Atlantic Council
ADRIENNE ARSHT
LATIN AMERICA CENTER

UNLOCKING ECONOMIC DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN:

Five Opportunities for Private-Sector Leadership and Partnership

Pepe Zhang with inputs from the Inter-American Development Bank and its private-sector development partners

Atlantic Council

ADRIENNE ARSHT
LATIN AMERICA CENTER

The Atlantic Council's nonpartisan **Adrienne Arsht Latin America Center (AALAC)** broadens understanding of regional transformations while demonstrating why Latin America and the Caribbean matter for the world. The center focuses on pressing political, economic, and social issues that will define the region's trajectory, proposing constructive, results-oriented solutions to inform public sector, business, and multilateral action based on a shared vision for a more prosperous, inclusive, and sustainable future.

AALAC – home to the premier Caribbean Initiative – builds consensus for action in advancing innovative policy perspectives within select lines of programing: US policy in the Western Hemisphere; US-Colombia ties; Venezuela's future; Central America's economic prosperity; Mexico's role in North America; China's next steps in the Americas; Brazil's trajectory; Caribbean development; regional economic development; commercial opportunities; and energy transitions. Jason Marczak serves as the center's senior director.

This report is written and published in accordance with the Atlantic Council Policy on Intellectual Independence. The author is solely responsible for its analysis and recommendations. The Atlantic Council and its donors do not determine, nor do they necessarily endorse or advocate for, any of this report's conclusions.

Atlantic Council
1030 15th Street NW, 12th Floor
Washington, DC 20005

For more information, please visit
www.AtlanticCouncil.org.

ISBN-13: 978-1-61977-278-6

May 2023

Design: Donald Partyka and Anais Gonzalez

Atlantic Council
ADRIENNE ARSHT
LATIN AMERICA CENTER

UNLOCKING ECONOMIC DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN:

Five Opportunities for Private-Sector Leadership and Partnership

Pepe Zhang with inputs from the Inter-American Development Bank and its private-sector development partners

Table of Contents

ACKNOWLEDGEMENTS	**3**
I. EXECUTIVE SUMMARY	**4**
II. INTRODUCTION	**6**
SPECIAL FEATURE: PRIVATE-SECTOR PERCEPTION OF LAC	**6**
III. OVERVIEW OF KEY OPPORTUNITIES	**8**
OPPORTUNITY #1: ENHANCING MARKET SIZE, SCALABILITY, AND REGIONAL INTEGRATION	**11**
INTRODUCING THE OPPORTUNITY	**12**
RECOMMENDATIONS FOR THE PRIVATE SECTOR	**14**
A. FINANCING AND MANAGING HARD INFRASTRUCTURE	*15*
B. IMPROVING SOFT INFRASTRUCTURE	*15*
C. PRIORITIZING NEARSHORING AND RESHORING	*16*
PARTNERSHIP EXAMPLES	**16**
OPPORTUNITY #2: ACCELERATING DIGITALIZATION AND INNOVATION	**18**
INTRODUCING THE OPPORTUNITY	**19**
RECOMMENDATIONS FOR THE PRIVATE SECTOR	**20**
A. IMPROVING DIGITAL INFRASTRUCTURE.	*21*
B. FOSTERING SKILLS	*22*
C. PROMOTING ADOPTION	*22*
PARTNERSHIP EXAMPLES	**23**
OPPORTUNITY #3: IMPROVING STATE GOVERNANCE, INSTITUTIONAL CAPACITY, AND TRANSPARENCY	**24**
INTRODUCING THE OPPORTUNITY	**25**
RECOMMENDATIONS FOR THE PRIVATE SECTOR	**27**
A. IMPROVING DIGITAL GOVERNMENT SERVICES	*27*
B. PROMOTING INFORMATION ACCESS AND ANALYTICS	*28*
C. IMPROVING INTEGRITY AND REGULATORY QUALITY	*28*

PARTNERSHIP EXAMPLES 29

OPPORTUNITY #4: ADDRESSING MULTIDIMENSIONAL INEQUALITY 30

INTRODUCING THE OPPORTUNITY 31

RECOMMENDATIONS FOR THE PRIVATE SECTOR 33

A. ADDRESSING GENDER-BASED INEQUALITY 33

B. EMPOWERING SMES 34

C. TACKLING PLACE-BASED INEQUALITY 34

D. PREPARING FOR SHOCKS 35

PARTNERSHIP EXAMPLES 35

OPPORTUNITY #5: MEANINGFULLY ADVANCING THE GREEN AGENDA 36

INTRODUCING THE OPPORTUNITY 37

RECOMMENDATIONS FOR THE PRIVATE SECTOR 38

A. CREATING GREEN JOBS 38

B. PROMOTING THE CIRCULAR ECONOMY 38

C. PARTAKING IN GREEN FINANCE 39

PARTNERSHIP EXAMPLES 40

CONCLUSION 41

OPPORTUNITIES FOR PRIVATE-SECTOR ACTIONS 42

SPECIAL FEATURE: MAXIMIZING THE POTENTIAL OF PUBLIC-PRIVATE COOPERATION 43

SPECIAL FEATURE: THE ROLE OF THE MULTILATERAL SECTOR 45

ANNEX 46

ANNEX A: METHODOLOGY 46

ANNEX B: AMERICAS BUSINESS DIALOGUE (ABD) RECOMMENDATIONS 48

ABOUT THE AUTHOR 49

Acknowledgements

To sustain the ongoing recovery against short-term headwinds and boost inclusive, productive, and sustainable development in the long term, governments cannot, and should not, act alone. In this context, the Atlantic Council is providing timelier-than-ever insights to highlight the critical role of the private sector in supporting growth and improving lives in Latin America and the Caribbean. As part of this broader effort, this report identifies five opportunities whereby the private sector can drive economic prosperity, sustainable development, and social progress in the region.

This report is a collaborative undertaking with the Inter-American Development Bank (IDB). We would like to thank the IDB for supporting this project financially and substantively. More than a dozen IDB colleagues, led by those at the Office of Outreach and Partnership (ORP), provided inputs and facilitated connections that helped inform this report.

Thank you to the nine private-sector stakeholders and experts who dedicated their time to provide thoughtful insights through one-on-one interviews: Helga Flores Trejo (Bayer), Florence Pourchet (BNP Paribas), Angela Maria Zuluaga (Coca-Cola), Eleonora Rabinovich (Google), Karim Lesina (Millicom), Felipe Rincon (Mastercard), Alejandro Moran Marco (NTT DATA), Alfonso Gomez (Telefonica), and Silvia Constain (Visa). We would also like to thank Reuben Smith-Vaughan (Amazon) for his input and comments. Many more participated in an anonymous survey that fed into this report. All participants were senior executives of multinational corporations that operate in Latin America and the Caribbean and are development partners of the IDB.

Finally, we would like to thank our Adrienne Arsht Latin America Center colleagues Eva Lardizábal and Jacob Kaufhold for their excellent research, writing, and coordination support; and Jeff Fleischer, Donald Partyka, and Anais Gonzalez for their editing and design support.

We are also grateful for the analytical contributions of Paul Kielstra, our survey consultant.

Jason Marczak
Senior Director
Adrienne Arsht Latin America Center
Atlantic Council

Pepe Zhang
Senior Fellow
Adrienne Arsht Latin America Center
Atlantic Council

I. Executive Summary

How does the private sector perceive Latin America and the Caribbean (LAC)? What opportunities do firms find most exciting? And what precisely can companies do to seize on these opportunities and support the region's journey toward recovery and sustainable development? To answer these questions, the Atlantic Council collaborated with the Inter-American Development Bank (IDB) to glean insights from its robust network of private-sector partners. Through surveys and in-depth interviews, this report identified five vital opportunities for the private sector to drive socioeconomic progress in LAC, with sixteen corresponding recommendations private firms can consider as they take steps to support the region.

	OPPORTUNITY #1: ENHANCING MARKET SIZE, SCALABILITY, AND REGIONAL INTEGRATION *The private sector can strengthen the hard and soft infrastructure supporting the region's economies, while drawing them closer together through trade, regulatory, and other integration.*
A)	**Financing and managing hard infrastructure**. Competitive construction and services firms can help boost the cost and operational efficiencies of physical infrastructure underpinning LAC's intra-regional trade, energy, and other integration.
B)	**Improving "soft" infrastructure.** Private-sector expertise and actions can inform and spur regulatory modernization and harmonization in LAC and internationally, which helps attract investment conducive to regional integration.
C)	**Prioritizing nearshoring and reshoring efforts.** Firms across a wide range of sectors may contribute to, and benefit from, better integrated regional supply chains and subsequent export gains.

	OPPORTUNITY #2: ACCELERATING DIGITALIZATION AND INNOVATION *The private sector can improve infrastructure, foster skills, and promote adoption to help the region transform its digital potential into development gains.*
A)	**Improving digital infrastructure.** Information and communication technology (ICT) product and service providers and investors can help strengthen digital connectivity in LAC operationally and financially
B)	**Fostering skills.** Employers and employees should stay innovative and competitive in an increasingly digitized economy through upskilling, reskilling, and workforce-development programs.
C)	**Promoting adoption.** Multinational corporations (MNCs) can accelerate digital development by undertaking internal digital transformation and spurring adoption among suppliers and other businesses within their entrepreneurial ecosystems.

OPPORTUNITY #3: IMPROVING STATE GOVERNANCE, INSTITUTIONAL CAPACITY, AND TRANSPARENCY *Technological, governance, and other cooperation between the public and private sectors can enhance institutional capacity, integrity, government service delivery, and regulatory quality in LAC.*	
A)	**Improving digital-government services.** Private-sector technology and expertise should be leveraged to optimize the provision of government services and boost trust in government.
B)	**Promoting information access and analytics.** Firms and citizens can examine and disseminate governments' open data in ways that enforce transparency and accountability in the public sector (for example, in public procurement).
C)	**Improving integrity and regulatory quality.** Commitment by the private sector (and the public sector) is critical to enhancing governance in LAC, from combating corruption to improving regulations.

OPPORTUNITY #4: ADDRESSING MULTIDIMENSIONAL INEQUALITY *Private-sector actions to reduce gender inequality, level the playing field between small and medium-sized enterprises (SMEs) and large firms, narrow the urban-rural divide, and prepare for global shocks can enable a more prosperous, inclusive economy for LAC.*	
A)	**Addressing gender-based inequality**. Companies must empower female professional advancements, e.g., by addressing constraints arising from caregiving and unpaid domestic work, or by providing skills and entrepreneurial training for women.
B)	**Empowering SMEs.** Larger firms can shore up SME competitiveness by facilitating access to financing, supply-chain integration, and capability-building opportunities.
C)	**Tackling place-based inequality.** Public-private collaboration and investment can make rural areas more accessible to basic services (like water and Internet) and more economically productive, thus reducing the rural-urban divide.
D)	**Preparing for shocks.** Employer-led relief initiatives not only serve to cushion the impact of financial, climate, and other shocks on the lives and livelihoods of employees, but fortify societal cohesion and broader economic resilience.

OPPORTUNITY #5: MEANINGFULLY ADVANCING THE GREEN AGENDA *Private firms can help advance the green agenda by working to create green jobs, taking measures to promote a transition to a circular-economy model, and partaking in green finance.*	
A)	**Creating green jobs.** Firms can help create green jobs by adopting sustainable practices, seizing business opportunities in emerging green sectors, and providing upskilling, reskilling, and other support for workers displaced by the green transition.
B)	**Promoting the circular economy.** Firms can help drive a transition to a circular-economy model by financing circular-economy efforts, supporting multistakeholder initiatives, and adopting and promoting sustainable business practices.
C)	**Partaking in green finance.** The financial sector can help foster a green-finance ecosystem in the region by tightening environmental, social, and governance (ESG) requirements, aligning investments with green objectives, and nurturing green-bond markets in LAC.

II. Introduction

Latin America and the Caribbean stand at a pivotal moment. Hard hit by the pandemic in 2020, the region managed an impressive rebound in 2021 on the back of successful vaccination campaigns and historically intensive fiscal support.[1] However, new uncertainties began to emerge by late 2021. LAC's growth slowed to 3.4 percent in 2022, and is expected to further weaken to 2.8 percent in 2023.[2]

Inflationary pressures, rate hikes in both LAC and advanced economies, spillovers of the war in Ukraine, tightening fiscal positions, and still-high debt levels have dampened the regional macro-outlook.[3] In addition, countries face structural micro-level vulnerabilities—such as rigid and informal labor markets and low productivity—which made LAC the slowest-growing region globally from 2014–2019 and the region worst affected economically by COVID in 2020.[4]

The above challenges—coupled with a lingering pandemic, a global food crisis and energy crunch, and the effects of climate events—are testing public finances and institutions. Much is at stake as governments seek to better serve the needs of their economies and societies. From sustaining the ongoing recovery against short-term headwinds to boosting inclusive, productive, and sustainable development in the long term, governments cannot, and should not, do it alone.

