

Tracking the Consistency of Finance Flows with Article 2.1(c)

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1. Introduction

The Standing Committee on Finance (SCF) is preparing the seventh Biennial Assessment and Overview of Climate Finance Flows (BA), one of the key instruments through which the SCF assists the Conference of the Parties (COP) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) in the measurement, reporting and verification of support provided to developing country Parties. In this context, the Climate Finance Group for Latin America and the Caribbean (GFLAC, for its acronym in Spanish) welcomes the opportunity to contribute evidence and information under the call for evidence issued by the SCF, in particular with respect to methodological issues relating to the transparency of climate finance flows and their consistency with the long-term goals of the Paris Agreement.

This contribution specifically seeks to provide elements to support the tracking of the consistency of finance flows with Article 2.1.c of the Paris Agreement, which establishes the need to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. We consider that, in order to assess progress towards this objective, it is essential to have accounting that distinguishes between finance flows that effectively contribute to such a pathway and those that remain carbon-intensive, both at the regional and subnational levels.

To this end, the present submission offers an accounting of the mobilization of sustainable versus carbon-intensive finance flows at the regional level for the 20 biggest emitters of Latin America and the Caribbean over the past five years, as well as a disaggregated subnational analysis for Mexico and Brazil. It further includes a reflection on the importance of transparency in tracking these flows and its linkage to the *Escazú* Agreement, together with conclusions and recommendations aimed at strengthening the understanding and monitoring of climate finance flows in the region.

2. International and National Finance flow: Evidence from Latin America and the Caribbean

Since 2019, GFLAC has annually compiled and systematized information on climate-related financial flows across 20 countries in Latin America and the Caribbean through its Sustainable Finance Index (SFI). Its aim is to monitor national and international revenue and expenditure relating to climate change and sustainable development, as well as to identify the resources that

are still being channeled into activities that hinder the transition to low-carbon, climate-resilient economies, particularly those linked to the extraction and production of fossil fuels and mining. Together, these data provide a robust evidence base for monitoring climate finance trends, assessing the alignment of public financial flows with climate objectives, and supporting policy analysis across the region.

The database integrates on the one hand, information from national budget systems that is retrieved from official government sources and key items are selected with their relevance to climate and biodiversity. Some of this information includes mitigation, adaptation, biodiversity conservation, renewable energy, energy efficiency, disaster risk management, and other sustainability-related priorities. On the other hand, revenues include international flows from official development assistance (ODA) and multilateral sources such as multilateral development banks and climate funds. Revenues also consider national sources such as taxes and royalties, both from sustainable sources like carbon taxes, and carbon-intensive sources including fossil fuel royalties collected through taxes or other mechanisms.

To estimate climate-related financial flows, the methodology is built around four core variables that capture both sustainable and carbon-intensive sources and uses of public finance:

- Sustainable Revenues (SR): International development finance directed to climate change and biodiversity, expressed as a share of total development finance received.
- Carbon-Intensive Revenues (CIR): Public revenues generated from fossil fuels, hydrocarbons, and mineral extraction, measured as a share of total government revenues.
- Sustainable Budgets (SB): Public expenditure allocated to climate action, biodiversity conservation, renewable energy, energy efficiency, sustainable transport, forest management, ocean conservation, and disaster risk management, expressed as a share of total public expenditure.
- Carbon-Intensive Budgets (CIB): Public expenditure directed toward fossil fuel-related activities and other carbon-intensive sectors, including support for state-owned oil and gas enterprises, measured as a share of total public expenditure.

