VISIONS FOR DEVELOPMENT

JULY • 2025 • ISSUE 02

Financing for Development: A Key Summit to Overcome the Current Crossroads



FORMER PRESIDENT ERNESTO ZEDILLO: "We are witnessing the demolition of a rules-based global trading system"

RED Report 2025: The Advantages and Challenges of Decentralization

CAF DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN

Latin America and the Caribbean
Each path is an opportunity

DEVELOPMENT BANK
OF LATIN AMERICA
AND THE CARIBBEAN

After a creative process that began with 500 submissions, this image was selected as the

Regional Brand of Latin America and the Caribbean

Latin America and the Caribbean

Each path is an opportunity

"This is not just a brand, it's a declaration of identity. Latin America and the Caribbean is not just a region; it is the planet's reservoir of sustainability and emotion."

Gustavo Santos, Director of UN Tourism for the Americas, jury member

AN INITIATIVE OF CAF – DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN



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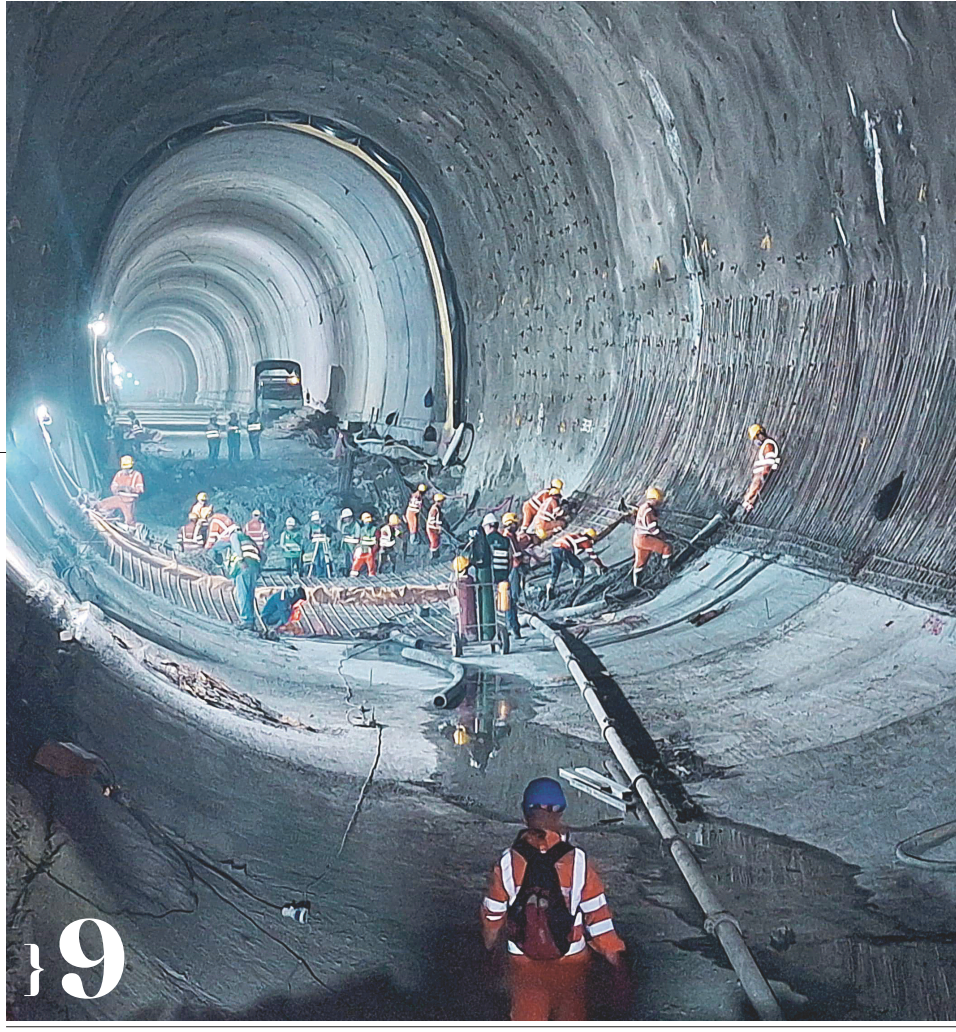
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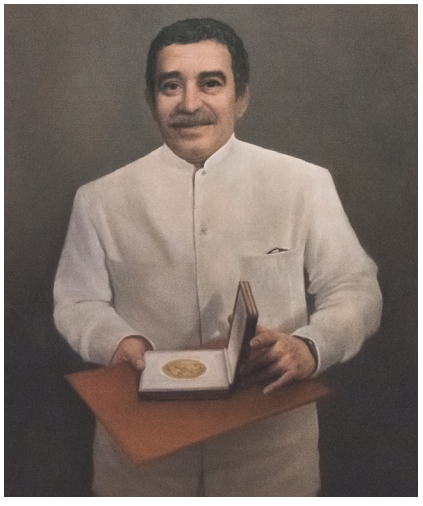
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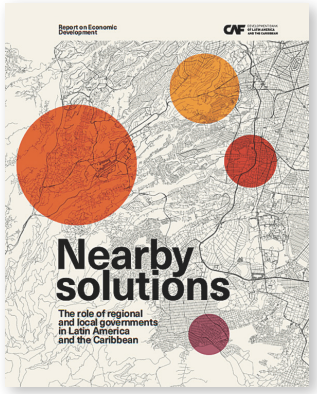
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In the Face of Major Challenges, Let Us Keep Building Solutions

EDITORIAL

Sergio Díaz-Granados

Executive President of CAF –Development Bank of Latin America and the Caribbean–



From time to time, there are meetings that can rightly be described as crucial for humanity. Such is the case of the Fourth Conference on Financing for Development, convened in Seville just as 2025 reaches its midpoint.

That is why this edition of Visions for Development places this topic at its core. We are interested not only in highlighting the importance of the meeting, as well as our work in this field, but also in acknowledging the obstacles we collectively face.

I have no doubt that today's challenges are among the most complex the world has seen in decades. To start with, on the climate front, temperatures continue to rise, even as renewable energy sources emerge. On the geopolitical front, tensions abound, with spillover effects in trade and security.

There is a kind of disconnection in the multilateral system, expressed in the emergence of blocs and the difficulty of reaching consensus. Alongside this, there is a dramatic decline –there is no other word for it– in development aid, which translates into reduced financial flows from the North to the South.

Faced with this reality, we have two options: dwell on complaints or recognize the problems and design new ways to tackle them, while acknowledging the scale of the task. I choose the latter, and for this reason, the following pages present a series of viable alternatives that we wish to highlight as contributions to an ongoing discussion.

In particular, I want to emphasize the use of innovative financial mechanisms aimed at combining efforts and amplifying impact. To this, we add the goal of scaling up successful models and leveraging underused channels.

For example, we know that Latin America and the Caribbean need USD 400 billion in financing for biodiversity and the urgent need to sustain ecosystems on which nearly 60% of their economies depend. Even if some of this funding is secured, the challenge then becomes how to deploy it effectively.

We believe local governments are part of the solution. Our region has 33 countries but 18,400 local governments –including municipalities, departments, and states. This is a crucial link in the journey toward development.

It is also essential to involve the private sector more, as it brings innovation and agility to break through bottlenecks. We know that regional economies face significant fiscal constraints. Therefore, we must learn how to better connect with sovereign wealth funds, which mobilize large amounts of capital globally and could help finance projects that allow us to advance sustainably.

As in other similar moments, what matters now is understanding that Latin America and the Caribbean are part of the solution to challenges that affect everyone on this planet. While we remain realistic about what is happening in the world, we also hold onto our optimism and the belief that we can build consensus-based solutions grounded in common sense.

That message –and many others– can be found in this publication, where we highlight regional progress in various areas and reflect on CAF's efforts. Ultimately, what drives us is the well-being of the 650 million Latin American and Caribbean people who study and work tirelessly to turn their dreams of a better future into reality–sooner rather than later.

CAF's First Blue Bond Marks a Milestone



The operation raised the equivalent of USD 115 million euros, which will be used to finance sustainable infrastructure in coastal areas to protect key ecosystems.

CAF –Development Bank of Latin America and the Caribbean– marked a milestone with the launch of its first blue bond, through which it raised EUR 100 million (approximately USD 115 million) to finance eligible blue projects. "This reflects our strategic focus on mobilizing private capital for sustainable development and our commitment to strengthening the region's resilience to climate risks," said CAF Vice President of Finance and CFO Gabriel Felpeto.

The 5-year LAC Blue Bond, maturing on June 11, 2030, carries an annual coupon of 2.975% and was fully subscribed by BNP Paribas Cardif, the financial institution that structured and arranged the bond. A key factor in achieving this milestone was CAF's outstanding Aa3/AA/AA (pos/stable/stable) rating.

The United Nations Development Programme (UNDP) acted as Technical Advisor for the transaction, contributing its expertise in the UN Sustainable Development Goals (SDGs) and thematic debt to enhance partnerships with Multilateral Development Banks. This represents a major step in aligning sustainable finance with the SDGs.

The LAC Blue Bond is the first CAF issuance under its updated 2025 Sustainable Financing Framework, which received a Second Party Opinion from Moody's with an "SQS2" score and a "High" contribution to sustainability. "By anchoring this transaction to the framework, we are setting a precedent for future thematic issuances that offer environmental integrity and development impact," Felpeto highlighted.

The bond complies with the blue finance guidelines of the International Finance Corporation (IFC), the World Bank's private sector arm, and adheres to the Blue Bond Guidance for Practitioners developed by IFC, the Asian Development Bank (ADB), the International Capital Market Association (ICMA), the United Nations Environment Programme Finance Initiative (UNEP FI), and the United Nations Global Compact.

The announcement of the bond's success coincided with CAF's participation in the UN Ocean Conference (UNOC) and the Blue Economy and Finance Forum (BEFF) in Monaco, where the bank reaffirmed its commitment to invest USD 2.5 billion by 2030 to support the sustainable blue economy in the region—doubling the initial pledge made at the 2022 UNOC summit in Lisbon.

With the bond proceeds, CAF will finance sustainable water management infrastructure in coastal areas to protect nearby marine ecosystems and improve the adaptation of local communities. Two specific projects are already underway in Brazil and Ecuador, with others under consideration across the region.

} The funds will be used for projects that help preserve coastal ecosystems.
→ *Foto - Vanexa Romero /Ceet*

THE THREE CORE TASKS OF THE CARIBBEAN CORAL REPRODUCTION LABORATORY

This scientific facility, recently inaugurated in Santa Marta (Colombia), will be key to coral reef restoration in the region due to its capacity for sexual coral reproduction, the preservation of resilient genotypes, and the training of scientific talent. It is a project of the CIM-Caribe Foundation and Conservation International Colombia, supported by CAF –Development Bank of Latin America and the Caribbean–. → *Photo - CAF*





416

MILLION DOLLARS

Under the instrument known as the Extraordinary Liquidity Financing (FEL), CAF's Board of Directors recently approved a short-term loan for the Republic of Ecuador of up to 416 million dollars. The objective is to support the country in continuing negotiations for an Extended Fund Facility Agreement with the International Monetary Fund (IMF). This operation will benefit not only the country's fiscal and macroeconomic stability but also promote inclusive growth and the protection of the most vulnerable. In this way, CAF fulfills its countercyclical role and reaffirms its capacity for effective action within the global financial safety net, CAF executives noted.

Moody's credit outlook on CAF revised from stable to positive

Institutional progress in recent years, both in capitalization and in the diversification of shareholders and assets, enabled CAF –Development Bank of Latin America and the Caribbean– to achieve an improved credit outlook from Moody's Ratings, which raised its long-term rating outlook from "stable" to "positive" while affirming its rating at Aa3. The agency highlighted CAF's prudent financial management, maintaining moderate leverage levels and a very strong liquidity position, with liquid reserves that comfortably cover operational needs. Between 2022 and 2025, CAF expanded its shareholder base from 18 to 23 countries, resulting in a substantial capital increase, reinforced by the disbursements from the $7 billion capital increase approved in 2022. Moody's also noted that CAF has successfully diversified its loan portfolio, increasing the share of operations with higher-rated countries. "CAF is on track to become the development bank with the broadest coverage in Latin America and the Caribbean," said CAF Executive President Sergio Díaz-Granados.



Sara Aagensen*.
Third Vice President and Minister for the Ecological Transition and the Demographic Challenge of the Government of Spain

"Talking about biodiversity is important, but talking about biodiversity and, at the same time, about bioeconomy is even more so. We cannot seek solutions in which the population feels it is being harmed."

**At the opening of the Mutis Dialogues on Biodiversity, LAC-Spain, in Madrid.*

Financing for Development:

DIALOGUE ON VIABLE ALTERNATIVES



COVER

By Ricardo Ávila
Director of 'Visions for Development
@AgendaCAF



The Fourth Conference on Financing for Development, held in Seville (Spain), comes at a challenging time. Resource flows have fallen short of expectations, and at least half of the Sustainable Development Goals for 2030 are likely to go unmet. Meanwhile, uncertainty looms over the international trade system. Nonetheless, there remains a willingness to engage in dialogue and seek viable alternatives.

The Fourth Conference on Financing for Development, held in Seville (Spain), comes at a challenging time. Resource flows have fallen short of expectations, and at least half of the Sustainable Development Goals for 2030 are likely to go unmet. Meanwhile, uncertainty looms over the international trade system. Nonetheless, there remains a willingness to engage in dialogue and seek viable alternatives.

When, in April 2024, a United Nations (UN) report stated that development financing was at a crossroads, it was difficult to imagine that just over a year later the outlook would be even more complex. Since then, rising geopolitical tensions and the shift in the United States' international relations have further contributed to a more troubled environment.

Meanwhile, the challenges remain. One only needs to look at the recent statement by the International Monetary Fund (IMF) in a document aimed at contributing to the discussion on the subject. According to the multilateral organization, "achieving the Sustainable Development Goals (SDGs) by 2030 is becoming increasingly unlikely."

The paper adds that the targets "would require financing that exceeds credible assumptions and surpasses what countries could absorb without creating further macroeconomic imbalances." In just five key areas—education, health, road infrastructure, access to electricity, and water and sanitation—the IMF estimates a need for USD 3.5 trillion between 2025 and 2029.

A particularly critical aspect is the action needed to contain climate change, especially after the World Meteorological Organization confirmed that last year was the warmest since reliable records began. The 1.55-degree Celsius increase over pre-industrial average temperatures confirms that the scenario experts feared is now a reality.

The above does not ignore the fact that in forums such as the COP29 Climate Change meeting, held in Baku last November, a new collective goal of USD 100 billion in financing was adopted, with plans to triple that amount by 2035. Particularly critical for Latin America is the need to mobilize USD 200



billion annually for biodiversity by 2030, of which USD 30 billion would come from international financing.

However, beyond good intentions, reality tells a different story. In fact, apart from the fact that some consider the commitments insufficient, many of them have gone unfulfilled, partly due to bottlenecks both in the sources of funding and in the absorptive capacity of potential recipients.

Because of this situation, and in contrast with the enthusiasm that once surrounded the achievements of the Millennium Development Goals, the current sentiment clearly borders on discouragement. Returning to the UN, nearly half of the 140 concrete targets set under the SDGs are not on track and are projected to be missed.

As is often the case, there are multiple explanations, and it is worth exploring some of them. Doing so is essential because, amid the harsh diagnosis, it is necessary to find ways to alleviate the plight of hundreds of millions of people living in desperate conditions, and to close the income and opportunity gaps that make this world an even more challenging place.

Uphill Battle

Even if achieving the proposed goals was a challenge from the outset, the truth is that global conditions have worsened in recent years. Several major shocks have increased the obstacles that countries must overcome—even just to maintain relative normalcy.

Without a doubt, the hardest hit came with the pandemic. In addition to the nearly 15 million people who lost their lives to COVID-19 by the end of 2021, the health emergency disrupted the rhythm of life across the globe.

From the perspective of mobility, mandatory and voluntary lockdowns affected the daily lives of billions of people, causing major disruptions—especially in urban areas. In Latin America, where nearly 80% of the population lives in municipal centers, the impact was most pronounced on households reliant

} Access to electricity is key to economic growth and, in the case of hydropower generation, demands major resources.
→ *Photo - Carlos Ortega / Ceet*



> “Few investments yield such high returns (for humanity) as those that ensure a more equitable and sustainable future for the billions of people currently facing multiple hardships”.

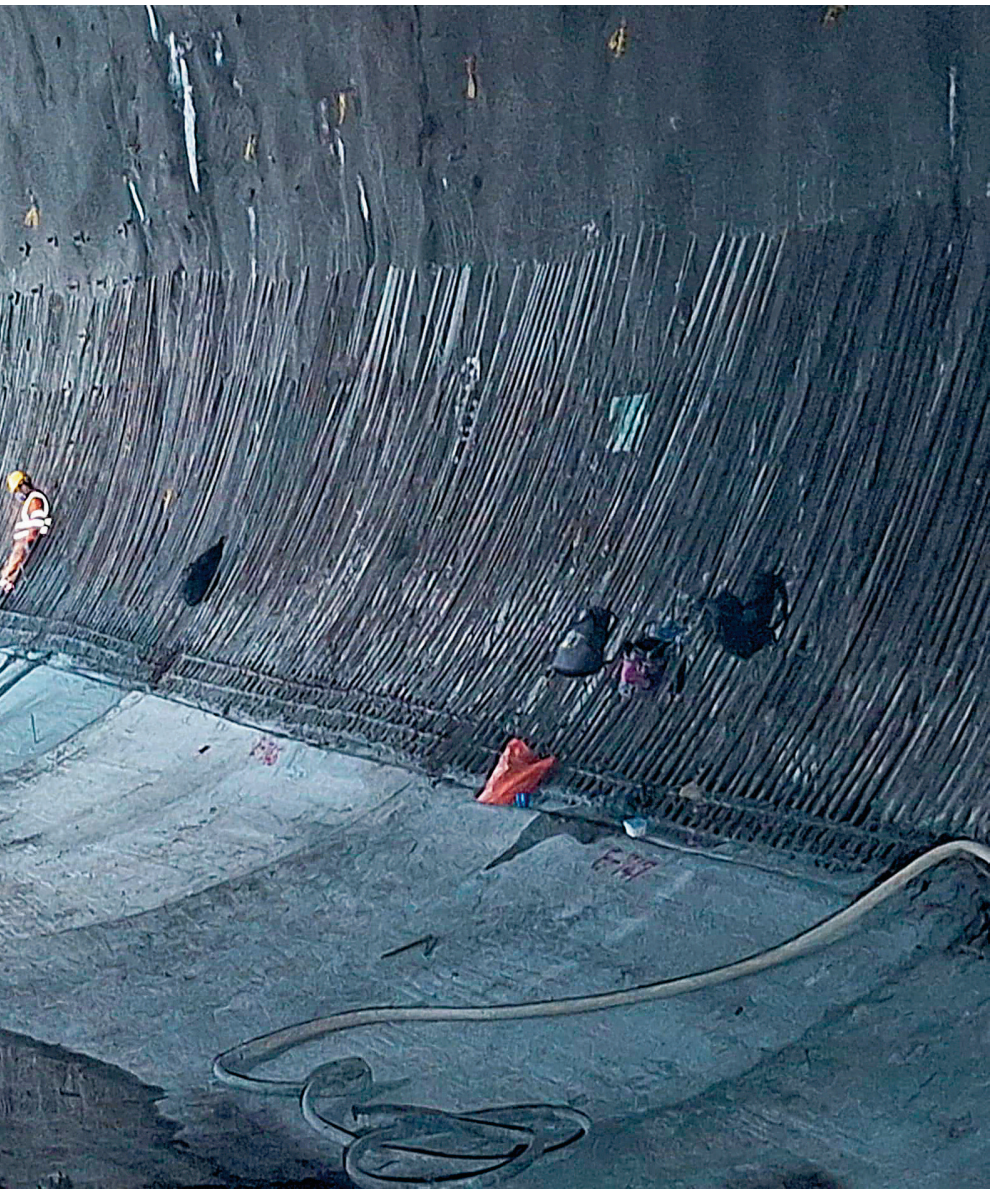
on informal work, and was linked to the rapid spread of the virus and higher mortality rates.

