DEVELOPMENT IN THE AMERICAS

Peril and Promise

Tackling Climate Change in Latin America and the Caribbean

EXECUTIVE SUMMARY

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Climate change presents both a critical threat and a unique opportunity for progress in Latin America and the Caribbean. This book delves into this dual reality, showing that climate action is fundamentally development action, as it helps countries achieve crucial development goals in the short to medium term. Reaching net zero is feasible, brings tangible economic benefits, and hinges particularly on agriculture, forestry, and other land uses. Successful climate action will also require widespread public support, grounded in a shared perception that policies are fair and effective. This volume can serve as a resource for governments, the private sector, and citizens in their quest to navigate these perils while seizing the promise that climate action can offer.

Table of Contents of the Report

Peril and Promise

Climate change is at once a clear and present danger and a significant—if not generational—opportunity for technological, economic, and social progress. This bold statement is true for the world in general, and Latin America and the Caribbean, in particular. In fact, Latin America and the Caribbean may epitomize both the peril and the promise of climate change. The 2024 edition of the Development in the Americas report explores the complexities of this dichotomy and offers a roadmap for averting the dangers and seizing the opportunities.

Latin America and the Caribbean has at least three notable features that inform this roadmap. First, among the world's regions, it is the second most vulnerable to extreme weather events such as heat waves, storms, and floods and to slow-onset events such as rising sea levels. Caribbean countries are particularly exposed to storms and sea-level rise, while other countries in the region are especially prone to droughts and floods. Second, the region is endowed with bountiful and exceptionally diverse natural resources that provide indispensable tools for confronting climate change, while also facing an existential threat from it. Of particular note is the Amazon rainforest, the so-called *lungs of the earth*, which each year sequesters billions of tons of greenhouse gases from the atmosphere. Yet forest loss and degradation threaten to transform it from a carbon sink to a source of carbon emissions. Finally, the region faces daunting socioeconomic and political challenges related to high levels of urbanization, income inequality, labor informality, and poverty, especially among women, Indigenous and Afro-descendant peoples, and other vulnerable groups.

For Latin America and the Caribbean, as for the rest of the world, the stakes in the effort to tackle climate change are enormous. Climate change disproportionately burdens poor and vulnerable households and threatens to undermine decades of progress towards sustainable development goals, a stark

reality that underscores the need for a just transition that simultaneously addresses both climate and development challenges. At the same time, this transition offers opportunities to cut energy costs, boost productivity in agriculture and other key sectors, harden infrastructure, strengthen social protection, improve environmental quality, and support governance. This is a pivotal moment in history for governments and citizens alike: not only must they ease the rapidly escalating damages from climate change, but they must also embrace the opportunity to build a sustainable, resilient, and equitable future.

This book offers six main messages summarized below.

Climate Action Is Urgent

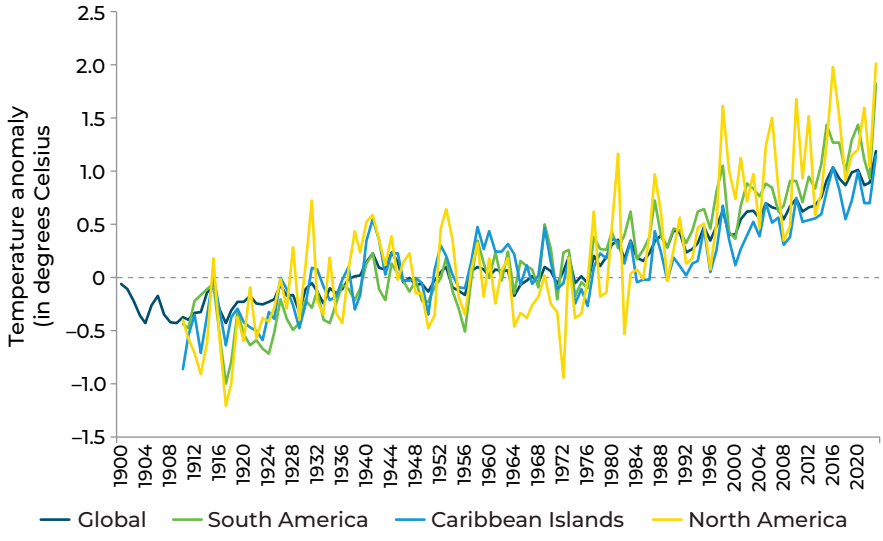
A scientific consensus has emerged regarding the drivers and impacts of climate change. It holds that, while climate change can be caused by natural events like volcanic eruptions, since the 1800s, it has been driven by emissions of greenhouse gases (GHGs) from human activities like fossil fuel burning and deforestation.