2.1 Regional evidence

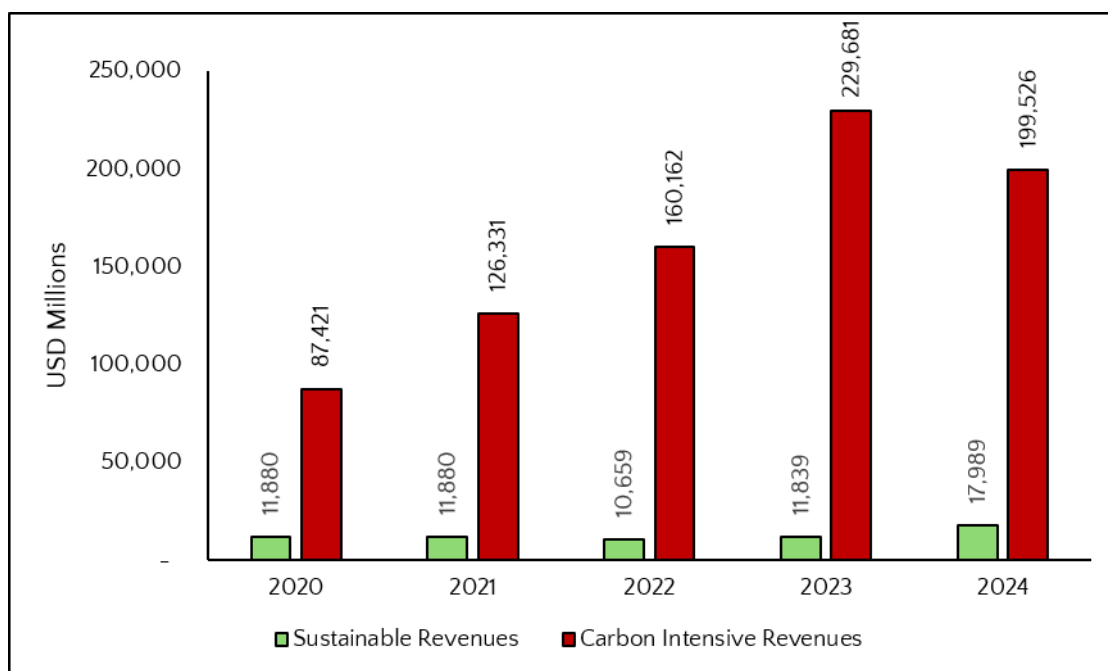
The estimated climate finance flows indicate that the majority of financial resources continue to be directed toward carbon-intensive activities, both through public revenues and budget allocations.

This allocation pattern highlights a significant gap in aligning financial flows with the objectives of the Paris Agreement. Figure 1 presents the estimated revenues associated with sustainable and carbon-intensive activities. Across all years analyzed, carbon-intensive revenues consistently exceeded sustainable revenues, and the gap widened over time. In 2020, carbon-intensive revenues were approximately 7 times higher than sustainable revenues; by the end of the period, this difference had increased to 11 times. Over the same period, carbon-intensive revenues grew by 128%, compared with a 51% increase in sustainable revenues.

At the country level, progress in sustainable revenues remains uneven across the region. Mexico recorded the most significant improvement in 2024, increasing the share of international development finance directed to climate change and biodiversity by nearly 14 percentage points compared to the previous year. Argentina and Ecuador also showed notable gains, reflecting an increased mobilization of sustainable finance. Nevertheless, these improvements remain insufficient to offset the region's structural dependence on extractive revenues. Several countries—including Costa Rica, El Salvador, Paraguay, and Jamaica—continued to allocate less than 10% of their international development finance to climate and biodiversity objectives, highlighting persistent disparities in access to sustainable finance. Furthermore, the overwhelming reliance on loans, which accounted for more than 90% of climate-related development finance in recent years, raises concerns about debt sustainability and the fiscal space available to support long-term climate investments.

Carbon-intensive revenues continue to dominate the fiscal structure of several Latin American and Caribbean economies. Ecuador and Mexico consistently derived more than 30% of their public revenues from carbon-intensive activities during the most recent years of analysis, while Trinidad and Tobago experienced a marked increase, reaching over 31% in 2024. Although Peru reduced its dependence on carbon-intensive revenues, fossil fuel-related activities continue to represent a substantial source of fiscal income. In contrast, countries such as El Salvador, Honduras, Jamaica, and Panama maintained carbon-intensive revenues below 1.5% of total public revenues, reflecting a lower dependence on extractive sectors. These contrasting patterns underscore the structural heterogeneity of the region and suggest that countries with greater reliance on fossil fuel revenues face more significant fiscal and political challenges in aligning public financial flows with the objectives of the Paris Agreement.

Figure 1: Aggregate data on Sustainable Revenues versus Carbon-Intensive Income variables for Latin America and the Caribbean



Source: GFLAC staff estimates based on official national budget data, the Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System (CRS), Bond Transparency Platform, OECD Climate-related Development Finance – Recipient Perspective, OECD Finance Sustainable Development recipient perspective and Aid Atlas (available for selected years between 2020 and 2021).

Note: Sample includes 20 countries in Latin America and the Caribbean. Values are reported in nominal USD. Sustainable revenue estimates for 2020 and 2023 are based on Official Development Assistance (ODA) data from OECD and calculations from Aid Atlas. For 2021, the estimates for sustainable revenue are based on 2020 data, as updated information was not available at the time of data retrieval. Estimates for 2024 onwards are based directly on OECD data. The two data sources are methodologically comparable.

