these needs. The cost of climate action has been estimated in trillions of dollars, while at the international level targets have been set, such as transferring 100 billion dollars from developed to developing countries. Not only has this target not been met according to data from the Standing Committee on Finance of the United Nations Framework Convention on Climate Change (UNFCCC, 2018) but, in light of the new demands, is insufficient.

In this regard, one of the significant advances in climate finance was the inclusion of objective 2.1.c in the UNFCCC Paris Agreement, which talks about making consistent financial flows to the low greenhouse emissions and resilient development. It invites all countries to participate in this finance alignment, based on the principles of the convention, such as the principle of common but differentiated responsibilities and respective capabilities.

Developed countries will continue to take the lead in providing financial resources, as suggested in the Paris Agreement (Article 9), but developing countries should make - to the best of their ability - an effort to align their financial flows with the achievement of these goals.

The **Sustainable Finance Index (SFI)** has been developed to support countries to identify gaps, challenges and opportunities for transforming public finance in developing countries. The SFI

is a tool that allows monitoring the national and international revenues and expenditures of developing countries to address the problem of climate change and the sustainable development objectives associated with it, as well as to identify those resources that could be hindering such progress, such as activities related to the production of hydrocarbons, a significant emitter of greenhouse gases in the world.

The Index is part of the campaign “**Sustainable Finance for the Future: Putting Life at the Heart of Investments**”, which aims to inform people and decision-makers about the importance of finance in transforming sectors and populations to achieve the desired levels of development, without generating negative and irreversible externalities on the environment and society. While policies and institutions accompany financial systems, the objective is to emphasise that financial flows as a mean of implementation should be aligned with a new policy of sustainability by decoupling from those activities that, having received large flows of finance in the past, have generated the problems we are facing today.

A Sustainable Finance Hub also accompanied the campaign. The hub is a space created to exchange experiences on sustainable finance and contribute to building and strengthening governmental and non-governmental bodies at national, regional and international levels, to help achieve the Paris Agreement and Agenda for Sustainable Development.

This report presents the results of the **Sustainable Finance Index (SFI)**, whose first edition was applied in the 21 countries with the highest greenhouse gas emissions in Latin America and the Caribbean, taking 2019 as the baseline year for the study, as it is the year with the most recent and complete information for all countries.



The SFI is calculated based on four variables composed of national and international public finance aspects^[1]:

1. **Sustainable Income (SI)**: integrates co-operation and disbursed finance from bilateral and multilateral sources dedicated to climate change.
2. **Carbon-intensive Income (CII)**: includes revenues from tax and non-tax revenues from hydrocarbon, minerals and fuel taxes.
3. **Sustainable budgeting (SB)**: includes budgets earmarked for climate change, energy efficiency, renewable energy and natural disasters.
4. **Carbon-intensive budgeting (CIB)**: includes budget allocated to hydrocarbon exploitation, including industrial processes, and the budget for state-owned enterprises where they exist.

For the Index calculation, each variable equals one point, allocated according to the percentage obtained by each country in each variable. The Sustainable Revenues and Sustainable Budgets variables, being positive aspects, are assigned a higher value (from 0 to 1). Those with better sustainable revenues and expenditures will tend towards a score of 1. In comparison, the Carbon Intensive Income and Carbon Intensive Budget variables are classified oppositely. Countries with higher carbon-intensive income and expenditure are rated from 0 to 1. Contrary to the fight

against climate change, those who spend more on these items will score towards 0. In this way, the four variables are added up to obtain their position in the final ranking.

To classify countries according to their levels of sustainable finance seven categories were used: **VERY HIGH, HIGH, MEDIUM HIGH, MEDIUM, MEDIUM LOW, LOW, and VERY LOW**, the shade of which changes depending on whether the variable is positive or negative, as seen in the description of each variable.

The Index is also accompanied by social, environmental, economic and financial indicators that put the countries of analysis into context. The Index aims to be applied in regional contexts to compare sustainable finance levels in the countries analysed.

- ✳ The policy indicators analysed were: 1) status of Nationally Determined Contributions (NDCs), including their targets and types of targets; 2) institutional arrangements (multi-sectoral); 3) legal frameworks (Climate Change laws) and 4) levels of budget transparency.
- ✳ The social indicators analysed were: 1) population; 2) human development; 3) unemployment; 4) multidimensional poverty; 5) mortality attributed to air pollution, and 6) gender gaps.
- ✳ The environmental indicators analysed were: 1) climate risk levels; 2) total CO₂ emissions; 3) CO₂ emissions *per capita*; 4) GHG emissions by sector; 5) energy consumption *per capita*; 6) energy consumption by fossil sources; 7) energy consumption by renewable sources, and 8) natural resource depletion levels.
- ✳ The economic indicators analysed were: 1) Gross Domestic Product (GDP); 2) Gross Domestic Product (GDP) *per capita*; 3)

[1] The selection of variables and the Sustainable Finance Index has its theoretical foundation in Guzmán, Sandra (2020), **Mainstreaming climate change into public budgets in developing countries: a mixed-methods analysis applied to Latin American and the Caribbean countries**. Department of Politics, University of York. United Kingdom



General income; 4) Income *per capita*; 5) General budget, and 6) Budget *per capita*.

- * The international finance indicators analysed were: 1) total development finance committed and disbursed; 2) total development finance dedicated to climate change disbursed; 3) bilateral cooperation for climate change; 4) total finance received by the Green Climate Fund; 5) total finance received by the Global Environment Facility; 6) total finance received by the Climate Investment Funds, and 7) total finance received by the Inter-American Development Bank (IDB).