Economically, the crisis forced governments to take on extraordinary spending. This began with the purchase of face masks, ventilators, and the conversion of hospital rooms into intensive care units. Next came the urgent procurement of vaccines in a market where sellers had the upper hand.

These efforts were complemented by aid programs for vulnerable households and businesses, in an attempt to protect formal employment. While responses varied widely, in general they added considerable pressure to national budgets.

The abrupt economic standstill also triggered an unprecedented contraction, which in turn slashed government revenues. As a result, public deficits soared and debt burdens rose significantly across all five continents.

As if that weren’t enough, the road back to normalcy was anything but smooth. On one hand, reopening occurred unevenly, creating bottlenecks in the supply of primary goods, intermediate products, and



The region's road infrastructure needs are considerable and require substantial financing.
→ *Photo - Jaiver Nieto / Ceet*

manufactured items. On the other, Russia's invasion of Ukraine on February 24, 2022, caused further complications—particularly in the supply of oil, minerals, fertilizers, and grains, among others.

This confluence of unexpected events led to a sharp spike in inflation, which in the Global North reached around 10% annually by mid-2023—the highest average in four decades. For many countries that are net importers of food, the rising costs of fuel and food became another source of social tension and fiscal strain, as governments were compelled to subsidize essential goods and services.

Beyond all this, trade tensions have now resurfaced. The unilateral imposition of tariffs by the United States has cast doubt on the stability of the international trade system. Beyond the ongoing bilateral negotiations and recent agreements between Washington and other capitals, existing paradigms have been replaced by uncertainty.

All of this impacts global economic performance. According to the IMF, global growth in 2025 is projected at 2.8%—half a percentage point lower than the forecast made last January. While the figure could rise to 3% the following year, it would still fall well below the 3.7% annual average recorded between 2000 and 2019.

That being the case, the outlook is far from promising at the moment. According to the IMF, "depending on their individual circumstances, developing economies may be affected through various channels, including new tariffs, cuts in official development assistance from major donors, pressure on commodity prices due to slower growth (with some tending upward), tighter international financial conditions, and exchange rate fluctuations—all of which add to long-standing challenges."

The Options

Such a backdrop might suggest that the Financing for Development Summit in Seville (Spain) will struggle to achieve meaningful progress—especially in light of the Action Agenda agreed upon in Addis Ababa (Ethiopia) a decade ago. As noted in the report prepared for the meeting by the International Commission of Experts on Financing for Development, "the much-heralded transition from 'billions to trillions,' which envisioned that public finance and interventions would leverage large amounts of private investment for the Sustainable Development Goals, never materialized."



The achievement of development goals became significantly more complicated with the pandemic, which caused the collapse of many countries' economies.
→ *Photo - César Melgarejo / Ceet*

Compounding this is the weakening of the architecture that supports international rules and institutions. As more nations sideline written rules and prioritize national interests over consensus-based solutions, the path for collective action becomes increasingly difficult.

Geopolitical tensions, declining security in numerous parts of the globe, environmental degradation, migration pressures, and rising xenophobia all add to the list. On the social front, the fight against poverty is advancing slowly, while income inequality among individuals, countries, and regions within nations shows no sign of narrowing.

Giving up and losing hope might be the easiest response in such a difficult context. However, many believe that the current moment is precisely the right one to give renewed momentum to efforts aimed at closing the gaps between the Global North and South.

José Antonio Ocampo, who led the task force that drafted the experts' report mentioned above, is one such person. For the former Colombian minister, what is needed is a candid look at the obstacles in order to find viable solutions.

Among the tasks, "the most urgent issue is undoubtedly the management of debt distress affecting a large group of developing countries," Ocampo writes. It's not only about the size of the debt relative to each country's economy, but also the high cost of servicing that debt, which tends to rise amid expectations of higher international interest rates.

Given the urgency of corrective action, Ocampo suggests that the solution lies in "a new emergency policy to renegotiate these debts." The mechanism would be an expanded version of the Common Framework approved by the G20 in 2020—"broadened to ensure the participation of all creditors, speedier negotiation processes than those seen in the few African countries that have used it, and access for middle-income countries."

Responsibility for the process would fall to a permanent institution, potentially under the UN or IMF, with strict technical governance mechanisms. The proposal goes as far as to stress that "it would

be advisable to improve the existing negotiation mechanisms in the international bond market, particularly collective action clauses and aggregation mechanisms."

In addition, the expert group focuses on other fundamental issues. The agenda begins with international tax cooperation and the fight against illicit financial flows. The goal is to correct the inequities of a system that includes under-taxation of wealthy individuals, profit shifting by corporations to low-tax jurisdictions, and evasion enabled by tax havens, among other irregularities.

Equally important is to strengthen instruments that promote development cooperation. This includes the role of multilateral and national development banks, as well as the promotion of domestic bond markets. Alongside issues related to capital, solvency, and operational space, there's an emphasis on working with the private sector and improving institutional coordination.

Lastly, the discussion must address official development assistance and concessional financing. A review of recent trends shows, in the task force's view, a rise in geostrategic interests overriding the needs of populations that most require support. Given fiscal constraints, the solution isn't necessarily more funding, but rather better implementation, alongside greater use of South-South cooperation and triangular partnerships.

Among the proposals, environmentally sustainable financing could not be left out. While it's true that criteria such as climate impact or effects on biodiversity are now more frequently considered, there is still a long way to go—both in terms of simplifying and strengthening the current system, and in correcting imbalances and mobilizing more resources.

The current environment may not be the most favorable for discussing issues related to trade, industrialization, or investment, but the conversation is unavoidable in a world where no one is fully self-sufficient. While the most intense debates may take place elsewhere, it should be clear in Seville that most countries understand the benefits of greater integration—something that must involve lowering barriers and taking advantage of comparative advantages.

Can positive outcomes be expected without falling into excessive optimism? Many experts agree that the answer is yes. Beyond the complex global context, there remains a willingness to engage in dialogue and mutual understanding in order to tackle challenges that are common to many.

This is not about constructing clichés, but about ensuring that development financing plays an increasingly central role in advancing global progress. Few investments yield such high returns from a collective human perspective as those that ensure a more equitable and sustainable future for the billions of people currently facing multiple hardships. The road is not easy, but that is no reason to lose motivation when the goal is a better present for all.

3.5

TRILLION OF DOLLARS IN FINANCING WOULD BE NEEDED, BETWEEN 2025 AND 2029, TO MEET THE GOALS IN EDUCATION, HEALTH, ROADS, ACCESS TO ELECTRICITY, AND WATER AND SANITATION: IMF.

CAF, PRESENT IN SEVILLE

The Fourth International Conference on Financing for Development (FfD4), which will take place from June 30 to July 3 in Seville (Spain), will address key issues such as accelerating the implementation of the 2030 Agenda and reforming the international financial architecture. For the first time, this summit–held under the auspices of the United Nations– will be hosted in a country of the Global North. Previous editions were held in Monterrey (Mexico), Doha (Qatar), and Addis Ababa (Ethiopia).

CAF -Development Bank of Latin America and the Caribbean- will participate with a broad and strategic agenda that combines its own initiatives with collaborative efforts alongside partners. In addition, it will host additional activities in a dedicated space (Royal Artillery Factory), enabling it to strengthen its institutional presence and promote a regional vision of sustainable development across the various facets of the conference.

On June 29, CAF will convene its Board of Directors in Seville. This governing body, composed of economic authorities from its shareholder countries, will hold a session of particular significance. The meeting aligns with the global debates of FfD4 and reinforces institutional governance at a pivotal moment for redefining the path of development financing in Latin America and the Caribbean.

COVER

By VD Editorial Team
@AgendaCAF

Five Years Away from 2023,

DEVELOPMENT GOALS REMAIN OUT OF REACH

In 2024, the countries of Latin America and the Caribbean (LAC) scored 70.1 on the index that measures progress toward the Sustainable Development Goals (SDGs), compared to the global average of 66.3. There is positive performance on 64% of the targets, but without a significant acceleration, they will not be achieved.

With only five years remaining before the deadline to meet the Sustainable Development Goals (SDGs) –which 193 countries committed to in 2015 to eradicate poverty and hunger and save the



One of the goals where more effort is needed in the region is the fight against hunger. → *Photo - Mauricio Moreno / Ceet*

planet– Latin America and the Caribbean (LAC) is on track to meet just 23% of the targets, or 30 out of 132.

Ten years after committing to the 2030 Agenda, the region is undergoing a development phase marked by low growth, rising inequality, and overlapping environmental, social, and geopolitical crises, all of which have stalled or even reversed progress on most of the SDGs.

Although in 2024 the countries of the region scored 70.1 on the SDG progress index, compared to the global level of 66.3, and show positive performance on 64% of the targets, the reality is that 41% of them require a faster pace to be achieved. Moreover, in 36% of the targets, stagnation or regression is so severe that reaching them is highly unlikely.

Globally, only 16% of the targets are on track to be achieved, while 84% are stalled or in decline. One particularly concerning fact is that none of the 193 UN Member States is on track to eradicate hunger.

In Latin America and the Caribbean, 41 million people are affected by hunger and 186.7 million face food insecurity, according to the latest UN report.

In the region, the countries with the highest average performance on the SDGs score around 77 points. Notably, at least six countries show results above the regional average, which, as previously mentioned, stands at 70 points. On the other hand, the countries that have made the least progress on these goals show average scores ranging from 53 to 62 points.

This is Where we Stand Five Years from 2030

Source: ECLAC

I INDICATORS
M GOALS

	Total		The goal has been achieved or is likely to be achieved based on the current trend		The goal would be achieved only with public policy intervention: The trend is in the right direction, but progress is too slow to reach the goal		The goal would be achieved only with public policy intervention: The trend is moving away from the goal	
	G	I	G	I	G	I	G	I
No Poverty	6	10	0	2	4	4	2	4
Zero Hunger	7	14	0	1	2	4	5	9
Good Health and Well-being	12	24	3	5	5	11	4	8
Quality Education	8	10	1	2	5	4	2	4
Gender Equality	6	7	1	1	4	5	1	1
Clean Water and Sanitation	8	11	1	2	3	3	4	6
Affordable and Clean Energy	5	6	4	5	1	1	0	0
Decent Work and Economic Growth	11	14	2	3	7	8	2	3
Industry, Innovation and Infrastructure	6	8	1	2	3	2	2	4
Reduced Inequalities	8	10	0	0	4	4	4	6
Sustainable Cities and Communities	4	4	1	1	2	2	1	1
Responsible Consumption and Production	9	10	3	3	0	0	6	7
Climate Action	3	5	0	1	1	1	2	3
Life Below Water	6	6	3	3	2	2	1	1
Life on Land	9	12	3	4	3	4	3	4
Peace, Justice and Strong Institutions	9	10	0	0	5	6	4	4
Partnerships for the Goals	15	22	7	9	3	7	5	6
TOTAL	132	183	30	44	54	68	48	71

CAF specialists warn that the lack of data hinders the understanding of SDG progress in some countries, which lack sufficient methodological capacity to conduct proper record-keeping. Around seven countries have no index at all, while others provide incomplete information.

As a positive development, Latin America and the Caribbean (LAC) stands out for its progress on green issues and partnerships aimed at

> After the pandemic, there are still countries juggling to balance their budgets and return to normal fiscal deficit rates.





The United Nations reports that 73% of the population living in poverty is located in urban areas.
→ *Photo - Santiago Saldarriaga / Ceet*

Below: Basic education in the region has reached notable levels of coverage, but improving its quality remains a challenge.
→ *Photo - David Sánchez / Ceet*

achieving the SDGs. Goals showing notable advancement include SDG 7 (affordable and clean energy), SDG 13 (climate action), and SDG 17 (partnerships for the goals).

However, on the critical issues of the 2030 Agenda, the region is faring as poorly as the rest of the world. The worst-performing goals include SDG 1 (no poverty), SDG 2 (zero hunger), SDG 10 (reduced inequalities), SDG 11 (sustainable cities and communities), and SDG 15 (life on land).

"We have a region that has grown, but very slowly, and of course, that's not enough to lift it out of a level of poverty and inequality that is structurally unsustainable," explains Alejandra Botero, economist and political scientist, and Manager of Development Planning and Impact at CAF.

In her view, after the COVID-19 pandemic in 2020, countries are still juggling to return to normal fiscal deficit levels and balance their accounts in order to achieve stronger economic growth.

According to the CAF expert, the slower the economic growth, the harder it will be to reduce poverty. This is one of the structural problems facing the region, where there is a growing number of urban households highly vulnerable to economic crises.

In LAC, 172 million people live in poverty, of whom 66 million are in extreme poverty. The United Nations Development Programme (UNDP) estimates that 73% of the poor and 68% of the extreme poor live in urban areas.

CAF's 2022 Report on Economic Development notes that the region suffers from inherited inequalities, making Latin America and the Caribbean the most unequal region in the world and one of the lowest in intergenerational mobility.

According to the report, income and wealth inequality in the region is "excessive" for its level of development and is marked by strong intergenerational inertia. While seven out of ten children complete primary school even if their parents did not, the chances of reaching higher levels of education, income, or occupation remain strongly linked to one's family background.

In the region's performance on the 2030 Agenda, this situation is reflected in the slow progress on SDGs 1 (No poverty), 4 (Quality education), 8 (Decent work and economic growth), and 10 (Reduced inequalities).

"The region's productive structure remains vulnerable and insufficiently diversified, which limits its ability to generate the inclusive growth needed for large-scale sustainable development," notes CAF.

By VD Editorial Team
@AgendaCAF

Opportunities to Grow Hand in Hand with Europe

The strengthening of strategic partnerships and cooperation with the EU shows encouraging prospects in various areas. Here we present an analysis in three areas: digital transformation, the climate challenge, and social policy.



The European Union (EU) is focused on finding new ways of engagement and cooperation with other regions of the world. Latin America and the Caribbean (LAC) is one of those generating the most interest in the Old Continent and can benefit from initiatives such as the Global Gateway, promoted by the EU leadership to generate not only smart, clean, and secure connections in the digital, energy, and transport sectors, but also social development by strengthening health, education, and research systems around the world.

The EU already offers opportunities for Latin American products, especially within the framework of existing trade agreements. This trade relationship, which is in recovery, can be deepened through strategic partnerships and technical and financial cooperation with the EU in various areas to overcome the challenges of sustainable development. Here we present concrete proposals in three of those areas.

} The EU can help Latin America and the Caribbean move toward universal social protection schemes decoupled from employment status.
→ *Photo - Juan Pablo Rueda / Ceet*

Promoting the shift toward renewable energy in other regions of the world is one of Europe's key priorities.
→ *Photo - Santiago Saldarriaga / Ceet*



PATHS TOWARD DIGITAL TRANSFORMATION

CAF –Development Bank of Latin America and the Caribbean– prepared, together with experts, an analysis on the region's opportunities in the area of digital development, presented in the document *Innovative Paths for Investment, Cooperation, and Digital Partnership with Europe.*

The list of potential actions begins with connectivity to bridge the urban-rural gap and refers to the democratization of 4G, 5G, fiber optic, and satellite networks, coordinated with advances in cybersecurity.

It also proposes the digitalization of productive processes, particularly for small and medium-sized enterprises, and in traditional sectors such as agriculture and livestock, enabling them to reach highly competitive global standards. Likewise, it highlights the need to advance toward more agile and connected States and to invest in digital skills to prepare the workforce of the future.

Finally, it suggests establishing smart digital regulation concerning data privacy, market competition, ethical and responsible artificial intelligence, and taxation of digital services—areas in which Europe is becoming a global leader and promoter of balanced global regulation.

According to estimates by the International Monetary Fund, between 2021 and 2027 the EU will mobilize up to 300 billion euros globally in areas such as digital, climate, energy, transportation, health, education, and research. For the case of LAC, the EU has committed over 45 billion euros focused on 5G connectivity, cybersecurity, and artificial intelligence.

ALLIANCE TO TACKLE THE GREEN CHALLENGE

Europe and LAC took a key step toward greener cooperation during the 2023 summit held in Brussels between the EU and the Community of Latin American and Caribbean States (CELAC). There, projects were defined under the Global Gateway initiative, aimed at mitigating the climate impact that—according to projections—will affect LAC countries more severely due to geographic factors. At that time, discussions included green hydrogen in Chile, Brazil, and Argentina; electric mobility in Colombian cities; and rural electrification in Central America.

Given today's complex global context, Europe is seeking to diversify its energy and critical raw materials partners to avoid overdependence on China and Russia. According to the document *Joint Climate Action between Europe and Latin America and the Caribbean: A Common Agenda for Development,* LAC stands out as a strategic and reliable partner—not only for trade alliances but also for building and developing a shared agenda to face climate challenges.

> In several large LAC countries, the transition to a low-carbon economy will require annual investments of 7 to 11% of GDP (2021-50). In the EU, it will be 6%.

The most significant initiatives include reducing deforestation—linked to the consolidation of sustainable value chains—transitioning to renewable and energy-efficient sources, electrifying transportation, and producing green hydrogen. On this last point, Latin America holds an advantage thanks to the high share of renewables in its energy mix.

According to data from the Global Entrepreneurship Monitor, Latin America could increase its commercial-scale solar and wind energy capacity by more than 460% by 2030 if the 319 gigawatts (GW) of potential new projects in the region are realized. Brazil, Chile, Colombia, Peru, and Mexico are the countries with the highest potential to expand commercial-scale solar and wind capacity.

However, for the climate agenda between Europe and Latin America to become a reality, it will require political will, determination, and investment—as well as acknowledgment of the differences between the two regions. Adjusting fiscal policies and developing a political framework that attracts private sector investment in carbon reduction efforts are essential.

LAC faces a structural challenge of high inequality, low social mobility, and stagnant productivity. Its Gini coefficient—which measures income inequality—exceeds that of Europe and Central Asia by nearly 50%. This inequality is not limited to income; it also affects health, education, access to quality jobs, and wealth accumulation. Furthermore, these disparities are reproduced across generations. Relative social mobility in LAC is among the lowest in the world.

Contrary to what might be expected, social public spending (SPS) in LAC has grown substantially over recent decades and has reached levels close to the average of the Organisation for Economic Co-operation and Development (OECD) countries as a percentage of GDP. However, its redistributive impact remains limited. While in the OECD such spending reduces the Gini index from 0.48 to 0.29, in LAC it only drops from 0.51 to 0.48.

According to the document *Challenges of Social Policy in Latin America and the Caribbean: Analysis and Policies,* this is due to an institutional architecture that penalizes formal employment and subsidizes informality. Benefits are often tied to formal jobs, which excludes the most vulnerable workers. In addition, the design of SPS and the tax system fails to effectively target and redistribute resources.

CAF's report proposes a systemic reform to address this situation, based on two main pillars. The first is to restructure human capital, starting with inclusive, high-quality education from early childhood, with a focus on digital skills, STEM, and technical training. The second is to transform social protection systems into universal schemes, decoupled from employment status and financed through general revenues, with an emphasis on health, old-age, and disability coverage for the entire population. Additionally, the report underscores the need for targeted policies for vulnerable groups.

Pursuing a strategic cooperation agenda with the EU opens the door to joint work in five key areas. The first is the reduction of structural inequalities—a field in which the EU can share its expertise in effective redistribution, progressive fiscal policies, and territorial cohesion, as exemplified by its structural funds.

The second area is the transformation of social protection: the reforms proposed by CAF align with the European Pillar of Social Rights. The EU can support transitions toward universal systems by providing technical assistance, regulatory frameworks, and budgetary cooperation. The third focus is on human capital formation for the digital era, where the European experience in vocational and technical education and retraining can play a crucial role.