In this context, the **Atlantic Council's Adrienne Arsht Latin America Center (AALAC)** partnered with **the Inter-American Development Bank (IDB)** to highlight the critical role of the private sector in supporting growth and improving lives in LAC. By working directly with IDB's robust network of multinational private-sector partners through surveys and interviews (see Boxes 1 and 2 on next page), AALAC identifies and spotlights **five opportunities whereby the private sector can drive economic prosperity, sustainable development, and social progress in LAC**.

1. **Enhancing market size, scalability, and regional integration:** strengthening the hard and soft infrastructure supporting the region's economies, while drawing them closer together through trade, regulatory, and other integration.
2. **Accelerating digitalization and innovation:** improving infrastructure, fostering skills, and promoting adoption to help the region transform its digital potential into development gains.
3. **Improving state governance, institutional capacity, and transparency:** enhancing institutional capacity, integrity, government-service delivery, and regulatory quality in LAC through technological, governance, and other cooperation with the public sector.
4. **Addressing multidimensional inequality:** reducing gender inequality, leveling the playing field between SMEs and large firms, narrowing the urban-rural divide, and preparing for global shocks to enable a more prosperous, inclusive economy for LAC.
5. **Meaningfully advancing the green agenda:** helping advance the green agenda by working to create green jobs, taking measures to promote a transition to a circular-economy model, and partaking in green finance.

In each opportunity area, the report provides recommendations private firms should consider to maximize their own roles in the region's recovery and continued development, as well as by working through partnerships with the public sector. To inspire ways forward, such recommendations are accompanied by concrete, actionable examples of successful private-sector leadership and partnerships.

Where applicable, the report also introduces relevant, complementary policy recommendations for the public sector by drawing primarily on research of the Americas Business Dialogue (ABD), a private-sector initiative facilitated by the IDB (Annex B). ABD leverages the insights of more than four hundred companies to develop, disseminate, and support the implementation of sound public-policy recommendations.

1 Stimulus in LAC was smaller in size compared to advanced economies, but larger than the stimulus in LAC provided during previous crises.

2 "World Economic Outlook Report April 2023: A Rocky Recovery," International Monetary Fund, April 2022, https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023

3 Eduardo Cavallo, et al., "From Recovery to Renaissance: Turning Crisis into Opportunity," Inter-American Development Bank, April 2023, https://flagships.iadb.org/en/MacroReport2022/From-Recovery-to-Renaissance-Turning-Crisis-into-Opportunity.

4 "GDP Growth (Annual %)—Sub-Saharan Africa, Middle East & North Africa, Latin America & Caribbean, Europe & Central Asia, East Asia & Pacific, European Union, South Asia, North America," World Bank, last visited January 24, 2023, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=ZG-ZQ-ZJ-Z7-Z4-EU-8S-XU&start=2007. LAC had the lowest gross domestic product growth (by percentage) among regions every year from 2014–2019 except 2017, when it was .1 percentage points higher than the Middle East/North Africa.

BOX 1: Partnerships at the IDB

The report is the product of a close collaboration between the Atlantic Council and the IDB. The IDB is the leading source of development financing for Latin America and the Caribbean, with a long track record of working in partnerships with the public, private, nonprofit, philanthropic, and academic sectors. Through its Office of Outreach and Partnerships (ORP), created in 2008, the IDB has managed to cultivate a robust network of partners, including private-sector firms dedicated to supporting the region's development in partnership with the bank. The Atlantic Council engaged more than one hundred of these firms as part of the report-building process.

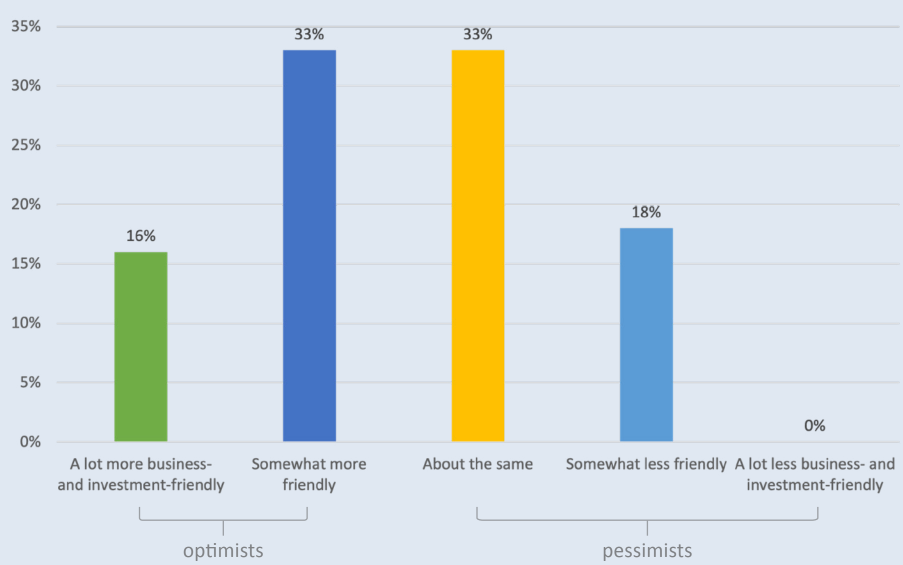
The IDB works with its private-sector partners in many ways, focusing largely on: capturing financing from partners to complement its operations in the region; mobilizing pro-bono knowledge, innovation, and technological solutions from partners that can generate impact in the region, in line with its institutional strategy; and engaging in knowledge sharing, dialogue, networking, and other activities through high-level partnership platforms. To date, the IDB Group has mobilized close to $52 billion from 500+ partners from the private, public and philanthropic sectors, including $5.91 billion in 2022.

BOX 2: Special Feature: Private-Sector Perception of LAC

In addition to identifying the five opportunities of private-sector-led growth in LAC, this report provides a helpful snapshot of business attitudes toward the region, through a series of surveys and interviews conducted in May and July 2022 (see methodology in Annex A). Survey respondents—private-sector partners of the IDB—are predominantly multinational companies and represent fifteen sectors. Seventy-nine percent of these companies operate in two or more LAC countries and 65 percent employ more than four hundred people in the region. The survey yields two salient insights.

The first of these insights is that business leaders perceive the region through a spectrum of optimistic and pessimistic lenses. In brief, survey respondents are almost exactly split on whether the overall business and investment environments in LAC have improved over the last decade. The optimists, which make up 49 percent of respondents, consider the environments to be friendlier or much friendlier than in the past, whereas the pessimists (the other 51 percent) see stagnation or even deterioration in these conditions (Figure 1). Interestingly, the two groups are not defined by discernible differences in terms of the industries or subregions in which they operate, or in the demography of the respondent.

Figure 1. In the last ten years, how have the business and investment environments changed in LAC?



SOURCE: Atlantic Council survey 2022

The optimism-versus-pessimism dichotomy reflects more than just two contrasting views of the region's past trajectory. Rather, dissecting survey responses by optimists and pessimists reveals their respective underlying perspectives on LAC's strengths and weaknesses—and, implicitly, their disagreements and surprising agreements. For example, while optimists are more hopeful about, and place greater emphasis on, LAC's digital and innovation potential than the pessimists, optimists fully concur with pessimists that governance and institutions are top challenges facing LAC.

Comparisons like this—see numerous "additional survey insight" boxes throughout the report—add more nuance to the analysis, as well as the resulting, forward-looking recommendations. Although perceptions are hard to change, progress in the five opportunity areas outlined below will be key to tipping the balance of optimism and pessimism in LAC's favor. This is important because perceptions guide decision-making: perceived risks and weaknesses can undercut investment, while a shift toward more optimistic views of the region can do the opposite.

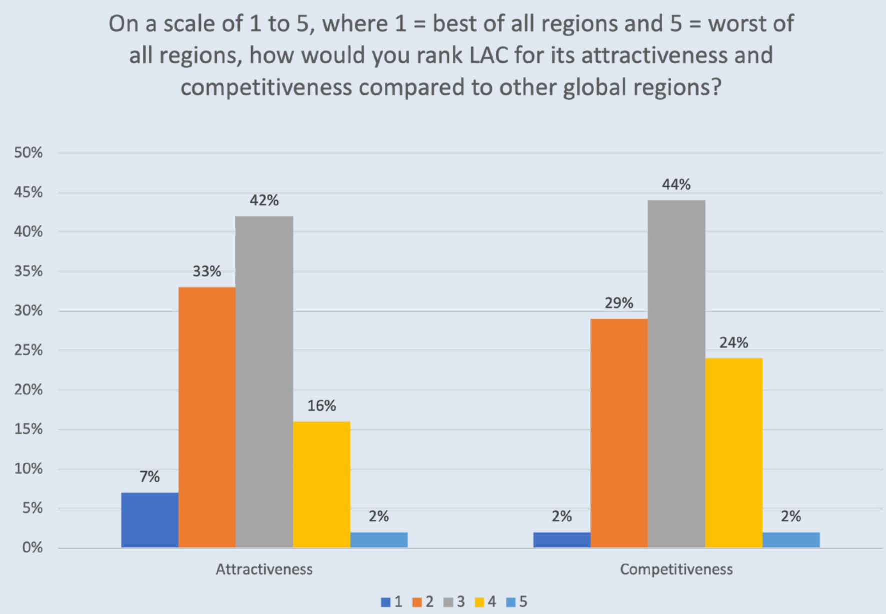
Second, the survey displays a more favorable perception of LAC than common wisdom or an "international observer" might suggest. On one hand, reputable international assessments of business friendliness and competitiveness—conducted by organizations such as the Economist Intelligence Unit, the World Economic Forum, and the Institute for Management Development—tend to place LAC in the bottom half of all countries.[5] On the other hand, our survey respondents—including the pessimists—see LAC as slightly more attractive than the global average (see Figures 2 and 3 below).[6] Despite the potential positive bias of our multinational survey respondents toward LAC, it offers hope that they suggest—in a global context—that LAC may have more to offer than meets the eye.

To further explore such varied perceptions of LAC, the report compares LAC to other regions through objective metrics, where applicable. More importantly, an obvious takeaway is that, going forward, the region needs to lower its "barriers to entry" and make its opportunities more accessible to everyone, whether knowledgeable observers or those who do not necessarily possess a deep understanding of local conditions. Effective and constructive public-private collaboration and dialogues, including those undertaken in preparation for this report, will be indispensable to rallying international optimism and attention in specific countries, and in the region in general.

5 "EIU Global Outlook—a summary of our latest global views," Economist, June 15, 2022, http://country.eiu.com/article.aspx?articleid=532192036&Country=United+States&topic=Economy&subto_1; "World Competitiveness Ranking," International Institute for Management Development, last visited January 24, 2023, https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness; "The Global Competitiveness Report 2019," World Economic Forum, 2019, https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf.

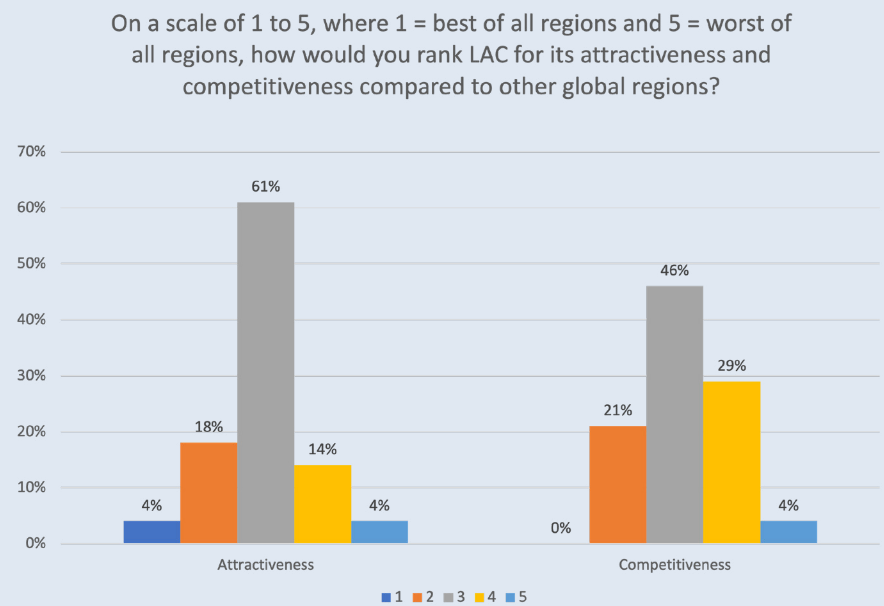
6 Question 6 asked "On a scale of 1 to 5, where 1 = best of all regions and 5 = worst of all regions, how would you rank LAC for its attractiveness and competitiveness compared to other global regions?" The mean ranking for attractiveness is 2.7, where three means the respondent thinks the region average globally. For competitiveness, the mean is 2.9. See Figures 2 and34 below.