The estimates for public budget allocations reveal a similar pattern to that observed for public revenues, with carbon-intensive activities consistently receiving substantially greater financial support than sustainable sectors. In 2020, public expenditure directed toward carbon-intensive activities was 324 times higher than spending on sustainable sectors. Although this gap narrowed to five times by 2024, this apparent improvement should be interpreted with caution. The 2023 and 2024 estimates incorporate additional sustainable expenditure categories (including biodiversity, forest management, ocean conservation, and sustainable transport) which expand the scope of the

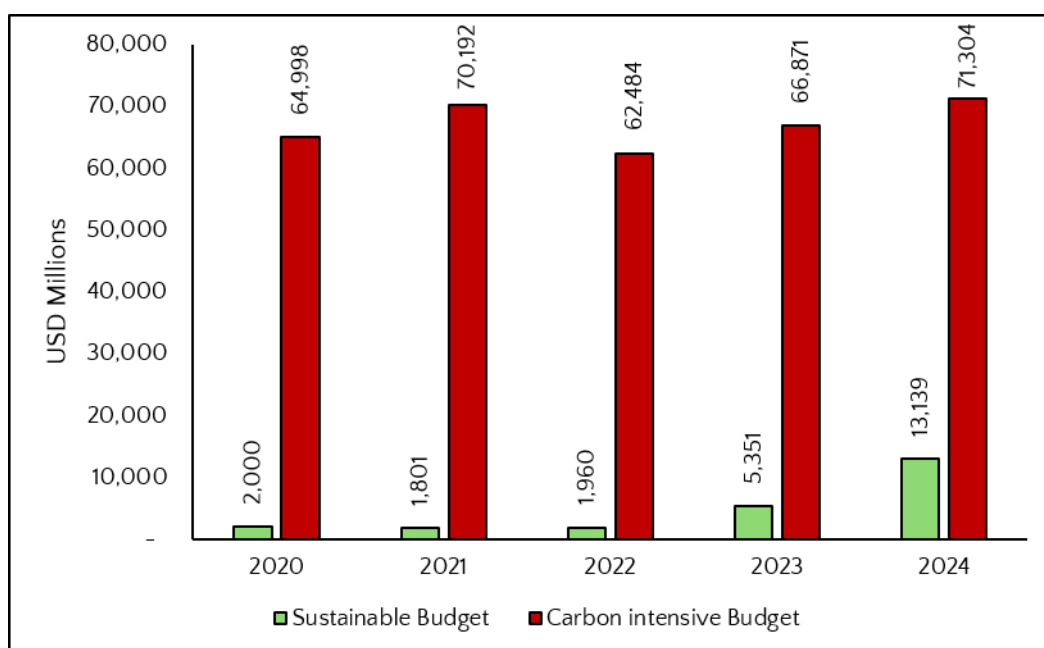
analysis rather than reflect a structural shift in public spending priorities. Over the period analyzed, sustainable budget allocations increased by 556%, while carbon-intensive expenditures grew by 9%.

Rather than indicating a rapid transition, these trends suggest that carbon-intensive expenditures remain relatively stable over time, reflecting a persistent lock-in effect that continues to constrain the reallocation of public resources toward climate and environmental priorities.

Country-level results reveal considerable variation in the prioritization of sustainable public expenditure across the region. Brazil consistently allocated the largest share of its public budget to sustainable sectors, followed by Colombia and Chile. Costa Rica also recorded a significant improvement in recent years, reflecting a stronger integration of biodiversity and environmental management into fiscal planning. Nevertheless, sustainable budget allocations remained below 1% of total public expenditure in most countries, illustrating the limited fiscal priority still assigned to climate action despite growing environmental commitments.

Carbon-intensive budget allocations continue to represent a substantial component of public expenditure in several countries. Bolivia and Mexico consistently allocated more than 10% of their public budgets to carbon-intensive sectors, primarily through support for state-owned oil and gas industries, while Argentina, Ecuador, and Trinidad and Tobago also maintained comparatively high levels of expenditure in fossil fuel-related activities. In contrast, countries such as Costa Rica, El Salvador, Panama, and the Dominican Republic allocated only marginal shares of their budgets to carbon-intensive sectors. These contrasting expenditure patterns demonstrate that, although some countries have expanded investments in sustainable sectors, fiscal priorities across much of the region remain anchored in carbon-intensive development models, slowing progress toward the alignment of public financial flows with the objectives of the Paris Agreement.

Figure 2: Aggregate data on Sustainable Budget versus Carbon-Intensive Budget variables for Latin America and the Caribbean



Source: GFLAC staff estimates based on official national budget data

Note: Sample includes 20 countries in Latin America and the Caribbean. Values are reported in nominal USD.