Since the early twentieth century, global temperatures have been rising, a trend that accelerated after 1970 (Figure 1). Averaged over the last decade, current global temperatures are more than 1°C above preindustrial levels and are on track to exceed 1.5°C by 2030. The year 2023 was the warmest on record, and 2024 is set to break that record. Since 1970, temperature anomalies for North and South America have generally exceeded those for the world, while the opposite has been true for the Caribbean.

Rising temperatures have coincided with a surge in disasters. Globally, meteorological disasters, such as extreme temperatures and storms, have increased fivefold since the 1970s (Figure 2, Panel A). Similarly, hydrological events, including floods and landslides, and climatological disasters, like wildfires and droughts, have each risen sixfold. Latin America and the Caribbean mirrors the global trends (Figure 2, Panel B).

Climate change adversely affects all aspects of lives and livelihoods. It endangers people's health, education, productivity, and jobs; it threatens financial and fiscal stability; it compromises

Figure 1. Temperature Anomalies in the World and Latin America and the Caribbean (1900 – 2023)



Source: IDB staff based on data from National Centers for Environmental Information (NCEI).

Figure 2. Incidence of Disasters by Type (1970–2023)

A. World

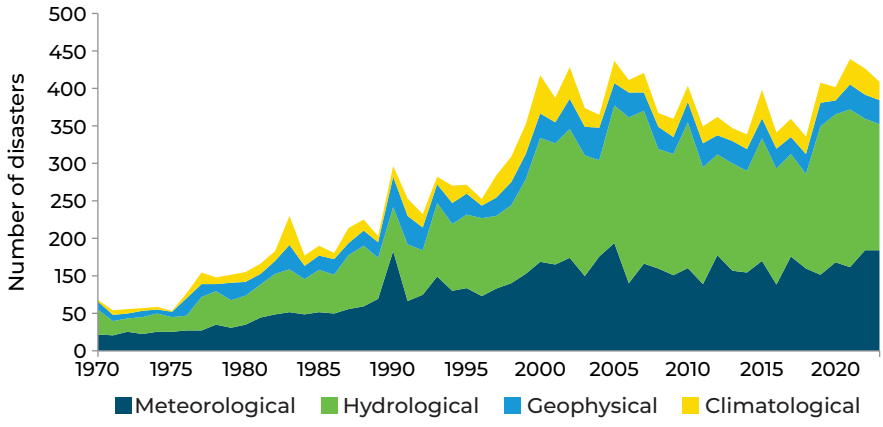


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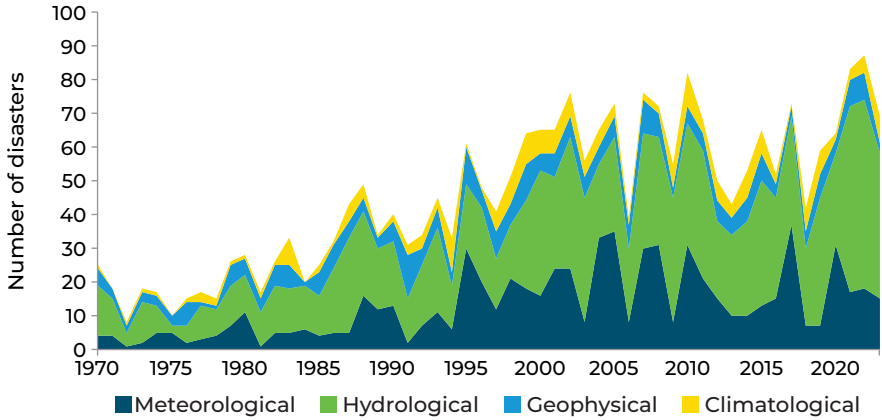
Figure 2. Incidence of Disasters by Type (1970–2023) *(continued)*

B. Latin America and the Caribbean



Source: IDB staff based on data from the EM-DAT international disaster database and the Center for Research on the Epidemiology of Disasters (CRED) at UCLouvain.

food security and infrastructure services; and it degrades natural ecosystems.

These negative effects are intensifying in a challenging context. The COVID-19 pandemic exacerbated the trend of gradually increasing poverty in Latin America and the Caribbean and undid most of the gains in poverty reduction attained from 2003 to 2013. Slow-onset and extreme weather events driven by climate change could push an additional 5 million people into poverty by 2030, with the warmer and lower income countries in the region hardest hit.