Currently, all 21 countries analysed have submitted their Nationally Determined Contributions to the UNFCCC, and 11 of them have submitted revised contributions for 2020-2021^[2] (Argentina, Brazil, Chile, Costa Rica, Colombia, Cuba, Peru, Mexico, Nicaragua, Panama, Dominican Republic). The contributions include targets for both

mitigation and adaptation. Simultaneously, almost all contributions include unconditional targets and conditional targets except for some countries such as Brazil and Chile, which are primarily unconditional targets. The inclusion of unconditional measures suggests that governments will carry out these actions with their resources, so it is crucial to know the levels of sustainable finance to know the resources they will have available to meet these commitments.

One of the significant information gaps is related to the cost of NDCs. Some countries such as Mexico have made estimates on the costs of some measures. But only the Dominican Republic integrates full costs of NDCs for both adaptation and mitigation.

In terms of budget transparency, the country with the highest transparency of the 21 countries analysed is Mexico, followed by Brazil and Peru, while those with the lowest transparency are Venezuela, Uruguay, Panama and Cuba. The performance of the countries in the rest of the indicators are described in the general report.

[2] All NDCs submitted to the UNFCCC can be consulted on the following UNFCCC NDC Registry portal <https://www4.unfccc.int/sites/NDCStaging/Pages/All.aspx>





SFI 2020 Results

The SFI result applied to the LAC region suggests that there is no country with 4 points, which would mean that it would be a balance between what it receives and what it spends, tending towards more sustainable finances.

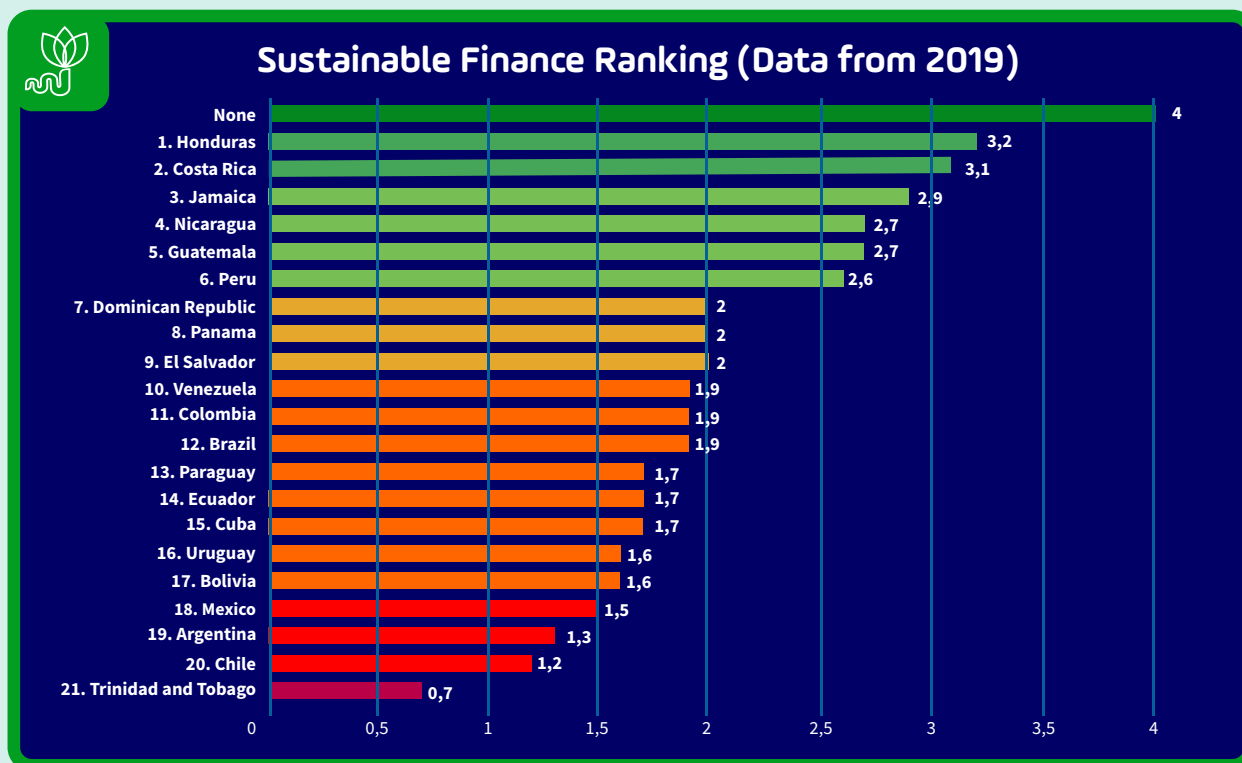
The country with the **“HIGHEST”** sustainable finances, out of the 21 countries, is Honduras (3.2 out of 4 points), followed by Costa Rica (3.1 out of 4 points). Jamaica (2.9), Nicaragua (2.7), Guatemala (2.7), and Peru (2.6) have **“MEDIUM-HIGH”** sustainable finances levels. The Domini-

can Republic (2), Panama (2) and El Salvador (2) have **“MEDIUM”** sustainable finances.

Venezuela (1.9), Colombia (1.9), Brazil (1.9), Paraguay (1.7), Ecuador (1.7), Cuba (1.7), Uruguay (1.6) and Bolivia (1.6) are in the **“MEDIUM LOW”** sustainable finance category. At the same time, Mexico (1.5), Argentina (1.3) and Chile (1.2) are in the **“LOW”** sustainable finance category.