3. Mobilizing Subnational Financial Flows: Evidence from Mexico and Brazil

Mobilizing finance at the subnational level is a strategic component for achieving Nationally Determined Contributions (NDCs), as a significant share of investments in infrastructure, transport, land-use planning, water management, and climate adaptation is implemented by state and local governments. However, the availability of comparable information on the orientation of subnational financial flows remains limited, constraining the assessment of their contribution to the transition toward low-carbon and climate-resilient development.

In this context, the Sustainable Finance Index (SFI) and the Subnational Sustainable Finance Index (SSFI) provide analytical tools to assess how governments generate revenues and allocate public resources toward either sustainable or carbon-intensive activities. These indices generate evidence to strengthen decision-making, improve transparency, and support climate finance monitoring across different levels of government.

The [Sustainable Finance Index 2025](#) results reveal a persistent imbalance between financial flows directed toward carbon-intensive activities and those supporting sustainable development across the region. The twenty countries assessed generated approximately **USD 199.5 billion** in carbon-intensive revenues, compared with only **USD 17.9 billion** in sustainable revenues. This indicates that carbon-intensive activities continue to generate **11 times more revenue** than sustainable sources. A similar pattern is observed in public expenditure. Carbon-intensive budget allocations reached approximately **USD 71.3 billion**, while sustainable budgets totaled **USD 13.1 billion**, meaning that countries allocated nearly **five times more public resources** to carbon-intensive sectors than to sustainable activities.

Mexico reflects this regional trend. In 2024, carbon-intensive revenues amounted to approximately **USD 117.1 billion**, representing **28.6 per cent** of the total revenues assessed. By contrast, sustainable revenues totaled only **USD 1.3 billion**, accounting for **27.4 per cent** of international climate finance received. Overall, Mexico generated approximately **86 times more revenue** from carbon-intensive activities than from sustainable sources, highlighting the country's continued fiscal dependence on high-emission economic activities.

The composition of public expenditure follows a similar pattern. Carbon-intensive budget allocations reached **USD 44.4 billion**, equivalent to **8.98 per cent** of total public expenditure, while sustainable budgets amounted to only **USD 2.8 billion**, representing **0.57 per cent** of total expenditure. As a result, Mexico allocated approximately **15 times more public resources** to carbon-intensive activities than to sectors supporting sustainability, indicating that public spending remains insufficiently aligned with climate transition objectives.

The findings of the [Subnational Sustainable Finance Index 2025 – Mexico](#) demonstrate that these structural patterns are also evident at the state level. Collectively, Mexico's 32 federal entities generated approximately **USD 1.31 billion** in sustainable revenues during 2024, compared with **USD 6.43 billion** derived from carbon-intensive activities. Consequently, carbon-intensive

revenues were **4.8 times higher** than sustainable revenues, confirming the continued dominance of carbon-intensive sources within subnational public finances.

A comparable trend is observed in public expenditure. State governments allocated **USD 1.65 billion** to sustainable activities, while **USD 5.73 billion** were directed toward carbon-intensive sectors, representing **3.4 times more resources** than those devoted to sustainable investments. Although this gap is narrower than the one observed at the national level, the results indicate that public spending at the subnational level continues to favor carbon-intensive activities.

Significant disparities also emerge across federal entities, reflecting differing capacities to mobilize sustainable financial resources. In terms of sustainable revenues, **Yucatán** recorded the highest share relative to total revenues, reaching **3.6 per cent (USD 122.6 million)**, followed by **Mexico City**, with **3.2 per cent (USD 480.9 million)**. In contrast, **Chihuahua** registered the highest share of carbon-intensive revenues, accounting for **11.1 per cent (USD 608.1 million)**, followed by **Campeche**, with **8.1 per cent (USD 113.2 million)**.

Differences are also evident in budget allocations. **Mexico City** dedicated the largest share of its budget to sustainable activities, allocating **4.5 per cent (USD 670.6 million)**, followed by **Jalisco**, with **2.1 per cent (USD 199.9 million)**. At the same time, **Mexico City** also recorded the highest allocation to carbon-intensive activities, representing **15.5 per cent** of its budget (**USD 2.27 billion**), followed by **Nuevo León**, with **6.3 per cent (USD 485.1 million)**. This illustrates that even jurisdictions with comparatively stronger investments in sustainable finance continue to maintain substantial budget allocations toward carbon-intensive sectors.