The adverse effects of climate change will intensify unless the entire world, including Latin America and the Caribbean, acts quickly and decisively. Climate change is a global externality problem, meaning that emissions of the GHGs that cause it have global effects. As a result, for climate action to succeed, all regions must contribute.

The Paris Agreement aims to incentivize and manage each country's contributions. The goal is to reduce global GHG emissions enough to limit global warming to between 1.5 and 2°C

above preindustrial levels. Success hinges on signatory countries' compliance with self-determined emissions targets called nationally determined contributions (NDCs). But current NDC targets are not sufficiently ambitious; even if all countries in the world meet them, GHG emissions will still be too high to reach the target temperature range. Countries will need to set more ambitious NDC targets to close this emissions gap and to achieve net-zero GHG emissions by approximately 2050. That, in turn, will require transformative changes across all sectors of the economy, including increasing the share of renewable sources in electricity generation, electrifying transport and industry, protecting and restoring forests, and enhancing energy efficiency.

Climate Action Is Feasible

The technological and behavioral transformations needed both to adapt to climate change and reach net-zero carbon emissions are well understood and readily achievable.

Adaptation, in general, requires three steps. The first is to identify and communicate risk. Identifying risk involves gathering data through simulations and stress tests, including by creating hazard maps and analyzing supply chain impacts. Once identified, the risks must be communicated to communities, investors, government agencies, and other stakeholders through awareness-raising campaigns. Also important is emergency preparedness coupled with establishing early warning systems that rely on technologies such as automated messaging, satellite imagery, and drones. Collaboration with local meteorological agencies is needed for timely and accurate dissemination of information including evacuation orders and public alerts.

The second step is to reduce exposure and vulnerability to climate hazards. This can be accomplished by locating or relocating critical infrastructure to safer areas—for example, away from floodplains and slopes. When reducing exposure is not feasible,

protection is essential. Infrastructure such as seawalls, retention basins, and pumping stations can alleviate the impacts of floods, and urban cooling centers can offer refuge during heatwaves. Nature-based solutions, like vegetated slopes and coastal wetlands, can provide many of the same benefits. To reduce vulnerability, designing and strengthening structures with climate in mind is important. Building to higher standards ensures infrastructure can withstand extreme weather conditions. Bridges, for instance, can be fortified to endure severe floods, and roads can be constructed with materials resistant to extreme heat. Incorporating design elements that take climate into account, such as orienting structures to minimize sun exposure, also reduces vulnerability.

The third step in climate adaptation is to enhance the capacity to cope and bounce back. Introducing diversification and redundancy into resources and systems by, for example, growing a variety of crops, maintaining backup power generators, and getting water from a variety of sources reduces the risk of system failure. Maintaining buffers by stockpiling essential supplies and expanding protected areas is effective against both extreme weather events and slow-onset ones. Risk-sharing mechanisms, including insurance, adaptive social protection, and contingent credit products, help firms, households, and governments absorb shocks and bounce back. Preparedness plans, regular drills, and established communication protocols ensure communities and organizations can respond effectively to emergencies and recover swiftly.

As for mitigation, the requisite transformations are also well understood and readily achievable. Agriculture, forestry, and other land uses (AFOLU) contribute almost half of the region's GHG emissions. Reducing emissions in agriculture means cutting excess fertilizer use, adopting conservation agriculture, improving livestock management to lower methane emissions, and growing foods that emit relatively less greenhouse gas per calorie or unit of protein. Conservation measures, like establishing protected areas, can stem deforestation and land use change,

and reforestation and afforestation efforts can offset residual emissions from other sectors by boosting carbon sequestration.

Another vital step for decarbonization is to substitute renewable energy sources like solar and wind for fossil fuels in electric power generation. This not only reduces emissions directly but facilitates the decarbonization of other emitting sectors, such as transportation and industry, through electrification. The transportation sector can be decarbonized by promoting the adoption of electric vehicles, increasing the ridership of public transportation systems, and encouraging the use of nonmotorized modes of transportation such as biking and walking. Electrifying railways and shifting freight transportation from road to rail or maritime options are also crucial to reducing emissions. In the industrial sector, emissions can be lowered by using materials more efficiently and switching to low-carbon energy sources for industrial processes. Waste management practices can be improved by expanding solid waste collection and wastewater treatment, enhancing recycling efforts, and using waste-to-energy technologies to reduce emissions from landfills.

Climate Action is Development Action

Historically, the debate about climate policy has focused on temporal tradeoffs: countries need to make costly investments in climate adaptation and mitigation today in order to reap the benefits of averted damages tomorrow. In the light of mounting evidence, however, that framing has given way to a different one: investments in climate adaptation and mitigation today more than pay for themselves in short order because they advance a range of sustainable development goals. In other words, climate action is development action.