Figure 2. Overall LAC attractiveness and competitiveness compared to other regions.



SOURCE: Atlantic Council survey 2022

Figure 3. Pessimists' views on LAC attractiveness and competitiveness compared to other regions.



SOURCE: Atlantic Council survey 2022

III. Overview of Key Opportunities

OPPORTUNITY #1: 11
Enhancing Market Size, Scalability, and Regional Integration

OPPORTUNITY #2: 18
Accelerating Digitalization and Innovation

OPPORTUNITY #3: 24
Improving State Governance, Institutional Capacity, and Transparency

OPPORTUNITY #4: 30
Addressing Multidimensional Inequality

OPPORTUNITY #5: 36
Meaningfully Advancing the Green Agenda

OPPORTUNITY #1:

Enhancing Market Size, Scalability, and Regional Integration

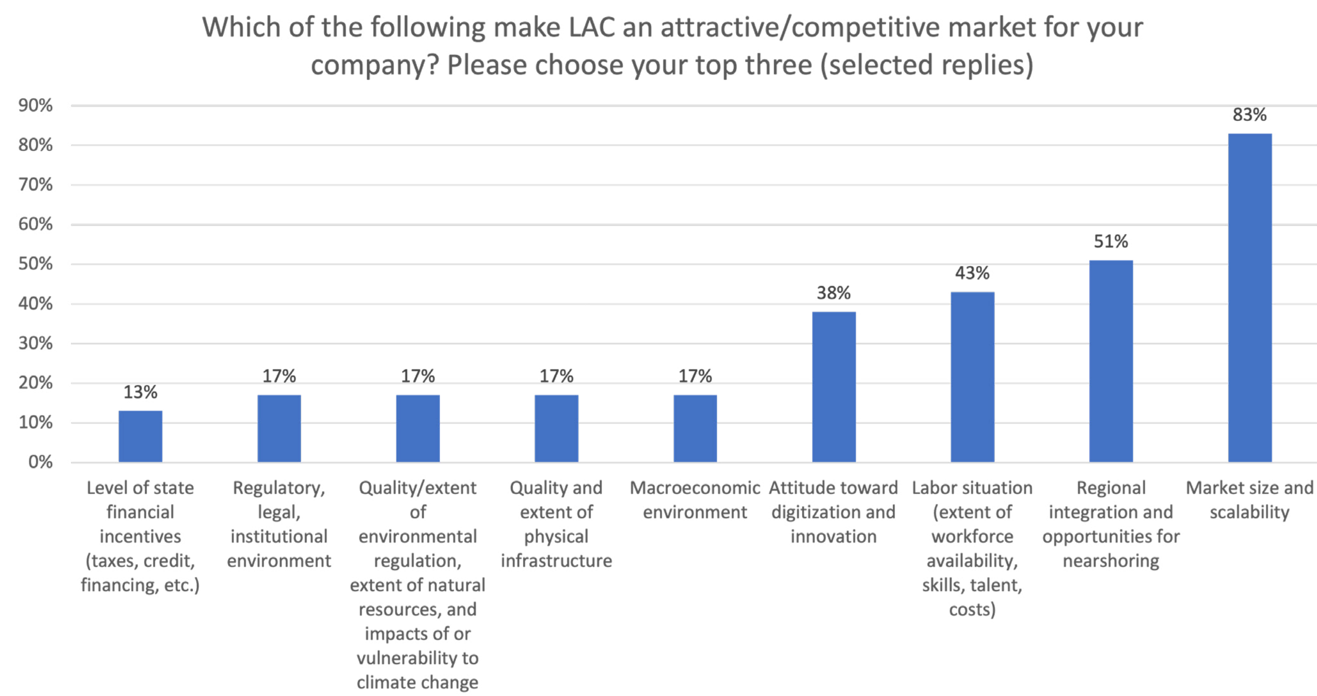
Lowering freight transport costs will be key for expanding intra-regional trade in the region, through ports like Valparaiso.
Image credit: REUTERS/Rodrigo Garrido

Introducing the Opportunity

The first major growth opportunity in LAC identified by survey respondents is the region's potential as a large, scalable, and well-integrated market. Eighty-three percent of respondents ranked "market size and scalability" among the region's top three attractive qualities (see Figure 4 and Box 3 below). Indeed, LAC—with a gross domestic product (GDP) of $4.56 trillion and home to 658 million people and three Group of Twenty (G20) economies (Argentina, Brazil, and Mexico)—boasts a dynamic consumer base and a young workforce that entice globally minded companies.[7]

In addition to the size of its individual markets, LAC offers a number of advantages for cross-border business expansion, aided by factors such as common languages—Spanish in eighteen countries and English in twelve. Such scalability factors are hard to come by in other geographies with larger GDPs or populations, such as South Asia ($4.09 trillion and 1.88 billion people) or Europe ($24.02 trillion and 743 million people).[8] LAC's homegrown digital entrepreneurs have been particularly skillful in seizing the region's scalability edge. Last year, Uala, an Argentine fintech unicorn, entered the Colombian market, its second overseas market in two years, with its eyes set on expansion into Chile, Paraguay, Peru, and beyond.[9] Success stories of cross-border growth like this in LAC illustrate why 51 percent of survey respondents considered "regional integration" central to LAC's competitiveness, second only to "market size and scalability."

Figure 4. Top three factors that make LAC an attractive/competitive market.



SOURCE: Atlantic Council survey 2022

7 "GDP, Current Prices, Billions of USD," International Monetary Fund, last visited January 24, 2023, https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; "Population, Total—Latin America & Caribbean," World Bank, last visited January 24, 2023, https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ZJ.

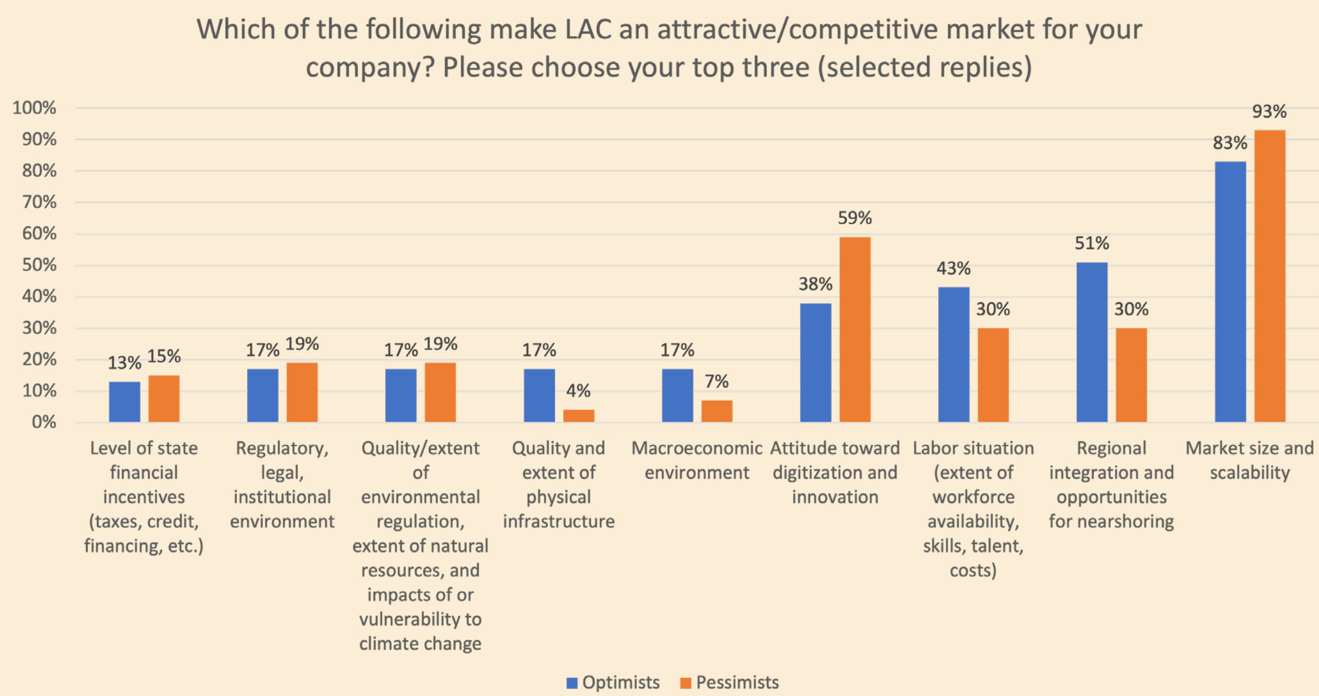
8 "GDP (Current US$)—South Asia," World Bank, last visited January 24, 2023. https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=8S; "Population, Total—South Asia," World Bank, last visited January 24, 2023, https://data.worldbank.org/indicator/SP.POP.TOTL?locations=8S; " GDP, Current Prices, Billions of USD"; "Estimated Population of Europe from 1950 to 2022," Statista, July 2022, https://www.statista.com/statistics/1106711/population-of-europe/.

9 Jorgelina do Rosario and Carolina Millan, "Argentine Fintech Ualá Launches in Colombia amid Latin American Expansion," *Buenos Aires Times*, January 27, 2022, https://www.batimes.com.ar/news/argentine-fintech-uala-launches-in-colombia-amid-latin-american-expansion.phtml; "Tencent, SoftBank-led Funding Pushes Argentina's Uala to $2.45 Bln Valuation," Reuters, August 13, 2021, https://www.reuters.com/technology/tencent-softbank-led-funding-pushes-argentinas-uala-245-bln-valuation-2021-08-13; Augustin Geist, "Argentina's Cashless King Targets Latin America's Unbanked Millions," Reuters, May 7, 2021, https://www.reuters.com/world/americas/argentinas-cashless-king-targets-latin-americas-unbanked-millions-2021-05-07.

BOX 3: Additional Survey Insight: Optimists versus Pessimists

While survey optimists perceive positive change in LAC's business environment over the last decade, pessimists do not. Optimists and pessimists also disagree on a number of LAC's strengths and weaknesses, and attach different relative weights to each of them; these differing priorities are illustrated below in Figure 5. Both groups, however, agree that the region's **market size and scalability** are LAC's most important attractive factor, indicating the need for the private and public sectors to sustain and further this opportunity.

Figure 5. What attracts optimists and pessimists to LAC?



SOURCE: Atlantic Council survey 2022

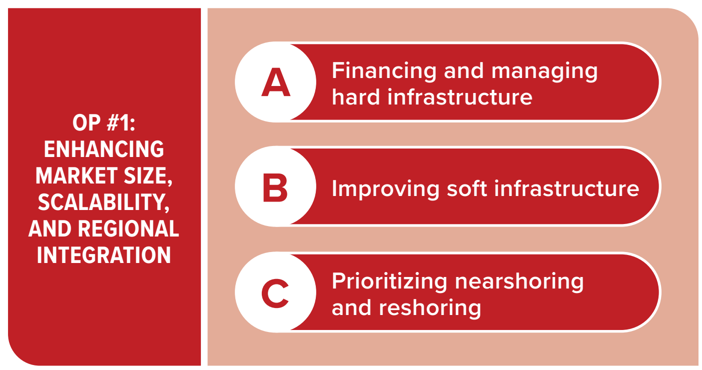
Despite said natural advantage and recent progress, LAC has yet to unlock the full potential of regional scalability and regional integration. For example, intra-regional trade needs a boost, as its share of LAC´s overall trade has steadily declined by a total of 4.2 percentage points since 2010.[10] In 2020, just over 13 percent of national exports from LAC countries stayed in the wider region, much lower than in Europe (67.7 percent), Asia (58 percent), and Africa (17.8 percent).[11] IDB and ABD studies have consistently demonstrated that deeper integration into global and regional value chains will require lowering export costs and times and **improving physical and regulatory infrastructure (recommendations A and B below).** By one estimate, a 10-percent decrease in freight-transport costs could increase intra-regional exports in South America by 30 to 40 percent, expanding the size of the regional market.[12] Synergizing national-level efforts on trade facilitation will not only help strengthen regional integration, but can enhance LAC's collective export competitiveness by combining country-specific specializations. This, in turn, better positions the region as a **reshoring and nearshoring destination (recommendation C below)** during this time of global supply-chain relocation.