Finally, Trinidad and Tobago (0.7) is in the **“VERY LOW”** category.

Figure 1. Sustainable Finance Ranking for Latin America and the Caribbean



Prepared by the authors for this report

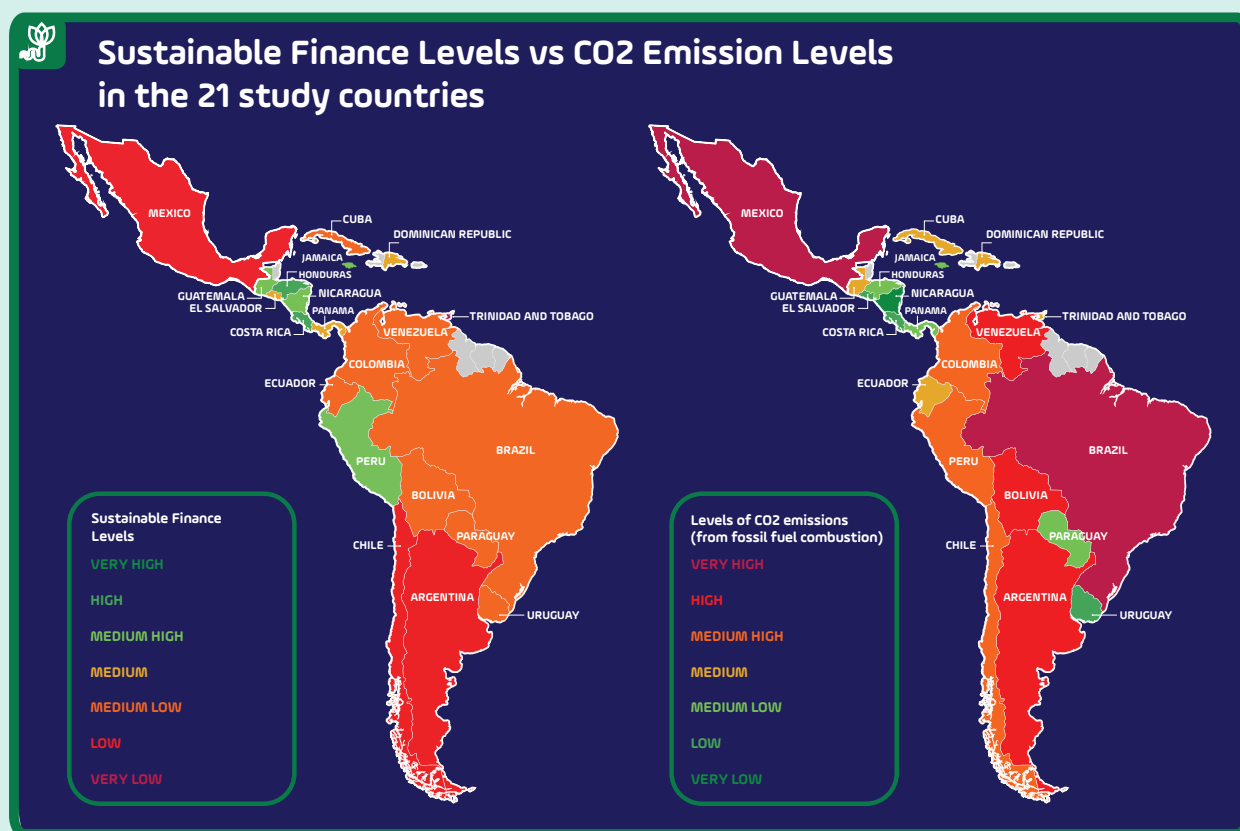


This ranking summarises sustainable finance levels in the 21 countries, as a sum of each variable performance. Some countries may perform well on some of the variables, but not on others, so their balance may not be favourable.

One trend identified is that the countries with the highest CO2 emissions from fossil fuel combustion are those with the lowest sustainable finance levels, such as Argentina, Brazil and Mexico. In contrast, those with lower CO2 emissions tend to have more sustainable finance, such as Honduras, Costa Rica and Nicaragua. Some countries maintain average levels in both dimensions, such as the Dominican Republic. However, other countries present a dissociation between both variables, as is Uruguay's case with lower emissions, but medium-low levels of sustainable finance.

One aspect to note is that this version of the Index measures national and international public finance, which in some countries may play a lesser role in the sustainability agenda, but this does not mean that there is no possibility that other sources of finance are driving the agenda, such as private finance. Therefore, countries with lower levels of sustainable public finance may have higher private sector investment levels in sustainability, which will be a topic of future attention for the Index.

The results are presented below by variable, as the analysis of the four variables provides a more detailed understanding of the trends and progress, as well as the challenges that the countries under study face about the availability of financial resources to address climate change and achieve a transition to sustainable, low-carbon and climate-resilient development.



Prepared by the authors for this report (CO2 emissions information is from IEA, 2020)

1 Sustainable Income (SI))

The first variable of the Index, **“Sustainable Income” (SI)** was calculated based on the percentage of development finance dedicated to climate change (including Official Development Assistance and other bilateral and multilateral sources) out of total disbursed finance for 2018, based on the Stockholm Environment Institute’s Aid Atlas. In other words, it is not the final amount of climate finance that is counted, but what percentage it represents out of the total finance disbursed in the year under study.

The variable’s baseline year is 2018, as it is the year with the most completed information for all integrated funding sources.

