



VISIONS FOR DEVELOPMENT

APRIL • 2025 • ISSUE 01



Finding the Way: The Prospects for Latin America and the Caribbean in a New Global Landscape

JEREMY RIFKIN:
“The Region Has
The World’s Most
Valuable Capital”



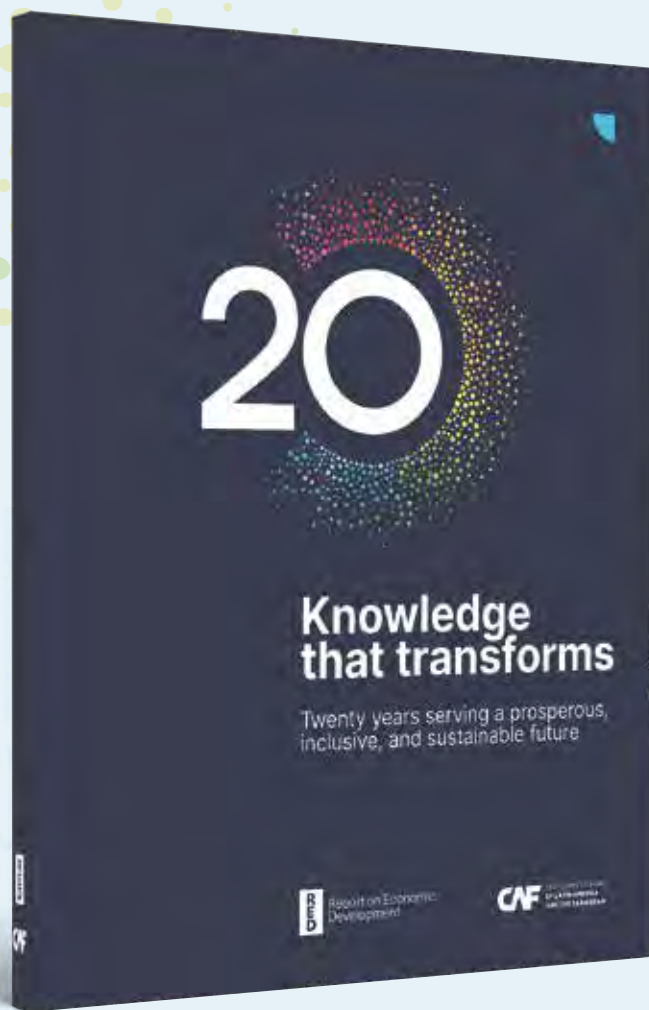
DEVELOPMENT BANK
OF LATIN AMERICA
AND THE CARIBBEAN



**Latin
America and
the Caribbean**

Each path is
an opportunity

**RED, 20 Years
of Knowledge
that Transforms**



RED: Report on Economic Development

20 YEARS

**at the service of a
prosperous, inclusive, and
sustainable future**

In recent decades, Latin America and the Caribbean has made remarkable progress. However, deep challenges persist: one in three inhabitants still lives in poverty, and the region remains one of the most unequal in the world.

This publication provides a comprehensive vision to understand and address these issues, exploring the triple challenge of growing, including, and protecting the environment.





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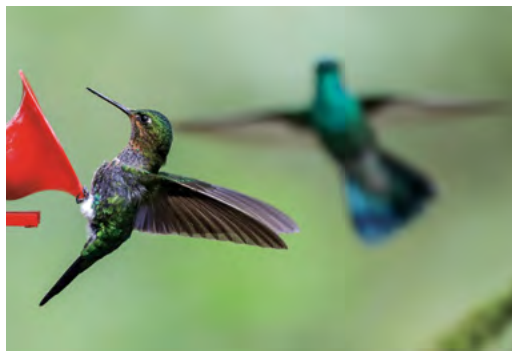
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A New Space for Reflection and Dialogue

EDITORIAL

Sergio Díaz-Granados

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



In an uncertain global context, with weak global growth (around 3%), entrenched wars in various regions, increasingly harsh trade tensions, widening socio-economic gaps, political tension, a crisis of multilateralism, and the ever-present effects of climate change, the planet faces interconnected crises that will define our destiny in the coming decades. Latin America and the Caribbean must position itself in this climate of *permacrisis*, while continuing to address historical debts such as the eradication of poverty, the reduc-

tion of inequalities, or the increase in productivity. We must unleash our full potential, for instance, to lead global climate action and biodiversity protection, provide solutions to migratory and food crises, or accelerate digital transformation and the energy transition. In other words, we must play a more active role, have a firmer voice, and leave a more visible mark on global geopolitics.

In this context, the magazine *Visions for Development*, created by CAF –Development Bank of Latin America and the Caribbean–, emerges as a necessary initiative to reflect, debate, share voices, viewpoints, proposals, and projects that better articulate us as a region; that contribute to the building of a Latin American and Caribbean identity. The magazine will also serve as a platform to showcase our strengths and promote constructive dialogue with other regions of the planet.

Visions for Development will address major global development themes through Latin American and Caribbean lenses, showcasing initiatives and success stories that can be replicated among countries in the region and exported to the rest of the world. In the first issue, we feature an interview with sociologist and writer Jeremy Rifkin, who discusses his book *Planet Aqua*, and the importance of Latin America and the Caribbean in adapting to climate change.

Additionally, we analyze, in a series of articles, the situation of the

Latin American economy in times of uncertainty, focusing on the opportunities of new global value chains, the changing geopolitical climate, macroeconomic and fiscal factors, or ways to resume inclusive growth. In another section, we examine how Latin America and the Caribbean are becoming protagonists in both energy transition and climate resilience, as well as in the recovery and conservation of universal biodiversity.

This first issue of the new magazine also features CAF-led projects that are setting trends, such as the largest debt-for-nature swap in history in El Salvador, or the construction of a modular technology school in Timbiquí, Colombia, which is bringing quality education to a remote region of the country. It also covers topics such as the ethics of artificial intelligence, regional integration, tourism opportunities, and the need for inclusive governance, among others.

Visions for Development is, therefore, a response to the need to reposition Latin America and the Caribbean in the world. With this space, CAF reaffirms its commitment to sustainable and inclusive development of, by, and for our region.

We invite academics, social leaders, businesspeople, and the entire international community to join this initiative, contributing their perspectives and knowledge to build together a more prosperous future for Latin America and the Caribbean. 🌱

IN BRIEF

News



PERITO MORENO GLACIER IN ARGENTINE PATAGONIA.

This region, shared by Argentina and Chile, houses the world's third-largest ice field. → Photo - Alejandro Ramírez Peña

Chicó-Bogotá Declaration Inspires a Positive Biodiversity Agenda

With the “Chicó-Bogotá Declaration for Positive Biodiversity in Latin America and the Caribbean: From Science to Action,” CAF— Development Bank of Latin America and the Caribbean—and the regional scientific community agreed last year to join forces to face the challenge of LAC’s economic development while protecting its most valuable asset: its biodiversity and nature. Following this commitment, a positive biodiversity agenda emerged with three pillars: integrating science into policy-making, funding projects with a positive impact on biodiversity

and climate, and strengthening regional technical collaboration networks. Additionally, a scientific advisory committee was established to collaborate with governments, multilateral organizations, and the private sector to generate evidence-based recommendations, identify priority conservation investment areas, and design financial mechanisms for sustainability projects. Furthermore, CAF will allocate funds to finance ecosystem restoration initiatives and promote nature-based solutions and sustainable natural resource management.



“We believe that we should not merely exploit nature and exclude those who protect it, but rather learn from it to design a greener future.”

Chicó-Bogotá Declaration

Financial Support for Sustainable Port Development in Chile

The CAF Board of Directors –Development Bank of Latin America and the Caribbean– has approved a \$150 million loan for the San Antonio Outer Port megaproject in Santiago.

CAF has just reaffirmed its support for Chile's sustainable development by approving, through its board, a \$150 million loan for works related to the San Antonio Outer Port megaproject, the largest investment in port infrastructure ever made in the southern country.

The loan to the San Antonio Port Enterprise, backed by the guarantee of the Republic of Chile, will finance the execution of enabling works for the construction of the breakwater and the implementation of environmental compensation measures associated with the expansion of the main gateway for the country's consumer centers and an important export route. The project is crucial for the commune and province of San Antonio.

Thus, "CAF consolidates itself as a



multilateral financier of significance for sustainable development and regional integration of Chile, while providing tangible solutions to Latin America's logistical challenges," stated Sergio Díaz-Granados, Executive President of CAF.

The Outer Port, which has been under tender since January, will have two terminals, each 1,730 meters long, and from 2036, will be able to accommodate the latest generation of 400-meter-long container ships.

With this development, future port

Representatives from CAF, led by its president, Sergio Díaz-Granados (center), and from the San Antonio Port Company, at the announcement of the credit agreement for the project. → Photo - CAF

congestion in the central macro-zone of Chile will be avoided, which today handles 29% of the country's maritime foreign trade tonnage, and accounts for 34% of exports and 71% of imports by value.

+\$67

BILLION DOLLARS IN BONDS

In 2024 alone, CAF carried out 29 bond issues totaling \$7 billion, in 11 different currencies, structured with 18 different financial institutions. Over more than three decades, CAF has reinforced its commitment to sustainable growth, having conducted more than 407 bond issues since 1993, exceeding \$67 billion in the most important international capital markets of the United States, Europe, Asia, Oceania, and various countries in Latin America.



Michelle Bachelet*,
former president
of Chile

**During the presentation of the commemorative edition of the 20th anniversary of the Report on Economic Development (RED).*

“

“Economic growth must be a priority in the region to continue advancing towards development, but it must be inclusive and sustainable. Adapting to the triple planetary crisis — climate change, pollution, and biodiversity loss— is indispensable.”

COVER

Finding Direction

THE OPPORTUNITIES FOR LATIN AMERICA AND
THE CARIBBEAN IN A NEW GLOBAL LANDSCAPE



COVER

By Ricardo Ávila

Director of 'Visions for Development'

@AgendaCAF



As the international trade environment becomes more complex and a new global geometry emerges, the region must prepare to seize the opportunities that arise from it, focusing on three key factors: technology, sustainability, and geopolitics.

During the first quarter of 2025, Google searches for the term "tariff" reached a new historical high

globally, quadrupling the activity recorded a year earlier. That this term is the most rapidly growing search query in recent times, at least in relation to the economy, reflects the concerns of public opinion across five continents about the new winds blowing in the international arena.

Indeed, beyond individual opinions about the decisions of specific countries, a different scenario emerges. As a recent World Economic Forum report points out, "the global trade environment is becoming more uncertain for businesses."

It's worth noting that this deterioration is not entirely new. According to the organization Global Trade Alert, the number of protectionist policies worldwide increased from about 600 in 2017 to around 3,000 annually in 2022, 2023, and 2024.

Another Reality

Even so, it seems that these figures could be surpassed this year, as unilateral decisions on one side are met with equivalent sanctions from the other. Given the size of its trade with other regions and its weight in the global economy, the fact that the United States is now leading the rise in tariffs introduces new elements into the equation.

No one knows for sure what the effect of what constitutes a real par-

adigm shift will be, partly because some of the consequences will take years to manifest. In the meantime, uncertainty is the order of the day and it is spreading across the globe.

Latin America and the Caribbean are not immune to this sentiment. After nearly a decade of sluggish growth, below the global average, the region needs to advance more quickly to improve its social and well-being indicators.

How to better position oneself within a changing world map is a valid concern that deserves appropriate responses. While the solution involves implementing domestic policies that ensure sound macroeconomic management and stimulate sustainable investment, it is crucial not to lose sight of what is happening on the international stage.

To start, because dynamic performance depends not only on domestic consumption but also on seizing opportunities internationally. It is worth remembering that, according to ECLAC estimates, in 2024 the exports of goods from Latin America and the Caribbean reached \$1.47 trillion, and services amounted to \$267.6 billion, with respective increases of 4% and 12% compared to the previous year.

One of the most significant challenges at the regional level is to integrate into the global value chains that still exist, despite the fragmentation among nation blocs now being more the norm than the exception. Capitalizing on opportunities



Flowers are an important export item for several countries in the region, whose international trade remains highly concentrated in primary goods. → Photo - Mauricio Moreno / EL TIEMPO

is feasible, but it requires the ability to adapt to new circumstances and the implementation of appropriate strategies.

There are several thoughtful analyses that identify trends and make concrete proposals. One of these, looking at the new international geometry, was published months ago¹ under the auspices of CAF –Development Bank of Latin America and the Caribbean– and in partnership with the Americas Institute at Georgetown University in Washington, D.C. Written by Antoni Esteveordal, Theodore Kahn, and Alejandro Werner, the document provides important contributions that serve to respond in an environment further complicated by commercial confrontations.

Brief Recap

It is worth recalling the recent context in which the global economy has moved, following the rise of

globalization at the end of the last century and the beginning of this one. The international financial crisis that erupted at the end of 2008 brought with it a first alarm bell, resulting in a slower pace of cross-border trade, investment flows, and the expansion of multinational corporations.

After that initial stumble, other events further complicated the situation. To start with, the trade disputes between the United States and China, which included not only higher tariffs but also explicit restrictions on the purchase and sale of electronic components and microprocessors in the latter half of the last decade. Though on a smaller scale, Great Britain's withdrawal from the European Union, due to Brexit, struck a blow to the planet's most significant integration scheme.

A few years later came the pandemic, whose effects were not lim-

¹Latin America in the New Geometry of Global Supply Chains. Antoni Esteveordal, Theodore Kahn, and Alejandro Werner. Georgetown Americas Institute. 2024.

International business roundtable in Barranquilla. Deepening intraregional trade is one of the great needs.

→ Photo - Vanexa Romero / EL TIEMPO



ited to the health sector but also impacted the economy and the progress of societies. Just when it seemed that a return to normalcy was assured, Russia's invasion of Ukraine, along with the deterioration of the situation in the Middle East, brought new emergencies.

In addition to the disruptions these events caused to the free movement of people and goods, including an unexpected rise in inflation, geopolitical tensions increased. These urgencies were combined with concerns about containing global warming and the emergence of non-conventional renewable energy sources.

Some of the aforementioned events led to significant variations in trade flows at the beginning of this decade. For instance, Mexico became the main source of imports for the United States, displacing China.

Hand in hand with this change, a process of plant relocation occurred, notably in Asia and some points in Latin America and the Caribbean (LAC). Thus, Vietnam gained participation, while Mexican territory, along with the Dominican Republic and Costa Rica to a lesser extent, received larger flows of foreign direct investment.

Now, amid crosswinds that include the rupture or freezing of long-standing alliances, along with questions about the future of the global economy, there may be a tendency to postpone certain decisions related to new projects. However, the

short and medium term challenges posed by protectionist barriers and the indeterminate duration of trade conflicts do not alter the course of more fundamental movements.

The Elements

The work on the new geometry centers on three factors that have been, are, and will continue to be decisive in the course of global trade: technology, sustainability, and geopolitics. Despite the threats that appear, the volume achieved is of such magnitude that reversing course will not be easy.

According to UNCTAD, the United Nations agency, in 2024 a new historic high of 33 trillion dollars was reached in the exchange of goods and services, a trillion more than

the previous year. While both categories grew, the dynamism of the second, with an increase of 7%, was decisive for the outcome.

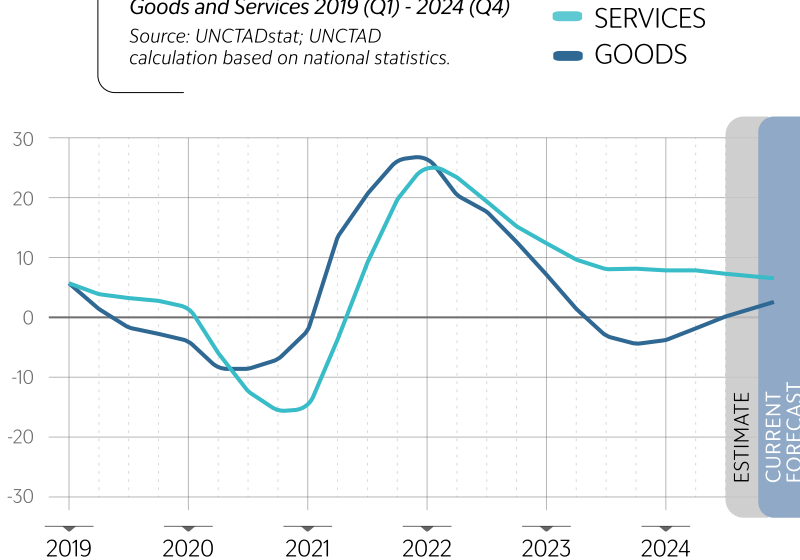
For Estevadeordal, Kahn, and Werner, the evolution observed over the past decades is a consequence of technological change, which is expressed in advancements in transportation and communications. Developments such as the adoption of containers in maritime shipping or the Internet have been definitive in reducing costs and facilitating specialization that leads to the geographical separation of different links, which ultimately become part of global value chains.

Looking ahead, the deployment of artificial intelligence, advanced robotics, additive manufacturing, the

Global trade in goods and services showed steady growth in 2024

Annual Growth of the Value of Trade in Goods and Services 2019 (Q1) - 2024 (Q4)

Source: UNCTADstat; UNCTAD calculation based on national statistics.



Note: Annual growth is calculated using the weighted moving average of trade from the past four quarters. The third quarter of 2024 is an estimate and the fourth quarter, a forecast as of November 26, 2024.

Internet of Things, and large-scale data analysis will serve to make processes more efficient and open new opportunities in both goods and services fields. Such progress will influence decisions such as plant location. For example, automation makes the search for cheaper labor less critical.

Equally important is the emphasis on sustainability on a planet that incrementally feels the effects of climate change. While the emphasis on accelerating decarbonization varies, the transformations are visible.

According to the latest report from the International Energy Agency, a profound shift in the sources and uses of electricity is underway. For the former, the installed capacity of low-emission renewable plants reached about 700 gigawatts in 2024. As a result, in the United States, wind and solar parks now account for 16% of generation, while in China the proportion is 20%.

