

## OPPORTUNITIES FOR LATIN AMERICA WITHIN THE FRAMEWORK OF INTERNATIONAL FINANCIAL REFORM



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## EXECUTIVE SUMMARY

The international financial system, designed to respond to past necessities, no longer meets current needs or addresses emerging crises, exacerbating the gap between North and South countries and hindering the response to climate, social, and debt urgencies in Latin America. This document analyzes the opportunities that restructuring this system offers in the face of climate and economic crises, exploring the institutional reforms proposed by the Bridgetown Initiative that could enhance the fulfillment of the Paris Agreement goals from a climate justice and inequality reduction perspective.

This conversation occurs at a crucial moment for the region, with Brazil chairing the G20 and the momentum generated by the Bridgetown Initiative, the document also aligns with the outcomes of COP 28, which emphasize the urgent need for a fair and just energy transition and mobilizing financial resources to strengthen climate adaptation and resilience.

As the conversation around restructuring the international financial system evolves, additional axes of action are considered, such as reforms to the IMF and World Bank, the role of the WTO in supply chain sustainability, and the governance of international institutions, with an emphasis on transparency, justice, and equity.

In the Latin American context, five key areas for reform are identified:



**Immediate liquidity:** The analysis highlights the positive impact that Special Drawing Rights (SDRs) can have on Latin American countries, given the precedent during the COVID-19 crisis where they provided financial relief. It is suggested to prioritize exchanges between countries and adjust operating rules with intermediaries such as the IMF or BMD. The redistribution of SDRs from surplus countries to those in need could be crucial to address debt crises and support climate resilience initiatives.



**Access to private capital:** For countries with large capital markets and ambitious decarbonization plans, it is proposed to redefine mechanisms for accessing private capital to bridge the gap between transition projects and financing. There is advocacy for reconsidering and restructuring the use of guarantees as a bridge to access such capital, proposing a risk/benefit methodology and a more active role for Multilateral Development Banks as intermediaries.



**Sustainable debt:** Debt-for-nature swaps emerge as a promising mechanism in the region, allowing negotiations tailored to the needs of each country. The importance of combining different debt restructuring mechanisms and linking restructuring to environmental and climate commitments is emphasized.



**SDG Stimulus:** Addressing the high cost of debt and increasing affordable long-term financing aligned with the Sustainable Development Goals (SDGs) is proposed. This represents a new source of financing to achieve the SDGs in Latin America, facilitating the mobilization of capital needed to overcome obstacles and finance sustainable development.



**Governance:** The importance of decentralizing decision-making power, especially in international financial institutions, to promote equity and address the specific needs of developing regions is emphasized. Although positive steps have been taken, it is crucial to accelerate and consolidate these efforts, including more equitable representation in international institutions.

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While these proposals represent a step forward, their success depends on political will and international collaboration to implement significant reforms that promote equity and sustainability globally.

Latin America must unify its voice in the process of structuring a new financial system. It is essential for the region not to perceive this reconfiguration as a concession granted from the North but as a moral obligation to mitigate the effects of the climate crisis, which disproportionately affects those who have less responsibility for its origin. It is necessary for Latin America to actively participate in shaping this new narrative, defending its interests, and promoting an equitable distribution of resources and responsibilities. Only through a firm and united stance can the region ensure that its needs and concerns are adequately considered in the construction of a fairer and more sustainable international financial system.