A fourth front is social cohesion and sustainability. The European concept of social cohesion as multidimensional inclusion resonates with the demands of LAC. This includes integrated urban policies, access to housing and services, and citizen participation. Finally, the fifth area is institutional and regulatory convergence, where the EU can contribute to strengthening LAC's institutions in areas such as gender equality, decent employment, and non-discrimination, promoting regulatory frameworks inspired by its own legislation.



Partnerships with Europe could help expand digitalization and bring cutting-edge connectivity to more people.
→ *Photo - Marvin Meyer / Unsplash*

REGIONAL ISSUES

By Guillermo Alves & Gustavo Fajardo
Economists at CAF –Development Bank of Latin America and The Caribbean–

Advantages and Challenges of Decentralization



Latin America and the Caribbean ranks second among world regions in terms of urbanization.
→ *Photo - IStock*

The 2025 Report on Economic Development (RED) by CAF, "Close Solutions: The Role of Local and Regional Governments in Latin America and the Caribbean", offers three recommendations for the countries of the region: to reduce internal development gaps, improve urban life, and address the challenges posed by the green, digital, and energy transitions.



Number and Name of Subnational Governments by Country and Level

Source: RED: "Local Solutions: The Role of Local and Regional Governments in Latin America and the Caribbean"

Country	REGIONALS Quantity	REGIONALS Name	LOCALS Quantity	LOCALS Name
Antigua and Barbuda			1	Council
Argentina	24	Province	2.320	Municipality, commune or Government Board
Bahamas			32	District
Belize			217	Council or Town Hall
Bolivia	10	Department or Autonomous Region	341	Municipality
Brazil	27	State	5.569	Municipality
Chile	16	Region	345	Municipality
Colombia	33	Department	1.104	Municipality
Costa Rica			84	Canton
Cuba			168	Municipality
Dominica			42	Council
Ecuador	24	Province	221	Canton
El Salvador			306	Municipality or District
Guatemala			340	Municipality
Guyana	10	Council democrático regional	185	Municipality o Council
Haití			710	Commune or Section
Honduras			298	Municipality
Jamaica			14	Parish
Mexico	32	State	2.475	Municipality
Nicaragua	2	Autonomous Region	153	Municipality
Panama			82	District
Paraguay	17	Department	263	Municipality
Peru	25	Department	2.087	Province or District
Dominican Republic			393	Municipality or District
Saint Kitts and Nevis			1	Assembly
Suriname			10	District
Trinidad and Tobago			15	Assembly or Municipal Corporation
Uruguay	19	Department	125	Municipality
Venezuela	23	State	335	Municipality

Decentralization has been one of the most significant change processes in the organization of the State in Latin America and the Caribbean (LAC) over the past decades. This process has involved the transfer of responsibilities and resources from central governments to local and regional administrations and has emerged as a key strategy to bring decision-making closer to citizens and improve the delivery of public services.

The advantages of decentralization are associated with fostering greater proximity between public policy decisions and citizens, which facilitates the identification of local needs, improves accountability, and enhances citizen participation.

Moreover, having a greater number of government units with the capacity to make decisions on management and program implementation can serve as a testing ground that encourages the emergence of new ideas and mutual learning.

However, decentralization also presents challenges. Beyond the fact that certain government functions are, by nature, the prerogative of central governments, such as defense and international trade, many services may become inefficient when managed at too small a scale. For example, in the case of transport infrastructure, large-scale projects with broad geographic reach are better suited to regional or national-level management.

In addition to the issue of scale, decentralization often poses a fundamental challenge related to state capacities, which may be low in some areas and, more importantly, highly unequal across the territory.

The benefits of decentralization are most evident in countries where a large portion of the population lives far from the capital cities, which is the case in countries with large populations and vast territories. In Latin America and the Caribbean as a whole, approximately half of the population lives more than 500 kilometers from the national capital, and 20% lives more than 1,000 kilometers away. This figure hides considerable heterogeneity. In Brazil, for example, 90% of the population lives more than 500 kilometers from Brasília, while in most Caribbean countries, neither the population nor the territories are as distant from the capital. As a result, there are also significant differences among countries in the region in terms of the degree of decentralization achieved.



One of the major challenges for local and regional authorities lies in mobility, which has a significant impact on people's quality of life. → *Photo - IStock*

Of the 33 countries that make up the Community of Latin American and Caribbean States (CELAC), 16 have only one level of subnational government: the local level. Another 13 countries have two levels: local and regional. This second group includes the geographically largest countries, among them the four federations on the continent: Argentina, Brazil, Mexico, and Venezuela. Lastly, there are four countries—all in the Caribbean—that do not have autonomous subnational governments. Table 1 summarizes this overview and also indicates the names used for the governmental units at each level in every country.

More Government Units and More Autonomy

Despite the wide differences among countries in their degree of decentralization, the general pattern observed in recent decades has been an increase in the role of subnational governments. One of the ways in which decentralization has manifested is through the growth in the number of subnational government units. This expansion has occurred primarily at the local government level, with the emergence of new municipalities resulting from the division of preexisting jurisdictions or the creation of new ones in previously non-municipalized territories. This trend has been closely linked to the demographic growth experienced by the region in the second half of the 20th century, which made it imperative to expand the network of local administrations to extend the reach of the State and manage the delivery of public services more effectively. The 1980s and 1990s were particularly active periods for the creation of new municipalities in countries such as Bolivia, Brazil, Ecuador, Paraguay, the Dominican Republic, and Venezuela. In contrast, the number of regional governments has remained relatively stable.

In addition to new jurisdictions, decentralization has also entailed a gradual increase in the political and functional autonomy of subnational governments. These changes have occurred in progressive waves. During the 1980s, political decentralization took place, with the introduction of local elections that allowed for the direct election of authorities. Later, in the 1990s, there was an increase in the administrative and functional responsibilities of local and regional governments, especially in key sectors such as education, health, and water and sanitation.

An important point is that the increase in subnational governments' autonomy has been more limited in fiscal matters. Compared to their counterparts in the Organisation for Economic Co-operation and Development (OECD), these administrations have less capacity to collect taxes and incur debt autonomously, particularly in unitary countries. (The implications of this will be addressed later.)

Functions of Local and Regional Governments

It is not easy to summarize how government functions are distributed among the different levels of administration. There is not only great diversity in how these functions are allocated, but also many cases of overlap, with multiple levels of government handling the same task, as well as ambiguities in some instances. Nevertheless, some general patterns can be identified.

The first one is that certain tasks are inherently local, associated with territorial management, and constitute a fairly homogeneous core of functions for local governments. These include land-use planning and regulation, maintenance of public spaces, provision and maintenance of the local road network, and waste collection, among others.

Secondly, the role of regional governments is more heterogeneous. There are no government functions

Distribution of Functions by Level of Government

According to Typical Responsibility

Source: RED: "Local Solutions: The Role of Local and Regional Governments in Latin America and the Caribbean".



that are inherently regional in scale, but there are many that exceed the local scale and are difficult to coordinate centrally in countries that are very large, highly populated, or have significant regional diversity. Among the most relevant of these are the administration of education and health systems, public safety services, and the management of interurban road infrastructure.

This division of tasks helps explain why local governments exist in almost every country in the region, but not all have a regional level of government. Moreover, among the countries that do have regional governments, their role varies considerably. In Chile, for example, regional governments were only recently established and still have incipient roles. At the other end of the spectrum, the federative units of Argentina, Brazil, and Mexico enjoy a wide scope of action and significant autonomy in all functions, except those reserved for the central government.

Another observable pattern is that the allocation of responsibilities by level of government in Latin America and the Caribbean is generally characterized by predominantly symmetrical decentralization frameworks. This means that, within a country, all units at the same level of government typically have the same powers. One exception to this rule is the system of Certified Territorial Entities (ETC) in Colombia, through which some municipalities have more responsibilities in primary public education than others. Greater asymmetry in decentralization could be efficient in certain contexts if it allows for the transfer of responsibilities to be tailored to differences in capacity across jurisdictions, but its implementation is not without technical and political challenges.

Local and Regional Governments: Key to Development

Beyond the differences among countries in their degree of decentralization, the general outlook is that local and regional governments are essential actors in achieving the Sustainable Development Goals, given their responsibilities in key sectors such as education, health, transport, water and sanitation, security, urban services, among others.

Despite this, the attention subnational governments have received in academic literature and regional policy discussions has not matched their importance. As a result, accumulated knowledge about their functioning and challenges remains limited. In response to this situation, the report Local Solutions has a dual purpose: to help close that information gap and, in turn, to identify areas for building governance capacities in local territories.

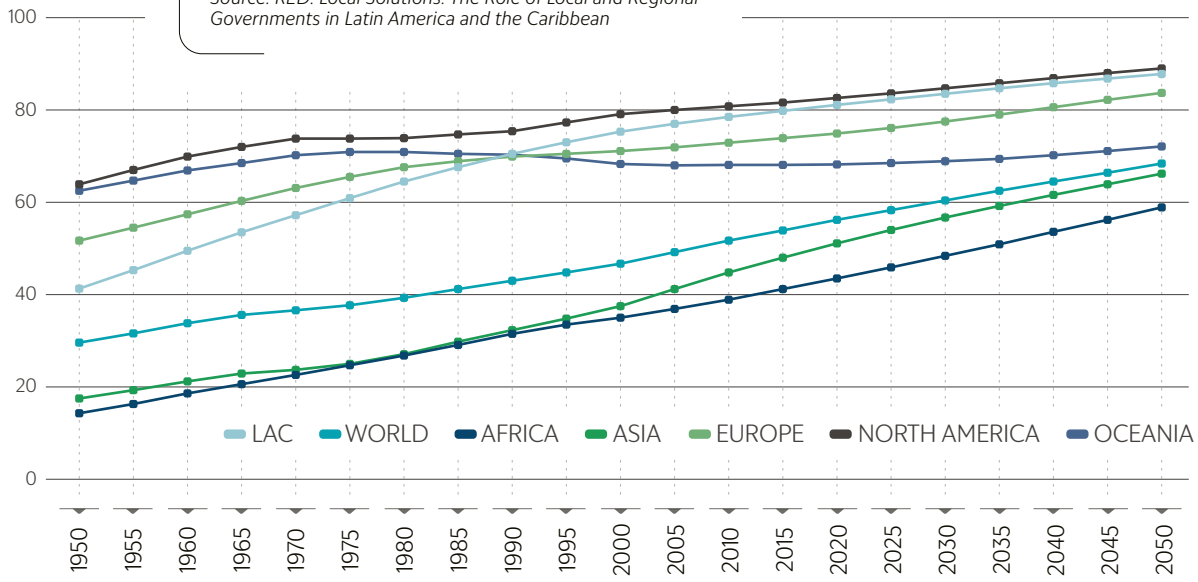
30%

IN PERCENTAGE POINTS, THIS IS THE LARGEST GAP OBSERVED IN TERMS OF POVERTY INCIDENCE BETWEEN REGIONAL JURISDICTIONS WITHIN THE SAME COUNTRY. IT OCCURS IN BOLIVIA, BRAZIL, COLOMBIA, MEXICO, AND PERU.

Evolution of the Urbanization Rate by Region

Proportion of total population (%)

Source: RED: Local Solutions: The Role of Local and Regional Governments in Latin America and the Caribbean



To define the key priorities for the decentralization and subnational state capacity agenda, it is first necessary to establish the goals that such an agenda should pursue. The report highlights three:

① Reducing internal development gaps within countries

Development gaps are reflected in multiple indicators. For example, poverty rates vary by more than 30 percentage points between regional jurisdictions within the same country, as seen in Bolivia, Brazil, Colombia, Mexico, and Peru. Access to basic services, employment, and education, among other dimensions, also shows wide territorial disparities.

As a complementary effort to the RED, CAF has developed a database with a set of development indicators calculated at the local and regional jurisdiction level for all countries in the region, based on official national census data. (This database will be made publicly available through a visualization platform to be launched alongside the RED.)

Differences in development indicators across jurisdictions are also reflected in asymmetries in the resources of subnational governments. The most direct source of inequity in this regard is the capacity to generate fiscal resources, which is significantly higher in wealthier jurisdictions. This same pattern is observed in the availability of skilled workers and technological resources—two cross-cutting aspects of government capacity.

Given the feedback loop between capacity gaps and development gaps, it is crucial to reduce the former in order to achieve greater territorial equality; therefore, narrowing these gaps must be one of the main goals of the subnational institutional strengthening agenda.

② Improving Urban Life in a Highly Urbanized Region

Latin America and the Caribbean ranks second among world regions in terms of urbanization, slightly behind North America and ahead of Europe, Asia, Africa, and Oceania. The region's urbanization rate increased sharply in the second half of the 20th century and has continued to grow at a more moderate pace in the current century. In 2025, around 82% of the Latin American and Caribbean population—approximately 560 million people—lives in urban areas. By 2050, that figure could reach 88%, meaning some 680 million people would be residing in cities.

This reality implies that the quality of urban management is crucial for achieving well-being gains in Latin



The consequences of global warming and biodiversity loss are felt at the territorial level and therefore fall within the scope of regional and local governments.
→ *Photo - Juan Pablo Rueda / Ceet*

America and the Caribbean. This task falls primarily on local governments, and specifically on urban local governments.

The challenge of managing cities can be framed as the effort to maximize the benefits of density—associated with higher labor productivity and better access to goods and services—while minimizing its costs, such as urban transport congestion, pollution, and rising land prices. Urban planning is a key tool for managing these forces, and the continuous development of planning capacities should therefore be a major policy focus in the region.

In addition to being highly urbanized, the region is characterized by the dominance of a few large cities. The largest city in each country of Latin America and the Caribbean concentrates, on average, nearly one-third of the national population. The territories of these cities are often administratively fragmented, with multiple local governments overlapping within a single urban area. Therefore, alongside planning, interjurisdictional coordination must also be strengthened in the region's cities, as it is essential to avoid inefficiencies in urban systems and services.

3

Addressing the Challenges of the Green, Digital, and Energy Transitions

Global phenomena also pose challenges for subnational governments. Chief among these are global warming and biodiversity loss. While mitigation and conservation policies are usually defined at the national level, the consequences of these phenomena are felt at the local level and therefore fall within the purview of regional and local governments.

There are several points of intersection between subnational governance and environmental issues. One of them is land-use planning, which must aim to build more resilient cities in the face of natural events. Another is the management of natural resources. For example, in many countries, local and regional entities are involved in water management, a task that may be impacted by changing precipitation patterns and water availability. Subnational governments also have direct or indirect influence over policies related to the exploitation of mineral resources, including those critical for the energy transition.

The digital transformation and the rapid development of technologies based on artificial intelligence are another global trend affecting subnational administrations. In this area, the central challenge is to develop the skills and infrastructure necessary to adopt digitalization and thereby strengthen subnational government capacities.

The implementation of digital tools not only has the potential to accelerate and improve traditional public administration processes but also to support the development of innovative applications that enhance citizen engagement and territorial management. In fact, regional and especially local governments are best positioned to innovate in this regard, given their proximity to citizens and the frequency with which people interact with these administrations.

By Guillermo Alves & Gustavo Fajardo
Economists at CAF –Development Bank of Latin America and The Caribbean–

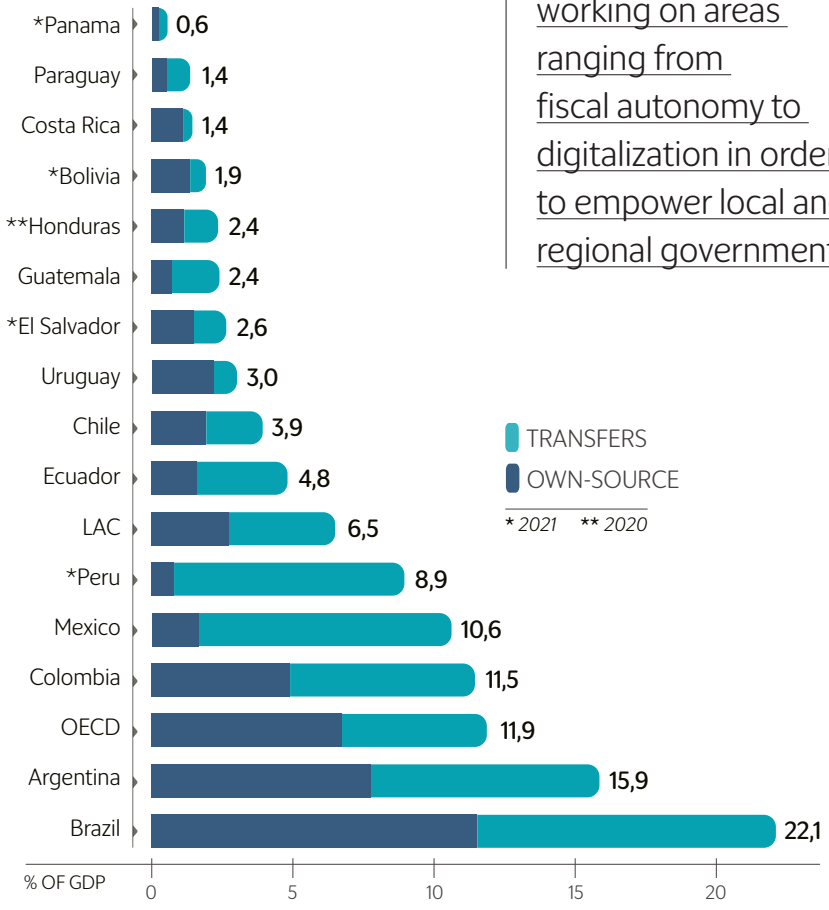
Strengthening Subnational Governance:

5 AREAS FOR ACTION

The RED proposes working on areas ranging from fiscal autonomy to digitalization in order to empower local and regional governments.

Fiscal Revenues of Subnational Governments in Latin American and Caribbean Countries

Percentage data - 2022
Source: RED: Local Solutions: The Role of Local and Regional Governments in Latin America and t he Caribbean.



1. STRENGTHEN FISCAL INSTITUTIONS

Fiscal capacity is key to the effectiveness of local and regional governments, but in Latin America and the Caribbean it remains limited. Although over the past 40 years these governments have increased their political autonomy and responsibilities in service provision, this has not been matched by a corresponding increase in autonomy over spending, revenues, and borrowing.

Local and regional governments' revenues are highly dependent on transfers from the central government. In Latin America and the Caribbean, these transfers represent 58% of their revenues, compared to 43% in OECD countries. While transfers help balance spending across regions, in many cases they are earmarked for specific purposes, limiting the decision-making capacity of subnational governments. An analysis in the RED covering 15 countries shows that 62% of transferred funds come with spending restrictions.



In the tax structure, distortionary taxes should be eliminated and those that are efficient and equitable should be promoted, such as income tax at the regional level and property tax at the local level. La Paz, Bolivía.
→ *Photo - Florian Delée / Unsplash*

The lack of tax autonomy is reflected in the limited role that local and regional governments play in key taxes such as VAT or income tax. While in OECD countries the income tax accounts for 30% of local tax revenue and 37% at the regional level, in the region it is virtually nonexistent. Instead, regional governments rely on inefficient taxes, such as gross receipts taxes on sales. At the local level, the main source of revenue is the property tax, which accounts for half of tax collection and is more efficient, as it targets an immobile asset such as land.