Part of what has happened is related to the decrease in the value of these technologies and the increasing cost assigned to larger carbon footprints. It is assumed that the observed trend will continue and could progress faster depending on the existence of large-scale efficient sto-

\$1.47

TRILLION WAS THE TOTAL OF GOODS EXPORTED

BY LATIN AMERICAN AND CARIBBEAN COUNTRIES

IN 2024, ACCORDING TO ECLAC, AND SERVICE EXPORTS REACHED \$267.6 BILLION, WITH RESPECTIVE INCREASES OF 4% AND 12% FROM THE PREVIOUS YEAR.

rage systems due to more powerful batteries than currently available.

Adding to this is the forecast that the data centers demanded by the expansion of artificial intelligence will strongly drive an energy demand that today grows at twice the pace of the global economy. More facilities and distribution networks, among others, will increase the appetite for critical minerals such as lithium, copper, nickel, or cobalt.

These forecasts will be influenced by what happens on the geopolitical front. Given the cracking of alliances that seemed solid, there are more doubts than certainties in the panorama. Even so, it sounds valid to assert that tensions between the United States and China will continue, with an emphasis on trade and technology. Similarly, Europe is on its way to take charge of its own defense, and Canada seems determined to build bridges with other regions.

Regarding a good part of the emerging economies, non-alignment with any global or regional power appears to be the norm. Political turmoil, the polarization of opinion, and the presence of populism seem to remain, something that will have repercussions on the business climate and trade flows.

From Crisis to Opportunity

In this context, Latin America and the Caribbean display a mix of strengths and challenges. Alongside unparalleled natural resources that include geography, biodiversity, land, water, and mineral deposits, other realities emerge in a region that, except for Mexico, remains focused on exporting primary goods and plays a modest role in global value chains.

However, there is a vast field of action. The recommendations made by Estevadeordal, Kahn, and Werner are precise and demonstrate how to seize the opportunities that a future full of challenges brings.

These start with the possibility



“We have much to gain in this changing international reality, but nothing will happen spontaneously. It is mandatory to do the work.”

Alejandro Werner
Director of the Georgetown
Americas Institute

of benefiting and capturing value amid the ongoing digital technological transition. Besides leveraging clean energy sources to promote the construction of data centers associated with artificial intelligence, hosting a young and relatively well-educated population opens up opportunities in the area of professional services. Here, the priority is to reduce barriers and establish a sound regulatory framework that facilitates both local and foreign investment and the use of local skills.

As a second topic, the authors address the potential for green growth in an area where the electricity generation matrix is predominantly non-polluting. Paving the way for the development of clean technologies such as green hydrogen also involves seeking greater electrification of transport and collaboration between academia and industry. Sustainable production methods will allow access to attractive markets and

preserve the natural wealth that is crucial for life on the planet.

A third point is to attract investments amid increasing geopolitical risks. To their advantage, Latin American and Caribbean countries are located in a territory free from border tensions and devoid of weapons of mass destruction.

Such qualities make it easier to navigate a multipolar world and allow for market diversification, which requires diplomatic activity, participation in international forums, and negotiation of free trade agreements. This effort must be accompanied by stable rules of play and reliable legal frameworks, as well as progress in fighting corruption and crime.

In addition to the above, there is the point of developing alliances in other latitudes to promote mutually beneficial global policy initiatives. Approaching the European Union, which has recently signed

} Hosting a young and relatively well-educated population opens up opportunities for Latin America and the Caribbean in the area of professional services.

→ Photo - Juan Pablo Rueda / EL TIEMPO

a pact with Mercosur, or deepening ties with the United States is an option, as is building bridges in Asia.

The list concludes with the agenda for regional and global integration, still awaiting significant progress. As is well known, interregional trade in LAC is less than 15% of the total, far below what is observed in other areas.

Completing the pending task involves promoting the convergence of a series of norms, starting with the rules of origin. Instead of the patchwork that comes from multiple treaties, the proposal is to unify into a single regime, which would allow the use of inputs from one country without compromising another's preferential access to a market.

Additionally, there is the goal of implementing trade facilitation measures that boost connectivity in the hemisphere. Breaking the bottlenecks that raise transaction costs and limit the flow of goods is a priority. Measures such as the single window or border coordination initiatives could create virtuous circles.

Lastly, there is the insistence on continuing the path of open regionalism. As the available evidence shows, a higher level of exchange of goods and services accompanied by the free mobility of capital would positively impact growth in Latin America and the Caribbean. The agenda of things to do is extensive, but the opportunity is there in a world that aims to be more, not less, complex. ❧



THREE QUESTIONS FOR Alejandro Werner



‘Now it Makes Even More Sense for a True Process of Regional Integration’

Alejandro Werner², director of the Georgetown Americas Institute, says the challenge for the region's governments is to prioritize the economy over politics.

How do you view Latin America and the Caribbean in this new global geometry?

“I would say that now it makes even more sense to have a true process of regional integration, which encompasses both goods and services. And I am not only referring to trade but also to regulation, physical infrastructure or electrical transmission networks, as well as financial markets”.

What challenge do you see?

“The challenge is to place the economy above politics. Despite having governments that represent very

different ideologies, we must seek the intersection of common interests and work on developing them. It is also necessary to broaden the spectrum and work with those countries that are seeking integration and do not want more fragmentation than is already hinted at”.

What concerns you about what you see?

“It is sad that I find few people in our capitals thinking about these issues. There is a lack of initiative and regional leadership to work on something that would strengthen us collectively and lead us to grow faster. We have much to gain in this changing international reality, but nothing will happen spontaneously. It is mandatory to do the work”.

² Director of the Georgetown Americas Institute, former director of the Western Hemisphere Department at the International Monetary Fund, and former Undersecretary of Finance and Public Credit at the Ministry of Finance of Mexico.

Latin American and Caribbean Companies in a New Trade Context



POINT OF VIEW

Antonio Silveira

Vice President for the Private Sector at CAF –Development Bank of Latin America and the Caribbean–

In recent years, global trade has undergone significant transformations. For Latin America and the Caribbean (LAC), this shift represents both a challenge and an opportunity. Although there is uncertainty and barriers to exports, doors are also opening to diversify markets, deepen regional integration, and consolidate a more autonomous and sustainable economic model.

To take advantage of the new commercial landscape, we must first diversify markets and expand trade relations with other regions.

Asia, in particular, has emerged as an attractive market for Latin American exports, especially in sectors such as food, natural resources, and a wide variety of manufactured products.

Similarly, the European Union (EU) offers opportunities for Latin American products, especially within the framework of existing trade agreements. In 2024, EU imports from our region saw an increase of 1.9% compared to the previous year, reversing the downward trend of 2023, when there was a decrease of 6.4%.

Strengthening relationships with these markets will allow companies from the Latin American and Caribbean region to find new sources of demand for their products and services.

The new trade environment also necessitates increased regional integration. Blocks such as the Pacific Alliance and Mercosur have the opportunity to strengthen their agreements and facilitate intraregional trade.

Currently, only 17% of the region's trade occurs between LAC countries, well below the 60% observed in Europe. Eliminating tariff barriers and harmonizing technical and quality standards can help consolidate a more dynamic and attractive regional market.

The current context also offers an opportunity for Latin American companies to continue betting on innovation and sustainability as differentiators in the global market. The growing demand for sustainable and ethical products in international markets represents a niche where LAC can stand out. In 2023, exports of ecological products from the region grew by 18% and reached \$10 billion. Investing in responsible production practices, energy efficiency, and carbon footprint reduction can improve the region's standing in demanding markets such as the EU and Asia.

Despite global economic uncertainty, LAC has the opportunity to attract foreign direct investment if it can establish itself as a stable region with clear business rules. A key focus in this regard is the development of logistics and transport infrastructure that can



improve connectivity within the region and with the rest of the world. Currently, the investment gap in infrastructure in Latin America amounts to \$150 billion annually, representing a challenge but also a significant opportunity to attract financing and modernize the region.

Sectors such as the production of strategic minerals and the generation of renewable and sustainable energies offer the chance to become drivers of investment and create high-tech value chains, quality jobs, and undoubtedly greater sustainable development.

To support the private sector in the region, CAF is driving three strategic pillars. The first is the energy transition and green businesses, promoting renewable energies and technologies such as

hydrogen and natural gas, and supporting SMEs. The second is equity and inclusion, aimed at facilitating financing for women entrepreneurs, indigenous and Afro-descendant populations, and people with disabilities. The third is productivity and competitiveness, seeking to transform companies, especially SMEs, through financing, technical assistance, and programs to encourage export and digitalization.

LAC companies have the opportunity to redefine their strategy in a transforming world. With the proper support from public policies, regional cooperation, and a long-term vision, the region can turn current challenges into a platform for growth and global competitiveness. 🌐

The new trade environment is forcing the region to increase trade with markets other than the United States, but also to deepen intraregional integration.

➔ Photo - Juan Pablo Rueda / EL TIEMPO



“Despite global economic uncertainty, LAC has the opportunity to attract foreign direct investment if it can establish itself as a stable region with clear business rules”.

POINT OF VIEW

By Verónica Frisancho & Reinier Schlisser

Knowledge Manager and Chief Economist at CAF
–Development Bank of Latin America and the Caribbean–



A Challenging Yet Promising Future



A possible stabilization of the commodity markets could support the growth of the region, which is highly dependent on them.

→ Photo - Mauricio Moreno / EL TIEMPO

CAF estimates indicate that the economic growth of the region in 2025 could reach 2.5%, in line with the long-term potential growth. Policies from the new U.S. administration raise questions.

The COVID-19 pandemic marked a turning point for Latin America and the Caribbean (LAC). According to the World Health Organization (WHO), LAC was the region most affected by the coronavirus in terms of per capita mortality. Following several years of low growth, the pandemic had a profound impact on the region, reflected in a GDP contraction of 6.9% in 2020, a massive loss of jobs (estimated at 26 million), and increased levels of poverty and inequality.

The pandemic confronted us with unprecedented challenges but also left us with fundamental lessons that we must turn into action to build a more resilient, inclusive, and sustainable future. After another year of economic slowdown in the region, 2024 is a good time to reflect and rethink a path of growth and development.

PANDEMIC LESSONS

The pandemic exposed the Achilles' heel of the region: informality. About half of the working population in LAC was employed in the informal sector in 2020. The halt in economic activity exposed the vulnerability of millions of workers without access to social protection or financial safety nets. Worse still,

the pandemic led to a shift to more precarious jobs and an increase in the rate of informality. Currently, 52% of total employment is informal, well above the 13% rate in high-income countries (ILO, 2023).

The pandemic also highlighted the importance of fiscal space. Countries that had managed their public finances prudently had greater capacity to deploy aid packages, sustain the income of the most vulnerable, and keep their economies afloat. Brazil, for example, had the fiscal capacity to implement a broad program of direct monetary transfers that managed to reduce the extreme poverty rate from 10.8% in 2019 to 4.5% in 2020, contrasting with the increase observed in most of the region's countries (ILO, 2021).

In the context of the health emergency and subsequent economic crisis, solid monetary institutions proved to be essential to ensure economic stability and confidence in the financial system. Independent and well-managed central banks were able to implement expansive monetary policies without compromising long-term stability. This facilitated a quick response of the economies to fiscal and monetary stimuli, mitigating the most severe impacts of the crisis and laying the foundations for a swift recovery.

It is worth noting the high degree of resilience shown by the region's economies in the post-pandemic period. Despite the deep initial falls, the stimuli implemented prevented permanent structural damage in most countries, allowing growth to resume a positive trajectory in the following years. However, the task of transforming the recovery into sustained growth and resuming progress in closing social and economic gaps remains.

2024: A YEAR OF SLOWDOWN

2024 was a year of slowdown for the region. CAF –Development Bank of Latin America and the Caribbean– projects regional growth of just 1.7%, due to both internal and external factors.

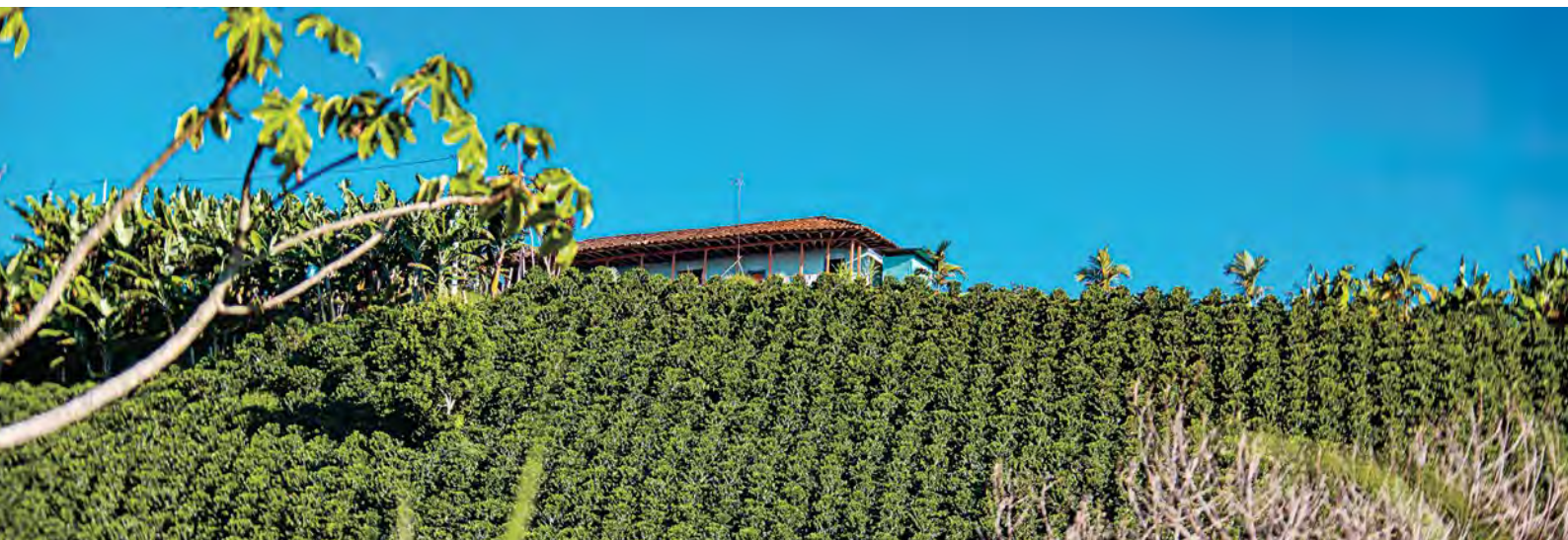
Internally, the region faced the effects of climatic events: storms that affected some of the economies in the Caribbean, as well as droughts that impacted hydroelectric production in the Andean region and floods that affected agricultural areas in the rest of South America.

Additionally, the loss of fiscal space as a result of the pandemic led to spending cuts in some economies of the region, resulting in slower growth.

Externally, LAC has faced less favorable global conditions. The economic slowdown in China, the main trading partner for most South American economies, has impacted commodity prices and particularly harmed exporters of hydrocarbons and agricultural products. Moreover, global interest rates remain high, affecting financing costs and increasing pressures on the most indebted countries.



"Economic growth must be accompanied by gains in productivity and greater formalization of our economies."



2025: A HORIZON OF HOPE

Despite current challenges, the outlook for 2025 is more encouraging. CAF estimates suggest that the economic growth of the region could reach 2.5%, in line with long-term potential growth. This rebound would be driven by several factors:

► **Recovery of key economies:**

Countries such as Argentina and Ecuador are projected to see significant improvement, which will contribute to regional dynamism.

► **More favorable monetary conditions:**

The start of the monetary normalization process in major global economies and the continuation of the relaxation of monetary policies by most of the region's major central banks could ease financial pressures and encourage investment and consumption.

► **A more stable external environment:**

Although risks remain, potential stabilization in commodity markets and greater adaptation of economies to the new global context could support growth.

The biodiversity and ecosystems of the region have enormous potential in sectors such as agro-industry. → Foto - IStock

THREE RISKS WE CANNOT IGNORE

Despite this positive outlook, Latin America must manage three risks that could jeopardize the recovery.

— ①

New U.S. Trade and Immigration Policy under the Trump Administration:

The protectionist trade policies and the implementation of the mass deportation plan from the United States represent a significant issue for Mexico and Central America, regions highly integrated into the U.S. economy through trade and migration flows. In Mexico's case, tariff tensions are hanging over a trade exchange worth more than \$839 billion and could push the Mexican economy towards a recession scenario. It is hoped that negotiations between the governments of both countries will prevent this.

— ②

Higher Interest Rates for Longer:

Countries with high debt levels, short-term maturities, and strong financial integration could face greater difficulties in refinancing both public and private sector obligations, increasing their vulnerability and reducing the space available for other spending that impacts domestic activity.

— ③

Drop in Commodity Prices: A further slowdown in China could negatively impact South American exporters of hydrocarbons and agricultural products, affecting their fiscal revenues and trade balance.

Fiscal prudence and flexibility in monetary and exchange regimes, as well as reducing rigidities in labor markets, will be crucial to mitigate the impact these risks could have on the region's economies.

ANOTHER FUTURE IS POSSIBLE: THE PATH TO TRANSFORMATION

Although the challenges are considerable, Latin America has the capacity to transform its future. To achieve this, we must aim for higher growth rates, not only to reduce poverty and exclusion but also to ensure fiscal sustainability and the viability of our social security systems.

Economic growth must be accompanied by productivity gains and greater formalization of our economies. In this context, digital transformation will play a central role. By complementing the skills of the workforce, digitalization can enhance productivity and open the door to formalization, especially in non-tradable services. This shift in industrial policy towards services is crucial in a context of rapidly growing dependency rates that increase the demand for care, health, and well-being services.

Furthermore, the energy transition represents a unique opportunity for the region. Latin America has some of the world's greatest natural riches, which can be sustainably harnessed to generate economic growth. The region's biodiversity and ecosystems have enormous potential in sectors such as agroindustry, biotechnology, and tourism. Clean energy generation and energy-shoring can attract investments and improve our competitiveness. Digitalization can also help to enhance some of these opportunities, as exemplified by Agrosmart in Brazil, a climate intelligence platform that has leveraged data and intelligence to make food production more efficient, sustainable, and climate-resilient.