A coordinated regional approach is also necessary for **tackling non-trade challenges** facing LAC countries, such as climate and the environment. The Leticia Pact, an agreement among seven nations to promote sustainable development models in the Amazon—supported by the IDB's Amazon Initiative—is a good example. The creation of the Eastern Tropical Pacific Marine Corridor (CMAR), bringing together Colombia, Costa Rica, Ecuador, and Panama to preserve marine environments against exploitation, further illustrates the region's collaborative spirit.[13] Similarly, regional energy integration through cooperation with the private sector is vital for advancing climate and economic goals: private firms are leaders in renewable energy, and have an important role in managing and improving distribution networks.[14]

Recommendations for the Private Sector

The private sector, in coordination with the public sector, has a key role to play in scaling regional potential and furthering regional integration in trade, climate, digitalization, and other areas. Some IDB's private-sector partners see a lack of **regional integration as the defining challenge** for the region.[15] Three promising opportunities for private sector action in this space include

- **financing and managing hard infrastructure;**
- **improving soft infrastructure; and**
- **prioritizing nearshoring and reshoring efforts**.



10 Paolo Giordano, et al., "Rough Patch: Latin America and the Caribbean Amid the Global Trade Slowdown," Inter-American Development Bank, 2019, 34, https://publications.iadb.org/en/trade-and-integration-monitor-2019-rough-patch-latin-america-and-caribbean-amid-global-trade.

11 "Trade Structure by Partner," *Handbook of Statistics 2022,* United Nations Conference on Trade and Development, last visited January 24, 2023, https://hbs.unctad.org/trade-structure-by-partner; *Latin American Economic Outlook 2021: Working Together for a better recovery* (Paris: OECD Publishing, 2021).

12 Theodore Kahn, Antoni Estevadeordal, and Mauricio Mesquita Moreira, "Bringing Down the Barriers: a Review of IDB Research on Trade Costs in Latin America and the Caribbean," Inter-American Development Bank, 2015, 33, https://publications.iadb.org/en/bringing-down-barriers-idb-research-trade-costs-lac.

13 Dan Collyns, "Latin American Countries Join Reserves to Create Vast Marine Protected Area," *Guardian*, November 2, 2021, https://www.theguardian.com/environment/2021/nov/02/four-latin-american-countries-join-protected-marine-reserves-to-create-mega-mpa.

14 Adriana Valencia and Michelle Hallack, "¿Cuál Es la Participación del Sector Privado en el Sector de Energía Eléctrica en América Latina y el Caribe?" *Energía para el futuro* (blog), Inter-American Development Bank, August 17, 2022, https://blogs.iadb.org/energia/es/cual-es-la-participacion-del-sector-privado-en-el-sector-de-energia-electrica-en-america-latina-y-el-caribe/#:~:text=En%20transmisi%C3%B3n%2C%20desde%202002%20el,representan%20el%20100%25%20del%20mercado.

15 Alejandro Morán, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

A. FINANCING AND MANAGING HARD INFRASTRUCTURE

Expanding LAC's integration and economic potential will require better **physical, or hard, infrastructure.** In the wake of high debt and limited fiscal space from the pandemic, the private sector can help fill the region's infrastructure-financing gap—which amounts to $2.22 trillion over the next decade—by ramping up investment and collaboration with the public sector.[16]

Beyond this budgetary necessity, evidence indicates that private participation can bring greater efficiency and productivity to infrastructure management. Already the main suppliers and builders of infrastructure assets in LAC, private firms are increasingly contributing to the provision and improvement of infrastructure services and delivery.[17] For example, public-private partnerships (PPPs) result in road-maintenance costs that are 25–30 percent lower compared to traditional contracting, while the increase in ports operated under PPPs in the region has coincided with average operational efficiency gains of 20 percent.[18] Enhanced connectivity infrastructure, within and across national borders like ports and roads, reduces transport costs, increases trade, and boosts integration. **This benefits the private sector, too**, as it builds resilience against supply-chain disruptions that have become more frequent and costly due to climate change and other events.[19]

Infrastructure integration should not focus solely on trade opportunities. Energy-integration projects, like the Central American Electrical Interconnection System (SIEPAC), can offer increased market access to and "lower costs for businesses and the region's inhabitants" while "generating higher levels of productivity and economic competitiveness."[20] Integrating energy markets across Latin America while pursuing renewable energy would reduce greenhouse-gas emissions by 14.7 percent, and total system costs (including investment, operation, and maintenance) by $20.3 billion, in a base scenario.[21] Several LAC countries, especially Brazil and its neighbors, have power-sharing agreements; Argentina and Chile concluded one in 2021, leveraging a privately owned transmission line between the two countries.[22] As regional governments combine integration efforts while navigating fiscal and climate sustainability, this is a timely moment to better leverage private-sector financing and management of hard infrastructure.

B. IMPROVING SOFT INFRASTRUCTURE

Consistent with ABD recommendations, companies including Telefónica and Bayer indicated that the improvement of hard infrastructure should be accompanied by the streamlining of complementary, **soft infrastructure**.[23] In the context of regional integration, this may include the rules, regulations, institutions, incentives, processes, and technologies that govern regional integration and scalability. Similarly, BNP Paribas, the Coca-Cola Company, and Visa emphasized the importance of regulatory modernization and harmonization within and across borders. **International regulatory cooperation (IRC)**—from digital, data, and financial to trade, taxation, human capital, and ESG—helps "promote interoperability and wide adoption" and scalability of standards, technologies, and best practices in LAC.[24]

While governments are traditionally responsible for setting up the soft infrastructure for IRC, **private-sector input and actions are vital to ensuring that such infrastructure meets user needs**. For example, IRC around cross-border data flows and digital services, which will shape future regional and global integration agendas, calls for private-sector collaboration to reduce barriers to entry and protect the interests of consumers in digital commerce.

16 Measurement is in order to achieve SDGs by 2030. "The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals," Inter-American Development Bank, December 2021, https://publications.iadb.org/en/infrastructure-gap-latin-america-and-caribbean-investment-needed-through-2030-meet-sustainable#:~:text=According%20to%20the%20calculations%20of,necessary%20to%20meet%20the%20SDGs; Alison Buckholtz, "Why Latin America Needs the Private Sector More Than Ever," *IFC Insights* (blog), International Finance Corporation, April 2020, https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/why-lac-need-ps.

17 "From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean," Inter-American Development Bank, last visited January 25, 2023, https://flagships.iadb.org/en/DIA2020/from-structures-to-services. While infrastructure projects are often funded by governments, private firms are usually responsible for the actual construction.

18 Thomás Serebrisky, Juan Pablo Brichetti, Allen Blackman, and Mauricio Mesquita Moreira, *Sustainable and digital infrastructure for the post-COVID-19 economic recovery of Latin America & Caribbean: a roadmap to more jobs, integration and growth*, Inter-American Development Bank, 2020, 80, https://publications.iadb.org/en/sustainable-and-digital-infrastructure-for-the-post-covid-19-economic-recovery-of-latin-america-and-the-caribbean-a-roadmap-to-more-jobs-integration-and-growth; Ancor Suárez-Alemán, Gastón Astesiano, and Oscar Ponce de León, "Public-Private Partnerships in Ports: Main Figures and Trends in in Latin America and the Caribbean," Inter-American Development Bank, 2020, 2, https://publications.iadb.org/publications/english/document/Public-Private-Partnerships-in-Ports-Main-Figures-and-Trends-in-Latin-America-and-the-Caribbean.pdf.

19 Eduardo Cavallo, Andrew Powell, and Tomás Serebrisky, eds., *From Structures to Services: the Path to Better Infrastructure in Latin America and the Caribbean* (Washington, DC: Inter-American Development Bank, 2020), 152–153.

20 "Action for Growth: Policy Recommendations and 2018-2021 Action Plan for Growth in the Americas," Inter-American Development Bank, 2018, 74, recommendation 25, https://publications.iadb.org/en/action-growth-policy-recommendations-and-2018-2021-action-plan-growth-americas.

21 Juan Roberto Paredes, "*Red del Futuro: Desarrollo de Una Red Eléctrica Limpia y Sostenible para América Latina*," Inter-American Development Bank, 2017, 60–65, https://publications.iadb.org/es/la-red-del-futuro-desarrollo-de-una-red-electrica-limpia-y-sostenible-para-america-latina.

22 "*Las Claves para Lograr Una Integración Energética Regional Más Estrecha*," Bnamericas, June 9, 2022, https://www.bnamericas.com/es/noticias/las-claves-para-lograr-una-integracion-energetica-regional-mas-estrecha.

23 Alfonso Gomez, interview by Pepe Zhang, *Experts of the Americas,* forthcoming; Helga Flores Trejo, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

24 "Policy Recommendations, IX Summit of the Americas: Building a Sustainable, Resilient, and Equitable Future," Americas Business Dialogue, 2022, 37, recommendation 14, https://americasbd.org/ABD%20Policy%20Recommendations%20-%20IX%20Summit%20of%20the%20Americas.pdf.

Finally, **improved regulatory infrastructure** also creates positive externalities to accelerate regional integration by upgrading LAC's **hard infrastructure (recommendation A above)**. For instance, **well-designed PPP frameworks and projects**, coupled with solid financing structures and risk-mitigation tools, can incentivize private-sector and foreign **investment in connectivity and other types of hard infrastructure**. In Nova Lima, Brazil, an IDB-supported infrastructure and public-lighting PPP led a private-sector investor to replace all streetlights with light-emitting diodes (LEDs) and provide maintenance for fifteen years. This project was commercially viable from the investor's perspective, socially responsible as it made the city safer at night, and fiscally prudent as reduced electricity consumption offset project costs.

Taking such successful public-private partnerships and dialogues from national to regional level, fluid "coordination between regulators and…actors in the Americas" can "increase the competitiveness and attractiveness of the region on a global scale."[25] A robust regional soft infrastructure is, therefore, helpful for establishing LAC as a **reshoring destination (recommendation C below)**, among other things.

C. PRIORITIZING NEARSHORING AND RESHORING

As global economic and geopolitical events have triggered a reshuffling of supply chains in recent years, the groundwork is being laid for greater production relocation to the Americas. IDB estimates that potential **nearshoring** investments could translate into $78 billion in export gains for LAC in the medium term.[26] Greater regional integration and coordination, coupled with domestic reforms and efforts to boost competitiveness, are key "**pull factors"** for making reshoring and nearshoring a reality in LAC.[27]

The Alliance for Development in Democracy (ADD), for example, brings together Costa Rica, the Dominican Republic, Panama, and Ecuador to synergize trade and investment-attraction efforts. As ADD and other governments start taking decisive actions to foster reshoring, the international and local private sectors may follow suit. **Multinational companies (MNCs) can contribute to—and benefit from—more efficient and resilient supply chains in LAC,** whether by enhancing LAC's **hard and soft integration infrastructure** or facilitating **technical know-how sharing and workforce development**. Gap Inc. is one of many companies increasing sourcing from Mexico and Central America while providing supplier training in the region.[28]

To help companies operating in the region capitalize on the opportunity nearshoring presents, IDB Invest—the IDB's private-sector arm—approved $1.2 billion in loans in 2021 through trade and supply-chain financing, blended financing, and partial credit enhancements or risk-sharing guarantees.[29] These loans can "help generate additional funding, including financing from other multilateral organizations, and mobilize resources from the public and private sectors," spurring further investment. Companies interested in diversifying supply networks may utilize opportunities like this to shift production toward LAC and away from far-flung supply chains vulnerable to geopolitical instability and concentration risks.

Partnership Examples

A great example of how the private sector is advancing **regional integration**—specifically, through the **improvement of soft infrastructure (recommendation B above)**—is ConnectAmericas, the first social business network in the Americas dedicated to promoting international **trade and investment**. Created by IDB, with support from anchor partners DHL, Google, MasterCard, Meta, and SeaLand, ConnectAmericas helps LAC SMEs to operate across borders, export, grow, and access **regional and international supply chains**. ConnectAmericas works toward these goals by joining forces with diverse partners to produce and deliver cutting-edge knowledge products and training programs tailored to the needs of small businesses. It also maps out financing opportunities and connects users to relevant business networks.

ConnectAmericas also works through flagship initiatives to expand its offerings and impact. One key program is Women Growing Together in the Americas, established in 2021 to support women-led enterprises in three main areas: capacity building and production improvements to facilitate their insertion into foreign trade and value chains; the use and adoption of information and communication technologies to transform and optimize business

25 "Action for Growth," 56, recommendation 13.

