

Executive summary

There is growing evidence that companies, financial institutions and investors that outperform environmental, social and corporate governance also outperform financially. However, the development of sustainable financial markets around the world is not homogeneous. In this sense, it is important to analyze different markets to understand the impact that the most advanced financial systems and institutions can have and learn from them.

This document reviews the achievements and characteristics of sustainable financial markets and products in Spain and Latin America and the Caribbean. Through an analysis combining regulations, the maturity of the financial system and corporate capacities, together with case studies in each region, the report identifies lessons learned and opportunities to promote and accelerate the development of sustainable financial markets and with it, the transition to more sustainable economies.

The key findings in the different countries and regions analysed are:

- **Spain and Brazil** are the most advanced markets but have different characteristics. Spain has a more standardized market of sustainable financial products based on three pillars: the impetus of the European Union regulatory framework, a solid corporate governance architecture, and an adequate integration of sustainability into the strategic agenda of the banking entities. Brazil adopts a more complex approach, identifying specific opportunities and establishing initiatives and regulations that feed back into the development of the local markets. Brazil is also the country with the highest number of responsible investment products and Principles for Responsible Investment (PRI) signatories, thus making it the most advanced market for sustainable products in Latin America.
- In **Mexico**, the sustainable financial market has grown rapidly in the last few years, especially with the advancement of sustainable finance initiatives and the development of important regulatory frameworks in the country. In addition to that, the Mexican government and local financial institutions have significant financial resources and are less exposed to pressure from external funders than other countries in the region. The market of sustainable financial products in Mexico has focused primarily on directing its products to wholesale and retail banking.
- The sustainable financial markets of the **Southern Cone and the Andes** subregions have the potential for rapid growth in the coming years. Colombia and Paraguay have become regional benchmarks, with an innovative regulatory framework built on consensus between the public and private sectors in Colombia, a framework for actions at the national level in Paraguay, and financial institutions highly prepared to deal with the pressure from funders and regulators.

- As for **Central America and the Caribbean**, they have, on average, the least advanced category in sustainable financial products. There are few regulations on sustainable finance and, in many cases, the overall environment, social and governance (ESG) regulatory framework is recent and not very solid. Sustainable financial products supply is highly dependent on resources from external funders, and customers still need to be sensitized on the subject. However, there are a few more advanced markets in the region, such as Costa Rica, Panama, and Honduras.

Recommendations that can be used by different national players looking to develop the sustainable financial products markets in their region are:

- **Regulators:**
 - Can issue guidelines based on the most important issues for each country that align with international best practices.
 - Can develop a regulatory framework and taxonomies to standardize each country's agenda on sustainability issues.
 - Can offer tax reductions and commercial benefits to encourage sustainable projects or sustainable lines of credit.
- **Funders and investors** can work with financial institutions to establish policies, put in place best practices, and develop strategies on sustainability issues.
- **Multilateral organisations and industry associations** have a key role in developing guides, training activities, and other initiatives to support financial institutions.
- **Academic and research institutions** play a key role in identifying the benefits and disseminating the impacts of a well-developed sustainable financial market.
- **Clients and civil society** can influence financial institutions to continue adopting best practices on sustainability issues and provide more financing options for sustainable projects.