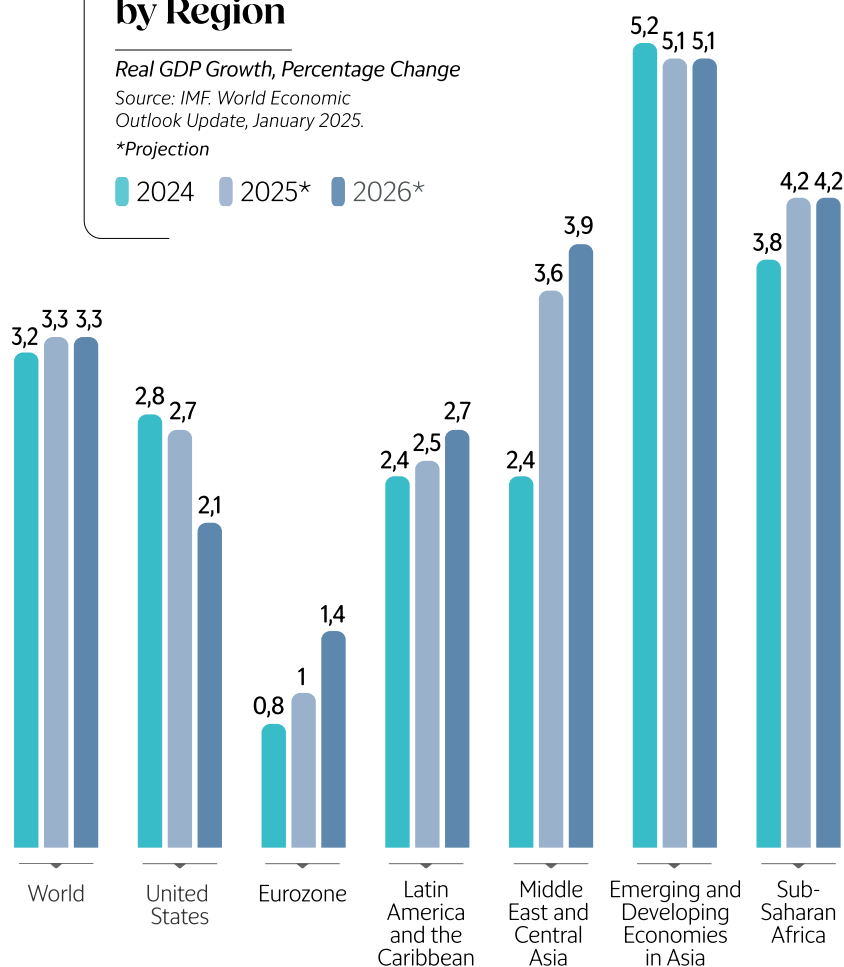
Global Economic Growth Projections by Region

Real GDP Growth, Percentage Change

Source: IMF, World Economic Outlook Update, January 2025.

*Projection

2024 2025* 2026*



A HISTORIC OPPORTUNITY

The demographic, technological, and environmental transformations the world is experiencing represent an unprecedented context for Latin America. These global trends present challenges but also offer the opportunity to converge toward higher levels of income and human development. Capitalizing on these opportunities requires collective commitment and a long-term vision.

Multilateral banking plays a crucial role as an enabling and supervisory body for coordinated action within and between countries to enhance the achievement of development goals in the region. Its lead-

ership, coupled with its financing capacity and technical support, is fundamental in guiding the policy efforts required by LAC's pending agenda. However, the magnitude of the challenge also demands that multilateral agencies coordinate their efforts to maximize their joint impact.

From CAF, we reaffirm our commitment to supporting the countries of the region on this challenging yet promising path. With political will and decisive action, another future is possible: a future where the region grows with equity, sustainability, and prosperity for all. 🌐

CAF, a Bridge to Development in Latin America and the Caribbean



POINT OF VIEW

Christian Asinelli

Vice President of Corporate Strategic Programming at CAF –Development Bank of Latin America and the Caribbean–

Since laying its foundation stone in 1972 with the construction of a bridge over the Limón River to connect Venezuela and Colombia, CAF –Development Bank of Latin America and the Caribbean– has paved the way across Latin America and the Caribbean (LAC). Regional integration processes; projects in infrastructure, education, health, and both physical and digital connectivity; strengthening of institutional capacities and ongoing training, as well as cross-cutting policies on climate action, gender, inclusion, and diversity, have been part of the tireless work of its teams over 57 years of institutional life.

Bridges. As a multilateral development agency, CAF aims to accompany the national and local efforts of its member countries to create spaces for commercial, economic, and political cooperation. To this end, we support the work of intergovernmental institutions such as Mercosur, mobilizing funds for significant

projects like the Pilar–Colonia Cano Bridge between Argentina and Paraguay, which will facilitate trade and transportation between them. We also promote initiatives like the Integration Routes with institutions such as Brazilian Development Bank, IDB, and Plata Basin Financial Development Fund (FONPLATA), to facilitate commercial exchange and improve infrastructure services between nations.

Additionally, we seek to enhance energy cooperation between countries through mechanisms like the Mercosur Regional Natural Gas Integration Project with Olade, to optimize the infrastructure of natural gas and energy planning around this resource.

Paths. To achieve a thriving, inclusive, and interconnected LAC, the only way forward is sustainable development. For this reason, we set a goal that by 2026, 40% of our operations would be entirely green. We surpassed this figure a year early. This allowed us to maintain environmental and social management frameworks with high standards of sustainability, which also respected human rights, gender equality, and community participation in our operations. In this context, last year we approved initiatives like the Biomanglar Project, to strengthen Colombia's biodiversity strategy, and the Biocommerce Project, to generate commercial capacities in the field of biological diversity in Honduras.

People. All these tools are centrally concerned with human progress. Therefore, we carry out innovative projects to promote education and health in every area of LAC. In Timbiquí, Colombia, for example, we have developed a system of modular schools that has already proven effective in promoting education in hard-to-reach rural areas. This project facilitated access for thousands of children in the Colombian Pacific to potable water, energy, basic sanitation, and quality education. CAF has also supported the implementation of telemedicine systems that in El Salvador, in particular, have found a niche to improve access and coverage of medical care through technological platforms and ongoing staff training.

Progress. The task has been and continues to be demanding. We live on a continent marked by alarming inequalities and socioeconomic gaps. According to the 20th edition of our Report on Economic Development (RED), 30% of the population lives in poverty, and 78% of the wealth generated remains in the hands of the top 10% of the population. But this is not, nor should it be, our endpoint. LAC is resilient, with rich biodiversity, renewable energies, and top-tier human resources. We are a true solution region for global problems and have everything needed to grow. With that certainty and a drive to build new bridges for development, we rise each day to face the challenges ahead. 🌱

GREEN ECONOMY

By VD Editorial Team

@AgendaCAF



The Triple Challenge of Energy Transition

For Latin America and the Caribbean to leap toward sustainable development and a healthy environmental future, it is essential to close the gaps of underdevelopment, optimize productivity, and involve the entire population in the provision and access to quality clean energy.

The global transition to cleaner energy sources has become a priority for the entire planet, driven by the need to contain exacerbated global warming and its catastrophic consequences.

The use of fossil fuels –or non-renewable energies– is the largest generator of greenhouse gases (GHGs), the main culprits behind the loss of ozone in the atmosphere. As GHGs deplete the ozone, they leave enormous gaps in the atmosphere through which ultraviolet



Cerro Dominador solar thermal plant in the Atacama Desert, Chile. → Photo - CAF

radiation freely enters to alter the climate and the normal dynamics of natural resources, winds, seas, rivers, and soils, whose transformations in many cases are cumulative and irreversible.

This alarming situation mobilized countries to convene, put the issue on the table, and discuss which path to take. Thus, under the umbrella of the United Nations (UN), the Paris Agreement emerged, signed in 2015 by 196 countries, including the 33 from Latin America and the Caribbean (LAC).

Thanks to this, the commitment to reduce GHG emissions was formalized and regional targets were set for 2030 (see commitments table), a year in which the achievements made by each member of the consensus will be evaluated. Likewise, it

was agreed to redouble efforts to not exceed the level of 1.5 degrees Celsius increase in global temperature by the end of the 21st century and to achieve climate neutrality by 2050.

The developed world has historically had a greater share of responsibility for emissions. Their contribution represents 45% of the total. In contrast, LAC has only contributed 11% of that pie, according to the Report on Economic Development (RED) by CAF –Development Bank of Latin America and the Caribbean– dedicated to the energy transition and presented at the Conference of the Parties on Biodiversity (COP16) in Cali (Colombia), last October.

It is assumed, therefore, that it is the developed countries that are called to take the lead in fulfilling the 2015 pact. The global consensus recognizes the urgency of reducing carbon emissions. However, there are no solutions that apply in the same way at all latitudes.

The region, for its part, has committed to reducing its emissions by 10.8% by 2030 compared to 2020. This reduction is greater than that

assumed globally (less than 1%), but less than that of North America or the European Union (37% and 29%, respectively).

Region with Structural Problems

However, achieving these targets is truly a challenge for LAC, especially due to the structural socioeconomic problems that the region still needs to resolve, compared with the achievements of the more developed continents.

The CAF RED highlights that when evaluating population density and per capita energy consumption, particularly from fossil fuels and coal, the region exceeds other continents in these indices. This is in terms of demand, as the latest report from the International Energy Agency indicates that currently, 75% of GHG emissions come from countries with middle or low per capita income.

Over the past decades, the region's per capita GDP has remained 30% below that of the United States. This condition is associated with low productivity, which in turn is

The development of wind energy in various countries of the region is very promising. There are several projects underway from the Caribbean to Patagonia. ➔ Photo - Courtesy of EPM/Archive-EL TIEMPO



linked to an excess of small, informal businesses with low physical, human, and organizational capital.

The countries of LAC not only have relatively low per capita income but also a highly inequitable income distribution. On average, 1 in every 3 people in Latin America is poor, and 12 out of every 100 live in extreme poverty, according to 2022 figures from the Economic Commission for Latin America and the Caribbean (ECLAC).

Likewise, in its 2024 report, the agency warns that the economies of the 33 countries in the region grew at a slow pace last year, achieving an expansion of only 2.2%, and that by 2025 the growth rate will remain at no more than 2.4%.

Long-standing Challenges

The CAF 2024 RED on the subject posits that the region must achieve economic growth exceeding that of developed countries to close the

gap of inequality and poverty, while doubling down on efforts to mitigate GHG emissions to meet the target.

Indeed, LAC is faced with the triple challenge of transitioning to clean energies without detriment to its economies or biodiversity, and with the premise of closing the poverty gap.

To achieve this, it would have to confront longstanding challenges that have significantly contributed to the sluggishness of its socioeconomic development.

Firstly, localized problems of access to quality energy sources persist, despite significant advances. The CAF RED reveals that at least 40% of the rural population in Colombia, Honduras, Mexico, Nicaragua, Paraguay, and Peru still cook and heat their homes with firewood.

Secondly, there are challenges in the efficacy of energy supply. Data from the World Bank's Enterprise Survey indicates that about 60% of manufacturing companies report experiencing two electrical service interruptions per month, averaging three hours each. Given this scenario, one in three companies in the region considers problems with electricity supply a major obstacle to their productivity. This figure is 40% higher than that of Europe and Central Asia combined.

Moreover, as mentioned earlier, the levels of poverty and vulnerability among a large segment of the population demand protection against the strong distributive changes that the energy transition may generate, imposing restrictions on households' adoption of clean or energy-efficient technologies.

Another noteworthy feature of the region's energy markets is the presence of energy subsidies. Although several countries on the continent, including Argentina, Chile, Colombia, and Mexico, are gradually dismantling subsidies for fossil fuels, these still amount to 4.7% of the regional GDP, concentrated mainly in Venezuela. The existence

Emission Commitments Set in the Paris Agreement

Region	Number of Countries ^{a/}	GHG Emission Change 2010-2020 (%)	GHG Emissions 2020 (MtCO ₂ e) ^{b/}	GHG Emissions 2030 (MtCO ₂ e) ^{c/}	GHG Emissions Variation 2020-2030 (%)
Africa	37	19,2	3.023	3.805	25,9
North America	2	-14,7	6.021	3.766	-37,4
Latin America and the Caribbean	21	-15,5	3.293	2.952	-10,8
Asia (excluding China and India)	19	19,5	5.598	6.081	8,6
China	1	24,4	12.296	12.804	4,1
India	1	22,7	3.167	3.910	23,5
Oceania	6	3,1	703	390	-44,6
European Union	27	-20,1	2.957	2.085	-29,5
Rest of Europe	19	4,9	2.750	3.927	42,8
Total	133	5,7	39.807	39.720	-0,3

Source: Developed by CAF based on Brassiolo et al. (2023), Climate Analytics and New Climate Institute (2023), Climate Watch (2023b, 2023a), Hattori et al. (2022) and the UNFCCC Secretariat (2023). Presented in the RED titled 'Renewed Energies. Just Energy Transition for Sustainable Development', 2024.

MtCO₂e: Metric tons of carbon dioxide equivalent

Note: The table presents a measure of the ambition of the NDCs (Nationally Determined Contributions) at the regional level. a/ Values by region were obtained from the aggregation of a sample of countries.

b/ The level of net emissions in 2020 includes the same sectors considered in the target declared by each country in its NDC for 2030. c/ Net GHG emissions for 2030 were estimated by applying the mitigation target to the declared base level of emissions (in reference year or in a business-as-usual [BAU] scenario). The emissions from the sectors included in the target are considered, and for countries that do not specify sectors, it is assumed that the target covers all sectors (including land use, land-use change, and forestry [LULUCF]). The appendix of chapter 1 (available online) provides more details on the methodology used in the estimations and the countries included in each region.

64%

IT IS THE RENEWABLE GENERATION INDEX WITH WHICH THE REGION CLOSED IN 2024, ACCORDING TO THE RED REPORT. BETWEEN 2015 AND 2022, LAC INCREASED ITS RENEWABLE CAPACITY BY 51%.

of these subsidies can promote high demand for non-renewable energies, with the consequent impact on emissions.

The energy transition of the region, as emphasized by CAF in its RED, cannot occur ignoring these realities. Its sustainable development certainly involves reducing GHG emissions from energy sources to make the planet more sustainable and, at the same time, close existing per capita income gaps and reduce social and energy inequalities.

More Than Obstacles, There Are Also Opportunities

The recent history of developed countries suggests that it is feasible to achieve growth in per capita product and reduce emissions, a concept known as decoupling.

From the analysis in CAF's latest RED, it is clear that the region could, for example, become a center for the green industry of vehicles and technological devices that demand minerals produced abundantly across vast territories of the continent, such as nickel, lithium, copper, and cobalt (see highlight).

In Medellín, the company EPM has a pilot plant for green hydrogen produced with biogas from a wastewater treatment plant.

→ Photo - Archive / EL TIEMPO.

In one of its freshest reports, the World Economic Forum specifies that the world needs 2 billion electric vehicles, whose essential mineral for their batteries is lithium. Argentina, Chile, and Bolivia make up the so-called "Lithium Triangle": these countries hold 68% of the mineral reserves, mainly in the form of brines, which are easier and cheaper to process compared to hydrocarbons. This would position us at the core of green industrialization, consolidate the new era of migration towards renewable energy sources, and allow us to match the development levels of the most advanced countries in this field.

Here, it is worth highlighting the energy theme slogan with which CAF arrived at COP16 and will reinforce this year at COP30 on climate change in Belem (Brazil): regional solutions with a global vision. That is, LAC has what it takes to spearhead the implementation of regional policies and initiatives that provide a positive and sustainable impact globally.

However, alongside this, a major revolution must occur in the field of science, innovation, technology, and education, in order to properly enter the era of efficient and clean energy consumption; this profound transformation of mentality and access

presupposes, above all, that the region learns how to make efficient consumption of green energies part of its daily life, and that it has democratic and quality access to such sources, which would imply, among other things, effective options for demand response, through the creation of new types of clean and environmentally friendly fuel.

Over the last decade, the countries of Latin America and the Caribbean have significantly increased their efforts to reduce GHG emissions. Between 2015 and 2022, the region increased its renewable capacity by 51%, and by the end of 2024, this index rose to 64% of generation from renewable sources, according to the RED report. This figure is expected to reach 70% of renewable energy supply by 2030.

For the specific case of Colombia, the Renewable Energies Association (SER Colombia) reports that in the last decade, the consumption of renewable energy has risen from 2% to 10%. Leading the energy transition in the region are Brazil and Chile, with Costa Rica and Paraguay also ranking among the top performers globally.

On the other hand, the region is rich in water resources, minerals indispensable for the production of transportation means—a sector that,





Bolivia, Argentina (photo), Chile, Mexico, and Peru control the majority of the world's lithium resources, crucial for clean energy storage. → Photo - iStock.

along with industrial production, constitutes the largest consumer of non-renewable energies— and technology necessary for resilient transition, as previously indicated.

One of the most evident needs in the global analysis of the migration towards clean energies in the region is the fact that the small-scale consumer becomes a productive actor within the value chain of the

new structuring of massive systems of clean energy provision. In simple terms, this means that an average family could generate their own energy—through the installation of photovoltaic panels, for example—but also provide surplus green watts to be included and commercialized in the transnational network, thus transitioning from merely a consumer to a “prosumer”.

The path of this massification has its axis, as indicated by the RED of CAF, in the construction of well-targeted and effective subsidies that promote the accessibility and affordability of the necessary equipment and technology.

Such a fact would represent a great leap for the region in the aim to reduce GHG emissions, greatly advance in climate neutralization, and significantly narrow the poverty gap. It has been demonstrated that wind and solar energies have reached ideal levels of competitiveness compared to non-renewable energy, and are even cheaper. Therefore, as emphasized by the RED of CAF and the voice of Ser Colombia, it is necessary to step on the accelerator and create ideal scenarios for the expansion of green energy provision systems. 🌱

A BANK AGAINST GLOBAL WARMING

The 2024 edition of the CAF RED report on energy transition concludes that it is impossible to achieve a fair and resilient transition in the region without closing the gaps of inequality, hunger, and persistent poverty within it. It emphasizes the urgency for LAC to address the energy transition with a primarily social focus and to seize the opportunities presented as a region and in strengthening strategic alliances between

governments and large companies, to make initiatives that promote efficient “prosumption” of renewable energy the path that finally leads to the closure of such inequity while achieving significant mitigation of GHG emissions, which would entail containing global warming.

