



Catalytic and Blended Finance
for Climate and Biodiversity
in Latin America

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- Climate High Level Champions
- Climate Policy Initiative
- Convergence Blended Finance
- Din4mo
- Earthshot Labs
- FAST-P Office
- Global Resilience Partnership
- Howden
- Impact Earth
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- Porticus – Good Energies Foundation
- Quintessa
- Société Générale
- Trias
- Unilever Climate and Nature Fund
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The Learning Lab methodology developed at Latimpacto is a practice-oriented, collaborative learning approach designed to bridge knowledge, experimentation, and action within the impact investing ecosystem. It combines curated expert insights, peer learning, and real-world cases to address complex challenges through collective intelligence. The methodology emphasizes co-creation, facilitated dialogue, and hands-on problem-solving, enabling participants to test ideas, reflect on their own contexts, and translate learning into concrete strategies. By bringing together diverse actors from across the ecosystem, the Learning Lab creates a trusted space for experimentation, shared learning, and the generation of practical solutions that can be adapted and scaled.



Learning Lab Report

Overview

Latin America is home to an extraordinary share of the world's natural capital – around 40% of Earth's biodiversity – and its forests and wetlands store vast carbon reserves. This “biodiversity superpower” also faces acute climate risks, with extreme weather already costing the region ~\$11 billion annually and projected to reach \$100 billion per year by 2050¹. Yet current investments in climate mitigation, adaptation, and nature conservation fall far short of what's needed. Globally, climate finance flows have surpassed \$1.3 trillion per year but must increase four- to five-fold by 2030 to meet the Paris climate goals. In Latin America, an estimated \$215–284 billion is required annually this decade for a low-carbon, climate-resilient transition, but actual climate finance to the region has hovered around just \$50–60 billion (only ~4% of global climate finance). A massive funding gap also exists for biodiversity protection, with a worldwide shortfall of roughly \$700 billion per year. In short, Latin America's climate and nature goals face a severe financing deficit².



1. Latin America and the Caribbean: A key region for climate action lags on finance, 2024. Available at <https://www.climatefinancelab.org/news/lac-region-lags-climate-finance/#:~:text=LAC%20climate%20finance%20flows%20accounted,resilient%20transition%20in%20the%20region>
2. Global Landscape of Climate Finance, Climate Policy Initiative, 2023.



This short report – based on desk research and on insights from in-person discussions at a Learning Lab and member networking event hosted by Latimpacto and Convergence Blended Finance at the Mattos Filho office in São Paulo on November 7, 2025 – summarizes key findings and recommendations on how catalytic capital and blended finance can help bridge the climate-biodiversity financing gap in Latin America. It frames the discussions into three core themes: (1) De-risking and Mobilizing Capital, (2) Alliances for Systemic and Inclusive Impact, and (3) Creating the Enabling Environment. Throughout, we highlight key definitions, illustrative examples from the region, and actionable recommendations, aiming for a tone that balances professional depth with accessibility for funders, policymakers, and practitioners.



De-risking and Mobilizing Capital

A fundamental challenge is how to mobilize significantly larger pools of capital for climate and biodiversity initiatives, mainly from the private sector, by reducing investment risks. This is where catalytic capital and blended finance play a pivotal role. Catalytic capital, according to C3 (Catalytic Capital Consortium), is defined as “capital that accepts disproportionate risk and/or concessionary return to generate positive impact and enable third-party investment that otherwise would not be possible”. In other words, it is patient, flexible funding (often from public or philanthropic sources) willing to take lower returns or higher risk in order to make a project viable for commercial investors. Blended finance refers to the structuring approach of such catalytic, concessionary funding (below-market-rate equity, loans, guarantees, or grants) to mobilize private investment in sustainable projects. As Convergence explains, blended finance is essentially a “structuring approach” that strategically uses concessional or catalytic capital to de-risk projects and mobilize capital from more private, commercial and institutional investors.