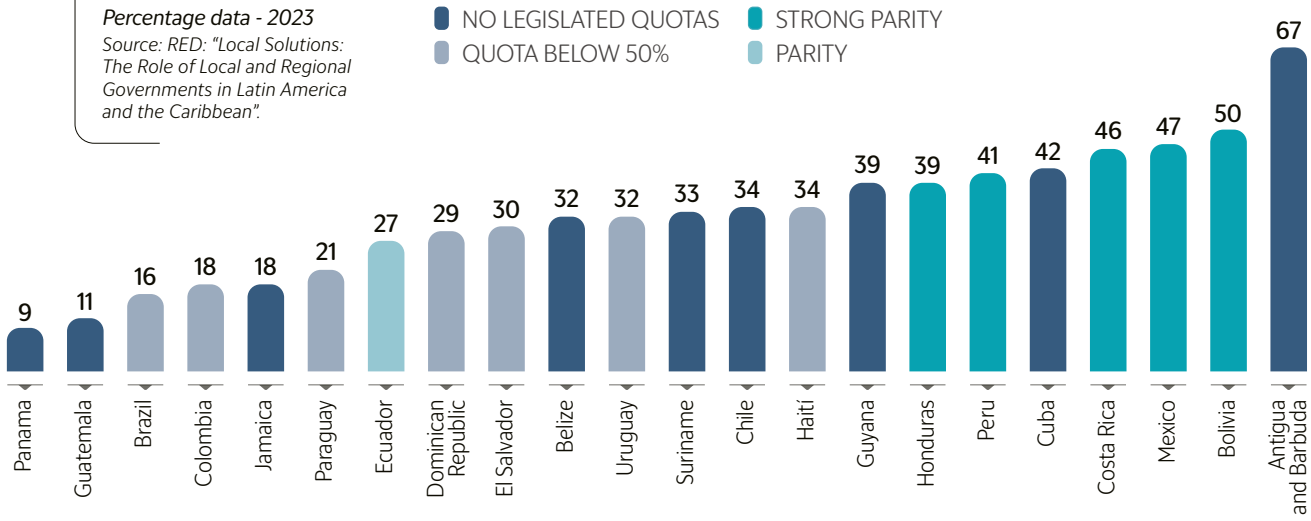
The lack of borrowing autonomy means, for example, that in most countries local and regional administrations cannot incur debt without authorization from the national government. This and other limitations on fiscal autonomy are intended to prevent governments from taking on excessive debt that they may later be unable to repay, which would then fall to the national government, potentially creating systemic risks. In fact, subnational debt crises in the past were what prompted the introduction of stricter regulations. Therefore, strengthening fiscal autonomy, including access to borrowing, is not simply about removing barriers, but rather about improving institutional frameworks through modern information systems, clear rules, and greater cooperation between levels of government to mitigate those risks.

The RED identifies three areas in which progress must be made to strengthen subnational fiscal institutions. First, the capacity to generate own-source revenues must be improved. This involves reviewing the tax structure to eliminate distortionary taxes and promote those that are efficient and equitable, such as income tax at the regional level and property tax at the local level. Second, progress must be made in designing clear rules and common accounting standards to build trust in resource management. Transparency in accountability and the adoption of internal and external audit systems help reduce moral hazard and ensure that public investment is carried out efficiently. In this regard, reforms to fiscal legislation that establish clear borrowing limits and mechanisms for resolving insolvency (such as the Bankruptcy Law in Colombia) are necessary to create a predictable and reliable fiscal environment. Lastly, there is room to strengthen transfer systems to make them less discretionary and more predictable. Transfers related to royalties are particularly relevant in the region; their design and distribution rules among jurisdictions should incentivize the socially and environmentally responsible exploitation of natural resources.

Elected Seats in Local Government Deliberative Bodies Held by Women

Percentage data - 2023

Source: RED: "Local Solutions: The Role of Local and Regional Governments in Latin America and the Caribbean".



2. ATTRACTION, SELECTION, AND RETENTION OF QUALIFIED AND REPRESENTATIVE PERSONNEL



Competitive examinations and merit-based selection would improve the professionalization of subnational public employment. Job stability and continuous training would help retain and enhance talent. → *Photo - Jaiver Nieto / Ceet*

Human capital is the most valuable resource of any public administration. Civil servants are the ones who keep the machinery of the state running every day, and the delivery of quality services depends on them. However, in many countries in the region, the RED identifies issues in subnational personnel management, such as high turnover due to clientelist practices and difficulty in attracting talent in specialized areas.

Competitive examinations and merit-based selection are key to professionalizing subnational public employment. At the same time, job stability, along with access to continuous training programs, helps retain and improve talent. These elements should be complemented by the design of incentive schemes that include competitive salaries, professional development opportunities, and additional benefits that make a career in the public sector attractive.

With regard to training efforts, many countries in the region have specialized agencies for civil servant training, such as the national schools of public administration in Chile, Colombia, and Mexico, which offer academic programs and refresher courses. CAF supports civil servant training through a range of initiatives. Since 2022, nearly 7,000 officials from national and subnational administrations have participated in eight diploma programs and in the Latin American Senior Leadership Program, while more than 150,000 participants from 40 countries have taken open online courses. In addition, in recent years the bank has designed specific programs to strengthen local management, training nearly 1,000 subnational officials in areas such as digital transformation, public-private partnerships, and investment project financing.

Moreover, it is essential that subnational public employment reflects the diversity of the communities it serves. The RED highlights that although women's participation in public employment generally ranges between 40–50%, as shown in one of the figures, there are significant gaps in representation in senior leadership positions and deliberative bodies. Likewise, the representation of ethnic and minority groups is almost nonexistent in many contexts.



3. IMPROVE URBAN PLANNING AND SUSTAINABLE MOBILITY

Urban planning is the integrative task underlying many of the functions of local governments. The RED emphasizes that urban planning directly affects housing affordability and commute times—two fundamental aspects of quality of life for urban residents.

Proper planning must ensure that urban growth occurs in an orderly manner with access to basic services and that land-use regulations do not overly restrict the housing supply. Otherwise, the outcome is higher costs for formal housing and the expansion of informal settlements. Good urban planning not only regulates land use but also determines access to quality public spaces. Parks, plazas, and recreational areas are essential for fostering social cohesion and improving overall well-being.

Sustainable mobility is another key pillar for improving quality of life in cities, and its management typically falls to local governments. Efficient urban mobility requires substantial investment in infrastructure and vehicles, as well as sound regulation and oversight of service providers. In addition, coordinating housing locations with transportation infrastructure is crucial. Evidence shows that when investments in mass public transport, such as Bus Rapid Transit (BRT) corridors and metro systems, are accompanied by land-use regulations that allow for higher density near stations, access to affordable, well-serviced housing increases significantly.

Progress in sustainable mobility is closely linked to the energy transition. As highlighted in the previous RED (Renewed Energies: A Just Energy Transition for Sustainable Development), the electrification of urban transport is one of the most cost-effective opportunities to reduce greenhouse gas emissions. This RED highlights the experience of Santiago de Chile, where progress has been made in electrifying the bus fleet through an innovative management model that separates ownership from operation.

} Efficient urban mobility requires substantial investment in infrastructure and vehicles.
→ *Photo - Mauricio Moreno / Ceet*



In water supply management, alliances between jurisdictions can generate economies of scale and foster best practices.
→ *Photo - Mauricio Moreno / Ceet*

4. STRENGTHEN COOPERATION BETWEEN GOVERNMENTS

Multiple dimensions of subnational government action transcend jurisdictional boundaries. Environmental management, including solid waste handling and water resource administration, is perhaps the most well-known example, but areas such as passenger transport and public safety increasingly demand greater intergovernmental cooperation at the subnational level.

These cooperation needs are especially intense in metropolitan areas. Fifty-three cities in Latin America and the Caribbean have populations exceeding 1.5 million inhabitants, and on average, each one spans more than 17 jurisdictions. The creation of metropolitan authorities can be an effective tool for mitigating interjurisdictional externalities and optimizing service delivery. While there are some success stories, such as the Aburrá Valley Metropolitan Area, the overall picture is one of weak institutional frameworks or a complete absence of metropolitan governance.

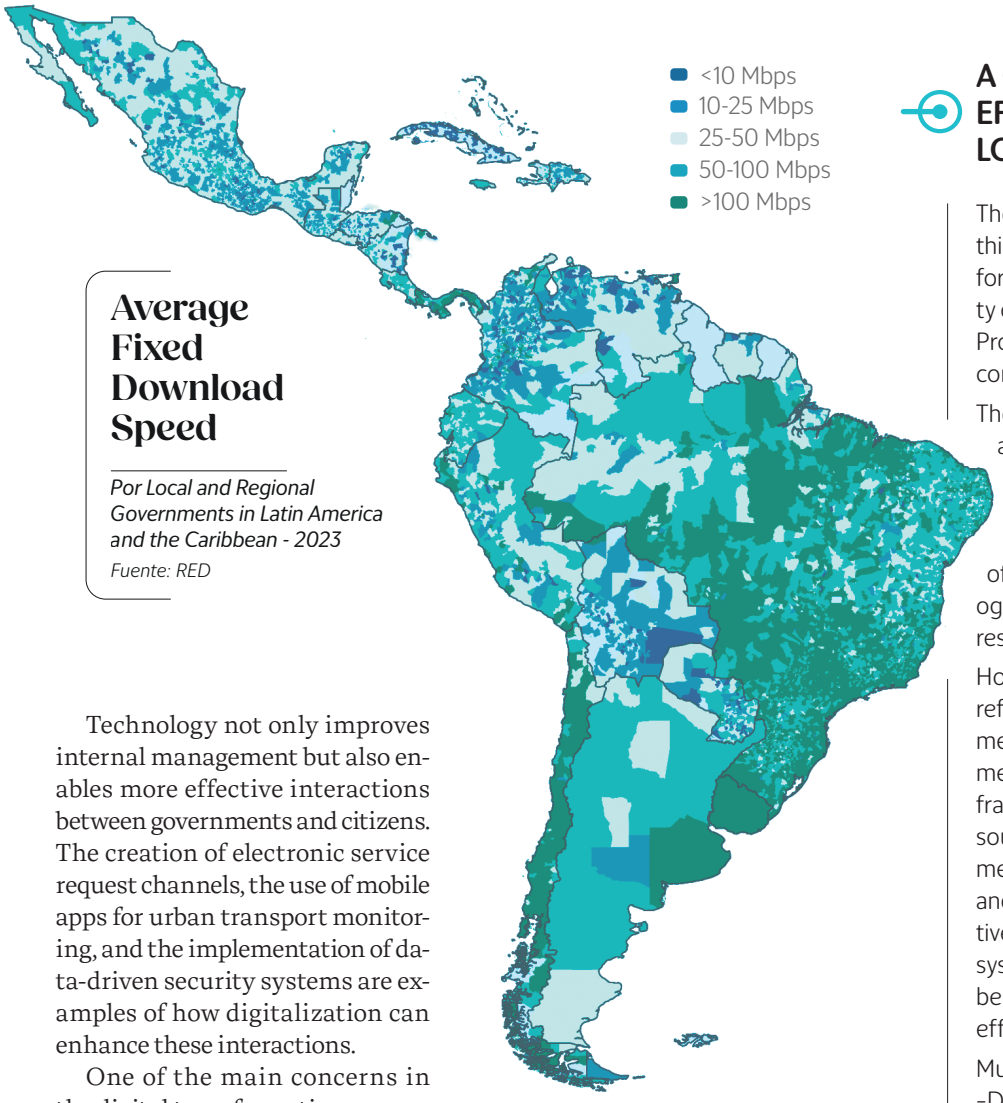
Cooperation between local and regional governments should not be limited to the creation of general-purpose structures; in some cases, it must be organized around specific areas of public management. In the transport sector, for instance, coordination arrangements for route planning and bus service contracting allow municipalities to negotiate better terms and achieve greater interconnection between jurisdictions. Similarly, in critical areas of subnational administration—such as solid waste management, water and sanitation services, and health services—alliances between jurisdictions can generate economies of scale and facilitate the adoption of best practices.

Beyond the establishment of formal cooperation arrangements, whether for general or specific purposes, mutual learning among local and regional governments is another key driver of improved practices. Unlike central governments, which are singular entities, the multiplicity of subnational units allows for experimentation with new projects and management models, with the most successful cases serving as examples for others to follow. For this to happen, there must be spaces for exchange among local and regional government leaders. Local government networks play a key role in this regard. The report highlights the experience of the BiodiverCities Network promoted by CAF, which seeks to place biodiversity at the heart of urban management.

5. ACCELERATE DIGITALIZATION AND TECHNOLOGY DEPLOYMENT

Digital transformation has become an essential tool for modernizing public administration. However, digitalization also presents a challenge for subnational governments: how to harness its benefits without allowing it to become another force that widens existing gaps. In an environment where technology is advancing rapidly, it is crucial for local and regional administrations to adopt digital tools that can optimize their processes, enhance accountability, and facilitate citizen access to services.

The adoption of information and communication technologies (ICT) in the internal management of subnational governments can radically transform the way public resources are administered. The digitalization of administrative procedures, the implementation of budget management platforms, and the modernization of public procurement systems are clear examples of how technology can streamline decision-making and increase transparency.



Average Fixed Download Speed

Por Local and Regional Governments in Latin America and the Caribbean - 2023

Fuente: RED

Technology not only improves internal management but also enables more effective interactions between governments and citizens. The creation of electronic service request channels, the use of mobile apps for urban transport monitoring, and the implementation of data-driven security systems are examples of how digitalization can enhance these interactions.

One of the main concerns in the digital transformation process is the inequality in access to technology across jurisdictions. While wealthier municipalities and states can invest in cutting-edge technological infrastructure, those with fewer resources face major barriers. These disparities are evident in the differences in internet connection speeds as shown in the accompanying map. This situation calls for a response that includes both physical connectivity infrastructure and governance infrastructure, with the creation of national standards for system interoperability. Promoting partnerships with the private sector must also be part of the strategy to facilitate technology deployment across the region.

> The RED proposes the joint construction of 'local solutions' as a fundamental idea to guide the work of these multiple actors in strengthening subnational governments in Latin America and the Caribbean.

A COORDINATED EFFORT TO BUILD LOCAL SOLUTIONS

The five areas for action presented in this article represent a core set of reforms needed to enhance the capacity of local and regional governments. Progress on this agenda requires a concerted effort by multiple actors.

The key actors are, of course, the local and regional governments themselves, which play a leading role in modernizing their processes, investing in the professionalization of their teams, and adopting technologies that allow them to manage their resources more efficiently.

However, the success of these reforms also depends on the involvement and support of central governments. The creation of regulatory frameworks that facilitate own-source revenue generation, the implementation of financing mechanisms, and the standardization of administrative processes and technological systems are measures that can only be achieved through coordinated efforts.

Multilateral organizations such as CAF -Development Bank of Latin America and the Caribbean- support both subnational and national governments in this agenda by providing technical assistance, financing, and promoting spaces for the exchange of good practices among governments from different regions and countries.

The RED proposes the joint construction of "local solutions" as a fundamental idea to guide the work of these multiple actors in strengthening subnational governments in Latin America and the Caribbean. Proximity to citizens makes it possible to more accurately identify and address local needs, while decentralization -despite its challenges- offers the opportunity to build administrations that are more agile, transparent, and efficient.

Access to Information and Sustainable Development in LAC



POINT OF VIEW

Alejandra Claros

Secretary General of CAF
–Development Bank of Latin America and the Caribbean–

Multilateral development banks (MDBs) play an increasingly relevant role in achieving the Sustainable Development Goals (SDGs) and in climate financing. We are strategic actors in mobilizing resources and generating impact in emerging economies. However, institutional diversity and the lack of comparable information limit the understanding of our true contribution as well as active citizen participation.

How can we talk about sustainable development if those who are meant to benefit don't know how the resources are being used?

Transparency is not an abstract value; it is a fundamental condition for making better decisions, allocating resources wisely, and avoiding duplication. It allows us to evaluate what works, improve what doesn't, and amplify impact where it is most needed. It also strengthens accountability and fosters institutional trust.

When information is unavailable or inaccessible, the ability to govern effectively is weakened, and citizen participation and collaboration are limited. In our region, where inequality remains a structural challenge, transparency is also a tool to redistribute power and include historically excluded groups in decision-making processes.

In infrastructure projects –such as roads or dams in rural areas– making information available is essential. Clearly publishing the social and environmental impacts, along with enabling public consultation spaces, fosters genuine dialogue between communities, authorities, and companies. Early participation helps resolve tensions, build consensus, and ensure that development leaves no one behind.

Publishing data on social investments and their results allows rural communities to identify gaps, demand improvements, and participate in decision-making with more tools. When data is clear, what was hidden becomes visible. And what is seen can be transformed. In this way, transparency contributes to closing historical gaps and moving toward more equitable territorial integration.

Advancing transparency means more than increasing the volume of published information: it requires that information to be useful, timely, and understandable. It is necessary to strengthen publication standards, promote accountability, and ensure that people and communities have access to data relevant to their reality. Only then will it be possible to democratize decision-making and strengthen the bond between institutions and citizens.

Transparency and access to information are not just technical requirements. They are the foundation of modern, open governance oriented toward the common good. In Latin America and the Caribbean, we need information to flow, be reliable, and be available at the right time and in accessible formats.

As Gabriel García Márquez once said: "The best news is not always the one that is published first, but often the one that is best told."

And in development, "telling it better" means doing so with evidence, openness, and listening.

At CAF, we embrace this commitment: that access to information should not be a privilege, but a bridge. A bridge that connects institutions with citizens, financing with results, and data with decisions that transform lives..

CAF's Commitment to a Fairer and More Sustainable Region



POINT OF VIEW

Gianpiero Leoncini

Executive Vice President of CAF
–Development Bank of Latin America and the Caribbean–

In a global context marked by geopolitical tensions, inequality, and multiple crises, Latin America and the Caribbean (LAC) finds itself at a crossroads: how to advance toward development that combines economic growth with environmental protection and social inclusion. CAF has taken on the challenge of being a catalyst for this transformational change, aligning its strategy with the United Nations Sustainable Development Goals (SDGs) and the priorities of our 23 member countries.

The pandemic exposed our region's structural vulnerabilities across multiple fronts. To this, we must add the effects of climate change, which pose a particular threat to the small island states of the Caribbean and coastal communities. In response, the USD 7 billion capital increase approved by CAF's Board in 2022 was not just a milestone but a clear mandate from our shareholder countries to become the development bank that leads the transition to green and inclusive economies—while also energizing the private sector.

This commitment has translated into results. In 2024 alone, over 4 million people gained access to basic services; 5,000 SMEs received support to generate jobs; and nearly 11,000 microentrepreneurs accessed microloans. Today, 41% of our financing is directed toward green projects, and we have mobilized USD 3.6 billion from international sources, demonstrating our ability to deliver global solutions to regional problems.

Through CAF's 2022–2026 Corporate Strategy, our action is structured across three dimensions. First, we concentrate our efforts on six areas: just energy transition, climate change adaptation, resilient territorial development, inclusive social well-being, physical and digital connectivity, and productivity gains through partnerships with the private sector. Second, we incorporate foundational principles into our operations: environmental sustainability, evidence-based decision-making, institutional strengthening of our partners, a focus on gender and inclusion, and the attraction of international resources. Third, we reinforce our capacities, focusing on financial sustainability, talent development, digital transformation, geographic expansion, transparency, and the creation of innovative financial instruments.

Our interventions apply cross-cutting principles that amplify their impact. Half of our sovereign projects include gender components, such as loans for women entrepreneurs in Ecuador. We integrate ancestral knowledge and facilitate South-South cooperation to replicate successful experiences, such as Uruguay's wind energy model. Our institutional strength enables innovations like sustainable bonds linked to reforestation goals in the Amazon, all while adhering to international anti-corruption standards. Partnerships with regional universities are developing local talent in critical future technologies.

Yet major challenges remain. The region needs USD 150 billion annually to meet its climate commitments. One-third of countries still face limitations in executing complex projects. Integration between nations remains insufficient. That is why CAF is doubling its efforts to scale up climate financing by 2030, strengthen local governments with technology transfers, and deepen partnerships with multilateral organizations and the private sector.

Ultimately, the foundations of CAF's impact lie in its internal agendas, which bolster capacity to turn vision into action. In 2024, CAF achieved the highest credit rating in its history, accompanied by talent development and an ambitious digital transformation strategy. Institutional transparency has also been elevated to demanding international standards.

Furthermore, the expansion of our shareholder base to 23 countries and the design of financial instruments demonstrate CAF's adaptability to today's challenges. CAF reaffirms itself as the strategic partner the region needs to move toward a more resilient, equitable, and integrated future.