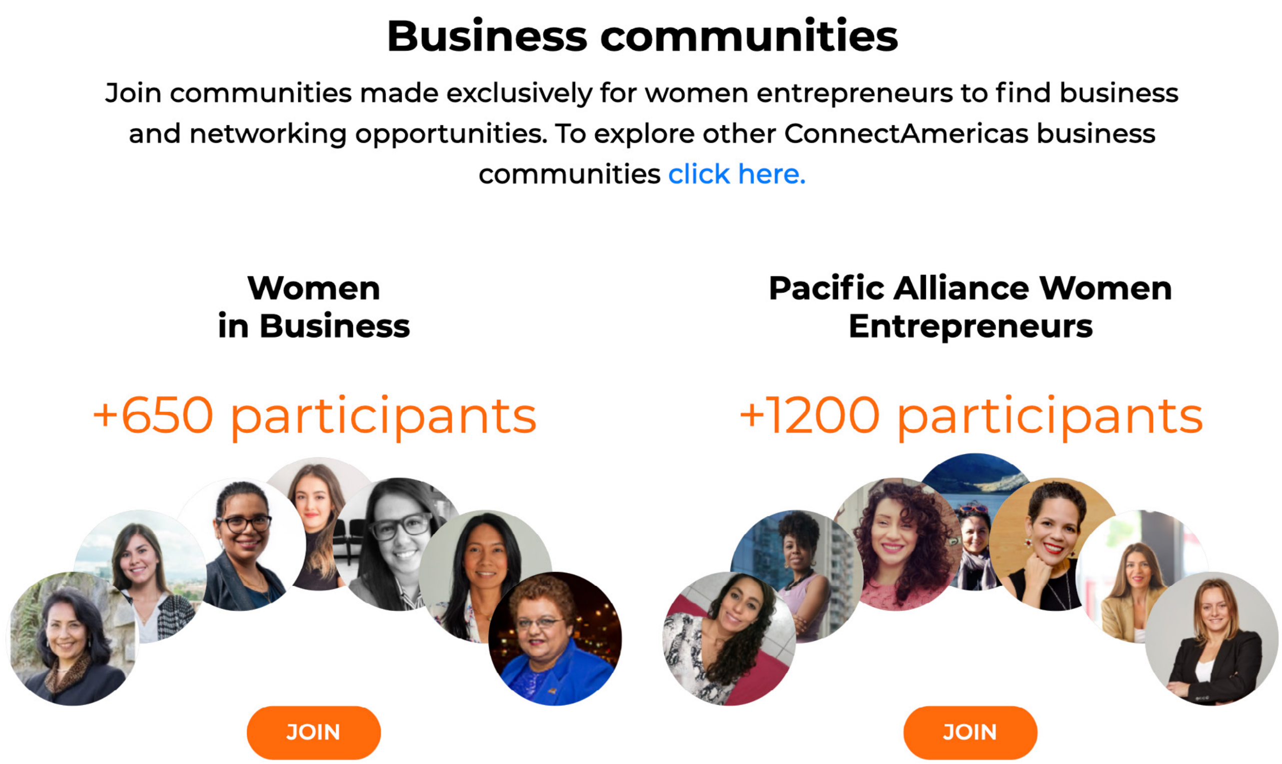
26 "Nearshoring Can Add Annual $78 Bln in Exports from Latin America and Caribbean," Inter-American Development Bank, press release, June 7, 2022, https://www.iadb.org/en/news/nearshoring-can-add-annual-78-bln-exports-latin-america-and-caribbean#:~:text=LOS%20ANGELES%20%E2%80%93%20Nearshoring%20could%20add,to%20estimates%20by%20the%20Inter.

27 Octaviano Canuto, Justin Yifu Lin, and Pepe Zhang, "Geopoliticized Industrial Policy Won't Work," *Project Syndicate*, February 24, 2022, https://www.project-syndicate.org/commentary/geopolitics-no-basis-for-reshoring-production-by-otaviano-canuto-et-al-2022-02.

28 "Capability Building Programs," Gap Inc., last visited January 25, 2022, https://www.gapinc.com/en-us/values/sustainability/esg-resources/human-rights-and-labor-issues/capability-building-programs; Hannah Abdullah, "Gap Inc Expands LatAm Sourcing as Supply Disruption Weighs," *JustStyle*, March 10, 2022, https://www.just-style.com/news/gap-inc-expands-latam-sourcing-as-supply-disruption-weighs.

29 "Nearshoring Can Add Annual $78 Bln in Exports from Latin America and Caribbean"; Factsheet—Ministers and CEO Forum on Trade and Investment," Inter-American Development Bank, June 7, 2022, http://www.iadb.org/document.cfm?id=EZSHARE-1059354427-25.

Figure 6: Screenshot of ConnectAmericas Women initiative

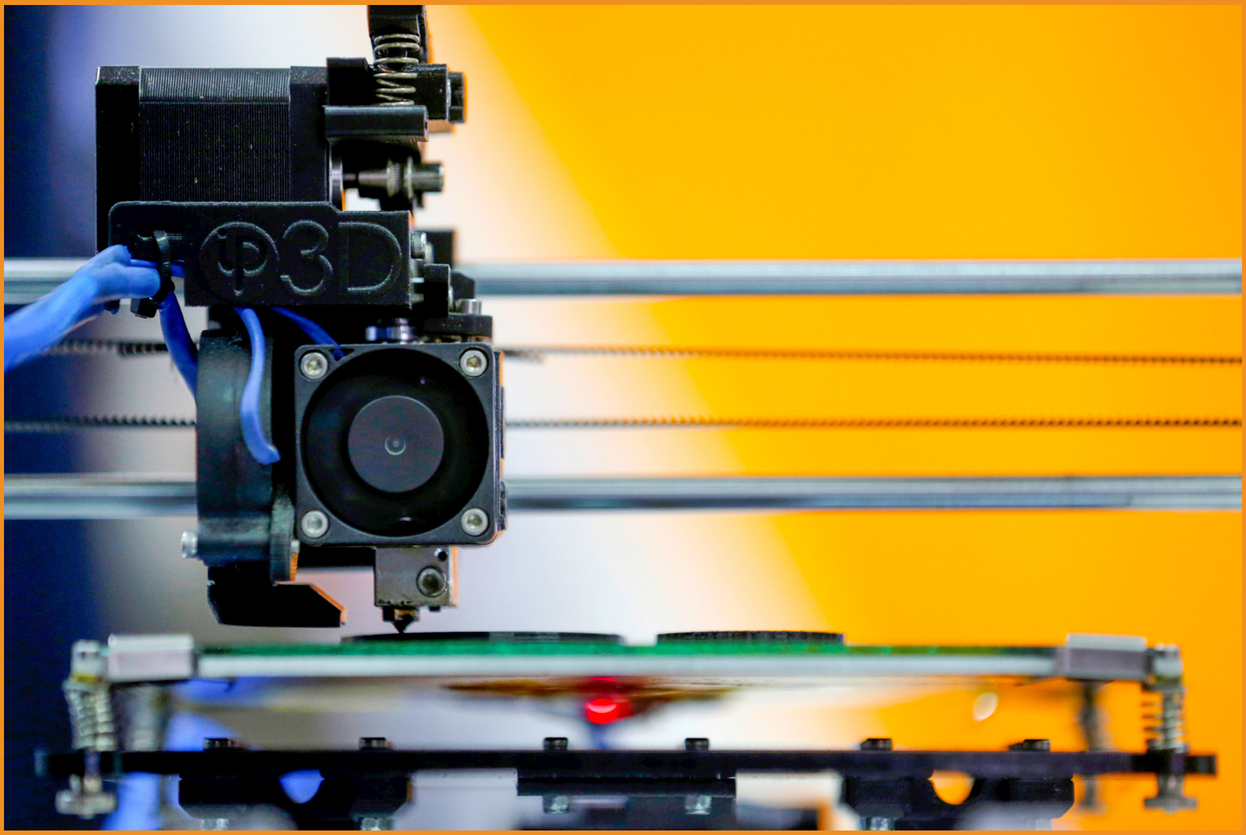


processes; and improvements to financial management to facilitate growth. These training programs reached and integrated a community of more than one hundred and sixty-five thousand female entrepreneurs and women-led SMEs interested in internationalizing their businesses. The program is an essential part of the ConnectAmericas for Women initiative (see Figure 6 above), a special component of ConnectAmericas customized to connect women entrepreneurs with practical business tools and opportunities. Firms including Accenture, Meta, Mastercard, NEC, Visa, and Microsoft are partnering with the new initiative, which builds on the achievements of IDB's #100kChallenge, a campaign that connected, trained, and certified more than one hundred thousand women entrepreneurs in LAC by the end of 2021. The #100kChallenge was a collaboration between the IDB and leading partners including Airbnb, Coca-Cola, Danper, DHL, IBM, Google, Mastercard, Meta, Microsoft, and PepsiCo.

Across all these examples, the participation of private-sector partners was essential. Firms provided critical financial resources to make ConnectAmericas, Women Growing Together in the Americas, and the #100KChallenge possible, channeling resources toward the general design and implementation of these initiatives or to fund specific components of program delivery. In addition, firms often aligned their support with their own core competencies, providing the time and expertise of their staff, technological solutions, knowledge, and connections to enrich these programs for beneficiaries.

OPPORTUNITY #2:

Accelerating Digitalization and Innovation



Boosting training programs for new technologies – like the 3D printer on display here at the Colombia 4.0 tech conference – will help LAC take advantage of increasing digitalization and innovation. Image credit: REUTERS/Luisa Gonzalez

Introducing the Opportunity

A second major private-sector-led opportunity for accelerating growth in LAC is digitalization and innovation. In our interviews with IDB partners, senior executives in LAC—from Google and Millicom to Coca-Cola and Bayer—pointed to digitalization as a key lever for leapfrogging regional development across different economic sectors, through productivity and innovation gains.[30]

LAC has made considerable progress in accelerating digitalization and amplifying its transformational impact. Internet penetration has never been higher, particularly among youth populations where nearly 90 percent of those 15–24 are online.[31] By 2021, LAC was already the fastest-growing regional e-commerce market and the fastest growing for venture funding at a global scale.[32] Six LAC countries were listed among the sixteen "digital sprinters"—a set of emerging markets with the potential to sprint toward economic development by pursuing ambitious digital transformation—per a 2020 Google report.[33] Two of them, Chile and Mexico, are at the forefront of global standard setting in digital-intensive trade negotiations and agreements, respectively through the Digital Economy Partnership Agreement (DEPA) and United States-Mexico-Canada Trade Agreement (USMCA).[34]

Despite overall advances toward digitalization, however, LAC's digital potential is still constrained by a lack of at least three enablers: **infrastructure, skills, and adoption (respectively, recommendations A, B, and C below).**

The deployment and adoption of broadband in LAC over the last fifteen years have evolved at an accelerated pace, but half of the population remains disconnected. For example, while 87 percent of the region's population lives within a fourth-generation (4G) signal range, actual usage and penetration remain at 37 percent.[35] As the ABD notes, "4G adoption, digital payment usage, and broadband quality remain much lower than they are in Organisation for Economic Co-operation and Development (OECD) countries."[36] Improving **infrastructure (recommendation A below)** to close the digital-connectivity gap with OECD countries would create more than fifteen million jobs, boost regional GDP by 7.7 percent, and increase productivity by 6.3 percent.[37]

In terms of **skills (recommendation B below)**, adults in LAC who do not pass the basic ICT test represent up to 75 percent in the countries measured, with the OECD average being 28 percent.[38] Moreover, only 5–15 percent of adults in most LAC countries possess medium or strong computer and problem-solving skills in technology-rich environments, compared with 29.7 percent in OECD countries.[39] Some companies, such as telecommunications giant Millicom, see digital skills as both a source of growth and an obstacle to overcome for the region.[40] Enhancing digital literacy among LAC populations would enable the region to better adapt to, compete in, and reap the benefits of an increasingly digital global labor market.[41]

30 Eleonora Rabinovich, interview by Pepe Zhang, *Experts of the Americas,* forthcoming; Karim Lesina, interview by Pepe Zhang, *Experts of the Americas,* forthcoming; Angela Zuluaga, interview by Pepe Zhang, *Experts of the Americas,* forthcoming; Helga Flores Trejo, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

31 "Number of Internet Users in Selected Latin American Countries as of January 2022," Statista, August 12, 2022, https://www.statista.com/statistics/186919/number-of-internet-users-in-latin-american-countries; "The State of the World's Children 2017:Children in a Digital World," United Nations Children's Fund, December 6, 2017, https://www.unicef.org/media/48581/file/SOWC_2017_ENG.pdf.

32 "The Rise of E-Commerce in Latin America," Fidelity International, last visited August 1, 2022, https://www.fidelity.com.sg/articles/analysis-and-research/2021-03-22-the-rise-of-e-commerce-in-latin-america-1616387364368#:~:text=In%202020%2C%20Latin%20America%20became,commerce%20penetration%20levels%20remain%20low; Joanna Glasner, "Here's What's Driving Latin America's Rank As The World's Fastest-Growing Region For Venture Funding," *Crunchbase News*, January 21, 2022, https://news.crunchbase.com/startups/latin-america-venture-growth-startups-2021-monthly-recap.

33 "The Digital Sprinters: Driving Growth in Emerging Markets," Google, November 16, 2020, https://blog.google/documents/94/The_Digital_Sprinters_FINAL.pdf.