In practice, this means that governments, donors, development banks, or foundations might provide a first-loss equity tranche, concessional loan guarantee, or technical assistance grant to a climate or conservation project, absorbing some risks or costs so that commercial investors can consider these solutions. This approach can make previously “unbankable” projects – such as community reforestation, sustainable agriculture, or ecosystem restoration – financially viable by improving the risk-return profile. For example, the Climate Policy Initiative and Convergence oversee the Catalytic Climate Finance Facility **awarding grants** to innovative blended finance vehicles in Latin America and globally. One such vehicle, *the Biodiversity Bridge Fund (~US\$100 million)*, blends public and private capital to invest in mixed-species reforestation projects that generate both carbon credits and biodiversity co-benefits. By using concessional or grant funding to cover higher up-front costs and long project horizons, this fund aims to unlock and increase private investment into restoring forests at scale.

On the ground, **many financial innovations are emerging** to mobilize capital for nature and climate. In Argentina, a first-of-its-kind “jaguar insurance” fund crowds in private insurance premiums alongside government subsidies to protect jaguars in Misiones – essentially turning human-wildlife conflict mitigation into a financed conservation solution. In Costa Rica, indigenous-led green business incubators and a national conservation trust fund have mobilized about \$94 million for sustainable livelihoods and ecosystem restoration in local communities. Other Latin American countries are piloting biodiversity bonds, payment for ecosystem services schemes, and “green” banking products to channel investment into conservation. Development organizations and donors are also leveraging catalytic grants for policy reforms: UNDP’s BIOFIN initiative, for instance, uses small technical investments (to support policy changes, subsidy reforms, new fiscal instruments) to unlock recurring domestic funding for biodiversity. These “finance-for-finance” successes confirm that relatively modest catalytic contributions can yield outsized results – they crowd in much larger capital flows over time.

Importantly, based on discussions based on some discussions that took place at the PRI in Person 2025 held in Sao Paulo, Brazil, it was possible to see that private investors are beginning to respond to these de-risked opportunities. As one analysis generated by CrossBoundary observes,

“donors, foundations and development partners are increasingly using catalytic capital to crowd in private investors, de-risk early-stage opportunities, and expand access to underserved markets.”

There is a growing appetite for blended funds and public-private partnerships in Latin America that feature risk-sharing elements. Today, it’s becoming common for renewable energy funds, sustainable infrastructure bonds, or climate tech venture funds in the region to include a multilateral development bank guarantee or junior equity tranche as part of the capital structure. Such arrangements address specific barriers – for example, concessionary capital can cover the “valley of death” phase for new green technologies or nature-based projects, making it feasible for commercial investors to step in. In short, using catalytic capital to de-risk investments is key to mobilizing the trillions needed. Expanding these blended finance models – through more donor and public support for first-loss capital and guarantees – is a critical strategy for Latin America to finance its climate and biodiversity priorities.





Alliances for Systemic and Inclusive Impact

While innovative financing mechanisms are crucial, stakeholders widely agree that no single actor can close the climate and biodiversity funding gap alone. The scale and complexity of the challenge demand broad alliances across public, private, and civil society sectors. Governments, investors, philanthropies, NGOs, and communities each hold pieces of the solution, and collaboration is essential to deploy resources effectively and inclusively. The recent Global Conference on Biodiversity Finance that was held in Chile, emphasized the need for cooperative action *“from nature bonds to repurposed subsidies, from fintech to nature credits”* – underscoring that *“cooperation in many forms”* – across public, private, and community sectors – is essential. In other words, every tool and stakeholder must be at the table. Blended finance itself is inherently about partnership; for example, a climate fund might bring together a development bank or donor (providing concessional capital), a government agency (offering guarantees or policy support), and private investors (bringing scale capital). Indeed, Latin America’s funding gaps are driving new multi-stakeholder partnerships that pool resources: public grants and philanthropic guarantees combined with private investment can create investable structures that none of those parties could achieve on their own.