Another conclusion highlighted by CAF in its report is that gains in industrial productivity and the massification of an

efficient circular economy are key to achieving this growth and can favor a reduction in emissions. The RED stresses that greater productivity of companies translates into a greater and better product per unit of energy.

Since declaring itself a green bank, CAF has determined that 40% of its portfolio be allocated to regional initiatives against global warming, climate change contain-

ment, and the protection of the 14 strategic ecosystems identified by the bank. In this context, the energy transition has at its disposal a good portion of that percentage which would be converted into significant achievements for a fair and resilient migration, and in closing the socio-economic gaps. The legal, political, and conceptual frameworks are already created. The only thing left is to do the work well and at full speed.



Latin America and the Caribbean, a Region of Solutions

The groundwork laid during the 2024 environmental summits has paved the way for COP30, the upcoming climate conference to be held in late 2025 in Belem do Pará, Brazil. There are five key issues pending where progress will be crucial.



Protecting rural and indigenous communities, taking care of their livelihoods, is key to preserving biodiversity. → Photo - Jaiver Nieto / EL TIEMPO



There are about 18,000 known butterfly species in the world. Their great function: pollination. → Photo - Santiago Saldarriaga / EL TIEMPO

Left: The parrot, symbolizing the great variety of birds in Latin America and the Caribbean.

→ Photo - Juan Pablo Rueda / EL TIEMPO



In 2024, Latin America and the Caribbean (LAC) solidified its role as a leading region in both the energy transition and climate resilience, as well as in the recovery and conservation of global biodiversity.

The stages for such achievement were the three major global environmental summits, the Conferences of the Parties (COP), held in the last part of the year: the COP16 on Biodiversity, which took place in Cali, Colombia at the end of October 2024, giving the region a new dimension in these meetings; the COP29 on climate change, held shortly after in Baku, Azerbaijan, where, among other things, it was agreed to triple funding for the protection of life and livelihoods of developing countries; and the COP16 against desertification and indiscriminate land use, held in Riyadh, Saudi Arabia in early December, where CAF –Development Bank of Latin America and the Caribbean– became an observer member in the dialogues of this convention, traditionally focused on the problems of the African continent.

Particularly, the countries of the region celebrate the achievement at COP16 in Cali, where the world's attention turned to the 33 countries of the continent and their ecosystems, 14 of which are considered strategic, and that the region was seen as compact yet multicultural and diverse in its natural capital. The summit marked a milestone by involving the general public in the conversation on biodiversity issues.

Also, with CAF's discussion spaces as the main stages, the message was planted that as a region, LAC can offer not only the necessary resources for climate change containment and the energy transition, but

The Mavecure hills are part of the Amazon, a region set to play a leading role in this year's COP30 on Climate Change.

→ Photo - Carlos Ortega / EL TIEMPO



can also integrate into the industrial value chain as a productive player and as "a region of solutions."

The Cali conference brought new developments last February in Rome, where member countries agreed, among other things, on the first global plan to finance nature conservation that will mobilize at least 200 billion US dollars annually until 2030, including 20 billion dollars a year in international flows this year, which will increase to 30 billion dollars by 2030. Furthermore, a monitoring framework was defined to assess progress in implementing the Kunming-Montreal Global Biodiversity Framework. The countries agreed on a monitoring system that will be applied at COP17 in Armenia in 2026.

The meeting in Rome also served to launch the Cali Fund, which will receive contributions from companies that market digital data on the genetic resources of nature, marking an important step towards broader funding for biodiversity conservation. Sectors such as pharmaceuticals, cosmetics, agricultural biotechnology, industrial biotechnology, and artificial intelligence, among others, are expected to contribute 1% of their profits or 0.1% of their revenues to this fund, which will be operated by the United Nations. It is estimated that at least 50% of the resources will be allocated to indigenous peoples and local communities, caretakers of biodiversity.



On the Road to the Belem COP

The work done at the 2024 summits has opened a path for COP30, the climate conference to be held at the end of 2025 in Belem, Brazil. For CAF, this will be a new stage to reap the sense of regional unity that was sown and to work on several pending issues. Among them are the following:

1. Fair transitions for the region. It is clear that the transition in LAC is not limited only to the energy field. Other types of transitions are indispensable, such as those in agriculture and livestock, one of the productive sectors contributing most to the emission of greenhouse gases (GHG) and to deforestation. As it has been developing so far, agricultural activity is not sustainable, and a major transformation in this field is urgently needed, in parallel with the energy transition. This must start by fully understanding the role that the agricultural sector plays in food security and in eradicating poverty, the first of the Sustainable Development Goals (SDGs) of the Paris Agreement. This, of course, implies

a new vision for job creation and access to basic necessities to improve quality of life.

2. Strengthening LAC's positioning as a region of solutions.

The inclusion of the continent in global transition debates should not be limited to being a resource provider, but actions should lead to the creation of a macro-industrial era for the region, based on the production of clean fuels and planet-friendly technologies.

3. Adaptation and resilience against disaster risk. These are key priorities, requiring a unified and sustainable approach. The most urgent issue is adaptation, as between 2% and 3% of the regional GDP is currently being invested in dealing with natural disasters. CAF is currently working on an initiative called the Brasilia Consensus, which aims to set up early warning systems through transnational cooperation, to know how to mobilize resources and specialized institutions beyond borders. At the climate COP in Dubai (28), CAF announced a portfolio of 15 billion dollars between 2023 and 2030 dedicated to the vast field of adaptation and resilience. To date, it has invested 2 billion dollars.



4. How to involve the private sector more. Following the commitment made in Baku to triple financing for developing countries, i.e., from 100 billion dollars to 300 billion dollars, was assumed, it has become urgent to integrate private enterprise and philanthropy into these efforts. And this is where the region must further strengthen its ties with large companies from countries like China and Russia, in pursuit of generating inclusive and equitable growth for the countries on this side of the planet.

5. Promoting the development of indicators that reflect the realities of the region. Especially for adaptation issues, indicators tailored to the measurements of LAC's situations and conditions are indispensable. The region lacks its own indicators that adequately measure it, and data analytics based on reality is essential for, for example, attracting foreign investment. So is the taxonomy based on natural capital. As CAF rightly points out in one of its declarations, it is also necessary to put a human face on global problems.

Another Key Meeting

Belem will not be the only important environmental event for the re-

gion in 2025. Another key event will be held in Seville (Spain), from the last day of June to July 3, the Fourth Conference on Financing for Development, considered the second most important forum organized by the United Nations.

The main objective of the meeting will be to advance in the implementation of policies and the mo-



The 2024 environmental summits brought visibility to Latin America and the Caribbean as a key region for resilience against climate change and the preservation of global biological diversity.

bilization of financial resources necessary for achieving the 2030 Agenda and its Sustainable Development Goals on a global level. In this context, Spain, the host country, hopes to “create a sense of urgency” about the need for reforms in the international system for development financing, in order to address, among other things, the challenges of climate change in a more efficient and fair manner.

The first three editions of the summit were held in Monterrey (Mexico) in 2002, in Doha (Qatar) in 2008, and in Addis Ababa (Ethiopia) in 2015. The last one adopted the Addis Ababa Action Agenda to provide a new global framework for financing sustainable development by aligning all financial flows and policies with economic, social, and environmental priorities. However, progress has not been as substantial as expected.

In Seville, developing countries are expected to insist on solutions to the debt problem. Today, more than 3 billion people in the world live in countries that have to dedicate more money to debt-related payments than to education. They will also highlight the contradiction that the financial system does not favor nations with ambitious climate change mitigation plans, to confront a crisis that is primarily the responsibility of the northern nations. They will demand a new financial model based on principles of climate justice.

Another point of debate about financing for development has already been raised by the United States, referring to the need to mobilize more private capital, given that public aid for development will never be sufficient for the existing challenges. It has also called for setting priorities based on the Ethiopia agenda, among which it highlighted the need for countries in the southern hemisphere to become more efficient in collecting internal resources, with better taxation. 🌱



A Summit with Major Announcements

At the Biodiversity COP16 Summit in Cali, CAF hosted over 60 events featuring 350 guest panelists, and its sessions in the blue zone attracted more than 10,000 attendees. No ecosystem was left unaddressed: from Patagonia to the Caribbean coral reefs, from the Atlantic Forest (a biome spanning Brazil, Paraguay, and Argentina) to the Chocó Biogeographic region bordering the Pacific, significant initiatives were launched which, once realized and yielding results, will mark a before and after in both the socioeconomic development and the resilience of ecosystems and their inhabitants.

For instance, the Chocó Biogeographic

region, until then little known abroad but one of the planet's richest in biological diversity, saw promising agreements during COP16. At one of CAF's events, the creation of a multi-donor fund for the recovery and conservation of its biome was announced, as well as the promotion of sustainable ecotourism in its coastal, riverine, and jungle areas. Additionally, the imminent signing of a treaty involving the countries shaped by its idiosyncrasies and nature—Panama, Costa Rica, Colombia, and Ecuador—was disclosed.

Moreover, CAF announced the establishment of the first Network of Women Pianguera Harvesters of the

For 12 days, representatives from over 190 countries debated at the COP16 in Cali last October.

→ Photo - Daniel López / EL TIEMPO

Tropical East Pacific, whose work in harvesting and providing mollusks, while caring for mangroves—the habitat of the piangua—was recognized as a dignified economic productivity and regional sustainability activity.

In addition to the announcement of 300 million dollars to protect LAC's biodiversity, CAF established a scientific committee that will work towards generating knowledge originating from the region, in favor of its biological diversity and the appreciation of the continent's ancestral knowledge. This will be aligned with the Chicó-Bogotá Declaration (a meeting of scientists that took place in the Colombian capital in October 2024) and will seek to defend the region's environmental wealth, based on scientific evidence and respect for the traditions and practices of local indigenous and Afro-descendant ethnic groups.

CAF's pavilion also hosted a tribute to 10 leaders working tirelessly for environmental causes. In the same setting, financial innovation through marine biodiversity credits supported the establishment of an alliance between the Blue Patagonia Foundation and Natural Capital Reserve, aimed at strengthening the conservation of protected areas such as Pitipalena-Añihue in Chile.

Good news also came for the páramos, as CAF and the organization Cumbres Blancas Colombia signed an agreement to champion the comprehensive protection of these ecosystems. Additionally, in an unprecedented effort to restore LAC's biodiversity, the New York Botanical Garden and CAF signed an agreement to develop biological foundations that will help improve the connectivity of its vegetation.

The bank's agenda also included the launch of InNatureLab, in collaboration with the Latimpacto and Trafigura foundations. Led by organizations of young environmentalists, this initiative aims to provide financial and non-financial support to CAF member countries to find bioeconomy solutions through innovation and co-creation processes.

The Migratory Bird Routes of the



Americas project was also one of the successful outcomes of CAF's participation in COP16. Its implementation began in January 2025, based on studies conducted by BirdLife International with the bank's support, focusing on achieving resilience in bird migration in the face of the climate change crisis.

Furthermore, CAF, the World Economic Forum, and the World Resources Institute joined forces for the blue economy by signing an agreement to explore, promote, and develop ocean conservation and restoration projects, under an ecosystemic approach, marine energy transition, and sustainable investment.

Women also had an overwhelming presence at the summit in Cali, where there was not only space for their recognition as flag bearers of environmental causes but also to be declared "protectors of life." With this premise, CAF managed to gather dozens of indigenous women whose lives revolve around the preservation of nature and highlighted the crucial role they play in fulfilling this purpose.

There was also time for commemorations, such as the 25th anniversary of the Amazon without Fire program and the second anniversary of the Network of Biodivercities, which took the opportunity to include six Colombian cities: Cali, Quibdó, Leticia, Bogotá, Cartagena, and Manizales. 🌿



Above: Image of the Biogeographic Chocó, on the Pacific coast, a biodiversity treasure that spans three countries
Below: In Cali, CAF announced it will allocate more than 300 million dollars to protect the region's biodiversity. Indigenous with the Inírida Flower and a hummingbird.

→ Photos - Juan Pablo Rueda y Santiago Saldarriaga / EL TIEMPO

GREEN ECONOMY

By VD Editorial Team

@AgendaCAF



Debt-for-Nature Swap for the Lempa River, A Milestone and Model for the World

The largest debt-for-nature swap in history will enable El Salvador to secure the sustainability of its main source of water and energy. CAF serves as one of the guarantors of the agreement.

The Lempa River, central to one of the most important river systems in Central America, originates in Guatemala and briefly passes through Honduras, but 360 of its more than 422 kilometers run through the mountains and plains of El Salvador before flowing into the Pacific Ocean. With its ecosystems of forests and wetlands rich in flora and fauna diversity, the basin covers nearly half of the Salvadoran territory and shapes its economy.

The Lempa provides drinking water to 68% of the country, including parts of the San Salvador metropolitan area, and is the primary source of hydroelectric power. However, its conservation is threatened by pollution from

Around 360 of the more than 422 kilometers of the Lempa River run through the geography of El Salvador. ➔ Photo - IStock



Lempa, a trinational river

untreated wastewater and agrochemicals, as well as by illegal logging and uncontrolled agricultural frontier expansion. Climate change phenomena, such as prolonged droughts or intense rainfall, exacerbate the environmental problems of the basin.

To find resources to develop an action plan that ensures its sustainability, the Salvadoran government and several international institutions, including CAF –Development Bank of Latin America and the Caribbean–, finalized last October a historic transaction: the largest debt-for-nature swap agreed upon to date.

With the deal involving an amount of 1 billion US dollars, facilitated by JP Morgan and supported by the United States International Development Finance Corporation (DFC) and CAF, El Salvador will refinance 1.031 billion dollars in existing bonds at lower rates.

In the agreement, JPMorgan Chase Bank, N.A. acted as the sole arranger of the loan, while JPMorgan Securities LLC served as the dealer manager for the bond repurchase. DFC provided 1 billion dollars in political risk insurance (PRI), while CAF issued a standby letter of credit (SBLC) of 200 million dollars. These two elements strengthen the credit risk backing the transaction, with the private fund Art-Cap Strategies serving as the financial advisor and global coordinator.

The Savings Destination

Over the debt's maturity, the Central American country will gain more than 352 million dollars through a combination of immediate nominal savings and substantial reductions in debt service costs. The AAA rating of the backing entities, with strong capacity to meet their financial obligations, allows for substantially lower interest rates.

Almost the entire amount, 350 million dollars, will be allocated to the Lempa River Conservation and Restoration Program, to be implemented over the next 20 years. About 200 million, or an average of 9.75 million annually for 20 years, will directly finance the program, and the remaining 150 million, in installments of 7 million a year, will feed a trust fund intended to finance the program beyond 2044.

These resources will fund initiatives to improve water quality and

quantity, restore ecosystems, protect biodiversity, and strengthen climate resilience. The Salvadoran government has also committed to declaring 75,000 hectares as protected areas, creating a water resources monitoring system, and developing a National Integrated Water Resources Plan.

President Nayib Bukele described the initiative as "the most ambitious environmental action in the country's history." The financing also includes distributing grants to local organizations to promote biodiversity conservation, regenerative agriculture, and water security. The first grants are expected to be awarded this year.

Green Bank Commitment

The Lempa River Conservation and Restoration Program will be managed by Catholic Relief Services (CRS), the international humanitarian agency of the Catholic community in the United States, in conjunction with the Environmental Investment Fund of El Salvador (FIAES).

The oversight of the initiatives' execution will be in the hands of a seven-member board, consisting of representatives from the Government of El Salvador, the United States Agency for International Development (USAID), and non-governmental organizations.

CAF, as part of its commitment to becoming the green bank of Latin America and the Caribbean, will invest 25 billion dollars by 2026 in financing environmental, climate change, and biodiversity initiatives like the one in El Salvador.

"This historic financing demonstrates that, through joint efforts, we can advance innovative financial mechanisms that accelerate sustainable development," highlighted Sergio Díaz-Granados, Executive President of CAF, who also underscored the pioneering nature of the transaction by combining the conservation of critical resources with improved debt conditions. There is a new alternative for addressing the financial and environmental challenges of developing countries. 🌱

KNOWLEDGE AND ACTION

By VD Editorial Team

@AgendaCAF



GDP per capita grew 40% in Latin America and 16% in the Caribbean since 1970. Clothing workers at a textile fair.

→ Photo - Sergio Acero / EL TIEMPO

Twenty Years of Transformative Knowledge

The RED has become a tool that supports the countries of Latin America and the Caribbean in making documented, evidence-based decisions. An interactive book reviews the journey taken.

Today, the countries of Latin America and the Caribbean (LAC) have access to a historical information bank, based on evidence and supported by diagnostics and expert analysis, which allows public and private decision-makers to act in favor of the most vulnerable people.

This information bank consists of twenty years of publications from the Report on Economic Development (RED) that CAF –Development Bank of Latin America and the Caribbean– began publishing in 2004 and which constitutes one of the most solid sources for consulting the reality of the region, its challenges, possibilities, and opportunities.

For two decades, the RED has become a tool to support decision-making in the region, through exhaustive empirical diagnostics and rigorous evidence analysis, with the aim of providing clear and feasible public policy recommendations from and for the region.

CAF commemorates two decades of work with the book *Knowledge that Transforms: Twenty Years Serving a Prosperous, Inclusive, and Sustainable Future*, which of-



fers a comprehensive vision to understand and address the region's issues, exploring the triple challenge of growing, including, and protecting the environment.

The bank explains that it is an interactive book that comprehensively addresses the economic development problem of LAC, revisiting accumulated learning, but with an eye on the future, supported by analysis from internationally renowned experts from throughout the region, who contextualize the figures and research with their own experience.

In five chapters, the document explores and analyzes 'Lights and Shadows of the Elusive Development of Latin America and the Caribbean,' 'Policies for Productive Development,' 'Balance and Perspectives of Social Inclusion to Build More Equitable Societies,' 'Solutions from the Region for Environmental Sustainability,' and 'Lat-

in America and the Caribbean: Towards Sustainable Development in the 21st Century.'