Consider climate adaptation first. Virtually all the adaptation actions this book advocates for advance sustainable development goals. They include strengthening the health care system,

bolstering job training, supporting climate migrants in their urban destinations, improving transportation, water, sanitation, energy, and telecommunications infrastructure, speeding the adoption of new agricultural technologies, expanding and improving the targeting of cash transfer programs, strengthening food safety and pest management systems, enhancing regional integration through trade, strengthening urban land use zoning, upgrading urban informal neighborhoods, and expanding urban green spaces.

In addition, avoiding the worst impacts of climate change saves households, businesses, and governments money and, by extension, spurs development. For example, improving disaster risk management pays dividends. Evidence from Latin America and the Caribbean and other regions shows that avoiding the direct economic damage of disasters—for example by improving and hardening infrastructure—reduces the negative effects of disasters on economic growth. Simply put, money not used to recover from a disaster can be used for development purposes.

One way in which these and other adaptation measures spur development is by alleviating poverty. Climate change and poverty have mutually reinforcing negative effects. On one hand, as a result of the adverse effects on lives and livelihoods, climate change exacerbates poverty and extreme poverty. On the other hand, poverty intensifies the adverse effects of climate change because poor people are more exposed, more affected, and have fewer resources to adapt.

This two-way link between climate change and poverty can generate a downward spiral. Rural poverty provides a compelling example. In rural areas, poor people are heavily dependent on small-scale agriculture. Climate change wreaks havoc on that sector by reducing crop productivity, helping to spread pests and diseases, and boosting crop losses due to storms, floods, and droughts. Poor people have minimal resources to avert or soften these shocks by, for example, adopting more resilient crop varieties, or taking advantage of crop insurance. The result is they

are pushed further into poverty, which makes them even more vulnerable to future climate shocks. Climate adaptation reduces rural poverty by helping break this vicious cycle.

Like climate adaptation, climate mitigation also spurs development. Achieving net-zero greenhouse gas emissions in Latin America and the Caribbean generates substantial economic benefits (Figure 3). One significant benefit is fuel cost savings owing to the dramatic reduction in the cost of renewable energy over the past decade, a trend that is expected to continue in the future. These savings could amount to US$900 billion by 2050.

Another important economic benefit of decarbonization is improved air quality that results from, among other things, switching to renewable energy and relying more on public transportation. Better air quality is valued at US$500 billion because it

Figure 3. Nominal and Present Discounted Net Benefits of Achieving Net Zero by 2050 for 18 Countries in Latin America and the Caribbean