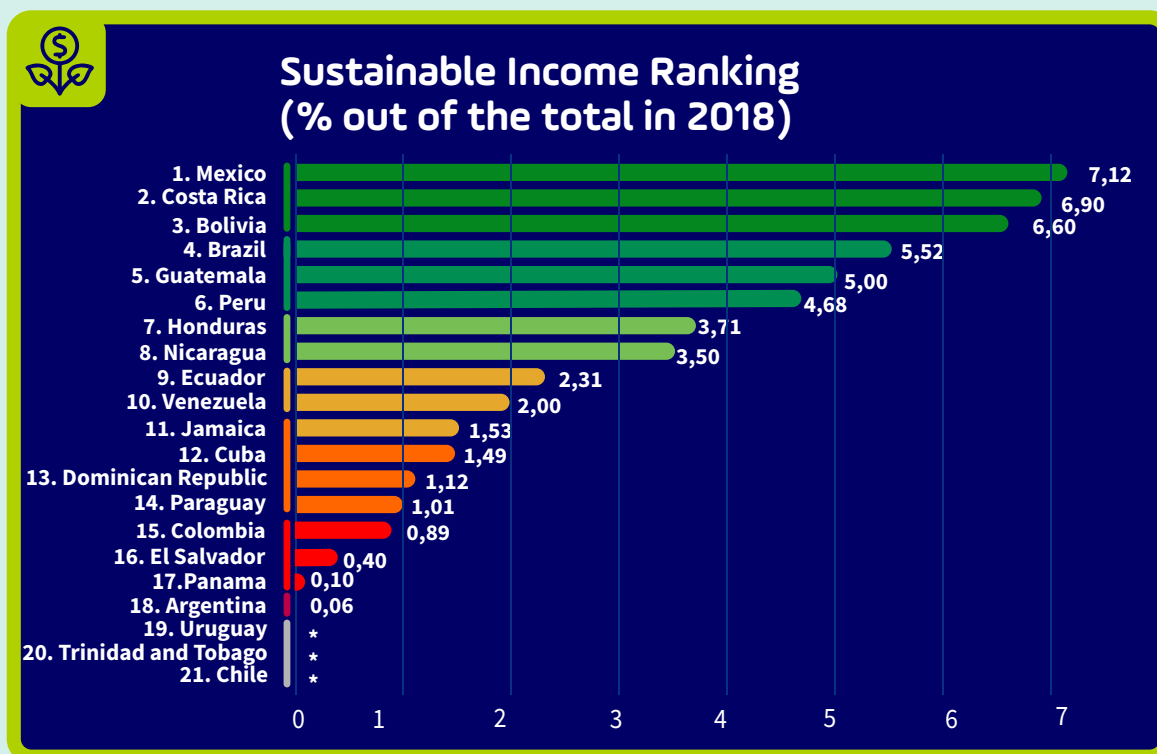
The result for the **“Sustainable Income”** variable shows the disparity in the receipt of devel-

opment finance dedicated to climate change in the region, with a group of six countries having the highest availability of sustainable income.

According to the analysis, the country with the highest percentage of climate finance out of total development finance is Mexico, with 7.12%, followed by Costa Rica with 6.90% and Bolivia with 6.60%, who according to the ranking have **“VERY HIGH”** sustainable incomes out of the 21 countries analysed.

While Brazil (5.52%), Guatemala (5.00%) and Peru (4.68%) have **“HIGH”** sustainable revenues, in this case, although Brazil is the second-highest recipient of development finance, the percentage associated with climate change is 5.52%, meaning that other areas have been prioritised and receive more income from these sources.

Figure 2. Sustainable Income Ranking for Latin America and the Caribbean (2020)



*No income identified..

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Honduras (3.71%) and Nicaragua (3.50%) have **“MEDIUM HIGH”** sustainable incomes and Ecuador (2.31%), Venezuela (2.00%) and Jamaica (1.53%) have **“MEDIUM”** sustainable incomes.

In the **“MEDIUM LOW”** category are Cuba (1.49%), Dominican Republic (1.12%) and Paraguay (1.01%). In the **“LOW”** category are Colombia (0.89%), El Salvador (0.40%), and Panama (0.10%). While Argentina is in the **“VERY LOW”** category with 0.06%.

The case of Colombia is noteworthy because it is the country that receives the most development funding out of the 21 countries analysed. However, the financing associated with climate change represents only 0.89%, which means that climate change availability is limited.

It is important to note that some countries such as Chile, Trinidad and Tobago, and Uruguay