Researchers, government officials, and the general public find an interactive book contextualizes key figures such as 30% of the region's population living in poverty, 86% of young people whose parents did not attend university not completing higher education, or 78% of wealth being concentrated in the hands of just 10% of the population. These figures are supported by diagnostics and evidence accumulated over the last two decades in the region.

According to CAF's presentation, "the text combines rigorous diagnostics with innovative proposals that lay the foundation for fairer, more sustainable, and resilient development, and the authors' analysis is enriched with the perspectives and audiovisual testimonies of the experts convened to reflect on the region's most pressing issues."



Despite all the setbacks, poverty has been significantly reduced in the region. The current average level is close to 30%.

→ Photo - Milton Díaz / EL TIEMPO

Driving Discussions

Since its inception, the RED has served the purpose of supporting CAF's operations and facilitating decision-making based on evidence, and driving informed discussions on public policies on key issues for regional development. Each edition has tackled a highly relevant issue, providing a comprehensive and rigorous diagnosis, reviewing the best available evidence, and closing knowledge gaps through original research.



Cover of the commemorative publication for the 20th anniversary of CAF's RED.

After twenty years, the RED has become an essential reference for those who design and implement public policies in Latin America and the Caribbean, contributing to the effective development of the region.

The commemorative book reports the notable advances that Latin America and the Caribbean have achieved: GDP per capita grew by 40% in Latin America and 16% in the Caribbean since 1970; democracies have generally been consolidated, and poverty has been significantly reduced.

However, it also addresses the deep challenges that persist in the countries: one in three inhabitants still lives in poverty; the region remains one of the most unequal in the world and faces critical problems such as insecurity, labor informality, and the weakness of its state capacities.

Five Chapters of Learning

From Chapter 1, the challenges, historical traits that condition evolution, opportunities, and the im-

portance of knowledge to close gaps are addressed. According to the document, “development requires success in three interconnected areas: economic growth, inclusion, and environmental sustainability. The region shows partial progress in each.”

The publication indicates that while evidence points to macroeconomic stability and greater resilience to shocks, the challenges remain enormous. For example, although poverty has decreased, nearly 30% of people from Latin America and the Caribbean continue to live under these circumstances, and 10% in extreme poverty.

The document analyzes the incomplete development of the region and highlights challenges such as high informality, infrastructure gaps, and crime. LAC must work towards its socioeconomic evolution in a world dominated by digital technologies, accelerated aging, and the green transition.

The book documents why the current model of production and consumption in the region is unsustainable and addresses the negative impacts of climate change, which necessitate prioritizing adaptation policies in agriculture, infrastructure, and interventions for vulnerable populations.

It also enables understanding the opportunities for the region's economies in the potential for green electricity generation and the high costs of an energy transition in a region with limited fiscal spaces.

One of the chapters discusses the opportunities amidst persistent challenges. It talks about how to leverage new and old opportunities, the pending agenda, and the role of institutional structures, as well as

the role of multilateral development banks in accomplishing these tasks.

The real panorama of the region documents the fourth industrial revolution with technologies, artificial intelligence, and knowledge management, and its role in agriculture and manufacturing. The natural advantages of LAC and the challenges posed by automation and digitalization concerning low-skilled labor are analyzed.

CAF hopes this document will allow countries to understand the importance of leveraging Multilateral Development Banks (MDBs) operating in the region as knowledge dissemination platforms. In this scenario, the arrival of different information products at forums is expected, so that evidence can guide public policies and open the possibility of scaling cost-effective solutions for the region's problems.

Despite undeniable progress over the last three decades, the development process in LAC remains incomplete. The RED report aims to remain a tool that enables informed and documented decisions, based on evidence, to impact high levels of inequality and poverty, high rates of violence, weak states and institutions, high informality, and the persistent and wide income gap per inhabitant compared to the developed world.

As explained at the launch of the commemorative book, “a challenging context, marked by the fight against climate change, the digitalization of economies, and an uncertain geopolitical environment, compels our region to turn these challenges into opportunities for sustainable development, supported by access to financing and an effective, evidence-based roadmap.”



The Brand That Will Project the Region to the World

Latin America and the Caribbean now has an image for their promotion as a tourist destination and investment region, as well as a region of solutions.

The region that holds half of Earth's biodiversity, which has a lung that absorbs 30% of global pollution, that possesses the energy the planet needs, and that is recognized for the vibrant multiculturalism of its 650 million inhabitants, now has a brand that will identify it to the world.

This image of Latin America and the Caribbean (LAC) was the result of a process promoted by CAF –Development Bank of Latin America and the Caribbean– in which over 2,000 people from the region participated. After a call that exceeded 500 applications, a co-creation exercise was carried out with five groups of finalists in São Paulo (Brazil), resulting in the selection of the regional brand design presented by the Ecuadorian creators Ana Belén Arregui and Alejandro Muñoz Bottas, and the Brazilian Jean Nicolas Guerreiro.

As explained, the Greek Y in the rectangle represents unity, and the co-

lors represent the flags, the diversity of resources, and multiculturalism.

The selection was made by a jury composed of Adriana Barbosa, CEO of Pretahub; Claudia Casarino, visual artist; Gustavo Santos, regional director for the Americas of UN Tourism; Karina Salguero, vice president of the Ibero-American Design Association; Tere Chad, artist and curator of Neo-Norte 5.0; Terri-Karelle Johnson, writer, TV presenter and influencer, and Sergio Díaz-Granados, executive president of CAF.

“This new image represents the sentiment of what unites us, and will help the region strengthen its voice on the international stage. This will contribute to promoting investments, en-

couraging tourism, and enhancing the projection as a solution region,” said Díaz-Granados, at the unveiling ceremony in São Paulo.

The Region Brand also aims to boost agriculture and the capacity to meet the food demand of a global population; strengthen the area's exports; promote intra-regional trade; boost cultural and creative industries; take advantage of the opportunities represented by Latin American and Caribbean people around the world and promote initiatives that generate impact and recognition on the global stage.

The image was recently presented at the International Tourism Trade Fair (Fitur) in Spain, and at the International Forum of Latin America and the Caribbean, held in Panama. There, Gustavo Santos emphasized: “This is not just a brand, it is a declaration of identity. LAC is not just a region, it is the planet's reserve of sustainability and emotionality.”

In Panama, CAF and UN Tourism invited countries of the region to adopt and use the Region Brand in their international promotion strategies. “This appropriation will be fundamental for its success,” said Óscar Rueda, director of Tourism at CAF. 🌿



Latin America and the Caribbean

Each path is an opportunity

The design reflects the unity and colors, the diversity of the region. CAF hopes that Latin American and Caribbean countries will begin to embrace the image.



FINANCES

By VD Editorial Team

@AgendaCAF



CAF Celebrates Two Years as a Holder of Special Drawing Rights (SDRs)

With the SDR tool, a new alternative was added to support the financial operations of shareholder countries with their resources and credit ratings.

Fifty-five years ago, the International Monetary Fund (IMF) created Special Drawing Rights (SDRs) as a supplementary international reserve asset equivalent to the fractional amount of gold, which in turn was equivalent to one US dollar. This alternative was precisely aimed at helping member countries strengthen their reserve positioning.

When the fixed exchange rate regime ended with the disappearance of the gold standard in 1973, the value of the SDRs began to be calculated daily in relation to a basket of strong international currencies. There are five of these currencies: the US dollar, the euro, the Japanese yen, the British pound sterling, and the Chinese renminbi (yuan). Each of these has a percentage in the composition corresponding to the weight of their economies, and this participation is reviewed every five years.

Only the IMF, its member countries, and a short list of holders authorized by the Fund, including the world's leading multilateral institutions, have access to SDRs. In early 2023, CAF –Development Bank of Latin America and the Caribbean– became one of those 20 special holders, which do not have SDR allocations, but can buy and sell them.

This marked a milestone for CAF as it added a new alternative to support the financial operations of its shareholder countries with their resources and credit rating. In practice, it opened a new pathway for the mobilization of financial assets in critical situations and, on the other hand, to deepen the relationships between CAF partners and advance sustainable development.

In addition to being a voluntary exchange instrument between countries, SDRs can be used in operations such as loans, financial obligation settlements, SWAPS, pledges, transfers as guaran-

Each of the five currencies has a percentage in the composition corresponding to the weight of their economies. It is reviewed every five years. → Photos - iStock

tees for fulfilling financial obligations, term contracts, and donations. All of this is subject to the restrictions imposed by the status of reserve assets and the regulations in force in each country for managing their reserves, which, in some cases, even reaches constitutional prohibitions of certain operations.

In 55 years, there have only been four general allocations of SDRs to IMF members. The last two were in 2009, when 161 billion SDRs, equivalent to 250 billion dollars, were allocated to generate liquidity in the face of the global financial crisis at the time; and in 2021, for 456 billion SDRs, equivalent to 650 billion dollars, to help countries respond to the COVID-19 pandemic.

Each IMF member country received an allocation according to its quota, which is determined by an average of the national GDP. When distributing SDRs, most go to countries with stronger economies, and those that are developing and poorer receive a smaller percentage.

When this massive authorization was given, CAF asked how to channel the amount of SDRs that ended up in the hands of developed countries with excess lending capacity to the region. The first task was to become a holder to be able to “join the conversation,” and this has now been achieved. In the two years since obtaining this status, CAF has been looking for formulas to make the most of it, amid the handling restrictions that international reserves have in each country and even at a regional level.

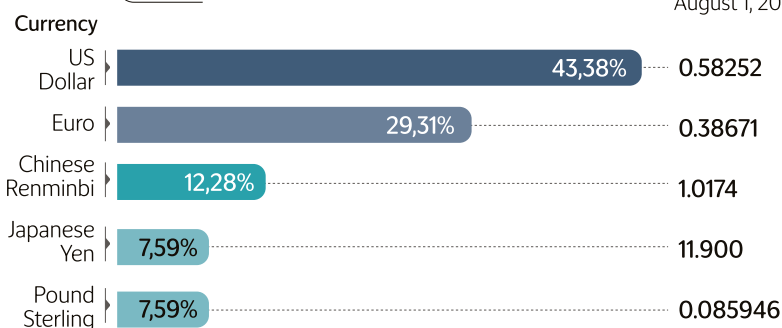
For now, it has managed to gain experience with specific operations, among which stand out two short-term liquidity bridge loans for Argen-



The Composition Of Currencies In The SDR

Weights determined in the 2022 review
Source: FMI

Fixed number of units of currency for a 5 years period starting August 1, 2022



tina, aimed at supporting the country to cover debt service payments to the IMF. These operations served as bridge financing for Argentina to continue with the implementation of the Extended Facilities Agreement negotiated with the IMF in favor of its fiscal, monetary, and exchange policies, as well as in favor of the diversification and execution of the public debt strategy.

From these operations emerged a CAF product called Emergency Liquidity Financing (ELF), which can use SDRs or any currency, with special conditions such as the operation being short-term and having a very reliable source of repayment.

The exploration of alternatives for using reserve assets such as SDRs for the benefit of the region continues. It can be through the incorporation of new partners to CAF, the creation of new international funds, or mechanisms like hybrid credits or donations from countries with excess SDRs and a particular interest in the development of specific areas of Latin America and the Caribbean.

The possibility of these alternatives materializing depends on many variables, but above all on the level of responsibility that comes with discussing an asset as significant as the international reserves of countries. 🧩

REGIONAL ISSUES

By VD Editorial Team

@AgendaCAF



Stronger Ties with the Caribbean

CAF's expansion across the English Speaking Caribbean will make it the development bank with the widest coverage in Latin America and the Caribbean. It established a regional management office in Port of Spain 3 years ago.



Caribbean countries have played an important role in strengthening CAF as a financial institution. Port of Spain. → Photo - CAF

The Caribbean contributes very little to global warming but suffers greatly from the effects of climate change. Barbados. → Photo - CAF

In July 2023, CAF marked a milestone in its history by announcing the integration of the Caribbean into its identification, renaming itself “Development Bank of Latin America and the Caribbean.” The institution, created in 1970 by six Andean countries, has evolved into one of enormous reach, now comprising 22 countries from Latin America and the Caribbean (LAC), Spain and Portugal, and 13 private banks from the region.

It is important to highlight the word “officially,” as CAF’s connection with the Caribbean dates back to its earliest days. Two of its founding members – Colombia and Venezuela – have strong Caribbean ties through their coastlines and cultures. Over time, several more Caribbean states became members. More than 30 years ago, Trinidad and Tobago became the first Caribbean island country to join as a Series C shareholder. Jamaica followed in 1999, the Dominican Republic in 2004, and Barbados in 2014.

A year later, CAF – now the Development Bank of Latin America and the Caribbean – amended its constitutive agreement to allow other Latin American and Caribbean countries to become full members. Trinidad and Tobago took advantage of this change, completing a four-year process to attain full membership in 2016. Since 2021, the Dominican Republic has also been a full member.

The Caribbean region, home to nearly 45 million people, has responded positively to CAF’s strategy of linking the region to its broader purpose of integration and sustainable development, and has played an important role in strengthening CAF as a financial institution. Proof of this was at the bank’s assembly in March 2022, where Trinidad and Tobago and Barbados joined other shareholder countries to drive a historic recapitalization of 7 billion dollars.

CAF established an office in Port of Spain nearly 13 years ago. More than a decade later, a CAF Caribbean Regional Management Office was opened, headed by a regional manager from the Caribbean, to deepen the institution’s commitment to the region by promo-



ting CAF to potential new shareholder countries and expanding operations, technical assistance, and knowledge exchange initiatives with governments, the private sector, and other development partners in the Caribbean.

More specifically, support was directed at key issues such as climate action, biodiversity preservation, water, energy, and food security. It also focused on sustainable tourism, infrastructure modernization, digital transformation, and the pursuit of financial stability.

Following the opening of the regional office in Port of Spain, eight more states from the Caribbean Community (Caricom) formally expressed their interest in becoming CAF shareholders.

In March 2024, the CAF Board of Directors, meeting for the first time in Punta Cana (Dominican Republic), authorized the expansion of the shareholder base and validated the incorporation of the Bahamas, Dominica, and Grenada as Series C shareholders. In July, in Lima (Peru), it approved that of Antigua and Barbuda.

The Government of the Bahamas officially completed the incorporation process a few months ago, in November 2024, granting the country access, like all shareholder nations, to CAF's tech-

nical and knowledge services, specific grant funds for project preparation, and agile, flexible financing.

CAF will continue expanding its presence in the Caribbean, with significant support to Small Island Developing States (SIDS) which indeed face severe vulnerabilities to the effects of climate change, evidenced through the intensification of hurricanes, sea level rise, and economic crises.

As an example of CAF's support for the Caribbean, the institution provided assistance to the Government of The Bahamas in organizing a regional meeting on climate financing in the Americas, held in 2023 within the framework of the Fourth Ministerial Meeting on Sustainable Development convened by the Organization of American States (OAS).

Another concrete example is CAF's contribution of USD 15 million to the Blue-Green Bank (BGB), a project led by Barbados. This new entity, whose mission is to support proposals that promote climate change mitigation and adaptation, forms part of the Bridge-town Initiative, which seeks to transform the way financial support is provided to countries vulnerable to climate change.

"As a development partner rooted in the region, we understand the unique

5

ISLAND COUNTRIES IN THE CARIBBEAN ARE CURRENTLY CAF SHAREHOLDER MEMBERS:

BAHAMAS, BARBADOS,
JAMAICA, DOMINICAN
REPUBLIC, AND TRINIDAD
AND TOBAGO. THREE MORE
ARE IN THE PROCESS OF
JOINING AS MEMBERS.

challenges faced by the small island developing states of the Caribbean and the urgency of addressing the effects of climate change, financial constraints, and the need for greater investments in connectivity and resilient infrastructure," said CAF's Executive President, Sergio Díaz-Granados, when announcing The Bahamas' membership.

CAF's expansion in the Caribbean will make it the development bank with the widest coverage in Latin America and the Caribbean. 🌿

SOCIAL DEVELOPMENT

By VD Editorial Team

@AgendaCAF



Inclusive Governance

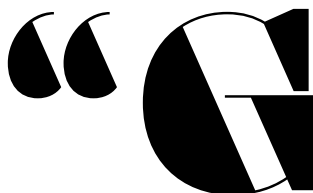
A LEVER TO ERADICATE POVERTY



The CAF-UNDP partnership believes that a political power that reflects all sectors of society will make it easier to include all perspectives and design policies that contribute to the achievement of the Sustainable Development Goals in Latin America and the Caribbean.

The increase in informality is one of the symptoms of social deterioration in many Latin American countries.

→ Photo - Ángel Díaz / EL TIEMPO



ive me a lever long enough and a fulcrum on which to place it, and I shall move the world."

The essence of this statement, attributed to the scientific genius Archimedes of Syracuse, illustrates the complexity of the challenge faced by the countries of Latin America and the Caribbean (LAC) to lift 172 million people out of poverty, of whom 66 million do not even have sufficient income for a basic subsistence basket.

The confidence of Latin American society in democracy continues to decline.

→ Photo - César Melgarejo / EL TIEMPO



This challenge is part of the global commitment that the countries of the world took on September 25, 2015, at the Sustainable Development Summit of the United Nations General Assembly, to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030, through the achievement of 17 Sustainable Development Goals (SDGs).

However, things are not going well, neither for the world nor for the region. The 2023 report on the fulfillment of these commitments showed that the COVID-19 pandemic and the triple crisis of climate change, biodiversity loss, and pollution are having devastating and lasting repercussions globally and for the region.

Progress for more than 50% of the SDG targets has been rated as fragile and insufficient, while 30% of these remain stalled or have regressed, including issues of poverty, hunger, and climate. "If we do not act now, the 2030 Agenda could become the epitaph of the world that could have been," the report warned.

The situation is that it's not just about those who are already poor. One in five people in the world is at high risk of falling into poverty. "In Latin America, 90 million people are exposed," said Luis Felipe López-Calva, Global Director of Poverty and Equity at the World Bank.

An Alliance is Formed

Facing this crossroads, the United Nations Development Programme (UNDP) and CAF –Development Bank of Latin America and the Caribbean– have forged an alliance to serve as a fulcrum in the region and began by identifying the lever capable of mobilizing collective action that would turn the tide and help eliminate or minimize risks.