A. Nominal net benefits

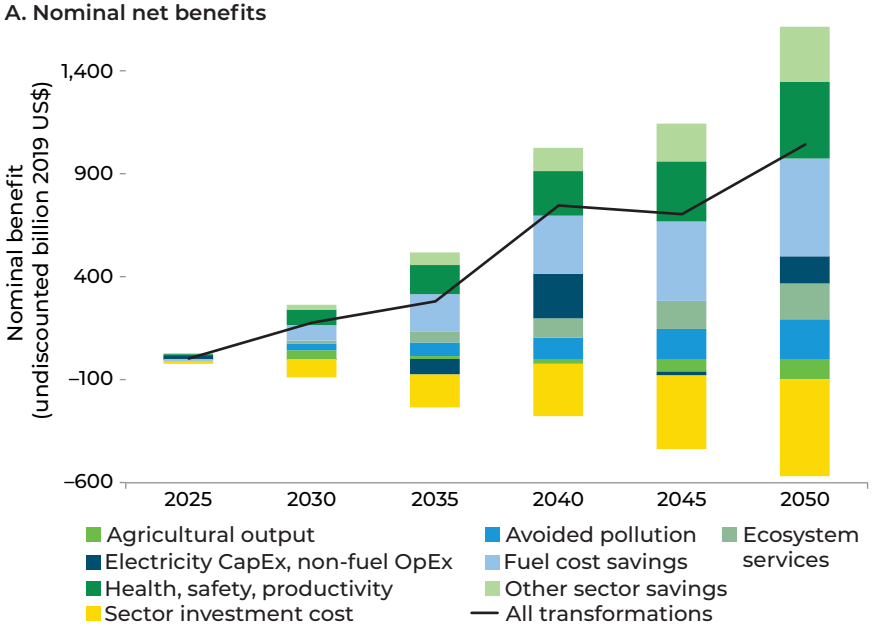


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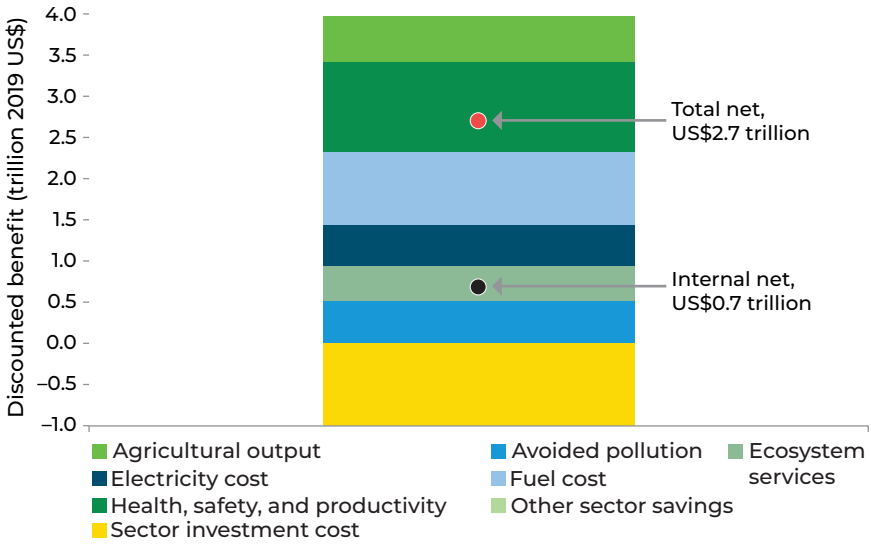
Figure 3. Nominal and Present Discounted Net Benefits of Achieving Net Zero by 2050 for 18 Countries in Latin America and the Caribbean *(continued)*

B. Present discounted net benefits



Source: IDB staff, based on Kalra et al. (2023).

translates to less illness and premature death, lower health care expenditures, and higher labor productivity, as healthier populations work more efficiently and with fewer sick days.

The region can also expect US$1 trillion in benefits from gains in safety and productivity. If the transport sector relies less on individual cars, fewer traffic accidents will occur, and people will save time thanks to reduced congestion. Recycling and increased ecosystem services will result in savings in materials. And healthier diets will lead to healthier, more productive workers. More sustainable agricultural practices can produce higher yields and more stable food supplies.

Finally, decarbonization will help ensure the continued supply of ecosystem services. Although challenging to value in monetary terms, these benefits are substantial. Healthy ecosystems provide key inputs for economic activities that sustain millions of

people in the region including agriculture, tourism, and fishing. For example, preserving and restoring forests improves surface and ground water quality, stems flooding, prevents soil erosion, preserves habitat, and promotes pollination.

All in all, simulations suggest that reaching net zero by 2050 can generate US$2.7 trillion in total net benefits for Latin America and the Caribbean. This is equivalent to about half of the total annual production (GDP) in the region. Even when focusing solely on direct costs and market-priced benefits to sectors—such as savings from reduced fuel costs and enhanced productivity—and excluding harder-to-value and largely public benefits from improved air quality, ecosystem services, and gains in health and safety, estimated net benefits for the region still total US$700 billion, or 10 percent of current GDP.

Still, tradeoffs between climate action and economic development exist: climate action generates losers as well as winners. For example, fossil fuel exploitation will be hard hit, negatively impacting workers and geographies specializing in this activity, along with supporting sectors and fiscal revenues that depend on it. Therefore, climate action must be proactively designed and implemented to ensure benefits and costs are shared equitably, an objective referred to as *just transition*. This goal is particularly important for Latin America and the Caribbean—one of the world's most unequal regions—where the richest 10 percent of the population earns twenty-two times the income of the bottom 10 percent.

A just transition entails three key elements. The first is softening the adverse impacts of climate policies. This means promoting social protection to support communities tied to polluting industries such as fossil fuel extraction, compensating affected households, particularly poor ones, for increases in the prices of essential goods and services (such as transportation and food) resulting from climate policies, and managing the loss of fiscal revenues from polluting sectors. The second element is making sure that the potential benefits of the transition materi-

alize, for instance by ensuring that workers have the skills needed to take on the new jobs (for example, in renewable energy) and that public transportation caters to people with different genders and abilities. The final element is engaging in dialogue with affected groups and communities to anticipate and manage political opposition and dislocation.