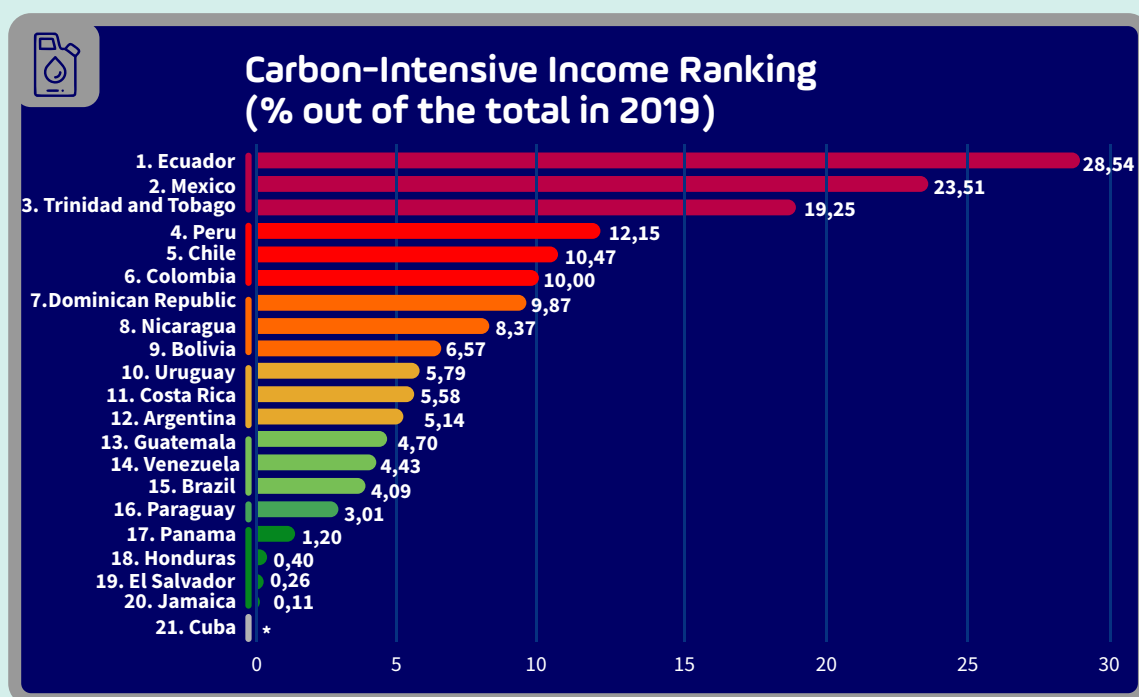
were not recipients of climate finance the year under study.

2 Carbon-Intensive Income (CII)

The second variable included in the SFI is **“Carbon Intensive Income” (CII)**, which analyses the share of carbon-intensive activities (exploration and extraction of hydrocarbons and minerals; and fuel trading) in countries’ total revenues. The analysis was performed on estimated or obtained revenues, depending on each country’s information for 2019.

For Argentina, revenues are estimated based on the information by the third quarter of 2019, for Colombia revenues are as of 2018, for Honduras revenues are as of 2018, for Venezuela revenues are as of 2016.

Figure 3. Ranking of Carbon Intensive Incomes for Latin America and the Caribbean (2020)



*No data

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The analysis results show that, in general, all countries receive revenues to a greater or lesser extent from the exploration and extraction of hydrocarbons and minerals and fuel taxes.

Countries with a **“VERY HIGH”** level of carbon-intensive revenues are Ecuador (28.54%), Mexico (23.51%) and Trinidad and Tobago (19.25%). They are mainly associated with revenues from tax and non-tax revenues from hydrocarbon exploration and extraction.

Peru (12.15%), Chile (10.47%) and Colombia (10%) are at a **“HIGH”** level of carbon-intensive revenues. In the first two cases, this is mainly due to revenues from mining activity. In Colombia, it is the revenues from hydrocarbon exploration and extraction that explain its position in the ranking.

The Dominican Republic (9.87%), Nicaragua (8.37%) and Bolivia (6.57%) have a **“MEDIUM HIGH”** level. Uruguay (5.79%), Costa Rica (5.58%) and Argentina (5.14%) are at a **“MEDIUM”** level. They are followed by Guatemala (4.70%), Venezuela (4.43%) and Brazil (4.09%), with a **“MEDIUM LOW”** level.

Finally, with a **“LOW”** level of carbon-intensive income is Paraguay (3.01%) and with a **“VERY LOW”** level are Panama (1.20%), Honduras (0.40%), El Salvador (0.26%) and Jamaica (0.11%).

This variable shows that many economies in the region are still dependent on carbon-intensive revenues and how important this area of work is to achieve the decarbonisation of public finance systems.

3 Sustainable Budgeting

The third variable included in the SFI is **“Sustainable Budgets” (SB)**, which analyses the budget that countries allocated and labelled for climate change in the environment sector: renewable energy and energy efficiency in the energy sector; and natural disaster prevention and response in the sector in charge of this policy in each country during 2019. Earmarked resources are analysed because they allow the additionality of resources to be identified and budget allocations to be quantified more precisely.

The analysis shows that the allocation of sustainable budgets is still limited in the study countries as it did not exceed 1% of the total budget in any of them.

In the ranking, the countries that allocated the most resources for these purposes were Jamaica (0.58%) and Colombia (0.54%), both at a **“VERY HIGH”** level of sustainable budgets, followed by Nicaragua (0.48%), Costa Rica (0.46%) and Cuba (0.42%), with a **“HIGH”** level.