The challenges they face are complex: with six years left until the deadline and with goals only halfway met, the countries of the region are mired in growing polarization and public distrust of their leaders and institutions, and they are enduring the ongoing impacts of climate change and natural phenomena.

Added to this are the pressures

from issues of citizen security and conflicts of various kinds –often involving illegal territorial control– the corruption and extreme inequalities that hinder the transformation of social and cultural norms and prevent the consolidation of the social contract and progress toward achieving the SDGs.

"Organized crime represents a constant challenge: Latin America remains the most violent region on the planet, with the highest homicide rate per capita in the world and one of the main threats to imperfect democracies," reminded Michelle Muschett, UNDP's Regional Director for Latin America and the Caribbean.

"For UNDP, democracy and human development are two sides of the same coin that reinforce each other: greater democracy leads to more human development as a pro-

TECHNICAL SUPPORT TO STRENGTHEN GOVERNANCE

The UNDP and CAF partnership seeks to improve governance with actions on five fronts:

- **Offering their expertise and capacity** as facilitators in the development of dialogues and agreements that are essential for reaching accords that strengthen effective governance.
- **Implementing rapid response methodologies**, tailored to the specific realities of each country, that generate clear recommendations and action guides for the formulation of public development policies.
- **Providing a wide range of knowledge**, which includes global, regional, and national reports on human development, among other valuable resources.
- **Providing highly trained interdisciplinary teams** to respond in real-time to emerging challenges in the countries of the region.
- **Strengthening their collaboration at the national level** with governments, offering local solutions to complex problems and integrating a global approach with a vision of sustainable development.

cess of expanding freedoms; more human development leads to a greater demand for democratic governance that protects and promotes these freedoms,” said Muschett.

“We are convinced that strengthening governance is fundamental to building more just, resilient, and sustainable societies in Latin America and the Caribbean,” stated Sergio Díaz-Granados, executive president of CAF.

Governance: that is the lever identified by UNDP and CAF to mobilize the region. They set about collectively building a baseline of actions from

which to establish a common agenda where the ongoing conversation of all stakeholders is the guiding principle.

They then promoted initial sub-regional dialogues in which one hundred people representing academia, the private sector, social organizations, political parties, central and local governments, and representatives from some regional international organizations participated.

These dialogues confirmed that the lever on which the countries of the region must rely to eradicate poverty is governance, but not just any governance: it must be inclusive and promote development, which implies that political power reflects all sectors of society, that it is possible to include diverse viewpoints, and design policies that benefit each sector.

Achieving this requires institutional transformation through the professionalization of public administration, the strengthening of transparency, and the enhancement of the bond with citizens.

It also means that strong states are key, ones that collaborate with the private sector and consider the community, in such a way that vulnerable people are at the center of decisions. Likewise, it is not possible to move forward without regaining the legitimacy of democratic insti-

tutions, transforming state capabilities, renewing social contracts and fiscal agreements, and ensuring citizen security and peaceful coexistence.

Effective Democracy

During the dialogues, measurements were presented that highlight the magnitude of the problem: the percentage of society that considers democracy the best system of government decreased from 68% in 2012 to 59% in 2023. Meanwhile, 72.5% of Latin Americans believe that their country “is governed by a few powerful groups for their own benefit.”

Experts agree that “low democratic legitimacy has profound repercussions, ranging from the deterioration of civic culture to the possibility of supporting responses that weaken the rule of law and even democracy itself, and it may even facilitate –though not determine– an eventual democratic breakdown.”

“In the current context of increasing inequalities and greater socio-political tensions, effective governance of democracy becomes critical to guide the construction of an improved new normality, that is, one that is more inclusive and responsive to the citizens' demands for distributive justice, social cohesion, and the expansion of opportunities, as demanded by SDG16 (part-

172

MILLION PEOPLE IN
LATIN AMERICA AND THE
CARIBBEAN LIVE IN POVERTY.

OF THESE, 66 MILLION DO
NOT EVEN HAVE ENOUGH
INCOME FOR A BASIC
SUBSISTENCE BASKET.



The phenomenon of migration portrays the lack of opportunities for social advancement in the region.

→ Photo - J. Moreno / EL TIEMPO

nerships for the goals),” warned UNDP and CAF.

That is, to achieve SDG1 of ending poverty, it is indispensable to ensure SDG16, which seeks to promote peaceful and inclusive societies, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels.

It is also crucial to promote initiatives for citizen security and digital transformation in societies and public institutions, advocate for fair taxation, effective public spending, and collaborative governance, as well as strengthen digital democracy and regional multilateralism, all with a rights-based approach.

“It is very important to continue supporting public transfers and social protection programs, but it is essential to create conditions for labor markets to function better, so that fewer people are in informal work

and more quality jobs are available,” stated Luis Felipe López-Calva.

For Jeffrey Sachs, the renowned economist from Columbia University, a well-equipped population is needed to adapt to changing technologies, meet local needs, and be part of supply chains. For this, quality education is necessary. “We are not going to have better jobs, we are not going to have higher wages, unless education is present, is of quality, and children really learn at the level they should.”

Thus, it's not just about SDG 1 or SDG 16, but about all the goals that impact each other.

The aim is to have lower levels of external threats, internal conflicts, and homicides, and states with greater capacities to provide more effective responses to health emergencies, natural disasters, and the climate crisis. And, above all, to

address the inability to ensure the enforcement of the law throughout the territory due to the influence of de facto powers and the weakness of the judicial powers.

Undoubtedly, a common challenge for countries in the region is to overcome corruption and short-term leadership that prevents the construction of long-term social agreements and affects the quality of the institutions necessary to promote policies that reduce social and economic inequalities. 🌐

SOCIAL DEVELOPMENT

By VD Editorial Team

@AgendaCAF



Children and youth from the Colombian Pacific now have access to education in better conditions. → Photos - CAF

Timbiquí: The Origin of Modular School Plans for Rural Areas

A pilot test carried out in the Colombian Pacific has greenlit CAF's initiative to establish educational headquarters with high infrastructure standards in remote locations, thereby extending quality educational coverage to all territories.

Sergio Díaz-Granados, president of CAF –Development Bank of Latin America and the Caribbean– recounts that, following the needs of the Colombian Government, he began working with his team to fulfill the goal of delivering quality education to the most remote areas of the country. This effort saw its first success in early 2024 with the delivery to the community of Isla Los Brazos, in the municipality of Timbiquí (Cauca), of the new facilities of the Etnoeducational Institution Puerto Saija.

This population in the southwestern coastal zone of the Colombian Pacific, whose transport and supply routes are the sea and three rivers, has been impacted at many points in its recent history by the Colombian internal conflict. Now, it has benefited from the pilot project of modular schools, aimed at creating a resilient society and bridging social gaps.

In this hard-to-reach area of Colombia, many educational institutions lack sufficient infrastructure to ensure quality basic education, optimal school feeding, and adequate access routes. Official data indicate that more than 300 classrooms are need-



ed in Timbiquí to address a 50% educational offering deficit.

The rural school in Los Brazos was equipped with three modular classrooms –structures of high durability and easy assembly, providing potable water, sanitation, and energy–, a dining hall, teachers' lounge, a set of restrooms, and a kitchen. In addition, seven existing classrooms, a multi-purpose court, and the stilted paths of the pier that provides access to the school were improved. In total, 440 m² of new infrastructure and more than 400 m² of existing infrastructure were upgraded.

This ensured that 132 girls, boys, and young people now have a more pleasant educational environment for their academic development. The investment amounted to 3.6 billion Colombian pesos (COP), approximately 900,000 US dollars today, and was structured through ongoing dialogue with teachers and school administrators, community leaders, and student families.

The modular school system allows for the construction of top-tier educational facilities with high-quality infrastructure standards, contributing

to the goal of expanding educational coverage across all territories.

Díaz-Granados described the educational project as “great news for Colombia and for Latin America and the Caribbean, as it addresses one of the major challenges in delivering quality education to the hardest-to-reach areas.”

“Considering that 46.8% of the country's land is more than ten hours from the nearest city and 65.4% more than two hours from main roads, this project marks a significant advance in equitable access to education,” highlighted Rodrigo Peñailillo, CAF's representative in Colombia.

This will be the first of a series of modular schools in Colombia, specifically designed to overcome connectivity barriers in rural areas. Following this pilot test, CAF and the Ministry of Education launched the “Program for the Transformation of Educational Environments and Spaces,” which involves interventions in approximately 126,746 m² of rural educational infrastructure, split between the construction of two new higher education facilities (technical, undergraduate, graduate) and the improvement of 790

In total, 440 m² of new infrastructure was created, and more than 400 m² of existing infrastructure was improved.

educational centers for preschool, primary, and secondary education.

The initiative aligns with the National Development Plan “Colombia, a global powerhouse of life,” which aims to increase higher education coverage from 54% to 62% and boost the transition rate to higher education in rural areas from 23% to 26%.

Another benefit of the program is its focus on gender inclusion and environmental sustainability, which are incorporated into the projects to be implemented.

For Peñailillo, the joint participation of the Ministry of Education, CAF, and local communities underscores the importance of interinstitutional alliances in combating inequalities. “This effort is not only focused on improving educational infrastructure but also contributes to closing socioeconomic gaps, ensuring that access to education is a universal right, regardless of geographic location or socioeconomic level.” 🌿

SOCIAL DEVELOPMENT

By VD Editorial Team

@AgendaCAF



The Art of Resilience, a Series to Inspire Change

Poster for the documentary series. Episodes can be viewed on www.waterbear.com

→ Photos - CAF y Detonante

This audiovisual production, driven by CAF, UNDP, and the social platform Detonante, highlights communities whose innovative work has become an example of strength and determination in directly facing various global challenges.

A documentary series featuring community initiatives from various corners of Latin America and the Caribbean (LAC), which are transforming their territories and turning it into a region of global solutions, is making its rounds on the internet to inspire change.

Titled The Art of Resilience, this collection of extraordinary stories of hidden heroes who, through their daily work, are helping to achieve the Sustainable Development Goals

(SDGs) committed to by countries around the world in 2015 to eradicate poverty and save the planet.

The Art of Resilience, part of the initiative 'Por tODoS: El Cambio Posible', shows that Latin America and the Caribbean, the world's lung, is an ethnically diverse, multicultural region full of solutions, creativity, and innovation, with enormous capabilities to face problems amidst climate risks, security difficulties, and social and political polarizations.

CAF –Development Bank of Latin America and the Caribbean–, the United Nations Development Programme (UNDP), and the social innovation platform Detonante launched the first stories of the series last year. In partnership with Resilient Foundation, the production was carried out by WaterBear Network, the leading open platform for environmental and social films.

Resilience is not just another word in the series title; it is a philosophy of work that aims to show that it is possible to build a future where we can all progress and withstand the impacts we face. It's about bending, not breaking.

"Resilience is a narrative that allows us to look to the future with hope. It's not just about withstanding the impact, but about growing, flourishing, and prospering after that impact. It's a narrative that drives us forward," explained María López, founder and director of Detonante.

"It's crucial to make visible the global solutions that originate in our region: the faces, ideas, achievements, and projects from Latin America and the Caribbean that often go unnoticed. We want to show the world that Latin America and the Caribbean is a solution region, that change is possible when we act collectively and each one of us can make a difference," said Sergio Díaz-Granados, executive president of CAF.

The project began with a call for entries that received 700 proposals for projects to highlight. From these, the first stories were chosen.

In its first season, the series takes viewers on a journey through communities in Mexico, Colombia, Chile, Barbados, Ecuador, and Jamaica to meet communities that are working with innovation and adaptation to critical circumstances in their territories and are examples of strength and determination in facing global challenges directly.

One episode showcases the work of Ilsa Urbana, a project that, through rainwater capture technology, brings potable water to vulnerable and remote communities in Mexico where there is no water service.

Another is dedicated to Nashira, a

TREMENDOUS GIRL LEADER

The daughter of a doctor and a journalist, Julieta Martínez

has become a youth icon in Chile and a channel for girls and young women to be heard.

In 2018, at the age of 15, she created the online platform Tremendas, where their voices echo across the globe. In it, they exchange life experiences and ideas aimed at transforming the world from everyday life.

Tremendas was chosen as one of the stories for the series The Art of Resilience for its work in defending gender freedom, and ensuring that girls, young women, and adolescents are considered in global decision-making.

"My concern was how to connect those talents that I am passionate about and that can help from school, the community, the country, and the world, and to realize that we do not have



to be superheroines to make a positive impact in science, art, and mathematics," Julieta Martínez confessed while speaking at a forum about the emergence of Tremendas.

Today, the platform has consolidated a network of 1,700 volunteers, with a presence in 18 countries across Latin America, the Caribbean, and other regions, focusing on education in climate, science, gender, advocacy, and citizenship.

Tremendas has established itself as a transformative movement and promoter of inclusive societies. Every day, new girls join the platform.

Their website: <https://tremendas.org/>

collective of Colombian women who work in an eco-village in the Valle del Cauca region, where they produce and develop their talents by working the land and living in community. In their work, they do not use herbicides or fertilizers that are not organic.

In a third episode, the protagonist is a young Chilean woman who, through the Tremendas platform, highlights stories of girls and young women working for gender equity, and interacts to enhance and share their stories. With her project, she promotes gender education through schools to mobilize new generations of women.

Each episode's development involved artists who contributed music, culture, and art to create a deep emotional connection with the audience, showcasing the transformative power of art and culture in our societies alongside life stories.

"As UNDP, we believe this initiative will bring us a bit closer to the common goals that unite us as a society and will help drive inclusive, resilient, and sustainable development in Latin America and the Caribbean, leaving no one behind," stated Michelle Muschett,

regional director of UNDP for Latin America and the Caribbean.

"We want to inspire others to see the strength that resides in our communities and how, through collaboration and creativity, we can build a more inclusive and sustainable future. Each initiative we present is a testament that change is possible and that together we can make a difference," said María López.

In her view, topics like the SDGs should be addressed with different narratives and contents, "that excite, entertain, inspire, and ultimately, generate calls to action and reflections."

"Latin America is a powerhouse region for the world in terms of biodiversity, social innovation, culture, and creativity, and we are convinced that it's time to shine a spotlight on it to make it a global priority," added López.

The idea is to translate the academic content of the SDGs in such a way that any ordinary citizen can understand and take ownership of them to apply in their daily life. And the best way to do this is through the stories of those who put them into practice.

The series is available on WaterBear.com. 



AI: A Tool for Transformation

Technologies that simulate human intelligence are enabling more to be done with fewer resources. Its arrival brings clear risks for the region, but also great opportunities.

Artificial Intelligence (AI) is a reality that is changing the world and reshaping how humans live.

Systems and technologies designed to mimic or simulate human intelligence represent a technological advancement that is optimizing food production, improving health diagnostics, including more people in the financial system, revolutionizing the way of educating, and accelerating infrastructure production, among other positive effects. In general, AI is driving innovation in everything and allowing more to be done with fewer resources.

However, AI also represents risks—whose severity will depend on how it is adopted, implemented, and regulated—especially for developing countries, which include almost all of those in Latin America and the Caribbean (LAC).

The most relevant risk is the deepening of gaps, as 30% of the population in LAC still lacks internet access. There are segments of the society that are taking advantage of, for example, the use of AI for productive applications or daily use, and there is another part of the population that cannot even access a web page, online information systems, or educational content.

According to Mauricio Agudelo, Director of Digital Transformation at CAF—Development Bank of Latin America and the Caribbean—the increase in digital divides could have a significant impact, especially in labor markets. “As there is a greater demand for code development capabilities and, in general, skills of the fourth industrial revolution, and many people are not acquiring these skills, there will be significant job losses.”

Another risk in LAC is the digital development gap. There are countries like Brazil, Uruguay, Chile, or Colombia that are designing modern artificial intelligence policies, especially in the field of generative AI (for creating content), and others that still have enormous challenges in infrastructure.

A third point concerns deep language models (LLM), which enable artificial intelligence. Many are fed in English and are not incorporating content or algorithms in Spanish, which reduces the possibilities for the development of the Latin American digital industry.

Additionally, AI requires high-performance computers that can process large volumes of data, and here lies another challenge in terms of infrastruc-



Robotics is in a real revolution thanks to developments in artificial intelligence. → Photo - IStock

ture for the region. This additionally has an energy-environmental aspect. A figure from the Boston Consulting Group indicates that the megawatt/hour consumption of the four major AI technology companies is similar to one hour's consumption in Colombia. Therefore, there is a challenge to make this energy consumption for AI more efficient and achieve carbon neutrality.

43.2%

IS THE AVERAGE PROBABILITY OF TECHNOLOGICAL
SUBSTITUTION IN THE PUBLIC ADMINISTRATION
AND DEFENSE SECTORS IN LATIN AMERICA.



THE ROLE OF GOVERNMENTS AND PRIVATE ENTERPRISES

Mauricio Agudelo, Director of Digital Transformation at CAF, what should LAC governments do to adopt AI and strengthen the digital economy?

First, define a governance structure and then have a public policy or a digital agenda around the topic. Additionally, work must be done on four major issues: computing infrastructure, but also broadband; innovation capacity, research and development, both at the level of universities and the associated digital industry; preparation of digital talent that will enter the entire AI ecosystem and adoption of AI by companies in business models.

What role does the private sector play in this digital development in the region?

There are two major fronts: one, the adoption of AI, not just as a matter for technology heads but for the boards of directors and senior management of companies. And two, invest in developing ecosystems associated with AI or AI startups.



As demonstrated, if approached strategically, AI can be a transformative tool for developing countries. With proper preparation and an ethical vision, it could reduce inequalities and accelerate progress. However, if the risks are ignored, it could deepen social and economic divides. “Success lies in balancing these factors,” explained Agudelo.

A CAF and UNESCO Issue

The challenging situation prompted CAF to establish a partnership in 2022 with UNESCO, the United Nations Educational, Scientific and Cultural Organization, to promote the

ethical and inclusive development of AI in the region. The joint effort has achieved significant advancements in seven countries, including technical assistance in crafting AI policies, implementing normative experimentation models, and developing talent in the field.