Agriculture, Forestry, and Other Land Use is Half the Battle

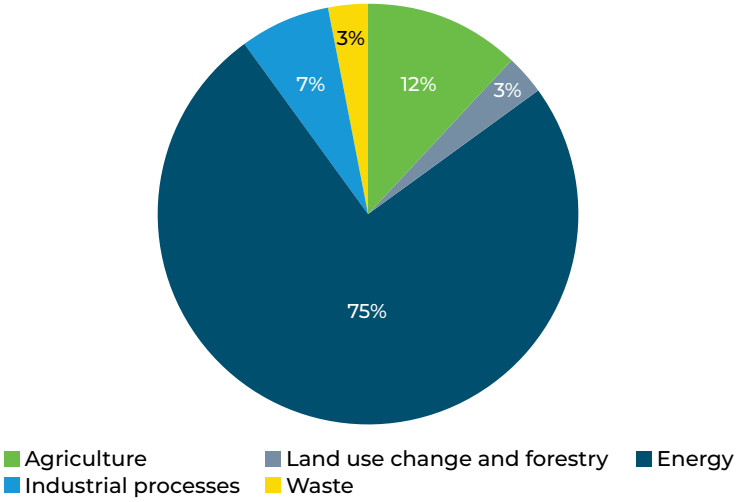
Tackling the climate challenge requires transformational changes in every economic sector. However, in Latin America and the Caribbean, one particular sector—agriculture, forestry, and other land uses (AFOLU)—has outsized importance for three reasons, all related to the prominence of this sector in the region's ecology and economy.

First, in Latin America and the Caribbean, the road to net zero runs directly through AFOLU. The sector accounts for 48 percent of the region's GHGs—more than any other sector (Figure 4). Of these emissions, 27 percent come from agriculture and 21 percent from forestry and other land uses. By contrast, AFOLU contributes only 15 percent to global GHG emissions, of which 12 percent come from agriculture and 3 percent from forestry and other land uses.

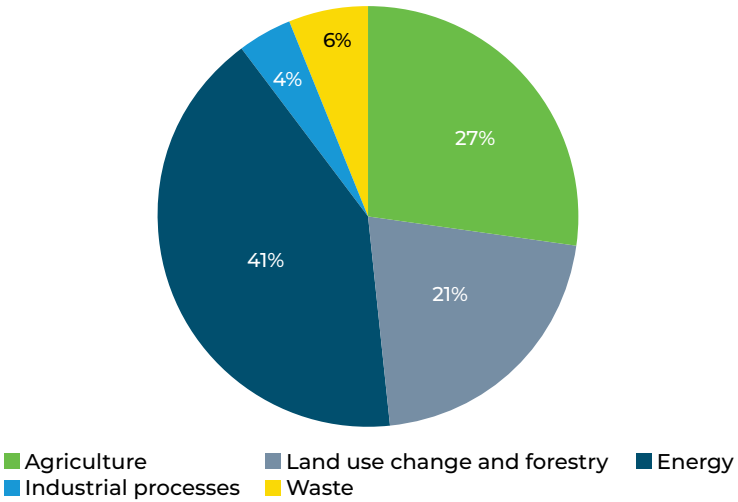
Second, in addition to being key to mitigation, AFOLU plays an important role in climate resilience. Climate change undermines food security in a range of ways that are all related to agriculture. It degrades food availability by reducing crop, livestock, and labor productivity; makes food harder to obtain by exacerbating poverty; reduces the quality of food by reducing the nutrients and vitamins in crops; and raises food prices and makes them less predictable. Climate-smart agriculture is needed to avoid and minimize these effects.

Figure 4. World and Regional Contributions to GHG Emissions by Sector, 2020

A. World



B. Latin America and the Caribbean



Source: IDB staff calculations, based on World Resources Institute Climate Tracker Database.

Forests and other land uses, the second component of AFOLU, also plays a key role in climate resilience. Inland forests help stem flooding, the contamination of surface and groundwater, and soil

erosion. And in coastal areas, mangroves and wetlands protect against the increasingly frequent and intense storm surges and floods associated with climate change. Conservation measures like protected areas and agricultural subsidy reform are needed to ensure the continued provision of such ecosystem services.

Finally, among economic sectors, AFOLU has outsized importance in addressing climate change in Latin America and the Caribbean because it is at the heart of the two-way link between climate change and a second grave challenge facing the region: biodiversity loss. Blessed with plentiful and diverse natural resources, Latin America and the Caribbean is often referred to as a biodiversity superpower. Unfortunately, however, biodiversity loss in the region—mostly driven by land use change related to agriculture—has now reached critical levels. From 1970 to 2018, Latin America and the Caribbean's Living Planet Index, which tracks changes in the relative abundance of wild species, fell by 94 percent—by far the greatest decline of any region in the world. This biodiversity loss both exacerbates climate change and amplifies its adverse effects.