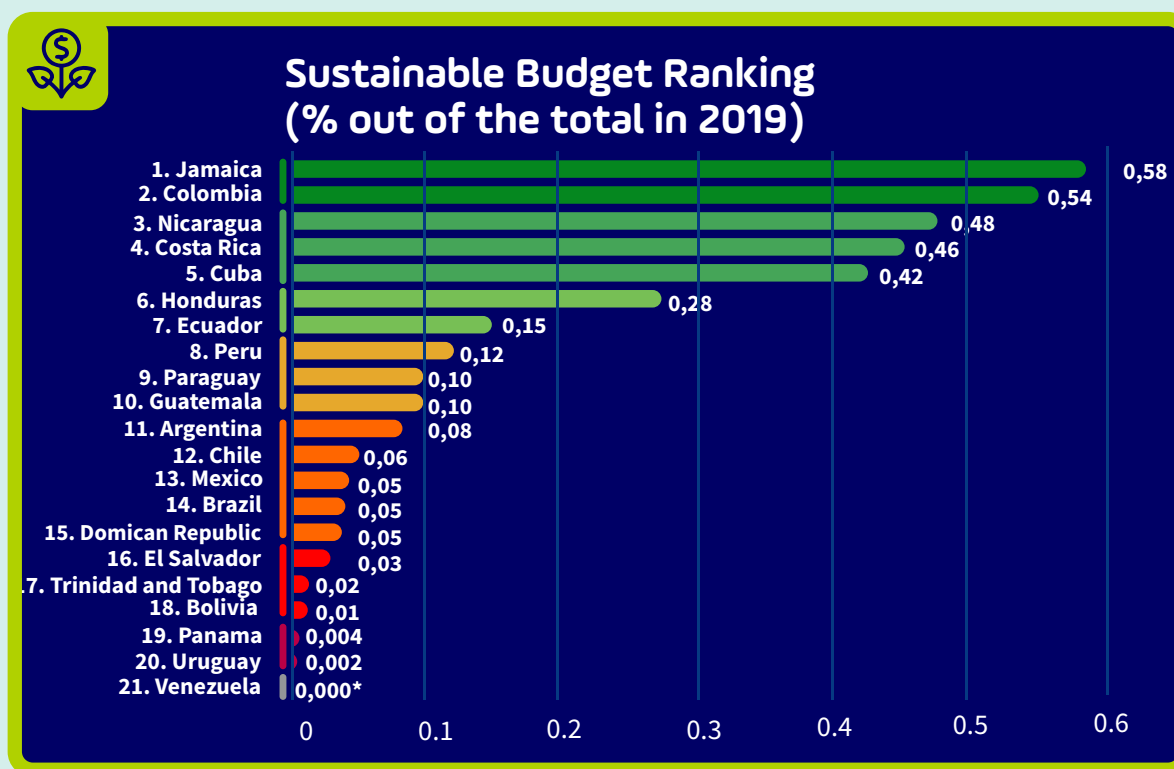
Honduras (0.28%) and Ecuador (0.15%) have a **“MEDIUM HIGH”** level of sustainable budgets. Peru (0.12%), Paraguay (0.10%) and Guatemala (0.10%) are at the **“MEDIUM”** level. While in the **“MEDIUM LOW”** level are Argentina (0.08%), Chile (0.06%), Mexico (0.05%), Brazil (0.05%) and the Dominican Republic (0.05%).

Finally, El Salvador (0.03%), Trinidad and Tobago (0.02%) and Bolivia (0.01%) are at the **“LOW”** level, while Panama (0.004%) and Paraguay (0.002%) are at the **“VERY LOW”** level.

The countries under study may be allocating budgetary resources to address climate change without these being labelled; however, it is impossible to track and therefore account for them, in the absence of labels.



Figure 4. Ranking of Sustainable Budgets for Latin America and the Caribbean



*No data available, due to the level of aggregation of information.
Prepared by the authors for this report

4 Carbon-Intensive Budgeting (CIB)

The fourth variable included in the SFI is **“Carbon Intensive Budgeting” (CPI), which** analyses the budget allocated to hydrocarbon exploitation, including exploration and extraction, refining, petrochemicals and transport within the energy sector, including state-owned enterprises, where they exist.

The analysis shows that some countries in the region invested a considerable share of their public budgets in hydrocarbon exploitation in 2019.

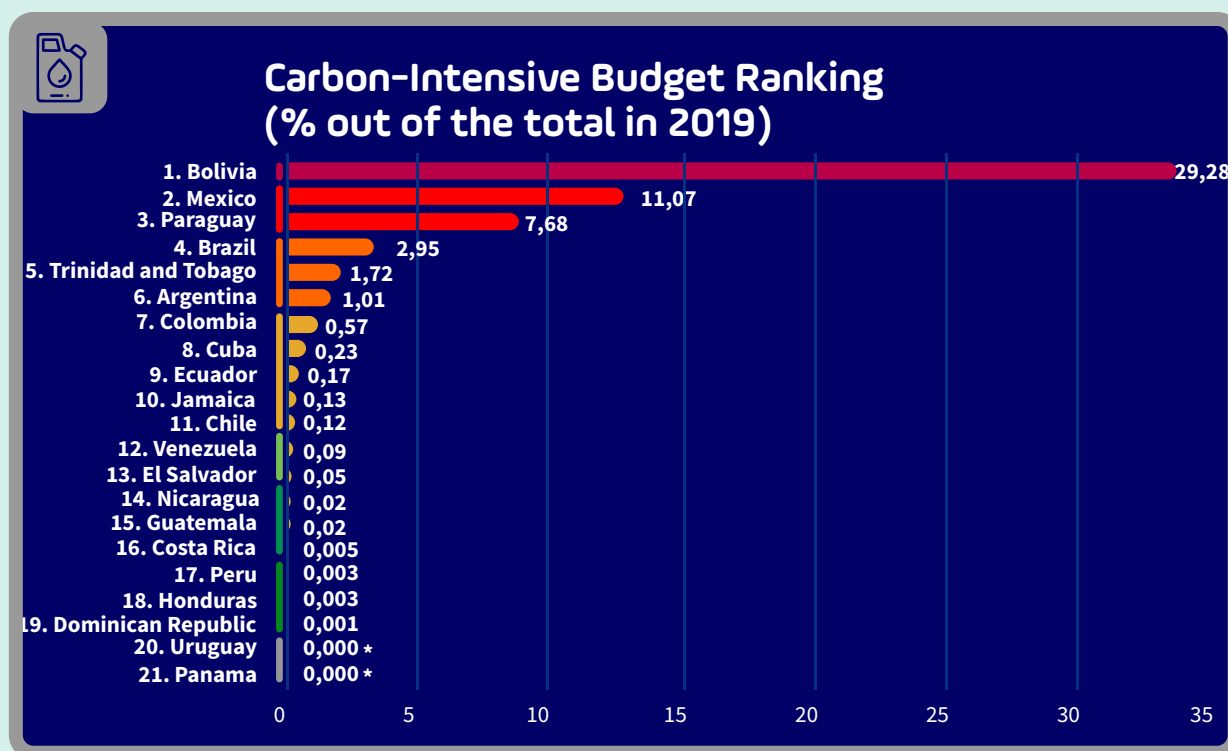
The ranking identifies that the countries with the highest budget allocation in this area was Bolivia (29.28%), placing it at a **“VERY HIGH”** carbon-intensive budget level, followed by