Similarly, the [Subnational Sustainable Finance Index 2025 – Brazil](#) reveals the imbalance between sustainable and carbon-intensive financial flows at the state level in Brazil. In 2024, the 26 states and the Federal District generated approximately **USD 1.15 billion** in sustainable revenues, compared with **USD 15.31 billion** from carbon-intensive sources—a **13-fold difference**. This reflects the continued fiscal relevance of activities such as oil production and motor vehicle taxation in subnational public finances. On the expenditure side, state governments allocated approximately **USD 3.91 billion** to sustainable activities, compared with **USD 6.05 billion** directed to carbon-intensive sectors (**1.5 times more**), indicating that budget priorities continue to favor higher-emission sectors, particularly road transport infrastructure.

Considerable differences were also identified across Brazilian states. **Pará** recorded the highest share of sustainable revenues, accounting for **3.35 per cent** of total state revenues (**USD 182.4 million**), while **Rio de Janeiro** registered the highest proportion of carbon-intensive revenues, reaching **26.9 per cent (USD 4.88 billion)**, largely due to oil-related revenues. Regarding public expenditure, **Amapá** allocated the highest share of its budget to sustainable activities (**5.5 per cent; USD 87.1 million**), whereas **Mato Grosso** recorded the highest proportion of carbon-intensive expenditures, with **8.6 per cent** of its total budget (**USD 519.5 million**), primarily associated with road transport infrastructure. No state reached the “High” or “Very High” levels of sustainable finance, indicating that none has yet achieved a consistent alignment of its revenues and expenditures with climate and sustainability objectives.

4. Transparency and access to information for monitoring climate finance flows

Transparency is a key condition for understanding whether public and international financial flows are effectively contributing to the goals of the Paris Agreement, particularly Article 2.1(c), which calls for making finance flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development. Without accessible, comparable, disaggregated, and regularly updated information, it is not possible to identify whether resources are being directed toward sustainable activities or whether public finance continues to support carbon-intensive sectors. In this regard, the regional Sustainable Finance Index and the subnational Sustainable Finance Indexes for Mexico and Brazil contribute to strengthening transparency by systematizing public information on sustainable and carbon-intensive revenues and expenditures. This tool enables governments, civil society, academia, and other stakeholders to assess the alignment of financial flows with climate objectives and identify gaps in public finance planning.

This is directly linked to the Escazú Agreement, the first regional environmental treaty in Latin America and the Caribbean, which recognizes access to environmental information, public participation, and access to justice as fundamental rights. The Agreement establishes transparency and accountability as guiding principles and requires Parties to generate, collect, disseminate, and make environmental information available in a systematic, proactive, timely, regular, accessible, and understandable manner. It also promotes the disaggregation and decentralization of

environmental information at the subnational and local levels, which is particularly relevant for monitoring climate finance flows beyond national aggregates.

In the context of climate finance, the Escazú Agreement provides a normative framework to strengthen public access to information on how financial resources related to climate action, biodiversity, fossil fuels, and other carbon-intensive activities are generated and allocated. Improving transparency in this area is not only a technical exercise, but also a democratic and governance priority. It enables more informed decision-making, strengthens public participation, improves accountability, and helps identify whether public finance is advancing or delaying the transition toward sustainable development.

Therefore, strengthening transparency in climate finance tracking should be understood as part of the broader implementation of the access rights established under the Escazú Agreement. This includes improving the availability of open data, harmonizing methodologies, publishing information in accessible formats, and ensuring that financial data is disaggregated by sector, source, level of government, and type of flow.

5. Conclusions and recommendations for a better understanding of financial flows

Achieving the alignment of financial flows at the national, regional, and international levels is essential. Therefore, while developing countries must continue to promote actions to make their financial flows more consistent with low-emission and climate-resilient development, it is essential that developed countries continue to support these actions.

Consequently, the complementarity between Article 9—particularly Article 9.1—and the fulfillment of the new quantified collective financing goal is a central issue for making progress toward compliance with Article 2.1.c.

Some key steps include improving transparency and accountability, as well as achieving greater harmonization of concepts, definitions, and methodologies to move toward increasingly compatible measurement, reporting, and verification systems.

This alignment must also be supported by an institutional and governance framework that ensures its sustainability over time and that is increasingly comprehensive, including flows to subnational and municipal governments, as we have sought to do at GFLAC.

And, of course, the mapping must cover both positive and negative flows to provide a clearer picture of the gaps that need to be closed in order to achieve the consistency proposed in Article 2.1.c.

At GFLAC, we will continue to monitor flows to ensure a bottom-up perspective and that accounting data comes not only from international organizations but also from regional ones. In doing so, we aim to reflect diverse perspectives on financing flows, which are not static but rather dynamic, heterogeneous, and complex in their nature and origin.