During the Second Ministerial Summit and High-Level Authorities on the Ethics of Artificial Intelligence in Latin America and the Caribbean, held last year in Montevideo (Uruguay), UNESCO and CAF renewed their commitment with a joint declaration that reaffirms the common goal of streng-

thening AI governance in the region.

This includes supporting the development and deployment of UNESCO’s AI Readiness Assessment Methodology (RAM), implementing the roadmap approved at the same Montevideo summit, assisting in the design of leading institutions and government AI agencies, and organizing the third regional summit on AI and Ethics this year.

Both organizations seek to position LAC as a global player in the field of ethical AI and ensure that technological development in the region is inclusive and respectful of human rights. 🌐

REGIONAL ISSUES

By VD Editorial Team

@AgendaCAF



Drug trafficking at all levels remains a significant generator of crime and violence in many places in Latin America and the Caribbean.

→ Photo - Mauricio Moreno / EL TIEMPO

Security, the Great Challenge of the Region

The rise in crime affects not only economic growth and social development in Latin America and the Caribbean but also the citizens' trust in democracy. What to do? The approach must be a comprehensive response.

The character in this story is not real, but he very well could be. We'll call him 'Mateo Rodríguez.' 'Mateo' would be, say, 18 years old. He would still be a teenager, but also an adult. A citizen who, by law, could vote, and could also go to jail if convicted of a crime in any of the 33 countries that make up the region of Latin America and the Caribbean (LAC).

If this 'Mateo' existed, the chances of him having a turbulent and dangerous life where he was born and raised would be high. Statistics reveal that 160 million Latin American and Caribbean people, nearly a quarter of the total population, are young. The same figures conclude that about half of them do not finish their school studies. And that many are considering leaving their place of birth soon to seek fortune in the United States, Spain, or another developed country. And they think the best thing for their country – not so developed – would be the arrival of a 'firm hand' regime, because, like more than 40% of the inhabitants of LAC, they would have already lost faith in democracy.

Another fact: young people in the region, like 'Mateo Rodríguez,' are four times more likely to be murdered than if they lived in another part of the world. One out of every three homicides occurs in LAC, even though it is home to less than 10% of the planet's population.

But that's not all: the World Population Review, an independent organization that monitors, analyzes, and makes projections about population issues, recently published a list of the 50 most violent cities in the world concentrated in just eleven countries, of which nine belong to LAC: Brazil, Colombia, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Puerto Rico, and Venezuela.

"Without security, development is not possible, and without development, security is not possible," said Sergio Díaz-Granados, Executive President of CAF –Development Bank of Latin America and the Caribbean– at his last annual conference, held in Washington, D.C. "We must exercise our collective responsibility to take decisive actions against the challenges that threaten security," he added.

According to Díaz-Granados, citizen insecurity is one of the most worrying "historical burdens" for the region. And the causes of this insecurity vary little from country to

country: poverty, unemployment, easy access to blades and firearms, micro-trafficking and drug trafficking, inequality.

Yes, inequality, because the region is also the most unequal area in the world. The CAF Report on Economic Development (RED) "Inherited Inequalities" (2022) highlights that in LAC, the poorest 50% of the population earns only 10% of the income, while the richest 10% receives 55%. In terms of wealth, the concentration is much greater: the richest 10% accumulates 77% of the wealth, and the poorest 50% only 1%.

Moreover, crime has not only become more organized but also more sophisticated, extending beyond the confines of its traditional operations. In some areas of some countries, gangs and criminal organizations have replaced the state functions, forcing states to invest increasingly in security, while seeing their economic growth opportunities reduced due to criminals. According to a 2023 International Monetary Fund study,

The security risks mean that it is common to see the army engaged in control tasks on the streets in the cities of the region.

→ Photo - Santiago Saldarriaga/EL TIEMPO



1
ONE IN EVERY THREE
MURDERS OCCURS IN LAC,
EVEN THOUGH THE REGION
HOSTS LESS THAN 10% OF THE
WORLD'S POPULATION.

Insecurity forces national and local governments to increasingly invest in men and security equipment.

→ Photo - Jaiver Nieto / EL TIEMPO



reducing the level of crime in Latin America to the global average would increase the region's annual economic growth by 0.5 percentage points.

Democracy Loses

Another victim of the rise in criminality is democracy. Various studies show that only three out of every five adults in the region believe that it is still the best form of government. Moreover, only two of those same five individuals are satisfied with the outcomes democracy has brought them, mainly because they feel it has not improved their lives: it hasn't even helped cover their most basic needs, such as food or security.

Rebecca Bill Chávez, President of the Inter-American Dialogue (IAD), a Washington-based think tank that promotes prosperity, so-

cial inclusion, and sustainable development in the Americas, finds it unsurprising that confidence in the democratic system is waning: "It should not surprise us that people are losing faith in democracy, as they cannot send their children to school safely."

"The threats to security transcend national borders. Drug trafficking and organized crime corrupt institutions, generate migration, and destabilize economies. Citizens do not perceive the tangible benefits of democracy," admitted Dominican President Luis Abinader at the opening of CAF's latest annual conference in Washington.

Various international organizations agree that violence and crime contribute significantly to this phenomenon of mistrust. They also agree that as skepticism towards de-



mocracy increases, so does enthusiasm for governments that deal harshly with criminals and the violent. A Latinobarómetro survey estimated that confidence in an authoritarian system has risen from 12% to 17% in recent years, while confidence in democracy has dropped from 56% to 48%.

The Light at the End of the Tunnel

For some experts, the easiest way to understand crime is to see it as a contagious disease: a virus with the potential to become an epidemic if not controlled in time. “Viruses first spread among the most vulnerable (those lacking defenses), and then affect the less vulnerable. The virus then mutates, takes new forms, and strategically settles among population subgroups that share a high average of risk factors,” states a CAF report on the matter.

This approach indicates that it is crucial not only to tackle the spread of crime or disease but also to ensure a clean and safe environment to prevent health or violence epidemics. Cure, but also prevent.

The comprehensive response to criminality, given its complexity, is not a new approach. The findings of the RED for a Safer Latin America, published more than 10 years ago, stated: “The design and effective implementation of policies (against crime) first require a diagnosis of the determinants of this phenomenon that goes beyond simplistic rhetoric, where crime is solely a consequence of social deficiencies or, alternatively, the lack of a stricter control and punitive regime.”

Various studies by different organizations have also concluded that strategies of strict police control to enforce order have not necessarily resulted in a reduction of crime and violence. In contrast, those that, in addition to strict law enforcement, combine direct work with communities and social services have shown significant improvements in safety.

These tactics, more focused on



“social construction” rather than “social repression,” are known as “focused deterrence strategies.” There are more than 50 studies –conducted over the last three decades and in various parts of the world– that support the theory that they are effective in reducing crime, especially when used in areas with the presence of gangs or organized bands.

However, experts also agree that, often, it is easier and quicker to fill a problematic block with well-armed police than to tackle social problems, although the evidence suggests that the most profitable investments are those focused on early childhood and emphasize the key role of the family in providing proper nutrition, protective parenting styles, and a violence-free environment, among other benefits.

That same evidence also indicates that it is never too late to apply “focused deterrence” strategies against crime, as they help reduce it, even when the impacted groups consist of adults. Returning to the metaphors and viruses: safe physical, social, and home environments can also become an epidemic and spread for the good of the entire community.

Youths from the poorest areas of the region run a high risk of ending up in criminal activities.

→ Photo - Santiago Saldarriaga/EL TIEMPO

For the good of ‘Mateo Rodríguez,’ the fictional young man at the beginning of this article. If the approaches to security shift from repressive to more comprehensive, with a strong social component, surely for him –and for his children and grandchildren– there could be light at the end of the tunnel. They might finish school; they might not need to migrate to any other corner of the world; they might believe more in democracy; and surely, they might even die of old age, without fear of being murdered, in a region no longer so insecure or violent. ❄️

REGIONAL ISSUES

By VD Editorial Team

@AgendaCAF



Machu Picchu, the imperial Inca citadel, receives around 1.6 million visitors each year. It remains one of the symbols of tourism in the region. → Photo - Javier Nieto / EL TIEMPO

Tourism in LAC, a Great Opportunity

The current trend in the sector is to seek natural, ethnic, and cultural experiences. Latin America and the Caribbean offer all of these. Its tourism industry is not only creative and dynamic but also resilient, as it has recovered from the post-pandemic period faster than other regions.

The region's wide variety of birds attracts many visitors from North America, Europe, and Asia.

→ Photo - Juan Pablo Rueda / EL TIEMPO

Below. The interest in living with indigenous communities has created a special tourist niche. Here, with the Embera community of Panama.

→ Photo - John Montaña / EL TIEMPO



In 2020, tourism took a historic hit: the pandemic confined the world and travel was suspended. The tourism sector suffered a dramatic drop. Five years later, Latin America and the Caribbean (LAC) have once again surpassed the levels prior to the outbreak of COVID-19.

In fact, the region closed 2024 with 103% of travelers compared to pre-2020 levels, while the world in general reached 98% recovery relative to the figures of 2019. Globally, Asia has been slower to recover due to the restrictions imposed there. However, our continent has already achieved a 113% recovery in revenue.

Unstoppable, tourism grows, although cities like Barcelona or Venice seek ways to organize it because the massification of travelers increases rental prices and displaces the local population for one with higher purchasing power. Nevertheless, the sector's forecast indicates that the number of travelers will continue to increase, not only in major cities.

The pandemic facilitated virtuality, and since then, digital nomads have been changing the dynamics of traveling solely for vacation or work. With the sole condition of having connectivity, they seek natural destinations that allow them to live well at a lower cost.

Óscar Rueda, Director of Tourism at CAF –Development Bank of Latin America and the Caribbean– knows that tourism is a resilient and adaptive sector like few others and that, given today's traveler trends, the most sought-after destination is LAC. Today's travelers, rather than returning with a photo next to a monument, prefer experiences with the landscape and its communities.

Current Trends

"Today's travelers want to learn from the locals, from indigenous peoples, their ancestral medicine, and their worldview. LAC offers much of this, in addition to nature, there are other attractions that mobilize travelers to live deeper experiences," explained Rueda. The region hosts 40% of the world's biodi-

versity. Moreover, it includes six of the world's most megadiverse countries, 11 of the 14 biomes of the Earth, and 36% of the intact forests.

In such a context, tourism emerges as a great opportunity. The figures seem to make it clear: in the first nine months of 2024, 1.1 billion tourists had traveled to international destinations, and according to the latest World Tourism Barometer from UN Tourism, one of the regions with the greatest recovery was Latin America.

Globally, an additional 11% of people decided to pack their bags compared to 2023, in Colombia, for example, the historical record for foreign visitors was exceeded, reaching 6.2 million. Weekly air operations also grew by 23%. In the region, apart from Colombia, the destination with the best performance



SUCCESS STORIES IN COMMUNITY AND SUSTAINABLE TOURISM

► **At Caiman Refuge** in the Pantanal (Brazil), ecotourism has enabled the protection of the jaguar and other species, benefiting a traditionally live-stock-raising community.

► **Costa Rica**, as a country, has focused on environmental conservation and ecotourism since the 1990s. Today, it receives three million visitors a year, and its natural splendor continues to be a magnet for visitors.

► **In Colombia**, the agency Eco-destinos has been promoting sustainable tourism for at least two decades. In the Amazon, it works with local interpreters and service providers in Puerto Nariño to introduce visitors to Amazonian flavors, support the conservation of the woolly monkey and the pink dolphin, engage in the tradition of medicinal plants, and learn Tikuna pottery.



The Amazon's lush nature and unparalleled biodiversity are attracting more and more tourists to the area's various destinations.

→ Foto - Juan D. Buitrago / EL TIEMPO

was Curaçao, not to mention Central America and the Caribbean.

However, for tourism to become a true possibility for development, it is necessary to work, according to Rueda, on various approaches that enhance the experiences and turn the sector into a driver of development.

Ethnic and Sustainable Approaches

One approach is to value the expressions of ethnic groups so that visitors can engage with them alongside locals. An example is CAF's pilot plan in Brazil, which stimulates afrotourism and brings Afro-Brazilian entrepreneurs to the forefront to incorporate experiences that involve their culture, history, and experiences.

A second option is to create nature conservation spaces with the possibility for indigenous communities or locals from the territories to transmit their knowledge to visitors. This added value prevents habitat predation by being directed by the community itself, which provides the services and takes care of its territory. Indeed, an alliance with ethnotourism began at this year's Fitur fair in Madrid to reward tourism entrepreneurship projects that turn ancestral knowledge into products.

An additional experience that generates significant impact is the coffee cultural landscape, which has evolved from a visit to a farm to involving the visitor with a coffee beneficio to learn about the process from seed to cup. Something similar happens with cocoa in Ecuador or Mexico. Tasting and experiencing participation in the production and transformation is now a widely growing tourism product.

A fourth approach responds to culture. While beach and sun destinations tend to resemble each other, cultural manifestations are

New generations want to explore the world and absorb its different cultures. Altos del Chavón, Dominican Republic.

→ Photo - Sonia Perilla / EL TIEMPO

unique and memorable for that reason. Moreover, they do not compete against each other, because each offers a different experience.

The Inti Raymi in Peru, the Carnival of Barranquilla in Colombia, the Jesuit missions in Paraguay, or the Day of the Dead in Mexico do not compete against each other, but each is a unique attraction enough to draw visitors on its own. For this, it is necessary to turn these attractions and diversity into tourism products that can be offered. Peru and Mexico have already turned their gastronomy and culture into cultural manifestations that attract tourists by themselves.

A fundamental line is when communities come together to offer community and sustainable tourism. Sustainability is identified with the environment and requires involving the community and making it a participant so that it does not feel discriminated against; involving it in the care of its territory and allowing it to be a service provider, as well as planning the number of visitors to be received and the contingencies that may arise. Proper planning avoids potential clashes.

In 2025, CAF will award initiatives in ethnic tourism. Last year it awarded the best proposals in community tourism. Both seek to ensure that when the tourist returns home, the visited place is better than when they found it because the visitor has



contributed to improving the community.

Better Infrastructure and Planning

Finally, for tourism to be a real opportunity, it is essential to improve the infrastructure of places, as well as to allow the flow of foreign investment. If the public sector invests in regions with tourism potential and allows their development, these sites are then leveraged with private investment, enhancing their growth. CAF has been developing tourism investment guides that include the incentives and conditions of countries such as Uruguay, Honduras, Jamaica, Peru, El Salvador, Mexico, Brazil, and Panama.

There are more facets, of course. For instance, CAF invests in urban renewal, through the financing of historical centers like those in Panama, Lima, or Santa Marta, which have been transformed into tourism hubs; or in basic sanitation infrastructure and territorial planning, like in Colón (Panama), to offer better tourism.

A clarity outlines these investments: today's tourists require not only experiences but also infrastructure and connectivity.

Latin America and the Caribbean face a great joint opportunity. The invitation is to offer circular rates and joint promotions in a broad continental open skies policy, beyond the considerations of each

destination or airline, aiming for a common benefit.

It is clear that tourism will continue to grow, and it is crucial to outline strategies now. According to the Global Wellness Tourism Market research report, the sector is expected to reach \$2.3 trillion by the end of 2033, as more and more people seek physical and mental health on their travels, opting for destinations that allow them greater connection with the environment and their awareness. Also, according to another report, the Sustainable Tourism Market 2024-2028 by Research and Markets, the global ecotourism market is expected to reach \$331.620 billion by 2027, with an annual compound growth rate of 10.87%.

The region can still achieve tremendous development thanks to its natural offer of at least 14 diverse ecosystems and natural attractions, ranging from the Caribbean to Patagonia, and its cultural manifestations, ethnicities, and population groups. Based on a model that benefits communities and protects the environment, tourism is already the best opportunity. 🌿

6

COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN ARE AMONG THOSE WITH THE GREATEST BIODIVERSITY IN THE WORLD: BRAZIL, COLOMBIA, ECUADOR, MEXICO, PERU, AND VENEZUELA.

REGIONAL ISSUES

By VD Editorial Team

@AgendaCAF



Behind The Pearl: Carlos Vives' Devotion to Santa Marta

The Colombian singer-songwriter has a foundation working for the development of his hometown and is promoting the celebration of its 500th anniversary coming up in July.

Carlos Vives works with his foundation in the neighborhood of Pescaito, known as the cradle of footballers. → Photos - Fundación Tras La Perla



“On a sleepy beach under a sacred Sierra, the sweet evening dressed in a thousand golden stars. There is an Andalusian pearl on the silver sand and a blue sea that lulls itself with its enchanted beauty.”

This is how one of the songs by the renowned Colombian singer-songwriter Carlos Vives, titled “La Perla” starts, dedicated to the city on the edge of the Caribbean at the foot of a magical sierra, where he was born and raised: Santa Marta, soon to be 500 years old since its foundation by the Spanish.

The oldest city in Colombia is for the artist “The Pearl of America,” hence he did not hesitate to name his foundation Tras La Perla. “The work of the foundation is a way for me to give back to my land everything it has given me,” he explained.



One of the projects of Tras La Perla is to bring water and basic sanitation to the stilt houses of the Ciénaga Grande de Santa Marta.

“The ten years we have been working have been an opportunity to reconnect with my roots, find a much deeper meaning in my work as an artist, and fulfill a little of what those spirits from Santa Marta taught me about loving my land, but above all, understanding it,” added the singer-songwriter.

This effort, which goes beyond the city limits, has benefited communities such as those in the Ciénaga Grande de Santa Marta, who live in stilt houses surrounded by water, but paradoxically, have the least access to it. Therefore, Tras La Perla embarked on a pilot project to bring them water and basic sanitation.

The artist's footprint is also in the colorful and popular neighborhood of Pescaíto in Santa Marta, where his foundation built ‘La casa de los pescaítos,’ a playhouse benefiting over 400 children, and ‘La casa de la danza,’ where a dozen groups of children and women come together to dance.

But the most significant construction, in the words of Isabel Vásquez, Executive Director of Tras La Perla, has been that of trust. “We have cemented it by leading processes, coordinating efforts with different entities, and showing concrete results that last,” explained Vásquez.