34 "DEPA: Digital Economy Partnership Agreement," Under Secretariat for International Economic Relations, Republic of Chile, last visited August 1, 2022, https://www.subrei.gob.cl/en/landings/depa; "Chapter 19: Digital Trade" in *United States-Mexico-Canada Free Trade Agreement (USMCA)*, http://www.sice.oas.org/Trade/USMCA/English/19DigitalTrade.pdf.

35 World Bank, "Narrowing Latin America's Digital Divide" (PowerPoint presentation, the Woodrow Wilson Center, May 10, 2021), https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/Franz%20Drees_%20Digital%20Inclusion%20May%202021_final.pptx.

36 "Policy Recommendations, IX Summit of the Americas," 29.

37 Antonio García Zaballos, Enrique Iglesias Rodríguez, and Pau Puig Gabarró, "*Informe anual del Índice de Desarrollo de la Banda Ancha*," Inter-American Development Bank, 2021, https://publications.iadb.org/publications/spanish/document/Informe-anual-del-Indice-de-Desarrollo-de-la-Banda-Ancha-IDBA-2020-Brecha-digital-en-America-Latina-y-el-Caribe.pdf.

38 Andreas Schleicher, "Skills Matter—Additional Results from the Survey of Adult Skills," (slideshare presentation, Organistaion for Economic Co-operation and Development, November 18, 2019), https://www.slideshare.net/OECDEDU/skills-matter-additional-results-from-the-survey-of-adult-skills.

39 According to the OECD, problem solving in technology-rich environments "involves using digital technology, communication tools and networks to acquire and evaluate information, communicate with others and perform practical tasks." See: PIAAC Expert Group on Problem Solving in Technology-Rich Environments, "PIAAC Problem Solving in Technology-Rich Environments: A Conceptual Framework," *OECD Education Working Papers* 36 (2009), 15, https://www.oecd-ilibrary.org/docserver/220262483674.pdf?expires=1674672681&id=id&accname=guest&checksum=C57C3516C8D6AB73C7D0A62992338D53. *Latin American Economic Outlook 2020: Digital Transformation for Building Back Better* (Paris: OECD Publishing, September 24, 2020), chapter 3, https://www.oecd-ilibrary.org/sites/e7a00fd6-en/index.html?itemId=/content/component/e7a00fd6-en.

40 Karim Lesina, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

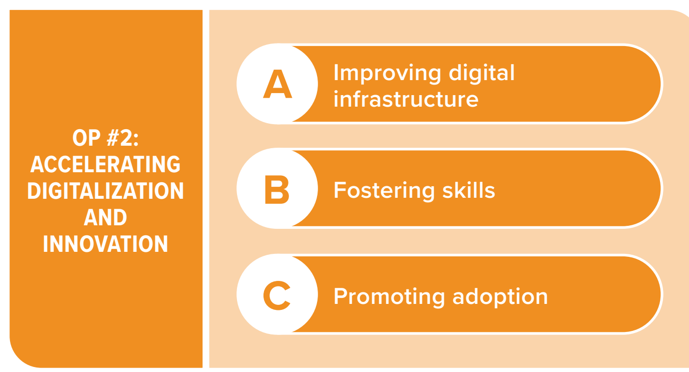
41 Stephanie Carretero Gomez, "Skills for Life: Digital Skills," Inter-American Development Bank, 2021, https://publications.iadb.org/publications/english/document/Skills-for-Life-Digital-Skills.pdf.

BOX 4: Additional Survey Insight: Optimists versus Pessimists

Breaking down the survey responses by regional optimism and pessimism reveals two important findings regarding skills. First, optimists see LAC's labor force–an imperfect proxy for skills—in a much more positive light than do pessimists (see the second-from-right category in Box 3 Figure 5 a few pages ago), considering it the second-most-attractive factor for the region. Maintaining labor competitiveness will, therefore, be key to ensuring such optimism. Second, optimists are less impressed by LAC's attitude toward digitalization and innovation—an imperfect proxy for digital skills—than they are by its overall labor force. This suggests a distinction between the perceived level of skills and digital skills in the region, calling for greater development of digital skills.

Finally, lagging **digital adoption (recommendation C below)** by citizens, companies, and governments is holding the region back. According to a 2022 national survey on digital transformation in Peru, for example, only 27 percent of formal businesses had adopted at least one advanced technology.[42] This coincided with our survey finding: of the survey respondents who saw LAC's attitude toward digitalization and innovation as an attractive quality, 95 percent responded that greater access and capacity to adopt digital technologies is still needed to drive economic recovery. Consistent with this view, NTT Data, a global innovator in information technology (IT) and business services, noted education, healthcare, transportation, and public safety as sectors in which further digitalization could be critical for LAC's development.[43]

Recommendations for the Private Sector

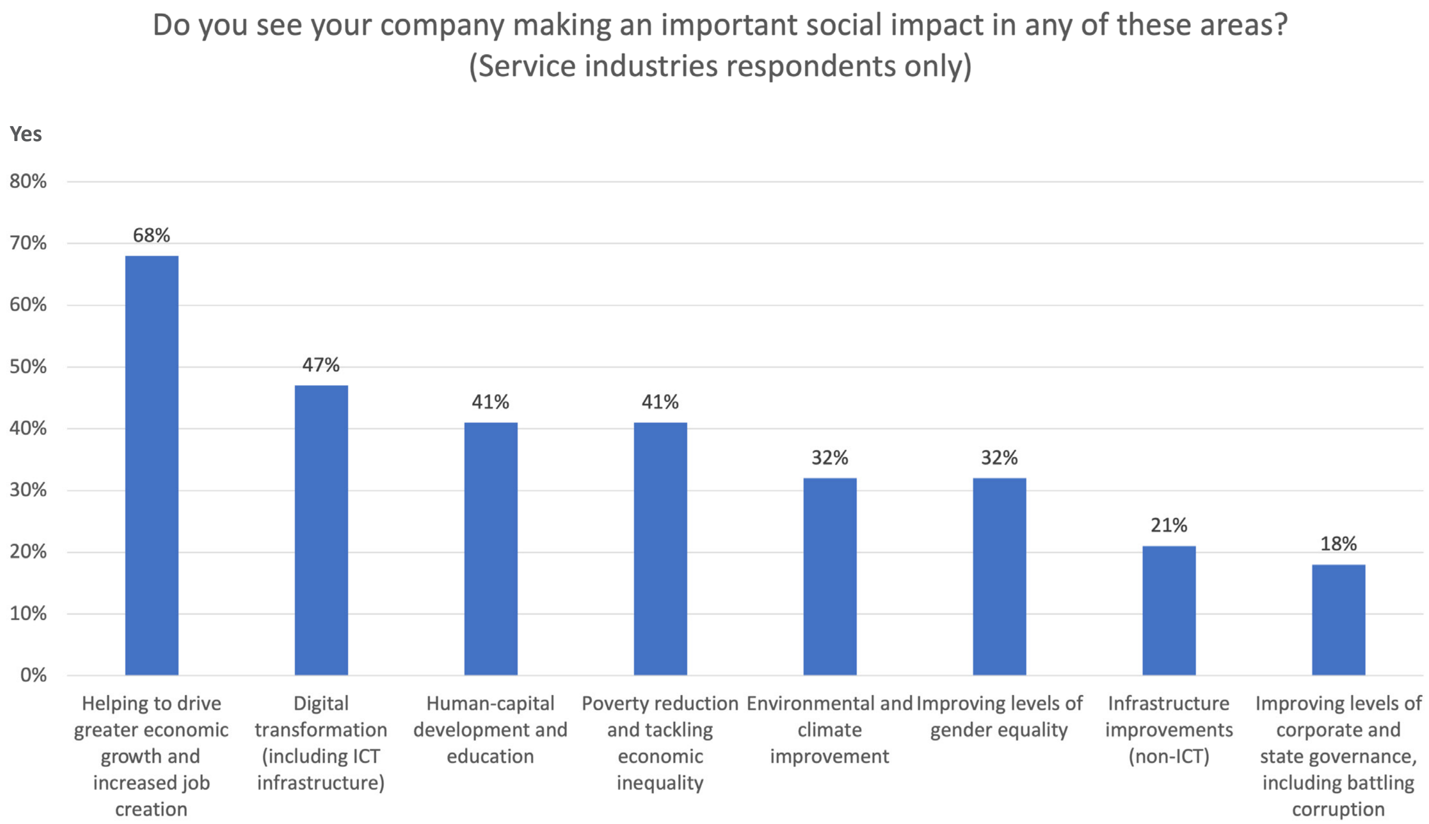


When asked about areas where they see themselves making an important social impact, 47 percent of surveyed services firms selected "digital transformation," making it the second most impactful area only after "economic growth and job creation" (as shown below in Figure 7). Indeed, the private sector can unlock the three enablers (**infrastructure, skills, and adoption)**, thus helping the region materialize its digital friendliness into better digital outcomes. In particular, firms in three services industries (financial, telecommunications, and information technology) consider digital transformation a vital part of their responsibility and contribution to society.

42 Rafael Novella and David Ross, "*Talento Digital en el Perú 2022*," Es Hoy, Inter-American Development Bank, and MIDE Development, July 2022, https://publications.iadb.org/publications/spanish/document/Talento-digital-en-el-Peru-2022-que-demanda-el-mercado-laboral-resultados-de-una-muestra-de-empresas-lideres.pdf.

43 Alejandro Moran Marco, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

Figure 7. Service industry respondents' views of their social impact.



SOURCE: Atlantic Council survey 2022

A. IMPROVING DIGITAL INFRASTRUCTURE

The private sector can play a critical role in improving the connectivity and affordability of LAC's **digital infrastructure**—not only operationally (as ICT product and service providers), but also financially (as investors).

Operationally, private-sector initiatives like Microsoft's Airband Initiative or Telefonica's Internet Para Todos partnership with IDB Invest can expand Internet access in underserved communities or areas otherwise unattractive due to limited economies of scale.[44] Through Internet Para Todos, for example, Telefonica shares its network with smaller telecommunications operators, reducing overall entry barriers into remote areas.[45] Going forward, a national connectivity plan—including specific regulations and legislations on spectrum, infrastructure sharing, and universal service funds—will be central to enticing private-sector operators to permanently provide such coverage.[46] Beyond enhancing connectivity, these public-private-multilateral actions also generate positive externalities in numerous areas, including education, and have the potential to reduce inequality and trigger innovation, which this report will explore in detail in Opportunity #4.

Financially, unlike other types of infrastructure in LAC, much of the telecommunications sector has relied mostly on private investment, and will continue to do so.[47] The region needs $68.5

44 "Broadband Connects Students, Teachers, and New Opportunities in Rural Colombia," Microsoft, no date, https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4WZ5n; "Internet Para Todos: Helping Latin America Log On," Inter-American Development Bank, last visited January 25, 2022, https://www.iadb.org/en/improvinglives/internet-para-todos-helping-latin-america-log.

45 "Telefónica, Facebook, IDB Invest and CAF Create Internet para Todos Peru to Expand Internet Connectivity in Latin America," IDB Invest News and Media, Inter-American Development Bank, February 25, 2019, https://idbinvest.org/en/news-media/telefonica-facebook-idb-invest-and-caf-create-internet-para-todos-peru-expand-internet.

46 "Policy Recommendations, IX Summit of the Americas," 33, recommendation 11.

47 Angel Melguizo, Eduardo Salido, and Welby Leaman, "A Faster Path to Digital Transformation in Latin America," *OECD Development Matters* (blog), March 2, 2022, https://oecd-development-matters.org/2022/03/02/a-faster-path-to-digital-transformation-in-latin-america.

billion in private-sector investments in mobile and fixed broadband to close the digital-connectivity gap with OECD members.[48] Per ABD recommendations, here again, an enabling environment characterized by "balanced and flexible regulatory frameworks that remove artificial barriers of the deployment and use of infrastructure" will help incentivize private operators and financiers.[49] Adding to this point, an empirical analysis covering fifteen LAC countries showed that a combination of good regulations and good institutions could have boosted overall investment in the region's telecommunications sector by 13.5 percent between 2007 and 2017.[50]

B. FOSTERING SKILLS

Skills are crucial to innovation, operation expansion, job creation, and improved productivity—and, thus, unleashing broader business and economic growth. Consequently, as technology and business models evolve, many private-sector actors have anchored **upskilling, reskilling, and workforce development** as core business principles.

To fill the growing demand for tech-skilled workers, Mercado Libre and Globant launched an accelerated two-year program that trains people to become certified developers.[51] Program graduates are expected to quickly join companies like Mercado Libre. Similarly, in partnership with IDB and IDB Lab, Google.org is helping two thousand vulnerable, low-income youth in Brazil and Panama access meaningful employment opportunities in IT. Using a four-month training model that combines Google's IT certification program, a soft-skills curriculum, and job-placement services, the program delivers lessons on technical support, customer service, and cybersecurity. Employer-led training in this mold would not only expand the talent pool of digitally-savvy future employees for hiring companies, but also offer a practical pathway to new professional opportunities for thousands in LAC.

