

STATEMENT BY
CAF- DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN

MDM. ALICIA MONTALVO,
HEAD OF CLIMATE ACTION AND POSITIVE BIODIVERSITY

Your excellencies Ministers, distinguish delegates.

I am making this statement on behalf of CAF – the Development Bank of Latin America and the Caribbean, a multilateral development bank comprised of 19 countries in the region plus Spain and Portugal.

We have committed to achieve by 2026 a floor of 40% of our investments in the region in adaptation, mitigation and biodiversity and ecosystem, accounting for 25 billion USD by 2026, as for now we expect to reach 35% at the end of this year.

CAF is also a member of the International Development Finance Club, together with other 25 Development Finance Institutions of the club, we have mobilized last year 200 billion USD for green finance.

Latin America and the Caribbean faces a critical challenge in the fight against climate change. As a region we are only responsible for 10% of the global emissions, however we suffer disproportionally the negative impacts of the adverse effects of climate change.

In the last months, we have seen the increasing devastating effect of climate in the region having reached the highest temperatures on record, with one of the most important agricultural droughts in history; we have seen drinking water shortage, in the once water rich Montevideo, Uruguay; we have seen the devastation by floodings of Porto Alegre, Brazil; one of the largest wildfires in the Amazons and the Andes; category 5 hurricanes in the Caribbean; a few days ago historical daily 14hs electric cuts due to hydropower historical minimums in Ecuador; and latest the DANA in Valencia, Spain.

These events had had a high toll in terms of lives, economic development, and also social equity and the fight of poverty in the region.

In the other hand, the region is moving fast in its transition to a low-carbon development, being the region with most presence of renewables, achieving regionally 35%, more than twice the global average, and including countries such as Costa Rica, Paraguay and Uruguay with a share of more than 95% renewables in their electric mix.

Nevertheless, from the perspective of CAF, we understand that a just transition is not only about reducing emissions, but about building opportunities that strengthen our economies and create new green jobs, protect our communities and preserve our natural wealth, including building resilience and adaptation.

This is why we prefer to speak of **just transitions in the plural**, because it is not just a matter of moving towards a decarbonization model, but rather a comprehensive approach. **The transitions that we must consider are:**

- First, **an energy transition** that is going to require an increase in investments of up to 3% of GDP and a greater participation of the private sector.
- Secondly, a **fiscal transition** that will make it possible to replace the financial resources that are currently generated by exports and income derived from fossil fuels; also contemplating the elimination of subsidies and the social difficulties that this may generate.
- Thirdly, a **productive transition**, which mainly means moving towards more sustainable and productive agricultural models; and towards a productive development based on biodiversity, beyond the mere extraction of natural resources to unsustainable levels. For example, promoting the bioeconomy, sustainable and regenerative tourism, and genetic engineering, among others.

- Finally, a **transition towards resilient economies** capable of coping with the impacts of climate change with improved infrastructure and prevention systems.

This is a collective task that requires strategic planning, financial resources and the commitment of all actors.

To achieve this, we propose to articulate our efforts in three fundamental axes:

1. Mobilization of innovative and accessible financing:

CAF works to ensure that international climate resources reach those who need them most in our region. This includes flexible financial instruments that incentivize greener projects, blended finance and the channeling of private capital towards projects in climate and biodiversity.

2. Capacity development and green employment:

A just transition must put people at the center. In collaboration with governments and companies, we are investing in job training programs so that workers in vulnerable sectors can integrate into the new green economy.

At the same time, we support small and medium-sized businesses—the driving force of our region—to adopt clean technologies and practices and generate quality employment.

3. Strengthening resilience and social inclusion:

The most vulnerable groups, including indigenous peoples and low-income rural and urban communities, are those who face the greatest climate risks. At CAF, we finance resilient infrastructure projects, ecosystem restoration and access to basic services, such as water and clean energy. Likewise, we recognize the value of traditional knowledge and work to integrate it into our climate strategies.

CAF has become the strategic partner of the Latin American and Caribbean countries on this path. We provide not only financing, but also technical knowledge, innovation and a shared vision of sustainable development.

Today, more than ever, is the time to act decisively.

Thank you very much.