Crucially, these alliances must be systemic (address root causes and work across sectors) and inclusive (ensure benefits reach vulnerable populations and local stewards of nature). Many climate and conservation solutions in Latin America will only succeed with the active engagement of indigenous peoples and local communities, who are often the frontline protectors of forests, water sources, and biodiversity. Thus, effective alliances need to involve these groups not just as beneficiaries, but as key partners and decision-makers. Empowering indigenous and local communities – for instance through payments for ecosystem services and benefit-sharing arrangements – is essential to ensure finance flows translate into equitable and lasting impact. For example, Costa Rica’s conservation finance programs deliberately enabled indigenous communities to lead



sustainable businesses and land management initiatives, aligning financial incentives with local livelihoods. Similarly, several countries are developing initiatives where communities receive direct compensation for conservation outcomes (such as community-run ecotourism or climate-smart agriculture projects). Approaches like these ensure that climate and biodiversity investments also deliver social co-benefits – jobs, food security, resilience – and that local knowledge guides project design.

Building trust and shared goals among diverse stakeholders can be challenging, but successful models are emerging.

Networks like Latimpacto and Convergence are actively connecting Latin American philanthropists, impact investors, corporations, and grassroots organizations to co-create solutions on the ground.

International platforms (for instance, the Global Innovation Lab for Climate Finance’s regional programs) convene public, private, and community leaders to design blended finance projects, and impact “labs” and advisory forums report that such partnerships are pooling public, philanthropic, and private capital in blended deals. An example of a collaborative venture might be a sustainable land-use fund that combines financing from a development finance institution, a local commercial bank, a conservation NGO, and a farmers’ cooperative – each contributing expertise or capital. By forging these inclusive alliances, projects can achieve systemic impact: not only delivering their immediate goals (e.g. restoring a landscape or deploying solar micro-grids), but also strengthening the broader ecosystem of policies, markets, and community capacities that supports long-term climate and biodiversity outcomes. Ultimately, partnership is the new leadership in tackling climate and nature challenges.

Latin America’s experience shows that when public agencies, private investors, and local communities join forces, they can unlock solutions greater than the sum of their parts – solutions with both scale and staying power.

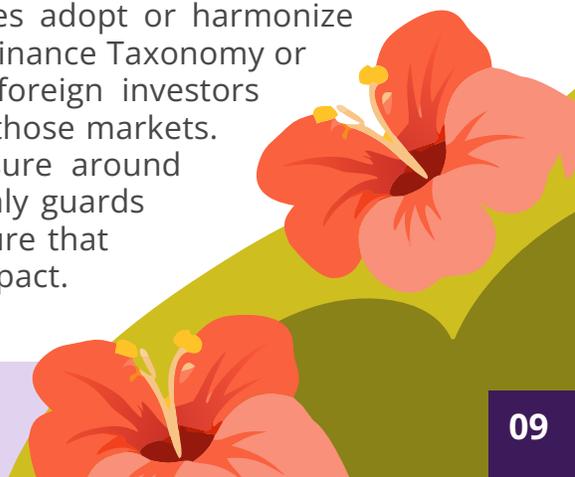




Creating the Enabling Environment

Financing tools and partnerships will not scale up effectively without a supportive enabling environment. This theme focuses on the policies, regulations, and market conditions needed to accelerate climate and biodiversity finance. Governments play a pivotal role in setting the right incentives, and across Latin America there is growing momentum to integrate sustainability into financial planning and public policy. For instance, Mexico recently introduced a national sustainable finance taxonomy (a classification system to define green investments) and mobilized about \$15 million for biodiversity projects through its finance ministry. Colombia, as part of a fiscal review, has begun repurposing harmful subsidies – redirecting nearly \$1 billion from programs that encouraged deforestation or pollution toward green, inclusive investments. And Chile enacted a climate law that not only sets carbon-neutrality targets but also explicitly links those targets with nature-based solutions, helping to channel funds into ecosystem restoration as part of its climate action plan. These examples show how enlightened policies can free up capital for green projects and guide both domestic and international investors toward sustainable opportunities.