The Ciénaga Grande, Pescaíto, and also the Sierra Nevada are “neuralgic points of this territory that when touched, as if it were an acupuncture work, the environment heals better,” added the director. The role of the foundation is to connect these places with each other and, in turn, link Santa Marta to the world.

Changing Lives

Carlos Vives is an ambassador of his territory. Everywhere he goes with his



songs and stories, he talks about his city. Although the challenges in Santa Marta are significant, the artist believes that the efforts of Tras La Perla are indeed changing lives. “It's a great emotion, a hope. We feel that this work can inspire new citizens to join and be part of the solution,” he said.

“Music has given us recognition, and we have wanted to put that at the service of our community. Music has taught me to understand our land and our people and, at the same time, has given me the opportunity to work for them. That is the greatest legacy,” the singer-songwriter emphasized.

Carlos is convinced that dreams are in the place of origin; thus, he has refused to live in another territory. “May these changes make us say in a not too distant future, that those who stay are the ones who succeed, not those who leave,” he concluded.

‘The City of Origin’

To commemorate the 500 years of Santa Marta, Tras La Perla created the brand ‘The City of Origin,’ which was adopted by the city's Mayor's Office. Additionally, they planned an agenda with various cultural activities throughout the year to highlight the history of Santa Marta.

Vives personally invited King Felipe VI of Spain to the commemora-

HAND IN HAND WITH CAF

In the search for companies and organizations to join the work for Santa Marta, the Tras La Perla foundation found a strategic ally: CAF –Development Bank of Latin America and the Caribbean.

“We became their trusted partner because we are always in the city. We mutually know the work and the execution capacity; they as a bank and we as an operational foundation,” explained Isabel Vásquez.

CAF makes direct loans to the city, and the foundation acts as a companion and overseer to ensure that things are done well and function.

“CAF is opening many opportunities for Santa Marta,” said Vásquez.

tion of Santa Marta's 500 years, to be celebrated on July 29, 2025. The king cannot come, but the Spanish naval training ship Juan Sebastián Elcano will make a stop in Colombia, and on board will come his daughter Leonor, Princess of Asturias and heir to the throne, who will have a cultural encounter with a group of indigenous women. ❀

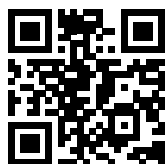
BOOKS

By VD Editorial Team

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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. The QR code is above.



Title: Economic and Development Report 2023. *Global Challenges, Regional Solutions: Latin America and the Caribbean Facing the Climate and Biodiversity Crisis*.

Authors: Pablo Brassiolo, Sebastián Vicuña, Juan Odriozola, Manuel Toledo, Ricardo Estrada, Federico Juncosa, Gustavo Fajardo y Ernesto Schargrotsky.



CLIMATE CHANGE AND BIODIVERSITY

The study addresses the challenges that Latin America and the Caribbean (LAC) face regarding climate change and biodiversity loss. These issues are driven by human activities such as the consumption of fossil fuels, changes in land use, and the overexploitation of natural resources.

The report reviewed climate projections, data analysis on emissions and land use, and regional policies to demonstrate the current and future impacts of climate change, such as rising temperatures, alterations in precipitation, and loss of ecosystems.

Although historically LAC has been responsible for a smaller portion of global emissions, it is highly vulnerable due to its unique biodiversity and economic dependencies in sectors like agriculture and energy, since emissions in the region are dominated by the agricul-

tural sector and deforestation. However, LAC plays a key role in actions to mitigate this global issue, with opportunities in the preservation of natural resources, climate change adaptation and mitigation through climate and conservation policies that contribute to sustainable development. Ecosystems such as forests and mangroves play a crucial role in climate mitigation but face severe threats from deforestation and unsustainable exploitation.

The study highlights the need for climate and conservation policies that combine adaptation and mitigation, promoting low-carbon productive economies, greater social inclusion, and sustainable use of natural resources. It also emphasizes the importance of international cooperation and climate financing to enable the region to meet its commitments under the Paris Agreement.



INTERGENERATIONAL INEQUALITY

Title: *Inherited Inequalities: The Role of Skills, Employment, and Wealth in Opportunities for New Generations.* (2022).

Authors: Lucila Berniell, Dolores de la Mata, Ernesto Schargrotsky, Guillermo Alves and Fernando Álvarez.

The study addresses persistent intergenerational inequality in Latin America and the Caribbean (LAC), a region characterized by high inequity. This phenomenon has historical roots and impacts social mobility, limiting the educational, labor, and economic progress of new generations. The report reviewed statistical analyses, surveys such as ECAF (2021), and longitudinal studies, like the Millennium Children project, to measure intergenerational mobility in dimensions such as education, income, wealth, and health. It also analyzed indicators of mobility to assess the persistence of well-being across generations.

The region shows limited intergenerational mobility in terms of income and occupations, and presents disparities based on gender, ethnicity, and geographic location. While improvements have been made in primary educational mobility, progress in secondary and higher education remains limited. The study suggests investing in human capital during the early stages of life and improving the quality of education; promoting more equitable labor markets; and addressing structural barriers, such as spatial segregation and the uneven quality of public services.

URBAN MOBILITY GAPS

Title: *Urban Mobility for More and Better Opportunities* (2023).

Author: Matías Italia.

This study analyzes the challenges of urban mobility in Latin America and the Caribbean (LAC), a region where 81% of the population lives in urbanized areas, and where transportation facilitates access to economic, social, and educational opportunities. However, gaps in access and quality persist, along with issues such as congestion, traffic accidents, and environmental pollution.

The study utilizes statistical analyses, mobility indicators, and CAF-funded projects to evaluate the impact of public transportation, active mobility, and road infrastructure.

The findings highlight that more than 20% of LAC population do not have access to formal public transport within ten minutes of their homes, and only 4% of road infrastructure is dedicated to pedestrians and cyclists. The region exhibits high levels of transport-related pollution, contributing to 37% of CO₂ emissions, alongside traffic accidents and equity access issues for women and vulnerable groups.

The study emphasizes several CAF-funded projects aimed at improving access and quality of public transport, roads, and urban logistics, which impact the reduction of travel times, safety improvements, and increased use of public transport and cycling infrastructure between 6% and 48%.

AI STRATEGY

Title: *Design of Public Policies for Artificial Intelligence: Developing Enablers for Implementation in Latin America and the Caribbean* (2024).

Authors: María Fernanda Arciniegas, supported by María Isabel Mejía, Armando Guío, and Martha Cecilia Rodríguez.

The guide developed by CAF proposes a strategic approach to the adoption of artificial intelligence (AI) in the region. It highlights AI's potential to address structural challenges such as social inclusion, environmental sustainability, and the modernization of public services, and emphasizes the role of AI in sectors like education, health, and resource management.

Among the challenges related to AI, the guide identifies a lack of strategies in countries to promote digital and technological skills, weaknesses in computing infrastructure, and scant investment in research and development. It also warns of ethical risks such as algorithmic discrimination, privacy violations, and technological exclusion.

The guide suggests solid regulatory frameworks, participatory and multi-stakeholder strategies, and a long-term vision that transcends political cycles. It also addresses ethical issues, recommending safeguards to ensure responsible AI use, and the protection of human rights. Regulation should include experimentation such as regulatory sandboxes, and ethics should be framed by principles that respect diversity and prevent the perpetuation of biases. 

INTERVIEW
with Jeremy Rifkin

By VD Editorial Team
@AgendaCAF



“Latin America and the Caribbean Has the Most Valuable Capital”

Renowned American sociologist and economist Jeremy Rifkin discusses the climate change crisis and the Third Industrial Revolution, which he believes the region could emblematically represent. “We need a new economic model,” he states.



“Right now, 8 billion people are terrified. Floods, rains, hurricanes, heatwaves, fires. We are witnessing massive destruction of infrastructure. It's truly a dangerous situation, but also an opportunity.”

This was said by Jeremy Rifkin, an economist, sociologist, political and environmental activist, corporate consultant, speaker, and author of more than twenty books. His most recent book, titled *Planet Aqua*, advocates for renaming our home to acknowledge water's role in all life-sustaining systems.

Rifkin's central argument about climate change revolves around the need to create a new economic model that leverages technological

advancements to drive the Third Industrial Revolution, without further degrading nature and while promoting greater equity. He notes that the region could symbolically represent this revolution due to its natural advantages.

Rifkin was the keynote speaker at the first Economic Forum of Latin America and the Caribbean, recently organized by CAF – Development Bank of Latin America and the Caribbean – in Panama City.

} Rifkin is a long-standing thinker and activist who has worked with governments and institutions in Europe, North America, and Asia. → Photo - CAF



Professor Rifkin, are we facing the worst crisis in history?

“Yes, but to solve it, we need to completely remake the economic model. We cannot use the handbook we have now. The Enlightenment, the Age of Progress, the Industrial Revolution, everything about how we approach science and how we organize the economy, all of this has brought us to this critical point of climate change.”

How can we build this new model?

“In 2001, working with the European Union, we decided to look at how major economic model changes had occurred to see if we could find a roadmap. We discovered that there had been a couple of major economic paradigm shifts, both related to infrastructure that had merged over history. They had a common denominator: a moment when five technologies emerged by chance and then converged to create an infra-

structure that changed the way we organized every aspect of our lives.”

What are these five distinct technological revolutions?

“The first is new communication revolutions. The second, new energy regimes. The third, new modes of mobility and logistics. The fourth, new ways of treating and managing water, which is the essential component of the other three. And the fifth, new approaches to habitation”.

The First Industrial Revolution was in the 19th century...

“Yes, in Britain. At that time, the communication revolution was steam printing. No more manual presses. They combined this with a telegraphy system in the latter half of the century that allowed for instantaneous communication. The energy system was driven by coal; they had exhausted the forest, so they went underground to extract coal to produce steam power. The mobility revolution involved rails

According to Professor Rifkin, Latin American and Caribbean region has everything it needs to develop while properly protecting its nature, as it has not undergone thorough industrialization.

→ Photo - César Melgarejo / EL TIEMPO

and locomotives. As for the water revolution, they were the first, since the fall of Rome, to install extensive water systems and purification systems. The revolution in habitation was urban development because the rails went from city to city. This led to national markets, the governance of nation-states, commercial enterprises, etc”.

What was the second model change?

“The Second Industrial Revolution was that of the United States in the 20th century. The communication revolution was Alexander Gra-

ham Bell's telephone, connecting the continent in no time. The energy revolution was marked by finding oil in Texas. The mobility revolution was Henry Ford's internal combustion engine. The water revolution involved creating large hydroelectric dams that were later replicated around the world. This transitioned us from urban to suburban development via highways; and it led to globalizations and government institutions like the UN, the World Bank, the International Monetary Fund, the OECD, etc”.

And what do you see now?

“What we're witnessing now is the Third Industrial Revolution. The communication revolution has already emerged: the Internet. We have 4.5 billion humans connected with a small phone in their hands, a device that has more computing power than the instruments of the astronauts who went to the Moon in the 1970s. It's important to note that everything is distributed. We have an energy revolution, with millions upon millions of people around the world harvesting the sun and the wind; the mobility revolution, with electric and battery transportation, and increasingly autonomous transport, managed with big data through Internet communications”.

What is happening with water?

“The water revolution is that we're not running out of water. We go from droughts to floods, but the water molecules don't disappear from the planet. They've been here for millions of years. The issue is that they change when they fall, in what volumes, and when they don't. The floods, the rains, the heatings, the fires mean that the hydrosphere is redefining a completely new ecosystem for the planet. There's no way to control it. We have to adapt to it instead of adapting it to us”.

Where is the water revolution, then?

“The water revolution is in the microgrids of water. There will be millions and millions of water microgrids, all distributed to collect water on walls and roofs. You bring it to the ground, store it, and when there are droughts and heatings, you distribute it using Artificial Intelligence (AI) for that purpose”.

Will all this transform the habitat?

“The habitat revolution is about the shift to 3D printing. This overall framework signals a significant change. It moves us from the subtractive manufacturing of the first two industrial revolutions to the additive manufacturing of the third. This is crucial for everything from tariffs to governance. In those first revolutions, vast amounts of material were taken from nature and used up to create a final product. This resulted in about half a million global companies, which together account for a third of the global GDP. These companies employ only 65 million of the 3.5 billion workers in the world. Thus, a two-century revolution was created that has mainly benefited a few, rather than many”.



“What surprised me when I looked at Latin America and the Caribbean is that 60% of all the planet's biodiversity is on a very small portion of the world's land mass”.

What does additive manufacturing entail?

“Let me give you an example. An architect named Mario Cucinella in Italy built a house out of clay in a couple of days. Zero emissions. He could then move from a traditional buyer-seller market of the previous industrial revolutions to a user network from a provider in the Third Industrial Revolution. He could then send the instructions for that house to a developer in the Philippines, putting them on his cell phone, at near zero marginal cost, in 30 seconds. And this developer could build as many buildings as he wanted, paying a license fee. The United Arab Emirates will have 25% of their buildings 3D printed by 2030. Saudi Arabia has 500 billion in investment funds moving forward. It's a tremendous change. We know that for every dollar we invest in this infrastructure, we get a return of 3 dollars on the GDP”.

There's no debate about the great possibilities AI brings for humanity, but at the same time, there's discussion about its high electricity demand. Isn't that a major barrier?

“That's the problem now, in terms of whether we can make this transition. In 2019, the levelized cost of solar and wind energy fell below all other energies; well below nuclear, oil, and natural gas. The levelized cost continues to fall; the marginal cost is near zero. In my book *Planet Aqua*, I mention a study about 12,000 thermoelectric plants. You take uranium, oil, and natural gas to heat the water. The water creates steam that drives the turbines for electricity. What they found in this study is that, if you use the sun and wind, which are cheaper, at least to heat the water and create steam to drive the electric turbines, you save 95% of the water”.

How will AI be used?

“Elon Musk and some people are



} Professor Rifkin, one of the main speakers at the First Economic Forum of Latin America and the Caribbean, held in Panama. His most recent book is titled *Planet Aqua*. → Photo - CAF

naive about it. AI will be used for research and as executive assistance, but its primary mission will be to manage and operate the communication, energy, mobility, water, and habitat infrastructure of the new revolution”.

Is the private sector part of the solution or the problem we are experiencing?

“It’s the solution. The market is speaking, except we are moving from a buyer-seller model to user networks. And the big business will be for small and medium-sized high-tech companies around the world. The technology is very distributed. You can send software from one side of the world to the other without paying tariffs. Someone develops it on the other side and pays you the fee. Think about the increase of medium and small high-tech companies around the world”.

How do you view Latin America and the Caribbean?

“It has 650 million people and 60% of the world’s biodiversity. In this respect, it is the richest region on the planet. It’s impressive. There is an opportunity to move the region to a first-rate state for its population, because the infrastructure of the Second Industrial Revolution has not been fully developed, except in Brazil, Chile, Colombia, and a few other places. There aren’t many old





Dams for power generation were a key part of the revolution led by the United States. Climate change often puts them in critical situations more frequently.

→ Photo - Mauricio Moreno / EL TIEMPO

interests involved, although there are still some fossil interests. That's good, because there are no old codes, regulations, and standards. It starts from scratch. It's a great advantage. If there is the will and resolution to make the change, that's another problem”.

Can you elaborate a bit more on what this opportunity means for Latin America and the Caribbean?

“We study everything in the region, but what really struck me is that it has the most valuable capital in the world. We tend to think in the modern economy that capital is machines, inventory, return on invest-

ment, intellectual property rights. That's not capital. In nature, the only capital is the primary production of photosynthesis. Everything else we take to create our economic systems. That is the only capital that exists, and it's no joke. What surprised me when I looked at Latin America and the Caribbean is that 60% of all the planet's biodiversity is on a very small portion of the world's landmass. Latin America and the Caribbean region has everything to be emblematic of the next revolution. This is really a big thing”.

And how to unlock the potential of that revolution?

“What I would suggest is uniting universities, industry and trade associations, NGOs, governments, and institutions to address this in 'deep dive' seminars. They have the talent, they need to come together. In North America, there are some experiences”.

What could be a good example?

“We are going to move more towards bioregional governance because climate disasters don't care about political borders. Govern-

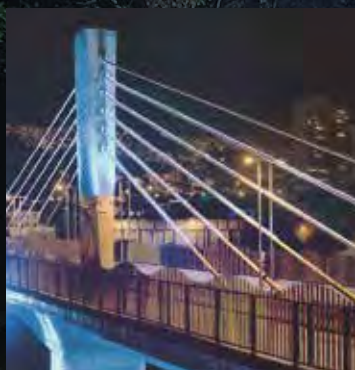
ments that share ecosystems are expanding their action to prepare, rescue, restore, and maintain their ecological resources. The Great Lakes region represents 20% of the remaining freshwater on the planet. The eight U.S. states and two Canadian provinces that make up the region amount to the third-largest economy in the world and decided to create an innovation center worth between 250 and 300 million dollars that will be inaugurated in 2027, to address all this”.

What is the role of geopolitics in this new revolution?

“Everyone thinks we are going back to geopolitics. No, the era of nation-states and all that is over. This is what nobody seems to understand”.

Professor Rifkin, what would you say to people about the critical moment we are living in?

“First, that we have to adapt and that humanity has been able to adapt throughout history and, in that sense, that we will come out of this situation. And second, that science will give us an answer”. ❧



INSTITUTIONAL STRATEGY 2022 - 2026

The path to transform ourselves into the green bank of sustainable and inclusive growth in Latin America and the Caribbean.

Vision: To be the green bank and main partner for the reactivation, sustainable development, and integration of Latin America and the Caribbean.

Mission: To support shareholder countries in achieving sustainable development and regional integration, through the provision of financial instruments and knowledge services.

Agendas



Mission



Cross-cutting



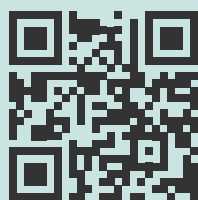
Enabling





“Visions for Development
is a response to the need to
reposition Latin America and the
Caribbean in the world. We invite academics,
social leaders, businesspeople,
and the entire international community
to join this initiative, contributing their
perspectives and knowledge to build
together a more prosperous future for
Latin America and the Caribbean”.

Sergio Díaz-Granados
Executive President of CAF



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