Given its central role in climate mitigation, climate resilience, and biodiversity loss in Latin America and the Caribbean, climate action in the region must focus squarely on AFOLU.

Climate Governance: Key to Success

Climate governance is inherently challenging for several reasons. Both the drivers and impacts of climate change span geographies and numerous economic sectors. In addition, investments needed to address these problems (e.g., in public transportation, low carbon energy, and wastewater treatment) often require substantial outlays in the short term, but only generate benefits over a more extended period—a temporal mismatch that hinders political support. Moreover, the benefits of these investments can be enjoyed by those who do not directly pay for them—includ-

ing people in other countries and regions—a free rider problem that also complicates political support. Another problem is that both policymakers and voters are often ill-informed about the benefits of climate and environmental action, which can entail significant uncertainties. Finally, climate and environmental policy action generates both winners (e.g., in renewable energy) and losers (e.g., in fossil fuels) and managing these tradeoffs can be challenging.

Exacerbating all these challenges is the reality that, in general, public sector climate governance in Latin America and the Caribbean remains weak. Typically, funding, human capital, and political support for climate institutions are inadequate and climate institutions are frail relative to those with which they must coordinate (e.g., those for finance, energy, transportation, and agriculture); as a result, their agendas can founder. Private sector climate and environmental governance is another significant constraint. Companies tend to evaluate risks and investment opportunities based on past experience and data. Generally, they are not set up to consider climate risks.

A number of strategies can enhance governance. First, to be effective, climate policy must be integrated across economic sectors and across levels of government. For instance, investments in making health clinics resilient to the effects of storms will not pay off unless the transportation sector, which facilitates access to those clinics, is also strengthened. Sector-specific policies need to be part of a unified strategy. The level of government that takes decisions is also important: renewable power plants or zoning that prohibits construction in risky areas impose local costs for national benefits. Involving influential stakeholders, such as the head of government, can ensure coordinated actions across both sectors and government levels.

Second, a number of strategies can be used to advance climate policy. Clear and enforceable climate laws that extend beyond political cycles can address discounting issues. Adaptive management strategies—flexible, learning-based approaches—

can help handle uncertainties and adjust course when new information becomes available. Incorporating climate goals into annual budgeting and relying on independent oversight agencies and commitment devices like NDCs can hold governments accountable. And prioritizing no-regrets actions such as investing in water and sanitation access, deploying renewables, and upgrading to electric buses can deliver clear development benefits and create constituencies that favor change.

With the right mandate and vision, government agencies from all sectors and levels of government can use a variety of instruments to enable climate action. The key is to identify the barriers to green growth, such as outdated regulations and market rules that favor incumbent fossil-fuel-based technologies; inadequate public infrastructure that exacerbates climate risk or makes commuting in transit inconvenient; and pricing schemes that favor overconsumption of natural resources. From there, governments can plan public action to lift these barriers, by reforming regulations, investing in the right infrastructure, and adjusting price signals.

Finally, policymakers must shore up citizen support for climate action. Citizens play a crucial role in climate policy as voters. While support for climate change policies is generally strong among Latin American and Caribbean residents, it varies by policy type. People voice greater support for low-carbon technologies and green infrastructure than bans and emissions regulations, particularly carbon taxes. Key factors influencing this support include education levels, beliefs about climate change, perceptions of the effectiveness of policies, and social norms.

Citizen support also depends upon perceptions of fairness of policies. Proactively designing and implementing climate policies that ensure benefits and costs are equitably distributed as part of a just transition can help. Ensuring the public's endorsement for climate action requires addressing inequality broadly. Past transitions, like globalization in the commercial trade sphere,

demonstrate that governments have much to gain by rethinking inequality and social protection.

Another important means of boosting citizen support is communication. To be effective, communication strategies must specifically address the drivers of support for climate policy. Environmental ministries can play a pivotal role in developing and deploying consistent, science-based communication strategies. Such strategies can boost demand for climate-friendly policies and investments, which in turn, require climate finance.

Closing the Financing Gap

Financing climate action is a pressing challenge, and, in Latin America and the Caribbean, tight fiscal constraints magnify it. Countries could, in principle, borrow to finance climate investments, taking advantage of seemingly high-return opportunities in clean energy, mining, and other sectors associated with decarbonization. But the availability of low-cost external financing is limited by Latin American and Caribbean countries' high levels of debt and vulnerability to crises. Moreover, low national savings rates and other distortions constrain the availability of local financing. The result is that climate investment levels fall significantly short of what is required for both mitigation and adaptation.