Policymakers are also focusing on the “plumbing” of sustainable finance – the data, metrics, and standards that underpin investor confidence. Experts highlight the need to strengthen transparency and information: for example, by integrating biodiversity into national economic accounting and by setting standard measures for ecosystem impacts. When a country can clearly quantify how protecting mangroves reduces flood damages, or how restoring forests adds economic value (through carbon sequestration, tourism, etc.), it becomes easier to make the investment case to financiers. Similarly, aligning local financial regulations with global standards can attract capital; if Latin American countries adopt or harmonize with frameworks like the EU Sustainable Finance Taxonomy or international climate disclosure norms, foreign investors will feel more assured about investing in those markets. Strengthening measurement and disclosure around climate and biodiversity outcomes not only guards against greenwashing but also helps ensure that funds are directed to projects with real impact.



Another critical aspect of the enabling environment is building local capacity and pipeline for green finance. Many banks, project developers, and government agencies in the region still lack technical expertise in structuring sustainable investments or accessing climate funds. Addressing this knowledge gap through education, technical assistance, and South–South knowledge exchange will help generate more bankable projects over time. We also see a need for regulatory clarity and stability: for instance, secure land tenure and clear rules for emerging asset classes (like carbon credits or biodiversity offsets) give investors confidence in long-term nature-based projects. Moreover, as international aid and development bank funding has stagnated even while needs grow, Latin America must innovate to do more with limited public funding. This includes deploying “finance-for-finance” approaches (using small public grants or guarantees to leverage larger private flows) and creating domestic financial instruments (green bonds, climate debt funds, etc.) to replace dwindling aid. In short, smart policy and institutional capacity are indispensable complements to financial capital in the quest to scale climate and biodiversity solutions.

Looking ahead, Latin America has a significant opportunity to shape the global agenda for sustainable finance. The region hosted COP30 in Belém, Brazil, shining a spotlight on Amazon conservation and climate action. With half of the planet’s tropical forests within its borders, Latin America could take a leadership role in pioneering new standards for nature-positive investment and financial instruments that jointly address climate and biodiversity goals.

For example, policymakers are considering debt-for-nature swaps (where a portion of national debt is forgiven in exchange for domestic conservation investments) and specialized green bonds or funding platforms that tie finance to both emissions reductions and ecosystem protection. By designing public–private investment models that explicitly link climate and biodiversity outcomes, Latin American leaders can tap into the region’s natural advantages while closing financing gaps. Equally important, creating an enabling environment means ensuring that the influx of climate funds actually translates into on-the-ground change. That requires continued empowerment of local communities and civil society (so that policies and projects are implemented equitably) and diligent monitoring of results. In sum, proactive governance and policy innovation are as critical as dollars and cents: they set the rules of the game that will determine whether catalytic finance and alliances can achieve a climate-resilient, nature-rich Latin America

Conclusions and Recommendations

Latin America's climate and biodiversity crisis is as much a financing challenge as it is an environmental one. The region's vast needs will only be met by a concerted effort to scale up funding through catalytic mechanisms, cross-sector partnerships, and supportive policy reforms. Encouragingly, the tools and models to bridge this gap are emerging – from blended finance funds that de-risk investments, to alliances that bring together diverse actors, to government actions that align incentives with sustainability. The task now is to expand and replicate these approaches rapidly and thoughtfully. Based on the findings of this report and the conversations during the Learning Lab, we propose the following key recommendations for funders, policymakers, and practitioners:



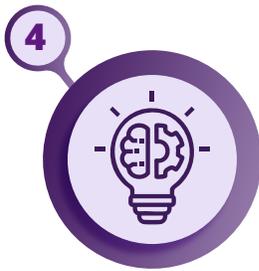
1 Scale Up Catalytic Capital Deployment: Significantly increase the availability of concessional, risk-tolerant funding (grants, first-loss equity, guarantees) for climate and biodiversity projects, ideally standard and replicable. Every dollar of catalytic capital can unlock several dollars of commercial investment by improving risk-return profiles. Philanthropies, development finance institutions, and government climate funds should prioritize initiatives that use limited public or philanthropic money to mobilize private capital at scale. This includes funding more first-loss tranches and guarantee facilities that de-risk innovative projects.