Mexico (11.07%) and Paraguay (7.68%), with a **“HIGH”** level.

Brazil (2.95%), Trinidad and Tobago (1.72%) and Argentina (1.01%) are at the **“MEDIUM HIGH”** level of carbon-intensive budgets. While Colombia (0.57%), Cuba (0.23%), Ecuador (0.17%), Jamaica (0.13%) and Chile (0.12%) are at the **“MEDIUM”** level. On the other hand, Venezuela (0.09%) and El Salvador (0.05%) are at a **“MEDIUM LOW”** level.

Finally, among the countries with the lowest budget dedicated to hydrocarbon exploitation, at the bottom of the ranking, are Nicaragua (0.02%) and Guatemala (0.02%) with a **“LOW”** level. In comparison, Costa Rica (0.005%), Peru (0.003%), Honduras (0.003%) and the Dominican Republic (0.001%) have a **“VERY LOW”** level of carbon-intensive budgets.

Figure 5. Ranking of Carbon Intensive Incomes for Latin America and the Caribbean (2020)



* Without labelled budget.

Prepared by the authors for this report

This variable provided insight into the role that hydrocarbon exploitation, the primary source of greenhouse gas emissions, plays in the country's budgetary priorities.

To analyse what this means in the light of the other variables we present a comparative analysis of these variables.

Sustainable versus carbon-intensive income

The region countries receive international finance revenues to increase the resources available to address climate change and promote sustainable development. In turn, given economic and fiscal policies, these countries also receive revenues from carbon-intensive activities.

In this regard, in 20 of the 21 countries, the amount of carbon-intensive income exceeds the amount of sustainable income, except Cuba, who does not have information on carbon-intensive income.

Jamaica is the country with the smallest difference in the amount received (4.9 vs 6 million USD), followed by Honduras (27.7 vs 39.3 million USD), El Salvador (2.9 vs 15.9 million USD) and Nicaragua (17 vs 175.9 million USD).

The country with the largest difference between the two types of income is Mexico (193 vs USD 65.202 million), followed by Brazil (211 vs. USD 33,622 million), Ecuador (28.2 vs. USD 10,255 million) and Venezuela (2.2 vs. USD 10,255 million).

While international co-operation and financing have played an important role in implementing



the climate change and sustainable development agenda, their impact may be limited in the face of revenues generated by problem-generating activities. Thus, it is important to address this part of public finance.

Sustainable versus carbon-intensive budgeting

Concerning sustainable versus intensive budget allocation, in 11 out of 21 countries, the budget labelled for oil and gas exploitation and production exceeds the total resources tagged for climate change, renewable energy, energy efficiency and natural disasters.

Countries that stand out for low public investment in sustainability-related programmes but devote a significant share of their public spending to hydrocarbon exploitation are Bolivia (0.01% vs 29.28%), Mexico (0.05% vs 11.07%), Paraguay (0.10% vs 7.68%) and Brazil (0.05% vs 2.95%).

On the other hand, few countries allocated more resources to sustainability than to hydrocarbon exploitation, such as Jamaica, which is the country with the highest percentage of sustainable budget (0.58% vs 0.13%), followed by Colombia (0.54% vs 0.02%) and Nicaragua (0.48% vs 0.003%).

While the transformation of finances requires adjustments in policy priorities, this information provides insight into such gaps and public spending trends.

Sustainable budgets vs estimated budget requirement

The mandate derived from the Paris Agreement in article 2.1.c suggests that eventually all financial flows should be aligned to low greenhouse gas emissions and climate-resilient development. Against this backdrop, the question arises of how much investment is sufficient to achieve climate change and sustainable development goals.

In this context, this report analyses (???) what Nicholas Stern and his team proposed in 2008, that to tackle climate change countries should invest at least 1% of their Gross Domestic Product (GDP) annually, and two years later stated that they should invest 2%.

Although nearly 12 years have passed since Stern's calculation, and current needs may be valued at more than 2% of GDP, an exercise was carried out to determine how close or how far they are from reaching this target as a benchmark. Generally speaking, the countries analysed allocated a much smaller amount of sustainable budget in 2019 than is estimated to have been necessary given the estimate of 2% of GDP.

Bolivia is the country with the smallest gap between the sustainable budget allocated in 2019 and the estimated budget needed (0.01% vs 2.60%). It is followed by Cuba (0.42% vs 3.03%), Honduras (0.28% vs 4.50%) and Brazil (0.05% vs 4.41%), which, although they have the smallest gaps, are still far from the target.

Countries where this difference is higher are Guatemala (0.10% vs. 12.8), Dominican Republic (0.05% vs. 11.47%), Uruguay (0.001% vs. 10.88%) and Nicaragua (0.48% vs. 10.87%).