This article reflects our 2024 Impact Report, available at www.caf.com

GREEN ECONOMY

By Alicia Montalvo Santamaría
Manager of Climate Action and Positive Biodiversity at CAF
–Development Bank of Latin America and the Caribbean–

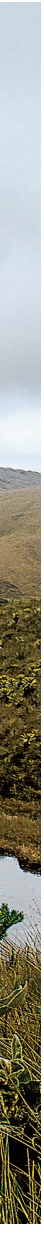


Climate Change and Biodiversity:

TWO SIDES OF THE SAME COIN



The páramo ecosystem is one of the jewels of the region's biodiversity and one of the most threatened. → *Photo - Juan Pablo Rueda / Ceet*



The recent first edition of the Mutis Dialogues, held in Madrid, has enabled the region's perspective on biodiversity to forge new synergies in the effort to contribute solutions for the planet's future.

In recent years, Latin America and the Caribbean (LAC), as a region, has been making its voice heard in global debates on the environment, climate change, and especially biodiversity. The fact that the region is home to 60% of the world's biodiversity, six of the seventeen most biodiverse countries on the planet, and the most biologically diverse habitat on Earth –the Amazon rainforest– explains this growing prominence and underscores the need to promote a new Latin American and Caribbean approach to addressing the challenges of biodiversity conservation, restoration, and sustainable use.

This new regional approach has been taking shape through innovative initiatives. Common features of these efforts include valuing ecosystem services in investment programs, more nature-friendly integration of biodiversity into cities, and the development of new productive models based on the bioeconomy.

In many cases, this is happening hand in hand with communities and Indigenous peoples, who are the main custodians of ecosystems and whose well-being is most directly tied to their protection.

Resources and Knowledge

Among the most pressing challenges for ensuring that Latin American and Caribbean perspectives and solutions take root in global debates is the mobilization of greater financial resources to preserve biodiversity. It is also crucial to promote the integration of traditional knowledge and local science in decision-making, expand the role of local communities and Indigenous peoples, and foster technology and nature-based innovation in the region.

In terms of financing, the resources currently allocated to biodiversity conservation are insufficient to protect and restore ecosystems and preserve endangered species. This significantly affects agricultural productivity, access to water resources, natural disaster protection systems, and tourism –impacting local communities the most, as they depend directly on these ecosystems for their livelihoods and well-being.

For this reason, at COP16 of the Convention on Biological Diversity, it was agreed that international financing flows must reach USD 20 billion annually by 2025, increasing to USD 30 billion by 2030. This will require a thorough discussion on innovative instruments that promote both public and private financing.

In this context, the region can lead the way in positioning biodiversity as a key pillar for productive development and for improving people's living conditions. At CAF –Development Bank of Latin America and the Caribbean– we are contributing new resources toward this goal. One example is that, in 2024, 41% of our approvals were green (a target originally set for 2026), and we have committed to allocating 10% of our financing to biodiversity in the region by 2030. In practical terms, this means more than USD 1.5 billion will be invested annually in biodiversity preservation programs.

These unprecedented commitments are grounded in an ecosystem-based approach that places people and the sustainable use of natural resources at the heart of decision-making, promotes equitable conservation and sustainable use of these resources, and recognizes the importance of interdisciplinary collaboration and cooperation among diverse stakeholders. We have identified 14 priority strategic ecosystems in the region and are working on a catalogue of solutions to address the main threats they face. In addition, we have approved a regional program of USD 300 million to finance specific actions.

Another key pillar of the Latin American and Caribbean vision for biodiversity is the promotion and integration of traditional science and ancestral knowledge into investment projects, helping ensure that actions are respectful of local communities. To this end, at COP16 we signed, in partnership with more than 15 scientific institutions, a "Declaration for a Positive Biodiversity in Latin America and the Caribbean: From Science to Action," promoting the creation of a scientific advisory council to support CAF's decision-making process based on the latest and most robust scientific evidence.

It is crucial that all financing initiatives and efforts to integrate sci-



In the background, the image of the Spanish priest and scientist José Celestino Mutis, leader of the Royal Botanical Expedition of the New Kingdom of Granada in the 18th century. His pioneering figure inspired these dialogues. → *Photo - CAF*

ence into decision-making involve local communities, especially in the most fragile ecosystems. That is why CAF is promoting projects such as the "Piangüeras Women's Network" in the Pacific, funded through the new Global Biodiversity Framework Fund. This initiative supports the sustainable value chain of piangua harvesting, improves the quality of life for women, and contributes to the restoration of mangrove ecosystems. Other initiatives being developed with the participation of local communities include sargassum management, agricultural bio-businesses in the Amazon, and the protection of artisanal fisheries.

Finally, innovation is essential to preserving biodiversity in the region. First, by promoting innovative financial instruments, such as debt-for-nature swaps or biodiversity certificates. Second, by supporting technological innovation programs linked to biodiversity, such as the "InNatureLab" initiative, which provides financial and non-financial support to bioeconomy solutions through an open innovation lab that includes local communities, as well as fostering biomimicry and a new model of productive development.

Mutis Spirit

A qualitative leap is needed: biodiversity is a key asset for positioning the region in global debates on the rules that shape the international financial architecture –especially trade and financial flows– as well as for new policies on technological development. We need the biodiversity perspective, from this side of the world, to permeate and build new synergies that improve living conditions for citizens and ensure the planet's environmental balance.

To this end, earlier this month in Madrid, we held the first edition of the Mutis Dialogues on Biodiversity: Latin America and the Caribbean–Spain, with more than 50 representatives from scientific institutions, Latin American governments, financial institutions, development agencies, NGOs, philanthropic organizations, and private sector actors. The goal was to amplify the voice of science and promote the role of technology and innovation as tools for the conservation, restoration, and sustainable use of biodiversity in the region.

The dialogues were named in honor of José Celestino Mutis and the spirit of the Royal Botanical Expedition of the New Kingdom of Granada, which, in a visionary way, laid the foundations in the 19th century for a global knowledge-based dialogue that continues to evolve.

The most important takeaway from this gathering at the Royal Botanical Garden in Madrid is the value of having spaces like this –multidisciplinary forums where people interested in biodiversity issues, but coming from different fields such as science, technology, and finance, can come together to talk, understand one another's language, and collaborate in more accessible, outreach-oriented settings.

Many times, the problem we face is our inability to communicate the importance of biodiversity, to highlight its value, and to show how a development model based on biodiversity can be key to the economic growth of regions like Latin America and the Caribbean. This is why we believe it is essential to build this path, so that all the pieces come together in favor of biodiversity as a solution to the challenges of climate change.

For us, these dialogues are a key component of our journey toward COP30 in Belém. We come from COP16 in Cali, from a science-focused declaration in Bogotá, and we are now heading toward a climate change COP. We want biodiversity and climate change to be seen as two sides of the same coin—because there can be no effective plan for reducing greenhouse gas emissions that does not include biodiversity protection.

VOICES FROM THE DIALOGUE IN MADRID

Amir Lebdioui

Director of the Centre for Technology and Industrialization for Development, University of Oxford



"What is at stake is the economic and technological future of Latin America and the Caribbean. Biodiversity is not just a passive asset to be protected and conserved—it is also a bank of ideas, a source of inspiration and information for innovation. Most countries in the region have yet to break out of the middle-income trap, and one determining factor is technological capacity and natural resources. Nature-inspired innovation represents an alternative path that can help the region close the technological and development gap with the rest of the world. As Leonardo da Vinci said: 'Let us learn from nature—there lies our future'."

Dalina Aldana

President of the Mexican Academy of Sciences and researcher at Cinvestav



"Nature is fundamental to human life. In a place like the Royal Botanical Garden of Madrid, we can isolate ourselves from the noise of aggressive commerce, which constantly pushes us to buy and discard. Technological solutions exist and will continue to emerge, but it is essential that we learn to live differently—with less consumption of everything and, consequently, less waste. CAF has had, and continues to have, the vision to invest in development that places nature at the center—not supermarkets. Where water is born, we must engage in dialogue with biodiversity. I believe CAF's work is well aligned with the goals it has set."

Elizabeth Gray

CEO, National Audubon Society



"When I crossed the street from the hotel and entered this Botanical Garden, I immediately felt how the high temperature dropped five or even ten degrees. These urban oases are vital to educate about the benefits of nature—for health, for the economy, and more. We don't talk enough about these issues across sectors. Here, in one room, we had scientists, academics, researchers, but also people from banks, nonprofits, governments, and private companies. All of us learning from one another—talking, collaborating, sharing lessons learned. That is how we are going to move this work forward around the world."

Mauricio Diazgranados

Chief Scientist at the New York Botanical Garden



"Biodiversity faces an unprecedented threat. The dialogue on biodiversity invites us to rethink how we can integrate science, policy, and society to reverse the processes of biodiversity loss and implement effective conservation actions—to discuss how Latin America and the Caribbean can implement integrated plans that enable the recovery and conservation of biodiversity across the region. Botanical gardens offer the opportunity to create a bridge between citizens and nature. They are not just recreational, educational, or conservation spaces; they are also centers of knowledge and research, and many are deeply committed to these processes."

By VD Editorial Team
@AgendaCAF



Galápagos, a Living Laboratory Threatened by Climate Change

CAF and the Green Climate Fund will allocate USD 127 million in loans and technical cooperation to address the environmental challenges of the archipelago made famous by Darwin.

Galápagos tortoises are not only large in size but also long-lived. They can live between 300 and 400 years. → *Photos - Andrea Moreno / Ceet*

Four hundred and ninety years ago, the ship carrying Dominican friar Tomás de Berlanga from Panama to Peru was swept off course in a fortunate mishap. Mysterious winds and the uncertain waters of the Pacific Ocean led him to discover an archipelago now considered a unique natural treasure.

What Berlanga and his companions witnessed on that journey is described in a letter the friar wrote in April of that same year to Emperor Charles V: "(the men) found nothing but sea lions, turtles, and giant tortoises, each large enough to carry a man on its back, and many iguanas" that "were like giant

snakes." Elsewhere he described the islands as a place where God had once "rained stones."

The friar's astonishment at this arid sanctuary of rare creatures –named Galápagos by the Spanish sailors for the shape of the giant tortoises' shells– revolutionized scientific understanding of biology three centuries later, when it inspired *On the Origin of Species*, the seminal work written by renowned British scientist Charles Darwin after his 1835 visit to the archipelago, laying the foundation for the theory of evolution by natural selection.

Treasure at Risk

Darwin's echo drew the attention of scientists, but over the decades, it also sparked the curiosity of tourists. Today, despite restrictions, the number of visitors continues to rise. According to official figures, nearly 280,000 people visited in 2024, 55% of them from abroad.

Tourism is one of the threats currently facing the 19 islands. The impacts of climate change also put at risk the biodiversity of more than 9,000 species, most of them endemic to the volcanic archipelago.

According to the World Meteorological Organization (WMO) bulletin on the state of the climate in 2024, between January and September the planet's average temperature exceeded the pre-industrial benchmark by 1.54°C—an increase that heightens the risk of irreversible loss of coastal and marine ecosystems.

Added to this are invasive species such as cats, dogs, pigs, and livestock, as well as plastic pollution, creating a critical scenario that demands urgent solutions to preserve this Natural World Heritage Site.

"The Galápagos Islands face challenges stemming from climate change, threatening their unique biodiversity and the livelihoods of their 33,000 inhabitants, which are primarily based on agriculture, small-scale artisanal fishing, and nature tourism," states the problem description provided by CAF –Development Bank of Latin America and the Caribbean– when announcing its support for a plan to address it.

Together with the Green Climate Fund, CAF will contribute USD 127 million in loans and technical cooperation to move toward a low-carbon development model adapted to the growing climate challenges facing the archipelago.

These resources will be invested through the program entitled "Climate Change: The New Evolutionary Challenge for Galápagos," which seeks to address these challenges comprehensively by focusing on three objectives.

The first is to change the energy matrix in the archipelago by reducing the fossil fuel dependency of local livelihoods and providing access to low-emission energy such as renewable electricity.

Another objective focuses on increasing the climate resilience of Galápagos livelihoods. The plan aims to strengthen the local food system and rehabilitate and protect key ecosystems to reduce dependence on imported products from the mainland– thereby also cutting transport-related emissions.

The third component centers on sustainability mechanisms for climate resilience and low-emission livelihoods. This translates into promoting more efficient value chains and a blue circular economy, as well as protecting and restoring marine and terrestrial ecosystems.

This initiative represents a coordinated effort among multiple actors, including CAF. Locally, participants include the Ecuadorian government through the Ministry of Environment, Water and Ecological Transition, several financial institutions, and the local community. Internationally, organizations such as the World Wide Fund for Nature (WWF), the Food and Agriculture Organization of the United Nations (FAO), private developers, and investors are also involved.

"At CAF, we are committed to supporting our member countries in the transition toward more sustainable and climate-resilient development models. With this project in the Galápagos, we are delivering world-class environmental solutions that can be replicated in other high-biodiversity natural landscapes," said the bank's Executive President, Sergio Díaz-Granados.

If the discovery of giant tortoises and other creatures by Berlanga and the sailors marked a milestone in the history of science, the search for innovative solutions for climate change adaptation and mitigation in this unique island ecosystem should leave another–at least in the history of nature conservation in the region.





Above: The Galápagos fur seal is abundant along the rocky shores of the islands, especially on Fernandina and Isabela. Below: Iguanas are an endemic species in the archipelago, although their conservation status is already classified as vulnerable.

By VD Editorial Team
@AgendaCAF

Latin America and the Caribbean in the Face of the Growth Challenge

The first Latin America and the Caribbean International Economic Forum, organized by CAF, accelerates the region's commitment to sustainable development and integration, with strong participation from the private sector.

How can we return to the path of growth? This was the central question at the first Latin America and the Caribbean International Economic Forum (LAC), held in Panama City. It served both as an invitation and a reminder.

The invitation was clear: to understand how to strengthen the region in today's context. The reminder came from the fact that twenty years ago, CAF –Development Bank of Latin America and the Caribbean– published its first *Report on Economic Development (RED)*, which offered a series of reflections on how to rekindle growth. Back then –just as now– the region was caught in the same dilemma: how to improve the quality of life of its people and boost its economies.

With an average growth rate of 2.1% in 2024 –half the global average– and 180 million people living in poverty, Latin America and the Caribbean enters 2025 with an urgent need to stop being the "continent of the future" and become a real protagonist of the present.

Before an audience of more than



More than 2,000 attendees participated in the 36 segments offered over two days on January 29 and 30. → *Photos- CAF*



Former Italian Prime Minister Matteo Renzi urged Latin America and the Caribbean to look to Europe to learn from its successes and mistakes.

2,000 participants on January 29, the first *International Economic Forum* featured 36 sessions, including main plenaries and parallel panels, focused on diagnosing regional challenges and identifying opportunities to help Latin America and the Caribbean overcome global marginalization.It focused on key issues such as infrastructure, investment, climate action, energy transition, poverty, logistics, sustainability, and transport, among others.

Contributions from the Private Sector

The forum, which served as a meeting space for the private sector, government authorities, and multilateral institutions, delivered a clear message: without active participation from the business community, development is not possible.

The private sector's momentum not only enables growth –it can also drive regional integration. Latin America and the Caribbean has long relied on mechanisms to strengthen regional integration, not always successfully, as they have often depended on shifting political tides. According to CAF's Executive President, Sergio Díaz-Granados, the private sector not only provides financing and helps bridge the funding gap that multilateral banks cannot fully cover– it also has the potential to enable political integration. For that to happen, participants at the Forum stressed the importance of ensuring that the private sector's role incorporates public and social interests.

Environmental sustainability was another major pillar of the Forum, closely linked to the importance of social sustainability. The discussions made it clear: working to eradicate poverty significantly enhances the effectiveness of any environmental action.

The Region's Potential

A key takeaway from the event was the vast potential of Latin America and the Caribbean, and how the region offers global solutions for energy transition processes, mineral supply, and sustainable development through its natural capital–rooted in biodiversity, tourism, and the export of regional products to the world. Latin America and the Caribbean holds an invaluable capital that can position it globally. Even tariff restrictions were viewed as opportunities to encourage greater investment in the region and strengthen trade among its countries.

From diverse perspectives, sociologist Jeremy Rifkin emphasized the need for the region to harness its natural capital and lead the green revolution by linking environmental sustainability with social inclusion. Former Danish Prime Minister Helle Thorning-Schmidt highlighted the potential of female leadership as a driver of growth in the region, while former Italian Prime Minister Matteo Renzi urged looking to Europe–to learn from its successes and failures and to boost trade within the region. Olivia White, Director of the McKinsey Global Institute, reminded the audience that "without investment in productivity, Latin America will remain stagnant."

Discussions on port connectivity –such as the ports of Chancay (Peru), San Antonio (Chile), and Cartagena (Colombia)– demonstrated the region's capacity to become a global logistics hub. In the realm of artificial intelligence, participants also noted that Latin America and the Caribbean can contribute meaningfully to its development.

Over one hundred bilateral working meetings between business leaders and government officials enriched the forum, which will soon be followed by a conclusions document in preparation for its 2026 edition.

The Forum, born from CAF's commitment to creating a space of its own for addressing the region's challenges, successfully brought together business leaders, policymakers, and experts to engage in dialogue on innovation and responsible growth. The positive and unprecedented atmosphere elevated the importance of regional integration and connected the sectors that will make the region's transformation possible–so that this time, it may truly return to the path of growth.

2.1%

THIS IS THE REGION'S AVERAGE GDP GROWTH IN 2024–EQUIVALENT TO HALF THE GLOBAL AVERAGE. A RENEWED PUSH IS NEEDED TO ACCELERATE PROGRESS.

By VD Editorial Team
@AgendaCAF

Challenges and Commitments of the Private Sector

Business leaders emphasized the need for the private sector to take the lead in regional integration and in fostering dialogue with the public sector, as well as the need to redefine development paradigms.

"The time has come to form our own league. In Latin America, we still see our top players leaving for Europe. We need to change that dynamic and stop being followers –we must become leaders, both in business and in politics."

These words from Juan Santiago, CEO and Founder of Santex –a technology company with 25 years of experience in custom software development– sum up the key takeaway from the sessions of the Latin America and the Caribbean International Economic Forum, which were dedicated to hearing directly from entrepreneurs and business leaders about how to make the region more productive.

In the same vein, during the symposium organized by CAF –Development Bank of Latin America and the Caribbean– in partnership with Grupo Prisa and *World in Progress*, Fernando Carrillo, First Vice President of Grupo Prisa, stated that business leaders play a vital role in



Journalist Gabriela Frías (center) with the business spokespersons who presented the conclusions: Narciso Casado, Fernando Carrillo, Rolf Hoenger, and Alfredo González. → *Photo - CAF*



Economic journalist and analyst Ricardo Ávila with business representatives Fabián Castillo, María Lorena Gutiérrez, Olga Cantillo, and Francisco González Díaz. → *Photo - CAF*

overcoming the region's current divides and in driving integration among countries. "We in the private sector can take on the task of political integration– guided by public and social interest," he said.

Three different sessions addressed major strategic themes, reflecting the challenges and commitments that business leaders see as essential to advancing the development of Latin America and the Caribbean.

PUBLIC–PRIVATE DIALOGUE

Business leaders emphasized the crucial role the private sector plays in defending democracy today, and its commitment to working hand in hand with the State, as this strengthens job creation, social capital, and sustainability.

Carrillo noted, "The private sector brings dignity to people. We create wealth, we reinvest 100% of our profits in our places of origin, and we enable development. That's why it's important to work with the State. This is not the time for absent States, but for present and dynamic States that interact with the private sector." The lawyer also pointed out that there is a global crisis of dialogue in which private initiative can help keep democracy afloat, avoiding the extremes of either a "crushing State" or "unchecked privatization."

Narciso Casado, Permanent Secretary of the Council of Ibero-American Businessmen, offered social dialogue as a solution in times of political division. He cited Spain as an example, where tripartite dialogues between governments, unions, and businesses have helped achieve social consensus. "We believe that dialogue and action are fundamental. Thanks to them, we have achieved social peace." He also recalled how Chile succeeded in passing pension reform by sitting down at the table with opponents –an approach from the business world that yielded political benefits.