MNCs are also well placed to increase skills competencies by cultivating a thriving environment for startups.[52] For example, Google for Startups Accelerator Brazil has offered more than two hundred and fifty technology startups (six of which are now unicorns) knowledge sharing, training, and strategic support to scale up their businesses.[53] In empowering emerging businesses, MNCs can spur innovation, competition, and additional development gains. Consistent with ABD recommendations, governments should foster environments conducive to innovation through increased expenditure in public research and development.

C. PROMOTING ADOPTION

While improved **digital infrastructure and skills** will help drive adoption, the region needs to further broaden and deepen such **digital adoption** to make it truly transformational. The private sector should lead by example, internally and externally.

Internally, technology companies like NTT Data and Millicom drive adoption within their businesses, which employ more than thirty-two thousand people in LAC and are natural leaders in this space.[54] Even companies operating in traditionally less digitized sectors are undertaking ambitious internal digital transformation. Bayer, employing more than fourteen thousand people in LAC, is leveraging advances in digitalization to accelerate drug discovery and improve drug development.[55]

Externally, MNCs can drive digital adoption through their influential role in their respective entrepreneurial ecosystems. To stimulate consumer adoption, the Coca-Cola Company piloted a digitally enabled business-to-consumer (B2C) Coca-Cola En Tu Hogar platform for home delivery.[56] Likewise, MNCs can also use business-to-business (B2B) channels to spur digital adoption among suppliers—for example, by sourcing from local providers of digital solutions. Such efforts can be further amplified to benefit smaller firms, if MNCs set, strengthen, or synergize their digital

48 "Closing Digital Gap Could Create up to 15 Million Jobs in Latin America and the Caribbean," Inter-American Development Bank, press release, June 23, 2021, https://www.iadb.org/en/news/closing-digital-gap-could-create-15-million-jobs-latin-america-and-caribbean.

49 "Policy Recommendations, IX Summit of the Americas," 33, recommendation 11.

50 Juan Jung and Ángel Melguizo, "Rules, Institutions, or Both? Estimating the Drivers of Telecommunication Investment in Latin America," Social Science Research Network, October 2, 2020, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3697301.

51 "Certified Tech Developer," MercadoLibre, last visited January 25, 2023, https://www.sustentabilidadmercadolibre.com/en/iniciativas/certified-tech-developer.

52 Luis Felipe López-Calva, "Finding Unicorns: Investing in innovation-led growth in LAC," *UNDP Latin America and the Caribbean* (blog), June 30, 2022, https://www.undp.org/latin-america/blog/finding-unicorns-investing-innovation-led-growth-lac.

53 "Latino Founders," Google for Startups, last visited January 25, 2023, https://startup.google.com/accelerator/latino-founders; Isabela Fleischmann, "After Five Years in Brazil, Google for Startups Has 265 High-Growth Companies in Its Local Network," *Latin America Business Stories*, August 23, 2021, https://labsnews.com/en/articles/business/in-five-years-of-operation-in-brazil-google-for-startups-has-265-companies-in-its-network/.

54 "About," Millicom, last visited January 25, 2022, https://www.millicom.com/our-company/about. Millicom employs about twenty thousand people. See also: Karim Lesina, interview by Pepe Zhang, *Experts of the Americas,* forthcoming. NTT Data employs 12,338. See: Alejandro Moran Marco, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

55 "Bayer: An Internationally Operating Company," Bayer, last visited January 25, 2023, https://www.bayer.com/en/worldwide/bayer-worldwide; "Digitalization in Drug Discovery," Bayer, last visited January 25, 2023, https://www.bayer.com/en/pharma/digitalization-drug-discovery.

56 "How Coca-Cola Is Pivoting Its Innovation and Commercial Strategies in the COVID-19 Era," Coca-Cola, June 18, 2020, https://www.coca-colacompany.com/news/how-coca-cola-is-pivoting-its-innovation-and-commercial-strategies-in-the-covid-19-era.

transformation strategies with governments, national development banks, and other institutions that support SME development.

Finally, private firms can work alongside governments and contribute know-how to accelerate a "whole-of-society" digitalization effort through regulatory enhancements. Coordinated public- and private-sector actions to adopt data-protection rules, technology-enabled fraud-prevention tools, regulatory frameworks, and privacy best practices will make digital transactions safer and more attractive for users.[57] To achieve this in a complex, fast-evolving technological environment, timely input of private companies from MNCs to SMEs—as producers and consumers of digital goods and services—is indispensable, as the ABD suggests.[58]

Partnership Examples

The following partnerships serve as helpful models for how private firms can take action to foster digitalization— for example, through the **skills and adoption enablers (recommendations B and C)** above.

In one example, IDB joined forces with Fundación Universia—a platform promoted by Banco Santander—to encourage innovation and digital transformation in universities. When COVID-19 unexpectedly disrupted university classes and underscored the extent to which LAC universities lagged on digital transformation, IDB and Fundación Universia quickly launched a small, private online course on strategy and digital transformation for university deans. Leveraging resources from Banco Santander and Fundación Universia's experience working in higher education, the partners designed and delivered three editions of the course and helped dozens of participants make sense of a complex array of ways to improve digitalization at their schools.

The power of multi-actor partnerships in accelerating innovation and digitalization can also be seen in fAIr LAC—an IDB Group-led network that taps the resources and expertise of academia, government, civil society, industry, and the entrepreneurial sector to promote the ethical use of artificial intelligence (AI).[59] While AI opens promising economic opportunities, it risks provoking strong societal backlash and missed developmental opportunities if deployed with biases or poor regulations. Through fAIr LAC, IDB and its partners have carried out diverse projects, including efforts to thoroughly map AI initiatives in LAC's public sector, the joint development of the first Spanish-language massive open online course (MOOC) on the ethical use of AI, and the creation of a self-assessment tool and webinar series for entrepreneurs. fAIr LAC partners include Agesic, Google, Intel, Instituto Laura Fresatto, Innpulsa, Microsoft, Northeastern University, Tecnológico de Monterrey, Telefónica, the OECD, and the World Economic Forum. Further, in collaboration with nine additional private-sector partners (Accenture, AWS, Globant, Google, Microsoft, NTT Data Foundation, ORACLE, Red Hat, and SONDA), fAirLAC also launched an open innovation challenge to identify AI solutions that reduce gender bias and discrimination in health, education, financial inclusion, and other areas.

Additional examples of how partnerships with the private sector can advance digitalization in LAC include the following.

- *Big Data Without Mysteries*, a MOOC jointly developed by Telefónica and IDB that highlights the importance of digitalization and has registered nearly eighty thousand participants since 2019.
- A corporate impact-venturing project, launched by IDB Lab and Wayra (part of Telefónica's open innovation family), to scale social- and environmental-impact startups. Wayra contributed $850,000 to the project and an additional $1 million in expertise and in-kind support.
- IDB Group's LACChain initiative, which taps the expertise and resources of more than fifty partners, including Alastria, Citigroup, ConsenSys, everis NTT Data, Garrigues, and Red Clara, to accelerate the development and deployment of blockchain solutions in LAC.

57 "Policy Recommendations, IX Summit of the Americas," 37–38, recommendations 15 and 16.

58 Ibid., 28, recommendation 8.

59 "Gender and Artificial Intelligence Challenge," Inter-American Development Bank, December 1, 2022, https://convocatorias.iadb.org/en/bid-lab/gender-and-artificial-intelligence-challenge.

OPPORTUNITY #3:

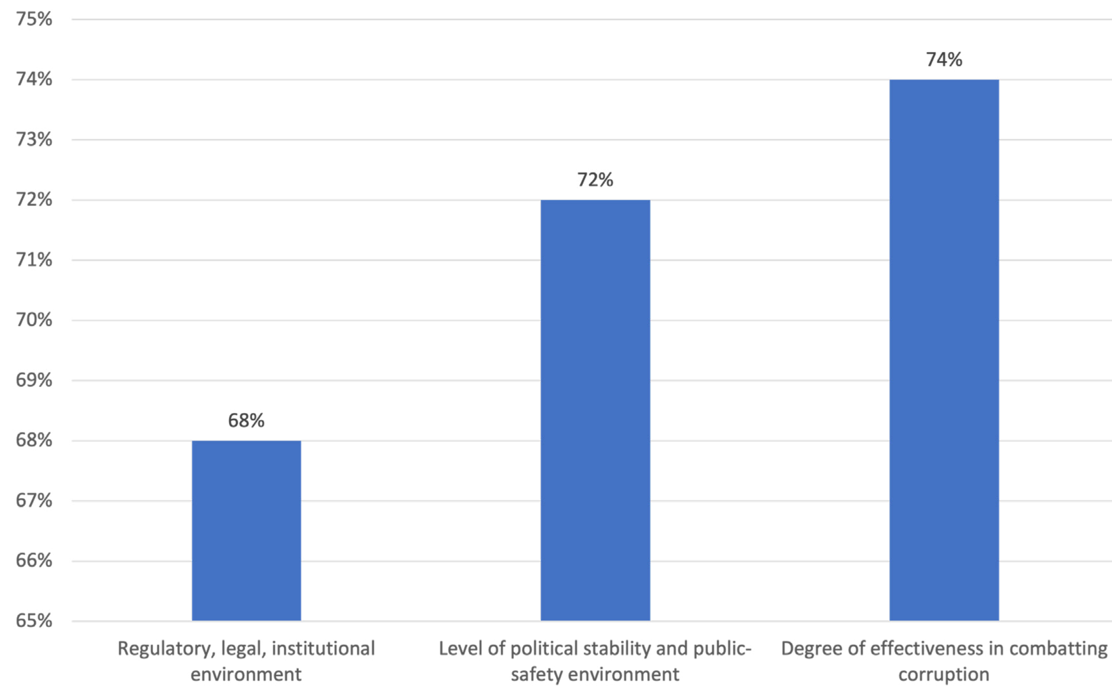
Improving State Governance, Institutional Capacity, and Transparency

InvestmentMap, an initiative created by Microsoft and IDB, leverages technology and open data to improve transparency in public spending and public procurement.
Image credit: https://mapainversiones.mepyd.gob.do/

Introducing the Opportunity

The private sector has a strong opportunity to contribute to, and benefit from, a better business climate in LAC by partnering with governments to improve state governance, particularly in three areas: "regulation and institutional environment," "political instability," and "corruption." Every survey respondent named at least one of these issues as a regional detriment, while 85 percent selected two (see additional details in Figure 8). Several indices of governance, such as the World Justice Project's Rule of Law Index, rank LAC below the OECD average for measures of accountability, political stability, and government effectiveness, among other indicators, and below the global average for rule of law.[60]

Figure 8. Key factors limiting interest in the region.



SOURCE: Atlantic Council survey 2022

60 "Worldwide Governance Indicators," World Bank, last visited January 25, 2022, https://info.worldbank.org/governance/wgi/Home/Reports. Results derived from the World Justice Project's Rule of Law Index, available at: https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2021/current-historical-data. LAC average: 0.523; global average: 0.557 (author's calculations).

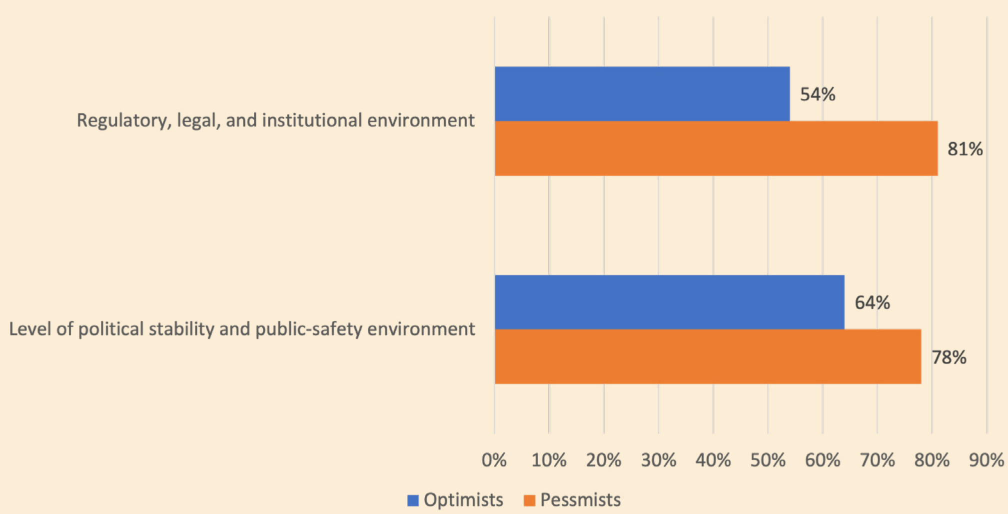
Indeed, state governance and capacity challenges are so persistent and widespread that they generated a deep-rooted trust deficit in the region: governments in LAC are trusted by only 29 percent of the population, below the OECD (38 percent) and global (44 percent) averages.[61] This trust deficit, in turn, further undermines government capability and credibility.