The exercise aims to show the gaps that exist to achieve article 2.1.c of the Paris Agreement's mandate and promote measures to achieve it.



Main conclusions

1. On revenue:

- * **Inequitable and limited distribution of sustainable revenues:** International finance and cooperation are essential drivers for addressing climate change and promoting sustainable development; however, the distribution is not equitable in the region as it is concentrated in a small group of countries. Furthermore, the percentage available for climate change is limited compared to the amount of funding that has been disbursed.
- * **Insufficient sustainable income:** Sustainable income represents a small share of carbon-intensive income in most countries, limiting international finance's ability to transform if carbon-intensive income is not diversified.
- * **The influence of carbon-intensive income:** carbon-intensive income from activities that cause climate change account for a significant share of revenues in several countries in the region, putting considerable pressure on the balance of public finances.

(ii) On the budget:

- * **Limited sustainable budgets:** Sustainable budget allocations to institutions, programmes and activities earmarked for climate change, energy efficiency, renewable energy and natural disasters do not exceed 1% of total budgets in any 21 countries analysed. Such investments fall far short of the estimated 2% of GDP investment that should be directed to addressing the climate change crisis.
- * **The influence of Intensive Carbon Budgets:** investments in oil and gas production and extraction in the 21 countries as a whole are 41 times higher than those aimed at sustainability, when these are important sources of GHG emissions and also generate other negative economic, social and environmental impacts.
- * **Sustainability versus Carbon Intensity in the energy sector:** In the energy sector, the budget allocated to hydrocarbon exploitation by the 21 countries as a whole is 153 times higher than the assigned by the same countries to energy efficiency and renewable energy.



(iii) On transparency and access to information:

- * **Limited budget transparency:** In some of the countries analysed, fiscal and budget information gaps persist, which prevented the analysis of data at the required level of disaggregation.
- * **Lack of budget labels:** In some countries, it was impossible to identify resources directed to climate change, possibly due to the lack of a specific tag to identify these resources, which makes it impossible to know whether or not a budget is being allocated for this purpose.
- * **Lack of definitions and methodologies:** The lack of a definition of what is or is not climate finance and methodologies that comprehensively process information from both public budgets and international finance makes the task of monitoring and measuring sustainable finance in all countries a complex one.

Recommendations

(i) On revenue:

- * **Defining sustainable investment needs:** Countries in the region must make a more significant effort to identify climate change financing and cooperation needs to understand the costs involved and guide international development finance more accurately.
- * **Sustainable revenues effectivity:** donors must increase synergies between developing countries' country-level needs and their funding obligations, thus closing the gap, and increase the effectiveness of sustainable revenues.
- * **National Strategies to mobilise Sustainable Finance:** Countries in the region should, to the extent possible, create National Sustainable Finance Strategies that allow them to identify investment opportunities, but also areas that require a policy of diversification and disinvestment. If the role of carbon-intensive revenues remains a priority for countries, there will be no international cooperation that will enable countries to tackle climate change.
- * **Fiscal reforms:** it is vital to carry out fiscal reforms that allow countries to diversify their revenue sources and decarbonise their public finances, especially revenues from hydrocarbon exploration and extraction.
- * **Carbon intensity taxes:** it is critical to creating taxes that penalise carbon-intensive activities, to allow for the expansion of new technologies in sectors such as energy and transport.
- * **Transparency of taxes:** Countries with carbon taxes need to increase transparency on these taxes and the destination of the resources collected, ensuring that they are invested in sustainable activities. Currently, only four of the 21 countries analysed have carbon taxes.

(ii) In public budget matters:

- * **Mainstream climate change in the budget:** Review budgetary policies so that effective climate change and sustainability actions are prioritised and mainstreamed through them, which will increase the allocation of public resources in this area.
- * **Re-directing budgets:** Implement measures to re-direct carbon-intensive budgets towards pro-sustainability actions that enable countries to mitigate emissions and adapt to the adverse effects of climate change.
- * **Increase investments towards energy transition:** Increase budget allocations to accelerate the energy transition, including energy efficiency, which also means reducing resources going to hydrocarbon exploitation, a major source of greenhouse gas emissions in the region.
- * **Increase sustainable budgets:** increase public investments in sustainability and climate change actions to reach at least 2% of the country's GDP, as a starting point towards compliance with the Paris Agreement.
- * **Align public finance with sustainable development:** Promote the alignment of the public financial system with the Paris Agreement's Article 2.1.c on making finance flows compatible with low-carbon and climate-resilient development.

(iii) On transparency and access to information:

- * **Increase transparency:** Improve budget and fiscal transparency practices, ensuring that in all countries, information is available for each year and promptly, at an appropriate level of disaggregation and in open formats.
- * **Classifiers for climate change and sustainable development:** design, adopt or create classifiers that clarify what resources are being directed to address climate change and sustainability in all areas of the public sector.
- * **Methodologies for mainstreaming climate change:** Create a robust methodology for integrating climate change and other sustainable development objectives into countries' planning and budgeting processes for effective mainstreaming.
- * **Measurement, reporting and verification systems:** Create measurement, reporting and verification systems for climate and sustainable finance to identify climate change and sustainable development investment needs and gaps.
- * The improvement of public information related to climate change and sustainable development will be crucial to comply with the “**Escazu Agreement**” about access to information, environmental justice and social participation in public processes in Latin America.

Twenty-one factsheets per country accompany the Sustainable Finance Index and can be found at sustainablefinance4future.org