In a session moderated by Ricardo Ávila, senior analyst at El Tiempo, Fabián Castillo, President of the Federation of Commerce and Industry of Buenos Aires, stressed the importance of "being main actors, not supporting roles. Latin America has already walked the path of suffering –now it's time for knowledge, where joint public– private management is the only solution for moving forward."

Along similar lines, Alfredo Gutiérrez, President of the Argentine Confederation of Medium-Sized Enterprises –which represents 70% of the formal workforce in the country– highlighted the need to return to dialogue to counter "public hostility." He stated that trade unions and business associations are sitting down to reach agreements in collective bargaining systems, and that "it is increasingly clear that we must all reach a social dialogue if we want to build a productive policy."

INVESTMENT IN HEALTH AND TECHNOLOGY

Rolf Hoenger, a regional executive at Pharma, stressed that health remains one of the most pressing areas for investment. "One dollar invested in the sector can yield four dollars in return. The World Health Organization recommends that public health investment reach 6%. In Latin America, few countries ex-

Business leaders emphasized the role of the private sector in creating jobs and ensuring decent living conditions for workers and their families. Panelists spoke about the importance of having, in each country, a present and dynamic State that engages with the private sector to bring effective development to the population. → *Photos - Ceet*





ceed 4.5%–barely half of what OECD (Organisation for Economic Cooperation and Development) countries generate. If early disease detection increases, it will have a direct and positive impact on regional GDP."

Hoenger also highlighted how technology –such as telemedicine and the use of artificial intelligence (AI) in diagnostics– can significantly improve the efficiency of healthcare systems. Francisco González Díaz, President of the Mexico–Panama Business Committee, proposed strengthening partnerships between governments, the private sector, and academia to better understand Latin America's inherent strengths and take ownership of innovation and technology.

Olga Cantillo, Executive President of Latinex, noted that we are on the verge of no longer being the world's last fully human labor force. Rather than being a cause for fear, this represents an opportunity that must be addressed strategically. Carrillo added that repetitive tasks will be replaced, but this shift will require the creation of jobs adapted to new dynamics. In this regard, Casado emphasized the importance of "investing in education and action –a bridge between businesses and universities that operates at higher levels."

INCLUSION AND SUSTAINABILITY

Investing in women's education yields higher economic returns than investing in men's, according to Hoenger, who noted that although women make up 75% of the health sector workforce, they are also the most affected by disease. "For every 100 women who die from breast cancer, 40 children are orphaned. Every dollar invested in women yields greater economic returns." He added that by 2040, closing the women's health gap could generate an additional USD 1 trillion in global GDP.

Casado highlighted initiatives like Chicas Imparables, which encourage teenage girls to become entrepreneurs. Meanwhile, Gutiérrez pointed out that in Argentina, collective bargaining agreements no longer distinguish by gender. Each day, more companies promote inclusion and recognize that sustainability is a core part of their structures.

"Sustainability is no longer just environmental –it is also social. It defends social rights and includes the digital and democratic dimensions,"added Carrillo.

REGIONAL INTEGRATION AND A COMMON STRATEGY

All participants agreed on the importance of fostering regional integration and developing a common strategy to raise the global profile of Latin America and the Caribbean.

Bruce Mac Master, President of ANDI, stressed the need for Latin America to "have its own strategy to determine where we are headed. The great challenge is to build a hemispheric consensus that generates prosperity and convinces the United States that such prosperity will help resolve its migration issue. Creating prosperity means giving the region opportunities to produce goods for that market. For that, Latin American integration is essential."

Susana Jiménez Schuster, President of the Confederation of Production and Commerce, criticized the lack of a clear regional strategy in the face of global blocs, but pointed out that the private sector can take the lead. "The private sector is crucial: it drives 80% of growth, 80% of employment, and 40% of tax revenue. In a context that restores macroeconomic stability, the benefits will be even greater."

Mac Master insisted on the need to design strategies with a view toward a world divided into large alliance blocs, rather than waiting for external change. "We must be part of the game –not the player waiting to be called in." Along the same lines, María Lorena Gutiérrez, President of Grupo Aval, called for continued investment and an end to uncertainty: "To sustain development, we must defend multilateralism and avoid the kind of protectionism that harms economies."



There was consensus on the need to reinvigorate regional integration in order to strengthen the region's position in the global context. Image from the first session. → *Photo - CAF*

GROWTH AND DEVELOPMENT

The business leaders present made it clear that productivity and growth must, now more than ever, lead to social development. Juan Santiago emphasized the urgent need for a paradigm shift: measuring growth by quality of life, not just by GDP. Carrillo noted that today's extremes are undermining both public and private institutions, while also disregarding civil society. "The business of the future will be social –or it won't exist. Growth must be inclusive," he said. Gutiérrez added that without development, growth is impossible.

In light of this, Juan Santiago posed a fundamental question: "What does growth mean today? In 2015, the SDGs called for an end to poverty. That year, Argentina's poverty rate was 29.9%. Today, it's 52%. We must change our paradigms. Technology is transforming the world, but its solutions are not being localized in Latin America. It's time to unite our resources." To close the discussion, Ricardo Ávila reminded participants that "entrepreneurs are part of the solution," and encouraged them to continue contributing to a region with a clear vocation for development.

4

DOLLARS. THIS IS THE RETURN GENERATED BY EVERY DOLLAR INVESTED IN THE HEALTH SECTOR. THE FIGURE WAS HIGHLIGHTED BY ROLF HOENGER, PHARMA EXECUTIVE FOR THE REGION

By VD Editorial Team
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Citizen-Centered Govtech

Digital transformation brings efficiency and transparency to governments and empowers citizens. CAF –Development Bank of Latin America and the Caribbean– is working with public and private sectors across the region to move this agenda forward.

Digital technology is a tool to improve the relationship between citizens and governments. → *Photo - IStock*

In recent years, Latin America and the Caribbean (LAC) has made progress in its digital transformation process to build more efficient and transparent governments at all levels, improve daily interactions between governments and citizens, and address public issues more effectively.

Achievements have been made in areas such as the digitalization of services, streamlining of procedures, enhancement of data protection and privacy frameworks, and the development of cybersecurity regulations.

However, "there is still much room for improvement," said Mauricio Agudelo, Director of Digital Development at CAF –Development Bank of Latin America and the Caribbean–, which has "govtech" as one of its strategic priorities.

The term refers to "an ecosystem where governments collaborate with start-ups, scale-ups, and micro, small,

and medium-sized enterprises that use data intelligence, digital technologies, and innovative methodologies to provide products and services that solve public challenges."

At its core, it is about building a new type of public-private partnership for innovation in the public sector. In this regard, the region is not yet on par with developed countries, "but on average it scores slightly above the global median," Agudelo noted.

The adoption of technologies by governments or public agencies, alongside the support and acceleration of start-ups providing these technology services, contributes to enhanced oversight and monitoring of public procurement, which in turn supports goals such as reducing corruption and increasing transparency.

"The use of technologies such as Artificial Intelligence and blockchain facilitates, among other things, the digital identification of citizens and the transition toward a digital society," explained Agudelo.

CAF's actions in this field follow two main lines: one involves injecting capital into start-ups to strengthen them, and the other focuses on supporting governments in designing public policies and guidelines.

Over the past six years, CAF has invested approximately USD 2.7 billion in the digital transformation of the region, with the explicit goal of promoting the modernization and digital innovation of governments so they can deliver services more efficiently to citizens and operate with greater openness and transparency in their procurement processes.

According to Agudelo, strengthening these ecosystems delivers a double win –for citizens and the public sector– and tech companies are the ones that enable this connection through digital and technological functions.

Fighting Corruption

One of the challenges taken on by CAF is Zero Corruption, a program aimed at supporting companies that offer solutions to make governments more transparent in their procurement processes and enable open data systems that translate into better services for citizens.

MuniDigital, from Argentina, is one of the start-ups that CAF supports through its acceleration and mentoring processes and is part of Zero Corruption. This company, like others, is using AI technology to detect corruption in public procurement and bidding processes through algorithms.

"At CAF, we believe that the govtech environment, digital transformation, and digitalization must be citizen-centered," Agudelo emphasized.

The bank promotes, for example, decentralized and self-sovereign digital identity ecosystems so that citizens truly own their data. "The best way to achieve this is through a digital identity that is not centralized on public or private clouds, because if a government suffers a cybersecurity breach, citizens' data would be vulnerable," he explained.

Index with Three Pillars

CAF, together with Oxford Insights, developed the Govtech Index 2024 for the region. The index assesses 30 indicators grouped into three pillars: innovation, governance, and collaboration.

> "At CAF, we believe that the govtech environment, digital transformation, and digitization must be citizen-centred."

Innovation refers to the ability of governments to facilitate and promote new ideas and support the growth of start-ups that can address bottlenecks or identified challenges. Governance relates to the creation of public policies that promote data quality and enable its processing and storage. Collaboration involves partnerships among the public and private sectors, academia, and civil society.

In the areas of governance and collaboration, countries such as Argentina, Brazil, Chile, Colombia, and Costa Rica stand out. For example, Brazil hosts BrazilLAB, an ecosystem driven by civil society that organizes calls for solutions to major government technology challenges and involves government entities, businesses, and citizens.

Another notable example is OS City, a Mexican–Argentine company that uses blockchain technologies to streamline citizen-facing processes such as digital identity, digital wallets, digital certificates, and biometric records –ensuring security, efficiency, and trust.

"Nonetheless, there is still significant room for improvement in innovation, particularly in terms of public investment and funding to support these ecosystems," said Agudelo. He stressed the need to develop regulatory sandboxes that allow for the testing of potential solutions in controlled environments before scaling them to cities and regions.

"There is a major challenge in public procurement models. We are working in three countries –Brazil, Paraguay, and Chile– to improve public procurement processes with new standards through what is known as open contracting partnership," Agudelo emphasized.

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The Challenges of Development in the Caribbean

Every year, Caribbean countries face the threat of natural disasters, which affect the availability of resources for economic and social growth. They also suffer the blows of international crises that impact markets such as oil.



Dr. Stacy Richards-Kennedy, Regional Manager for the Caribbean at CAF –Development Bank of Latin America and the Caribbean. → *Photo - CAF*

In the global perspective, the Caribbean is synonymous with white sand, turquoise waters, lush natural beauty with vegetation, volcanoes and waterfalls, vibrant culture and history—as well as luxury hotels, exotic cuisine, music, and fun.

That idyllic image holds much truth, but these islands and other small countries with Caribbean coastlines also frequently face enormous challenges in advancing their development and ensuring the well-being of their people.

There are many differences among them, starting with population size. Some countries have populations of 4,000 to 70,000. Others –such as Suriname, Belize, and Guyana (on the mainland), and Saint Vincent and the Grenadines, Grenada, Antigua and Barbuda, Barbados, and Saint Lucia– have between 100,000 and 800,000 people. Trinidad and Tobago has one and a half million, and Jamaica, three million, while Haiti and the Dominican Republic together account for nearly 24 million people.

In the regional Gross Domestic Product (GDP) ranking, the largest economy reaches nearly USD 128 billion, while the tenth is just slightly above USD 1.1 billion. For most of these territories, tourism is key: it generates significant revenue and employment. However, other economic activities also generate commercial opportunities and favorable environments for investors.

Nevertheless, the islands, in particular, frequently face critical situations that threaten their progress. First, due to hurricanes, storms, and the threats of climate change. Second, because of international crises that often affect economies highly dependent on external resources.

"There are many things to understand. For instance, statistically, The Bahamas is classified as a high-income country, but this is not the lived reality for a country equally vulnerable to the effects of climate change. That classification doesn't reflect the level of development financing required to build more resilient infrastructure and to diversify and strengthen the economy," explains Dr. Stacy Richards-Kennedy, CAF's Regional Manager for the Caribbean.

Each territory has its own identity, but all face common realities in which the words *risk, crisis*, and *vulnerability* are frequent. Every international shock directly impacts the internal economy and development of these countries; every hurricane or sea-level rise threatens infrastructure and affects the region's agriculture –not to mention the impact on biodiversity.

"Year after year, there is a development setback due to the impact of natural disasters, and this increases the pressure on governments regarding the availability of GDP resources to



Each year, development in some Caribbean countries is set back due to the impact of natural disasters. → *Photo - CAF*

COLOMBIA HOSTS CARIBBEAN SUMMIT

More than 25 countries from the Greater Caribbean gathered in Colombia at the end of May for the 10th Summit of Heads of State of the Association of Caribbean States (ACS) and the 3rd Colombia-CARICOM Ministerial Summit on "Sustainable Development and Climate Change."

At the close of the ACS summit, delegates issued the Montería Declaration, reaffirming their commitment to cooperation as an essential instrument to achieve sustainable development in the Greater Caribbean, the fulfillment of the 2030 Agenda, and the Sustainable Development Goals (SDGs). The document emphasized the importance of multi-stakeholder and multilevel strategic alliances to foster efficient and mutually beneficial development cooperation among all countries.

During the 3rd CARICOM summit, Colombia, currently an observer country, formally requested to join the Caribbean Community as a full member.

improve their country's development," warns Dr. Richards-Kennedy.

Caribbean countries contribute less than 1% of the greenhouse gases that drive global warming, yet they are 100% victims of the risks of climate change. Hurricanes like Irma, Maria, and Dorian devastated many islands and island economies, proving that the climate crisis is a reality.

There are countries like Trinidad and Tobago, Guyana, and Suriname whose economies are energy-based and depend on oil or natural gas exports. They frequently face international oil price fluctuations caused by geopolitical or economic tensions that impact energy markets.

CAF –Development Bank of Latin America and the Caribbean– shareholders counts among its The Bahamas, Barbados, Jamaica, the Dominican Republic, Trinidad and Tobago, Dominica, Grenada, and Antigua and Barbuda, and has advanced key research and development projects in the region on issues such as water security, the blue economy, climate resilience, biodiversity protection and urban development, sustainable technologies, and governance.

One of its standout initiatives focuses on the sustainable use of sargassum, a type of seaweed that causes significant environmental and economic damage when it accumulates on beaches.

The water security study, for instance, revealed that several countries suffer from significant water scarcity, while others face absolute scarcity. Many are losing nearly half of their available water due to outdated and inefficient infrastructure, and sewer coverage averages only 11%. A number of countries lack adequate wastewater treatment, with untreated water being discharged into the sea.

Thus, the challenges facing the Caribbean are manifold and demand the intervention of multiple actors across many critical fronts.

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Tourism as a Path to Indigenous Economy

CAF and UN Tourism Launched the 'Indigenous Tourism Challenge of Latin America and the Caribbean' to Encourage Native Communities to Organize and Turn This Activity Into a Driver of Transformational Change in Their Reality.



On August 9, the world will celebrate the International Day of the World's Indigenous Peoples. As a tribute to the nearly 860 Indigenous communities of Latin America and the Caribbean (LAC), CAF –Development Bank of Latin America and the Caribbean and UN Tourism will announce the winners of the Indigenous Tourism Challenge on that day. The initiative was launched last January during the I Latin America and the Caribbean International Economic Forum, held in Panama.

A significant number of tourism entrepreneurs –primarily from Indigenous peoples in the region– took on this challenge, whose foundation lies in social innovation and the use of new technologies in tourism pro-ducts. These initiatives are envisioned as viable alternatives in a sector widely seen as a powerful engine for accelerating regional growth.

"The greatest value in the tourism industry is knowledge and experience. It's one thing to take a photo with a coffee farmer with the plantation in the background, and another entirely to take part in the planting, harvesting, and processing of coffee –and then drink a cup you prepared yourself. That's the experience we want to promote," said Óscar Rueda, CAF's Tourism Director, when reflecting on the

} Wayúu indigenous woman in the upper Guajira, a developing tourism area. → *Photo - Vanexa Romero / CEET*

role of this industry in the region and how strengthening it could establish LAC as the leading destination for socially driven tourism.

"When we travel in Europe, we're often shown ruins; here, we have living cultures. By sharing the knowledge, traditions, cuisine, and artistry of our Indigenous communities, we offer tourists a memorable experience. This could be a tremendous source of economic development," added the CAF executive.

Last year, global tourism continued its post-pandemic recovery, and in the case of LAC, it surpassed pre-pandemic growth (2019) by 2%. With the sector booming, there is a significant opportunity to develop social and community-based tourism –including Indigenous or ancestral tourism– which is projected to attract US$2 billion in investments between 2025 and 2032, according to Natalia Bayona, Executive Director of UN Tourism. The annual growth rate for this segment stands at 14%.

A Driver of Change

Currently, 43% of Indigenous communities live in poverty. As such, well-organized tourism is viewed as a powerful driver of transformation for these communities –one that respects and preserves their cultures and environments.

The hope is that the initiatives taking part in the challenge will create unified cross-border tourism networks stretching from Mexico to Patagonia. This vision is anchored in a core principle: "Uniting in the midst of our immense cultural diversity," as expressed by Gustavo Santos, UN Tou-rism's regional representative. Another central element is the inseparable bond between Indigenous peoples and the natural resources of their territories, which presents an opportunity to build highly attractive tourism packages for international visitors.

An exemplary case of Indigenous tourism is the Guna Yala territory in Panama. "We've created codes of conduct for tourists and joined the Indigenous Tourism Network of the Americas (ITCA)," said Sobi Guili, community leader and representative of the Indigenous Tourism Network of Panama. "We are an open book and can share our learnings with our peers across Latin America and the Caribbean."

Notably, 61% of jobs generated by Indigenous tourism in Panama are held by women. "This is one of the tourism industry's greatest values: it primarily employs women," emphasized Natalia Bayona.

Another key value is environmental protection. "In Colombia, 34% of protected areas –due to their biodiversity– are cared for by Indigenous communities," highlighted Guna Chaparro, a leader of the Arhuaco community in the Sierra Nevada de Santa Marta.

The launch announcement of the challenge summed up what could be called the "virtuous circle" of Indigenous tourism: "It allows communities to showcase and revitalize their culture through authentic tourism experiences; it enables travelers to engage directly with Indigenous peoples, experiencing firsthand their traditions, customs, and ancestral knowledge. Through this model, Indigenous communities promote autonomy, sustainable development, and responsible tourism."



43% of Indigenous communities live in poverty, and tourism could be a good source of income for them.
→ *Photo - Gustavo Leighton / Unsplash*

WHAT THE CHALLENGE OFFERS

The winners of the Indigenous Tourism Challenge of Latin America and the Caribbean will receive awards designed to propel their ventures beyond their national borders and achieve accelerated growth:

- **US$10,000** in seed capital to invest in the project, provided by CAF.
- **Recognition** by UN Tourism.
- **Authorization** to use the regional brand logo alongside the national brand logo.
- **Mentorship** and guidance from expert advisors.
- **Access to** the UN Tourism Innovation Network.
- **Scholarship** opportunities for the UN Tourism Online Academy.