Global climate finance flows have been increasing, from US$0.3 trillion in 2011–12 to US$1.3 trillion per year in 2021–22. More is needed, however. According to one estimate, Latin America and the Caribbean alone needs between US$0.5 trillion and US$1.3 trillion annually. To put that estimate into perspective, consider that reaching the high end of the range would imply absorbing 19 percent of the region's GDP. The climate finance gap underscores the urgent need for the efficient deployment of available financial resources. The good news is that, although large, the global financing gap represents less than 10 percent of

the total value of assets managed by investment firms globally. With the right policies, some of those resources could be mobilized for climate action.

Multilateral development banks (MDBs) and bilateral agencies have been the main sources of public climate finance in the region, providing loans, concessional finance, grants, and technical assistance. National development banks support domestic initiatives, often focusing on infrastructure and smaller-scale projects. At the same time, private sector investment has been growing rapidly but remains limited. Combining public and private funds can amplify impact. Blending concessional finance from development banks with private capital, for instance, can improve project risk-return profiles, making them more attractive to private investors. An example is the approach that was used by IDB Invest, the private sector arm of the Inter-American Development Bank Group, to support the first four wind and solar projects in Uruguay between 2014 and 2016. Initially, IDB Invest provided concessional finance. This helped attract commercial banks and institutional investors that might have been hesitant to invest in the early stages of development. By 2020, the projects had reached a level of financial maturity that allowed them to be refinanced by the private sector at more attractive rates. The use of blended finance can also facilitate the development of new financial instruments. The creation of green bonds, for instance, supported by MDBs, provides investors with opportunities to finance projects that generate both financial returns and positive outcomes for the climate agenda.

International climate funds can also play a pivotal role in catalyzing private sector investments by providing guarantees, insurance, and other risk transfer and mitigation tools. This is particularly important in Latin America and the Caribbean, where financial markets are still developing and may not have appetite for risky or innovative investments. The Clean Technology Fund (CTF), for example, provided concessional financing in Mexico to reduce the perceived risks associated with investing in renew-

able energy. Guarantees and supporting first-loss equity tranches offered by CTF were instrumental in mobilizing over US$2 billion in private capital for large-scale solar and wind projects. The Green Climate Fund (GCF) has also been active in providing risk mitigation instruments.

A second mechanism for enhancing climate finance is mobilizing additional resources, especially private money that largely remains on the sidelines. Although institutional investors like pension funds, mutual funds, and insurance companies manage trillions of dollars worldwide, they provide relatively little financing for climate projects, and increasing their participation is fraught with challenges. Large-scale climate projects, such as building a clean energy power plant, are typically funded by sponsors—companies that take up equity—and commercial banks, both of which have dedicated teams to manage risks associated with such projects. In contrast, institutional investors generally prefer other types of assets, including liquid ones that are easily traded in financial markets. However, once construction is complete, the cash flows of these large-scale projects become more stable and predictable. At this point, institutional investors may find these projects attractive. To facilitate their participation, it would be necessary to develop tradable financial products. One such product is infrastructure bonds, currently used to finance infrastructure projects in Brazil. To quantify the additional financing available through this source, first assume institutional investors could allocate approximately US$40 trillion in investable funds to climate projects worldwide, a sum that represents just one-third of the total funds managed by institutional investors. If only 5 percent of these funds were allocated to climate projects in emerging markets, roughly US$300 billion in new financing could be available for climate initiatives in Latin America and the Caribbean (based on the region's share in the emerging markets group).

The bottom line is that the financing of climate action in Latin America and the Caribbean calls for a multifaceted

approach. It involves making more of the financial resources currently being mobilized through various sources, mobilizing additional resources, and leveraging private sector investment. MDBs, with their unique blend of financial and technical expertise, are well positioned to lead these efforts and help to bridge the financing gap.

From Peril to Promise

Progress toward implementing sound climate policies has been hampered in the past by the erroneous assumption that they would have adverse overall impacts on the economy, for example, by dramatically raising energy costs. That is a misleading narrative. In this edition of its flagship publication, the Inter-American Development Bank not only exposes this fallacy, but demonstrates that climate action is, instead, an opportunity for economic development; it not only averts costly damages but also advances a range of development goals.

Achieving the region's climate objectives requires widespread public backing, which hinges on the perception that climate action is fair and effective. By addressing these issues, governments can cement support for the necessary measures and pave the way for a brighter, more sustainable future. This book can serve as a resource for governments, firms, and citizens in their quest to both confront the challenges of climate change and capitalize on the opportunities it presents.