2 Forge Multi-Stakeholder Alliances: Create and support platforms that bring together governments, private investors, development agencies, nonprofits, and community representatives to co-design solutions. Blended finance deals should be structured with input from all relevant stakeholders to ensure they address on-the-ground needs. Public-private-community partnerships can enhance innovation and buy-in – for example, involving indigenous communities as partners can improve project design and outcomes. Collaboration is not just a “nice-to-have” but a necessity for systemic, lasting impact.



Strengthen Policy and Regulatory Frameworks: Governments must continue to build an enabling environment for climate and biodiversity investment. This includes phasing out or repurposing harmful subsidies towards green activities, developing clear taxonomies and guidelines for sustainable finance (so investors know what qualifies as a green investment), and enforcing environmental policies that create demand for conservation finance. Aligning national frameworks with international standards (e.g. disclosure requirements, accounting rules) will facilitate foreign investment and climate finance flows. Consistent, forward-looking policies give investors the confidence to commit capital for the long term.



Build Local Capacity and Knowledge: Invest in local financial institutions, project developers, and public-sector teams through technical assistance, training, capacity building and knowledge-sharing. Many local banks and agencies need support to identify and structure bankable green projects. Enhancing local capacity will expand the pipeline of viable projects and ensure that international funds (from sources like the Green Climate Fund or private impact investors) can be effectively absorbed at the local level. Regional knowledge exchanges – for instance, sharing best practices among Latin American countries – can help spread successful models of blended finance and policy innovation.



Enhance Measurement, Transparency, and Accountability: Develop robust systems to track climate and biodiversity finance and to measure its impacts. This means improving data on climate risks and natural capital, standardizing impact metrics, and transparently reporting outcomes. Better information reduces perceived risk for investors and helps justify continued and increased funding by demonstrating real results. It also ensures that funds are delivering the intended climate resilience and conservation benefits on the ground, thereby building public support and trust in innovative financing mechanisms.



By implementing these recommendations, Latin America can accelerate progress toward closing its climate and biodiversity funding gap. The bottom line is that innovative finance mechanisms, broad alliances, and smart policies must work in tandem. If Latin American countries and their partners can successfully deploy catalytic capital, nurture inclusive coalitions, and solidify the enabling environment, the region will be poised to unlock the trillions needed for a sustainable, climate-safe future. The challenges are immense, but so is the region's potential – and with continued collaboration and innovation, a nature-positive, climate-resilient Latin America is within reach.



About Latimpacto

Latimpacto is a leading network that connects and strengthens the impact investing and entrepreneurship ecosystem across Latin America. It brings together investors, corporations, foundations, entrepreneurs, intermediaries, and ecosystem builders committed to generating positive social and environmental impact alongside financial returns. By fostering collaboration, sharing knowledge, and promoting innovative financial solutions, Latimpacto works to accelerate capital flows toward initiatives that address the region's most pressing challenges—such as inequality, climate change, and inclusive economic development—while strengthening the maturity and effectiveness of the impact ecosystem in Latin America.

About Convergence Blended Finance

Convergence is the global network for blended finance. It exists to increase private investment in emerging markets and developing economies to advance the UN Sustainable Development Goals and Paris Agreement. Convergence's global membership includes public, private, and philanthropic investors as well as sponsors of transactions and funds. This community has access to a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to original market intelligence and knowledge products such as case studies, reports, trainings, and webinars. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.





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