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Early Motherhood

THE HIGH COST OF LOST OPPORTUNITIES AND DREAMS



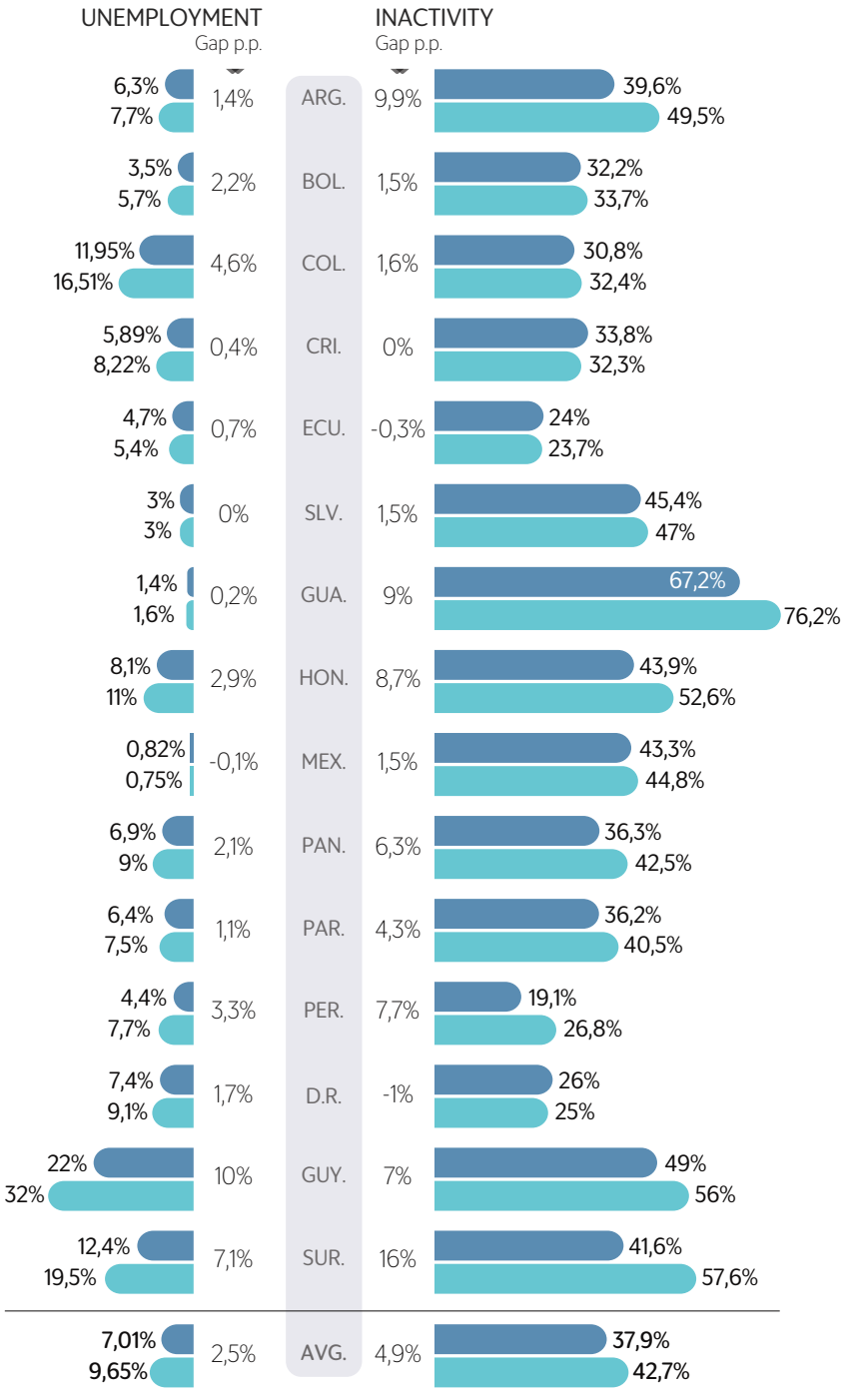
Early pregnancy remains a costly issue in the region. However, the study highlights a significant decrease in cases in recent years. → *Photo - iStock.*

A study by the United Nations Population Fund (UNFPA) reveals the significant impact that teenage pregnancies have on the socioeconomic development of the region and the persistence of poverty and inequality. However, this can be reversed through investment in prevention and targeted work with young people.

Female inactivity and unemployment rates by age at first motherhood

Gap expressed in percentage points (p.p.)

Source: UNFPA. The Price of Inequality: Socioeconomic Consequences of Adolescent Pregnancy and Early Motherhood in Latin America and the Caribbean.



Karen Dayana* was one of the top students in her class at a school in Buenaventura—on Colombia's Pacific coast. She planned to finish high school at 17 and immediately enroll in university to study psychology, expecting to graduate by the age of 23. However, she became pregnant and gave birth to her first daughter at 15. This life-changing event forced her to postpone her plans by nearly three years, during which she devoted herself to caring for her baby—fortunately, with support from her parents and a few foundations.

What might seem like an isolated anecdote is in fact part of a much broader issue: every year, 1.6 million pregnancies occur in Latin America and the Caribbean (LAC) among girls and young women aged 10 to 19. This has a significant negative impact on the region's economic and social development. Although the number of births in this age range has decreased substantially over the past decade, Latin America and the Caribbean still ranks second in the world for adolescent pregnancy rates, behind only Sub-Saharan Africa.

These figures might be dismissed as merely a "youth issue," were it not for the staggering cost: between 2010 and 2024, adolescent pregnancy has resulted in an estimated opportunity cost of USD 15.3 billion for the region each year. This cost not only weighs heavily on national development but also hinders progress toward gender equality and equity—two fundamental pillars for societal growth. In fact, this figure represents an average of 1% of each country's GDP, and in places like Panama and Suriname, it rises to as much as 3%.

These figures come from the study The Price of Inequality: Socioeconomic Consequences of Adolescent Pregnancy and Early Mother-

MEASURES THAT HAVE PROVEN EFFECTIVE

- **Design national and local** strategies to reduce teenage pregnancy with the participation of all sectors and levels of the State and civil society.
- **Ensure informed access to quality** sexual and reproductive health services for the entire population, including modern contraceptive methods, especially long-acting ones.
- **Create laws that prohibit child marriage** and early unions, as has recently occurred in Colombia with Law 2344 of 2025, and in Peru with Law 31945 of 2023.
- **Promote the participation** and empowerment of adolescent girls.
- **Ensure access to** comprehensive sexuality education.

By implementing these measures and working together, a future can be achieved in which every adolescent has the opportunity to reach their full potential and build a prosperous life project.

hood in Latin America and the Caribbean, 2025, conducted by the United Nations Population Fund (UNFPA), based on updated data from 15 countries in the region (see graph and text boxes).

A Silent Crisis

The study's foreword, recently released, issues an urgent warning about the need for swift action to reverse current trends: "This document is not just a report; it is a call to action and a cry of alarm about a silent crisis that undermines the future of Latin America and the Caribbean: adolescent pregnancy (...). It is both a cause and a consequence of inequality, perpetuating cycles of poverty and limiting socioeconomic opportunities for young women and their families," especially when compared to women who became mothers as adults.

But let's begin by understanding what opportunity cost means and why it so significantly impacts national development. Opportunity cost refers to the value of the best alternative foregone when a different choice is made. In simple terms, it is the value of the benefits Karen Dayana lost by postponing her life plan for at least three years—assuming she had "chosen" not to become pregnant, which, theoretically, would have been the "better option."

Although the study notes that the vast majority of early pregnancies were unintentional (67%), the decision to carry them to term and raise children during adolescence significantly disrupts community progress. This is largely because the adolescent fertility rate (known as TEFA) is closely linked to prolonged poverty levels and, indeed, to the persistence of underdevelopment for large segments of the population.

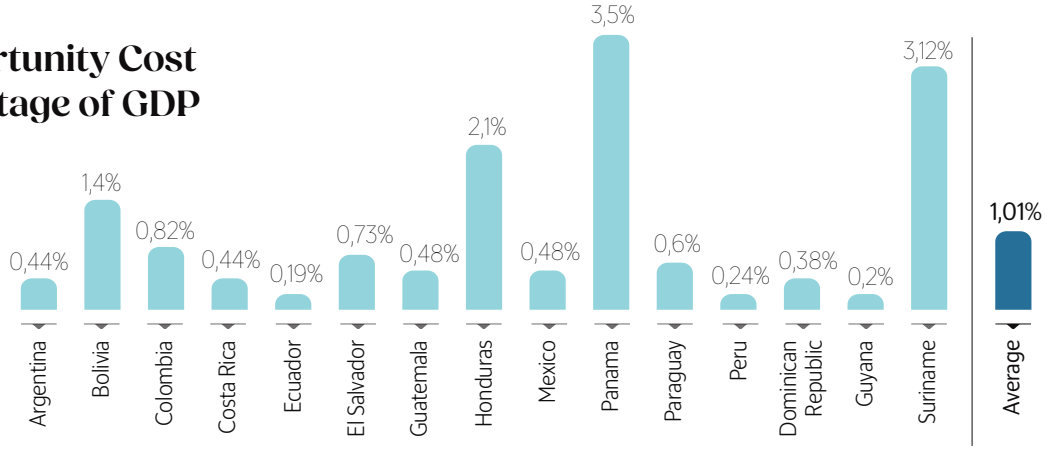
According to the UNFPA study, the opportunity cost for the 15 countries included reaches USD 1.8 billion (0.13% of their combined GDP), and the fiscal loss to governments alone amounts to nearly USD 1 billion, directly attributable to early motherhood.

UNFPA also highlights in its report that the greatest burden of this issue falls on women and their immediate environment, accounting for 88.2% of the total estimated cost. This is primarily due to lower educational attainment and more limited access to quality employment, which reinforces the cycle of poverty and constitutes a "clear expression of inequality and gender gaps."

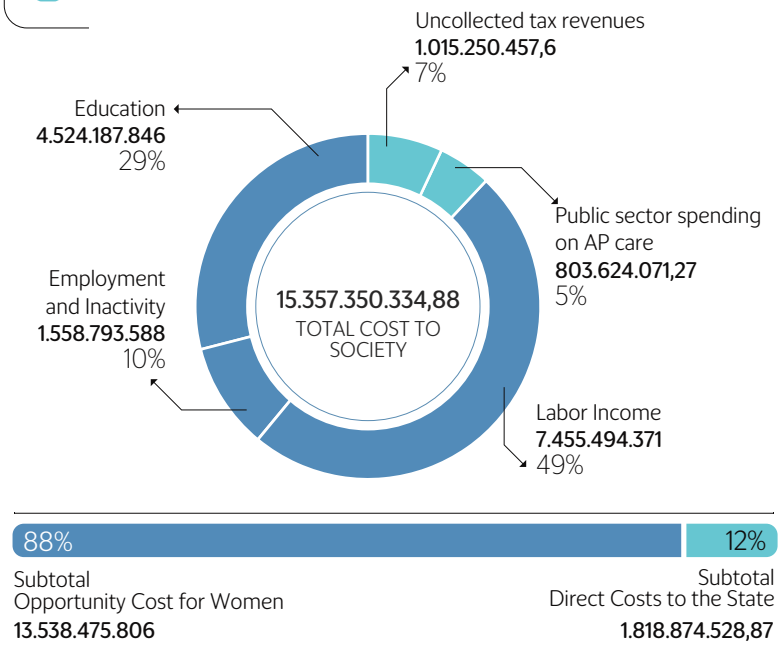
On another front, maternal mortality, associated with the increased risks of pregnancy and childbirth during adolescence, claims 28,607 potential years of life every year.

When looking at the direct relationship between the TEFA and the Human Development Index (HDI) within countries, the report shows that regions with lower HDI tend to

Total Opportunity Cost as a Percentage of GDP



Total Cost of Adolescent Pregnancy and Early Motherhood in 15 Countries of Latin America and the Caribbean, in U.S. Dollars



have a TEFA that is twice as high as those with higher HDI levels.

Moreover, Afro-descendant adolescent girls are 50% more likely to become mothers compared to their non-Afro-descendant peers, underscoring the intersection of racial and socioeconomic inequalities. These figures signal an urgent need to prioritize the reduction of adolescent pregnancy through policies that focus on the most vulnerable populations.

Ultimately, the numbers reveal a harsh reality for many young girls in the region: an adolescent mother has fewer chances to grow, to offer better opportunities to her children, and often sees her life plans and dreams frustrated.

Yes, rates have dropped – but more work is needed

Nevertheless, the macro-study highlights the significant decline in teenage pregnancies on the continent in recent years. According to United Nations estimates, between 2010 and 2024 there has been a notable decrease in the TEFA, both in the 15 to 19 age range and in the 10 to 14 range: this went from 73.1 to 50.6 and from 3.6 to 2.3, respectively, during that period.

"Between 2020 and 2024, a slowdown in the reduction of the TEFA was observed (around 8% for both age groups), compared to the previous five-year period (around 18%), due, among other reasons, to the impact of the pandemic. This reduction occurred unevenly across countries. As of 2024, 13 countries in the region had a TEFA above the regional average (50.6) and 20 above the global average (41)," the study specifies in its official report.

Prevention means progress

The data provided in the report show that preventing teenage pregnancy will make it possible to leverage both the demographic and the gender dividends, both so necessary for the economic growth of countries.

And although there are numerous examples of successful prevention and education programs at the regional level, the study concludes that it is urgent to intensify these initiatives to achieve an ambitious goal of reducing teenage or early pregnancies and highlights the need for them to be led jointly by governments, specialized NGOs, and civil society, starting with young people themselves. Likewise, these strategies, as indicated in the report, must prioritize a public health approach, both gynecological and mental, as well as education.

"Investing in the prevention of teenage pregnancy is a good economic and investment policy, since it is estimated that between 15 and 40 dollars in benefits can be obtained for every dollar invested, depending on the country. These benefits not only translate into economic savings, but also into improved quality of life and opportunities for teenage girls and their children."

There are already successful experiences in the region, especially in the most vulnerable areas of the countries, which have resulted in reductions of up to 50% of the TEFA in a relatively short period of time, according to the United Nations.

This organization estimates that the investment of around 1.8 billion dollars in Latin America and the Caribbean would reverse this problem and reduce it to minimal proportions to ensure the speed and democratic quality in the socioeconomic development that the region requires.

*Example based on a real story for which the name and city of occurrence were changed, to safeguard the confidentiality rights of the person consulted.

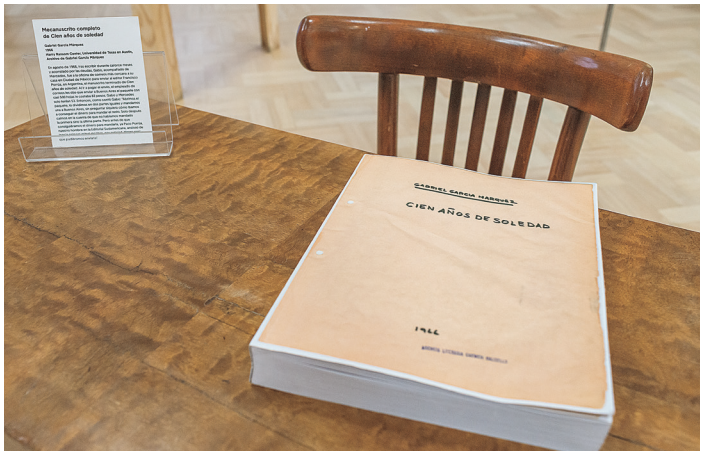
By VD Editorial Team
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‘Gabo’ in 450 Objects

This is the largest and most comprehensive exhibition dedicated to the Colombian Nobel laureate, bringing together items from the Harry Ransom Center, the National Library, and others. An initiative by the Gabo Foundation and CAF – Development Bank of Latin America and the Caribbean– made it possible to bring the exhibit as part of the road to the writer’s centenary.







December 10, 1982, was without a doubt a momentous date in the history of Colombia and of Latin America and the Caribbean as a region in the 20th century. That day, in Stockholm, the writer Gabriel García Márquez –Caribbean through and through– received the Nobel Prize in Literature, a well-deserved and long-anticipated honor for the author of *One Hundred Years of Solitude*, one of the most iconic novels in Spanish-language literature of all time.

A detail that made the moment even more unique was that 'Gabo', to receive the medal and diploma from King Carl Gustaf, did not wear the traditional tailcoat but a liquiliqui from the Colombian-Venezuelan plains, which others claim as a Caribbean garment. In any case, the outfit bore the mark of "that immense homeland of men full of hallucinations and historic women, whose unyielding stubbornness borders on legend," as the author once described the people of this part of the world.

Forty-two years later, in Bogotá, 9,600 kilometers from Stockholm, that nearly untouched outfit hangs at the end of the exhibition *Everything Is Known: The Tale of Gabo's Creation,* alongside a bottle of rum produced in his honor and a cane gifted to him during his lifetime by the Wayúu people of La Guajira, who recognized him as a *palabrero* –a wise man and master conciliator in their tradition.

Along with the outfit, the liquor, and the Wayúu emblem, the exhibit includes nearly 450 documents. Among them: books, manuscripts of short stories, novels, and screenplays that reveal new aspects of his work; as well as personal letters, childhood and teenage drawings, songs, maps, videos, paintings, passports, photographs, posters, and even typewriters. The 50,000-peso bill featuring the writer's face is on display, as well as props from the Netflix adaptation of *One Hundred Years of Solitude,* released in 2024.

All of these objects, which speak to his achievements as well as his dreams and failures, are spread across seven rooms and 500 square meters of the National Library, in the heart of downtown Bogotá. It is the most extensive exhibit of objects and documents related to the Colombian Nobel laureate ever presented, made possible through the joint effort of various national and international organizations.

Ximena Gama, curator of the Public Program at the National Library, explained that the exhibition originally comes from the Harry Ransom Center at the University of Texas, the institution chosen by the García Márquez family to safeguard his personal archives. Spanish researcher Álvaro Santana, lead curator of the exhibition, first presented it in Austin (Texas) in 2020, followed by a second run in Mexico in 2022.

Once it had been shown there, the Gabo Foundation expressed its desire to bring it to Colombia and began discussions with the Ministry of Culture and the National Library to make that goal a reality.

"But for the Library, it was important that the exhibition not only include the archives housed in the United States, but that the public could also see other pieces related to the memory of García Márquez," Gama noted.

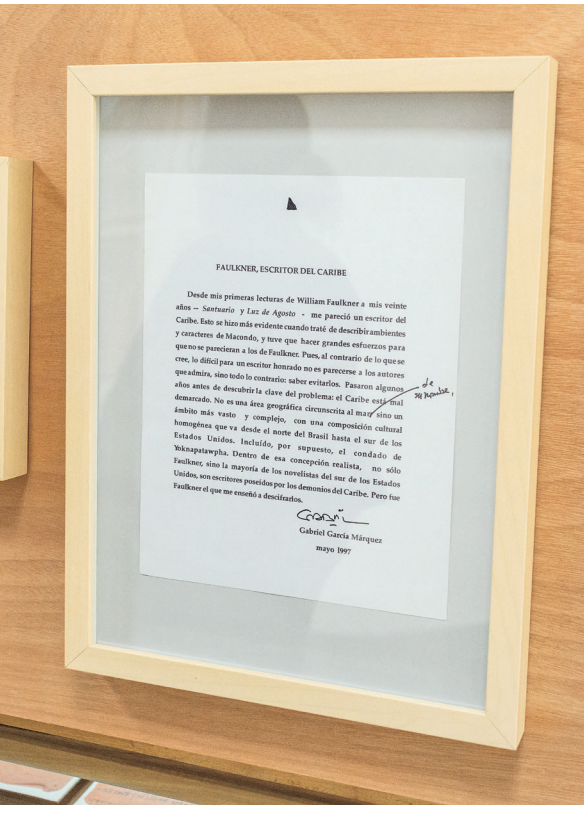
As a result, the Ransom Center exhibition was expanded with additional material that now makes up





In addition to an oil painting of the writer receiving the prize and a general view of one of the exhibition rooms, the Nobel medal and García Márquez's family tree are also shown here, along with images featuring figures such as Pablo Neruda, Carlos Fuentes, Subcomandante Marcos, and Shakira. → *Photos - Manuel Benavides*







Above: The photo captures the moment when García Márquez receives the audience's applause after being awarded the prize by the Swedish monarch.

Above (left): William Faulkner was a major influence on the Colombian writer, who recognized many Caribbean elements in the American author's stories.

Below (right): Instead of the traditional tailcoat, García Márquez chose to wear the *liquiliqui* shown in the photo for the Nobel ceremony, a moment captured in a large image featured in the exhibition. → *Photos - Manuel Benavides*

around 40% of the total. These new items come from the National Library and about twenty other public and private collections, both national and international. The board of the Gabo Foundation –including, among others, Rodrigo and Gonzalo García Barcha– partnered with CAF –Development Bank of Latin America and the Caribbean– to make the exhibition possible.

The materials brought from the United States arrived in a securely guarded container, and once at the Library, they went through a process of acclimatization and installation under carefully controlled lighting and temperature conditions.

What the Exhibition Tells

The exhibition journeys through the various stages of 'Gabo's' life, but it goes beyond the writer himself to reveal his human side, as well as the key moments experienced by Colombia and the region during his rise as a globally recognized author.

Visitors are welcomed by Gabriel García Márquez's family tree and the historical context of his childhood, marked by the Banana Massacre—an event that occurred near his hometown of Aracataca when 'Gabo'



The exhibition is divided into seven rooms spanning 500 square meters at the National Library. This space is adorned with excerpts from books.

was very young and which he later incorporated into his masterpiece.

Ivonn Revelo Bulla, coordinator of the team that guides visitors through the exhibition, explains that this tragic event is illustrated by the painting *The Train of Death* by Débora Arango, on loan from the Museum of Modern Art of Medellín, to help frame that section of the exhibition.

In another part of the exhibit, Revelo asks visitors whether they believe Macondo was a real place or a product of 'Gabo's' imagination. The answer remains in the air, but she offers context: his grandmother Tranquilina, who was from La Guajira, used to tell him ghost stories when he was a child–planting in him a love for listening, reading, and storytelling. His grandfather Nicolás was a veteran of the War of a Thousand Days, and the young writer often accompanied him to claim a pension that never arrived. That, combined with a letter García Márquez himself waited for in vain while living in France, inspired *No One Writes to the Colonel.*

Throughout the exhibition, images of the Aracataca River blend with newspaper covers announcing the Nobel Prize, alongside printed pages from all kinds of stories written by 'Gabo' as a journalist, and photographs of him with figures ranging from Fidel Castro to Shakira –the Colombian singer-songwriter about whom he once wrote a profile and whose work he openly admired.

Also present is his lifelong wife, Mercedes Barcha, his support during his years as an unknown writer –the woman who asked for extensions on the rent while the Nobel Laureate wrote *One Hundred Years of Solitude* in Mexico, who managed to send the manuscript to the Buenos Aires publisher in parts while stretching every last peso, and who famously said: "Let's just hope the novel isn't bad."

> Material from the Biblioteca Nacional and around twenty public and private collections was added to the Ransom Center exhibition, accounting for approximately 40 percent of the total.

Lyda Zarabanda, one of the exhibition visitors, says the show reflects how Colombia, despite its enormous diversity, finds unifying points of identity –and Gabriel García Márquez is one of them. "What I loved most was seeing 'Gabo,' a man from the Caribbean coast, wearing a ruana, because I'm from Nobsa, the land of the *ruana.*"

Whether dressed in *liquiliqui* or ruana, 'Gabo' remains a source of pride for Colombia, Latin America, and the Caribbean. That is why the Gabo Foundation and CAF –Development Bank of Latin America and the Caribbean– have launched the "From 10 to 100" program, a series of initiatives –including this exhibition– that pave the way to the centenary celebration of García Márquez in 2027. It promises to be a major opportunity for new generations to discover –and rediscover– him.

By VD Editorial Team
@AgendaCAF



Educating in Meaning, the Legacy of Francis

At the 2nd International Gathering on Meaning, convened by Scholas Occurrentes and CAF, a tribute of gratitude was paid to the late Holy Father.

Pope Francis applauded the phrases of rapper Tostao, who energized the 2024 meeting with his improvisations. → *Photo - CAF*

"It is dangerous to confuse education with mere instruction," said Pope Francis. His words reached an audience of university principals from various parts of the world, as well as figures from culture, politics, and technology, and young leaders. It was May 2024, and they had gathered at the Vatican for the 1st International Gathering on Meaning, an initiative of Scholas Occurrentes –an organization promoted by the Pope since his time as Archbishop of Buenos Aires– and CAF –Development Bank of Latin America and the Caribbean.

At the gathering, the University of Meaning was launched, conceived –according to Francis– as an invitation to work with three languages: the language of the mind, the hands, and the heart. "When being educated, one must think what one feels and does, feel what one thinks and does, and do what one feels and thinks. If one does not move in all three languages, one gets stuck halfway. The three senses give meaning."

At that event, the participants not only shared emotional and inspiring testimonies, but also presented the Pope with a document containing proposals for the new institution.

At the end of May this year, a year after that gathering –and again at the Holy See– the 2nd International Gathering on Meaning was inaugurated, this time without the physical presence of Pope Francis, who passed away in April, but very much with his spirit. The global directors of Scholas Occurrentes, educators José María del Corral and Enrique Palmeyro, and Christian Asinelli, CAF's Corporate Vice President of Strategic Programming, opened the event, which was attended by more than a hundred participants.

"Some people asked me, 'Now that Pope Francis has died, will Scholas continue?' I'll tell you an anecdote: I asked the Pope that same question myself, together with Quique [Palmeyro]. He asked us if we believed in God. We replied yes, somewhat sheepishly. It took him two years to discern whether this work came from God, and only then did he sign the *chirograph* (a papal document)," said Del Corral. Palmeyro added: "The death of Pope Francis saddens us, but we also feel a great hope that pushes us forward."

During the gathering, Scholas Occurrentes presented its 2030 plan, which outlines the organization's global work across five continents. This includes the launch of Scholas' first global app to connect 7.5 million students, educators, and parents; the expansion of Scholas in Southeast Asia; strengthening programs in Europe; the development of film schools in Africa and Latin America; and the premiere of three film productions.

"At CAF, we believe that the sustainable development of Latin America and the Caribbean requires strong institutions and peaceful societies. The four principles bequeathed to us by Pope Francis are a fundamental roadmap to build the future we want for our region," said Christian Asinelli. These principles are: time is greater than space, unity prevails over conflict, reality is more important than ideas, and the whole is greater than the part.

Asinelli emphasized that the strategic alliance with Scholas Occurrentes, which began a decade ago, "proves that when we join forces around shared values, we can generate real transformation." As a result of that alliance, the first *Laudato Si'* School was launched in 2022 with 50 young people from the region, and the 2023 International Meeting of Eco-Educational Cities was held to strengthen leadership capacities for sustainable development among 40 mayors from the region.

After paying tribute to Francis at his tomb in the Basilica of Saint Mary Major in Rome, participants in the gathering reflected on the enormous responsibility he had left them.



This year, Pope Francis was no longer there. The young people of Scholas Occurrentes carried this banner to thank him and bid him farewell. → *Photo - CAF*

By VD Editorial Team
@AgendaCAF

Publications

In this section, publications edited by CAF as well as those co-edited in collaboration with various institutions and/or key figures are reviewed. Above, the access code.



Title: Annual Report 2024

Author: CAF -Development Bank of Latin America and the Caribbean-

CONSOLIDATING THE REPUTATION

In 2024, CAF approved operations totaling USD 15.856 billion, focused on urban mobility, resilient infrastructure, education, and gender equity to promote the region's sustainable development. A major milestone was the USD 1 billion debt-for-nature swap in El Salvador—the largest in history for the conservation of a river.

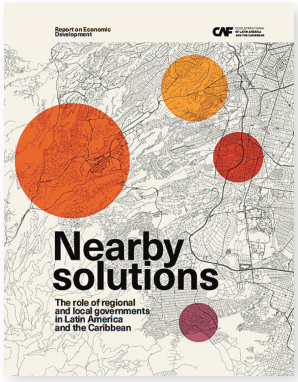
The Bank carried out 29 bond issuances totaling USD 6.988 billion in 11 currencies, including record placements in Europe, Australia, and the United Kingdom, consolidating its reputation with stable "AA" ratings. Its portfolio reached USD 34.702 billion, with assets totaling USD 56.460 billion and a net income of USD 617 million. Liquidity exceeded USD 18 billion, and revenue surpassed USD 1 billion for the first time.

CAF allocated 41% of financing to green projects and 48% of operations included gender and inclusion components. It also expanded its geographic coverage with the incorporation of The Bahamas as a new member country and made progress in the accession of other Caribbean nations.

On the strategic front, it launched the Region's Brand to position Latin America and the Caribbean on the global stage and actively participated in international forums such as the G20 and the COPs.

41%

CAF ALLOCATED 41% OF FINANCING TO GREEN PROJECTS AND 48% OF OPERATIONS INCLUDED GENDER AND INCLUSION COMPONENTS.

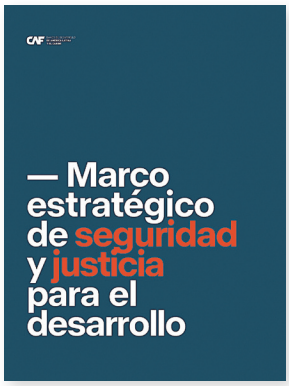


GROWING ROLE

Title: *Report on Economic Development. Local Solutions: The Role of Local and Regional Governments in Latin America and the Caribbean.*

Authors: CAF -Development Bank of Latin America and the Caribbean-.

The study analyzes the evolution, challenges, and opportunities of decentralization in LAC, highlighting the growing role of local and regional governments in meeting the Sustainable Development Goals. The report systematizes data on responsibilities, finances, human resources, and subnational governance. The methodology analyzed censuses and surveys to construct demographic, fiscal, and performance indicators, identifying that by the end of 2024, the region had more than 18,000 local governments and 262 regional governments. Findings include territorial heterogeneity, significant gaps in fiscal and human capacities, and low fiscal autonomy. Although responsibilities have expanded in areas such as education, health, and transportation, weak interjurisdictional coordination and limited professionalization of public employment persist. The report recommends strengthening subnational state capacities to improve service quality and reduce inequalities. It calls for investment in bureaucratic training, fiscal governance, digitalization, and mechanisms for metropolitan cooperation.
CAF proposes an agenda to support these processes, with an emphasis on institutional innovation, sustainability, and territorial equity.

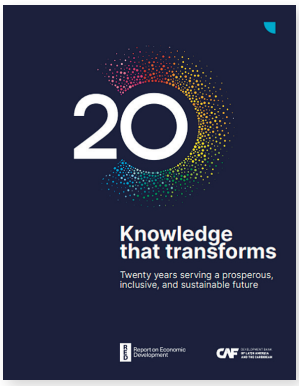


STRATEGY FOR A CRISIS

Title: *Strategic Framework on Security and Justice for Development*

Authors: Lea Giménez, Carlos Charme, Lucía Dammert, Jorge Srur, Juan Carlos Pinzón, Juan Carlos Pinzón.

CAF's *Strategic Framework on Security and Justice for Development* analyzes how crime, violence, and transnational organized crime (TOC) limit sustainable and inclusive development in LAC. The document proposes a multidimensional and network-based strategy aligned with international treaties and the Sustainable Development Goals. The study draws on statistical analysis, regional surveys, and comparative evidence to diagnose a multisystemic crisis in the region: 9 of the 10 most violent cities in the world are in LAC; 1 in 3 women experiences sexual violence; and 50% of homicides are linked to TOC. It also highlights the rise of cybercrime and the low public trust in security institutions. Key recommendations include: strengthening local and national institutional capacities; integrating policies on prevention, urban and human development; promoting democratic governance with citizen participation; and coordinating actions among the State, civil society, and the private sector. CAF thus proposes an strategic agenda to restore the rule of law, ensure safe environments, and promote equitable development across the region.



TRIPLE CHALLENGE

Title: *RED Anniversary. Knowledge That Transforms. Twenty Years in Service of a Prosperous, Inclusive, and Sustainable Future.*

Authors: Fernando Álvarez, Federico Juncosa, Manuel Toledo, Dolores de la Mata, and Verónica Frisancho.

The report celebrates two decades of the RED as a tool for analysis and influence in evidence-based public policy making. It presents a critical assessment of development in Latin America and the Caribbean (LAC), highlighting progress in social inclusion, health, access to services, and macroeconomic stability. However, structural challenges persist, such as high informality, inequality, infrastructure gaps, and environmental degradation.

Using a multidimensional methodology, the study addresses a triple challenge: achieving sustained growth, social inclusion, and environmental sustainability. It warns of the pressures posed by population aging and the digital and green transitions, but underscores that these also represent opportunities. Notably, it highlights the region's potential in biodiversity, natural resources, and renewable energy as levers for development. The report concludes that closing the gap with the developed world requires an integrated public policy agenda that promotes productivity, equity, and sustainability. It recommends strengthening state capacities, investing in infrastructure, reducing informality, and promoting green innovation and digital inclusion.

INTERVIEW

with Ernesto Zedillo

By Ricardo Ávila
Director of Visions for Development

"We Are Witnessing the Demolition of a Rules-Based Trade System"

Former Mexican President Ernesto Zedillo calls for the defense of the multilateral trading system, which he describes as a "global public good." He stresses that Latin America has already gone through another lost decade—worse than the one in the 1980s. Three deep flaws, he says, keep the region trapped in a "pre-development limbo."



Zedillo, who governed Mexico during the 1994-2000 presidential term, is a renowned economist and currently serves as professor and director of the Program for the Study of Globalization at Yale University (USA). → *Photo - Asobancaria*

The former president believes the region, along with others, should raise its voice to defend the multilateral trade system.

→ *Photo - Nathan Cima / Unsplsh*



Ernesto Zedillo is one of those Latin Americans who need no introduction. In addition to having served as President of Mexico from 1994 to 2000 –successfully navigating major challenges during his term– he is recognized as a thinker and economist with solid foundations, deeply committed to the advancement of humanity.

A staunch defender of international cooperation and multilateralism, Zedillo has taken part in global efforts aimed at promoting sustainable development and tackling complex issues such as illicit drugs through innovative approaches.

"Inclusive globalization is necessary not only for the weakest, but also for the strongest, as it helps overcome economic polarization and ease both old and new resentments that threaten global security," he has argued.

When addressing social challenges, he does not hesitate to state that "despite more liberal regimes for investment and trade, there is no way to eradicate poverty without a transfer of resources from the wealthiest to the poorest."

A firm believer in the kind of leadership that helped bring peace and lift hundreds of millions out of poverty in the past, Zedillo continues to emphasize the urgent need to achieve *stability, security, and prosperity on a global scale.*

For the past few months, the former president has not hesitated to express his concerns about the course of events, whether on the global, regional, or national scale.



One of the three development pitfalls in the region is inequality, says Zedillo. Image of Rio de Janeiro.
→ *Photo - Wolf Schram / Unsplash*

Interviewed by *Visions for Development*, this is an edited version of a conversation held in Cartagena de Indias in early June 2025.

Do we have a good understanding in our countries of what is happening in the world?

In general, we Latin Americans tend to navel-gaze, and that sometimes leads us to look from afar at what is happening in other parts of the world, when in reality unsettling things are happening that should matter to us greatly.

What are you referring to?

To the fact that we are living through a moment unlike any in many decades. I mean, literally, the demolition of a system based on rules that has regulated international trade. But in addition, that situation is extending to other aspects of interdependence, including peace and global security. Compared to the years that followed the end of the Second World War, we are facing an unprecedented and critical situation.

How does that affect us?

From experience, we know that when major shocks of the kind I describe occur on the planet, Latin America suffers. We can take stock, which may vary from country to country, but overall, history shows us that circumstances beyond our control end up translating into misfortunes for us.

What should we do?

The first thing is to recognize the seriousness of the situation, both in terms of the economy and global geopolitics. We are now going through a kind of eerie calm before the storm. We are still riding the momentum from the end of 2024, but I have no doubt in saying that the actions taken by the United States government are aimed at dismantling a rules-based architecture and replacing it with claims based on military and economic power.

How does Latin America fit into that scenario?

If that new world is confirmed, any projection must be framed and qualified by that perspective. I point out that the policies adopted in the United States are erratic and lack logic. I even claim that they go against their own national interest and have already affected and will continue to affect the role that country has played in the world. That is why we must accept this reality as a starting point.

How resilient can the region be?

What the figures show is that Latin America has already completed another lost decade. Since 2014, our economies have slowed significantly, and as a result, per capita GDP in the region has not grown in any meaningful way. If we compare those numbers, the balance from

the past ten years is even worse than what we saw during the so-called lost decade of the 1980s. And that is a very unfortunate outcome, among other reasons because reform processes have stalled.

What is your assessment of the trade war between the United States and China, and what could its effect be on the region?

A well-known American professor reminded me recently that in this trade war, the aggressor is the United States –a country that has violated World Trade Organization agreements as well as bilateral treaties signed with several nations in the region. This is in addition to violating its own laws, as various judicial bodies have noted. Obviously, this may stem from the discomfort caused by the rise of a new economic power, which brings circumstances that may be difficult for them.

How should we react?

Many years ago, human beings discovered diplomacy and developed international law. We also defined mechanisms to understand one another and to resolve disputes when disagreements arise. That's why imagining a world where brute force is the only thing that counts leads to a scenario we do not want to live through. What to do? To begin with, our duty is to take care of our own house and manage our affairs properly.

What other actions do you suggest?

What worries me is the way the world has reacted to U.S. aggression. Each country has tried to solve its own problems, to step aside, to negotiate individually. And I'm troubled by the lack of references to the violations of law and of treaties signed by the parties. That kind of individual response seeking bilateral understanding will bring us nothing good. That is why we need to defend the preservation of the multilateral trading system, which is a global public good.

What Role Could Latin America Play?

I recognize that we Latin Americans represent 8% of global GDP, which may seem like a relatively small proportion. But even if we accept that we are not a major economic force, we should still be able to raise our voice, invite other regions, and create a united front. It's enough to recall what Article 28 of the General Agreement on Tariffs and Trade (GATT) says –it's clear. So I believe we can indeed do something, but we need clarity and leadership.

Beyond This Complex Juncture, Why Say Yes to Latin America?

The obvious answer is that we have no alternative, because these are our countries. I believe Latin Americans need to take ourselves more seriously. Certainly, we see the opportunities right before our eyes, and they relate to what we learn from an early age: our nature, our people, our shared culture, the common language for those of us who speak Spanish. But in that analysis, it's also important to acknowledge the scale of our problems.

What Does That Reflection Reveal to You?

When I'm asked why Latin America hasn't made it, why we're stuck in what I call a pre-development trap, I refer to three major holes that explain this reality. The first is the weakness of the rule of law, which to me is the most important. The second is low productivity and its slow growth. And the third is inequality. All of this is tied to something we're beginning to see: the weakening of democracy in the region. If we don't take care of it, we won't be able to resolve the three challenges I mentioned. That's why I keep insisting that we are obliged to protect that treasure.



"In Latin America, the past ten years have left us with a worse outcome than the so-called lost decade of the 1980s."

Ernesto Zedillo
Former Mexican President

By VD Editorial Team
@AgendaCAF



Blue and Green Window

A Biodiversity Treasure in Chilean Patagonia

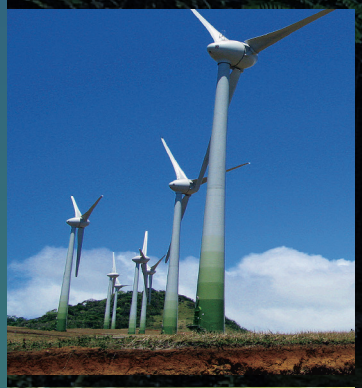
Eleven years ago, the Pitipalena-Añihue Multiple-Use Marine and Coastal Protected Area was established in the fjords of the Aysén region in Chilean Patagonia. It covers over 238 square kilometers of beaches and underwater cliffs, islands and islets, teeming with biodiversity. Blue whales, Chilean dolphins, and sea lions can be seen there. The area is rich in fish such as sardines and hake, and in mollusks like "locos" (Chilean abalone). It is also home to at least 13 species of birds, including the Humboldt penguin.

In Pitipalena-Añihue, local social organizations have taken on a leading role in both the protection of marine ecosystems and their sustainable development. They do so under the leadership of the Pitipalena-Añihué Marine Area Foundation, with which Fundación Patagonia Azul, Capital Natural Reserve, and CAF -Development Bank of Latin America and the Caribbean- are implementing the first marine biodiversity credit program in Chile.

→ *Photo - CAF*

DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN













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Sergio Díaz-Granados
Executive President of CAF

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