Quality of government and respect for the rule of law—including transparency, accountability, and enforceability—are instrumental in improving effective delivery of public services, as well as creating a business climate that incentivizes domestic and foreign investment and supports private-sector development.[62] A solid institutional environment fosters trust, facilitates agreements between individuals, and stimulates economic activities, while weak institutions hinder economic growth, including investment (see Box 5 below).[63] Inefficiency in public spending alone (including in procurement, civil service, targeted transfers, and corruption costs) costs LAC as much as 4.4 percent of its GDP.[64]

BOX 5: Additional Survey Insight: Optimists versus Pessimists

Among the survey's optimists, 59 percent think that LAC's attractiveness for investment is above average, but only 22 percent of pessimists do. As shown below in Figure 9, while LAC's. While LAC's regulatory, legal, political, and institutional environment discourages both optimists and pessimists, the latter group appears considerably more concerned than the former. Therefore, improving public-sector institutions is a prerequisite to greater investment attraction in LAC, especially in terms of mitigating investor skepticism (or pessimism).

Figure 9. Top three reasons LAC is an unattractive/uncompetitive market.



SOURCE: Atlantic Council survey 2022

61 Phillip Keefer and Carlos Scartascini, eds., *Trust: the Key to Social Cohesion and Growth in Latin America and the Caribbean* (Washington, DC: Inter-American Development Bank, 2022), 6.

62 "Putting an end to corruption," Organisation for Economic Co-Operation and Development, 2016, https://www.oecd.org/corruption/putting-an-end-to-corruption.pdf; Sumanjeet Singh, "Institutions, Transparency, and Economic Growth," *Emerging Economy Studies* 1, 2 (2015), 188–210, http://journals.sagepub.com/doi/abs/10.1177/2394901515599272; Paolo Mauro, "Corruption and Growth," *Quarterly Journal of Economics*, 110, 3 (1995), 681–712, https://eml.berkeley.edu//~saez/course131/Mauro95.pdf.

63 Donato De Rosa, Nishaal Gooroochurn, and Holger Gorg, "Corruption and Productivity: Firm-Level Evidence from the BEEPS Survey," World Bank, 2010, http://documents.worldbank.org/curated/en/281701468251373866/Corruption-and-productivity-firm-level-evidence-from-the-BEEPS-survey; "Corruption: Costs and Mitigating Strategies," International Monetary Fund, May 2016, http://www.imf.org/external/pubs/ft/sdn/2016/sdn1605.pdf.

64 "Government Spending Waste Costs Latin America and Caribbean 4.4% of GDP: IDB Study," International Monetary Fund, press release, September 24, 2018, https://www.iadb.org/en/news/government-spending-waste-costs-latin-america-and-caribbean-44-gdp-idb-study.

Breaking away from this cycle of mistrust, weak governance, and low growth requires bold, innovative actions.[65] As concluded in the ABD report, a push for regulatory reform—focusing on "legitimate, transparent and technically sound regulations"—is needed to overcome this problem in the long term.[66] In the short term, low-hanging fruit in this area consists of public-private actions to enhance **digital government-service delivery, public access to information and analytics, and integrity mechanisms and regulatory quality (recommendations A, B, and C)**.

This may include seemingly mundane improvements such as streamlining "trámites" (citizen-government transactions), which are often time consuming and onerous. For example, in 2017, nearly all government interactions related to opening or closing a business involve red tape that restrains formal economic participation.[67] Overall difficulty is reflected in measurements of the days required to start a business: nine days in the OECD and twenty-eight days in LAC.[68]

Estimates from Mexico's National Commission for Regulatory Improvement suggest that the economic cost of administrative procedures at different levels of government could be higher than 5 percent of the country's GDP, and similar estimates point to a cost of 5.4 percent of GDP in the Dominican Republic. In Brazil, the Ministry of Economy estimates that the cost of regulatory inefficiency for national entrepreneurs corresponds to 2.6 percent of GDP. These figures illustrate the importance of administrative and regulatory simplification to improve the business environment. As well, such improvements help reduce integrity challenges such as corruption and bribe, which may arise from the need to circumvent or accelerate government processes for permits and transactions.

Recommendations for the Private Sector

OP #3: IMPROVING STATE GOVERNANCE, INSTITUTIONAL CAPACITY, AND TRANSPARENCY

- **A** Improving digital government services
- **B** Promoting information access and analytics
- **C** Improving integrity and regulatory quality

The private sector should be a critical ally for strengthening public-sector governance and capacity, particularly through three main avenues: supporting **digital delivery of government services**; providing **analytical tools** for governments and citizens to access, understand, and effectively use **data**; and encouraging **integrity and regulatory quality improvements** across the public and private sectors.

A. IMPROVING DIGITAL GOVERNMENT SERVICES

The private sector is well positioned to help make LAC more business-, investment-, and citizen-friendly by **supporting e-government**, i.e., by digitalizing, simplifying, and expanding access to government services. The potential for digital government to generate cost and time savings is supported throughout the interviews. For example, Antigua and Barbuda's Citizens Portal demonstrates how digitalization of licensing, visas, and databases "reduced cost" while "[increasing] citizen engagements."[69]

Additionally, digital infrastructure and service providers like Amazon Web Services (AWS) are increasing transparency in elections by supporting the move of Mexico's National Electoral Institute (INE) to the cloud, enabling remote education, and making social programs more responsive via technologies in

65 Eric Parrado, "Boosting civic trust is essential to Latin American economic growth," *Financial Times*, July 31, 2022, https://www.ft.com/content/8289d385-4656-4567-9dc5-2412d8990919.

66 "Action for Growth," 33, recommendation 3.

67 Benjamin Roseth, Angela Reyes, and Carlos Santiso, eds., *Wait No More: Citizens, Red Tape, and Digital Government* (Washington, DC: Inter-American Development Bank, 2018), 41.

68 "Time Required to Start a Business (Days)—OECD Members, Latin America & Caribbean," World Bank, last visited January 25, 2023, https://data.worldbank.org/indicator/IC.REG.DURS?locations=OE-ZJ.

69 Antonio García Zallos and Enrique Iglesias Rodríguez, "Cloud Computing: Opportunities and Challenges for Sustainable Economic Development in Latin America and the Caribbean," Inter-American Development Bank, 2018, https://publications.iadb.org/publications/english/document/Cloud-Computing-Opportunities-and-Challenges-for-Sustainable-Economic-Development-in-Latin-America-and-the-Caribbean.pdf.

Chile's COVID-19 support-access tools.[70] Visa used its experience with virtual payments to create digital access solutions, allowing the unbanked to access government relief efforts in Guatemala and the Dominican Republic.[71] Mastercard indicated that public-private cooperation could address the shared burden of overly complex regulations and taxes. This sentiment is echoed by ABD, which encourages governments and firms to "co-create, co-fund and co-implement digital tools" for, among other things, "tax administration."[72] As governments digitize service provision through innovative, efficient, and secure private-sector solutions, such opportunities for public-private collaboration will only grow.

Digitalization efforts should be complemented with public-private actions, consultations, and collaboration outside the digital-virtual realm, including operations and business-processes management, human resources, and regulatory assessment. **Leveraging private-sector expertise in these digital and non-digital areas can help improve efficiency and quality** of government services and, therefore, trust in governments.

B. PROMOTING INFORMATION ACCESS AND ANALYTICS

The private sector can **utilize its analytical tools to track, interpret, and share data with the public sector**, as demonstrated by InvestmentMap, an initiative created by Microsoft and IDB to improve traceability in the use of public resources.[73] This type of partnership is critical to promoting transparency in public spending and public procurement, and highlights how public-private collaboration can strengthen citizen participation and help restore government credibility.[74]

By using InvestmentMap, companies can access open data to optimize their business plans and proposals for public tenders; governments may receive more competitive bids from companies and make more informed decisions in public procurement; and citizens can better monitor in real time where and how government resources are invested. InvestmentMap also includes a red-flag functionality, based on artificial intelligence and data analysis. This early-warning system allows for blocking contracting processes that present irregularities according to the existing legal and regulatory framework. It also enables local anti-corruption officials to more effectively verify potential incidents, and supports the development of more efficient monitoring and audit procedures.

InvestmentMap shows the value of public-private cooperation on data analytics, which should be extended further. Some government agencies currently use in-house tools for data analysis, but could, where applicable, look to the private sector for affordable and high-quality alternatives.[75] Sourcing these tools through a competitive tender process is an excellent avenue for implementing the "open, transparent, and competitive government procurement systems" that the region needs, in line with an ABD recommendation.[76]

C. IMPROVING INTEGRITY AND REGULATORY QUALITY

Addressing integrity issues in government requires a collective-action approach, which includes both public- and private-sector commitment to rooting out corruption and regulatory capture ("the use of regulations to achieve private goals").[77] The IDB is supporting the National Confederation of Private Businesses Associations of Perú (CONFIEP) to adopt a new integrity framework for the private sector, based on international standards and best practices of corporate governance. This type of cooperation can also be seen in Panama, where the Bank Superintendency and the Banking Sector Association are preparing integrity guidelines for the Panamanian banking sector. The objective is that public, private, large, medium, and small financial institutions can utilize these guidelines internally to strengthen their anti-bribery and anti-corruption framework.

Integrity is necessary for the development and **adoption of good regulatory practices (GRPs)** based on policies, governance mechanisms, and regulatory tools aimed at ensuring civic engagement and evidence-based decisions. There is still much to be done in LAC to build institutional frameworks that support

70 "*Construyendo Servicios Ágiles e Innovadores para la Ciudadanía en la Industria Financiera*," *Blog de Amazon Web Services*, February 18, 2021, https://aws.amazon.com/es/blogs/aws-spanish/construyendo-servicios-agiles-e-innovadores-para-la-ciudadania-en-la-industria-financiera.

71 "Digital Aid Becomes Lifeline for Unbanked Guatemalans During Pandemic," *Visa Everywhere* (blog), August 11, 2021, https://usa.visa.com/visa-everywhere/blog/bdp/2021/08/10/digital-aid-becomes-1628637832007.html; "A COVID Silver Lining in Latin America: Digital Payments Surge," *Visa Everywhere* (blog), November 2, 2020, https://usa.visa.com/visa-everywhere/blog/bdp/2020/10/09/a-covid-silver-1602273015995.html; Silvia Constain, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.

72 "Policy Recommendations, IX Summit of the Americas," 21, recommendation 1.

73 Ibid., 19.

74 Ibid.

75 Carlo Santiso and Camilo Cetina, "Why Data Is Latin America's Best Weapon Against COVID-19 Corruption," World Economic Forum, August 28, 2020, https://www.weforum.org/agenda/2020/08/why-data-is-latin-americas-best-weapon-in-the-fight-against-covid-19-corruption.

76 "Action for Growth," 30, recommendation 2.

77 Pedro Faria, et al., "*¿Preparados para Regular?: Lecciones y Desafíos de la Regulación en América Latina y el Caribe*," Inter-American Development Bank, 2022, 12, https://publications.iadb.org/publications/spanish/viewer/Preparados-para-regular-Lecciones-y-desafios-de-la-regulacion-en-America-Latina-y-el-Caribe.pdf; Eduardo Engel, et al., "Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean," Inter-American Development Bank, 2018, https://publications.iadb.org/publications/english/viewer/Report-of-the-Expert-Advisory-Group-on-Anti-Corruption-Transparency-and-Integrity-in-Latin-America-and-the-Caribbean.pdf.

GRPs, whether through the coordination of regulatory agencies, or by carrying out systematic regulatory impact analysis (RIA) to ensure that the benefits of regulations surpass their costs. The public and private sectors should work together in RIAs to leverage collective expertise and balance respective biases. For example, public consultations before and during the preparation of regulatory proposals are an essential venue for businesses to share their informed perspectives on regulatory questions while also promoting transparency. Overall, implementing better integrity and GRP mechanisms can increase institutional legitimacy and reduce the region's trust deficit, thus improving its business and investment climate.

Partnership Examples

Firms can play a critical supporting role in **improving governance and strengthening institutions** in LAC, as further evidenced by the three partnership examples below.

Providing and improving **digital government services (recommendation A**) has become an imperative during the pandemic**.** When COVID-19 first triggered lockdown measures, NTT Data, Microsoft, and IDB launched the turnkey solution Digi/Gob, an ad hoc platform that enables the electronic processing of public transactions and helps governments deliver public services online. Developed by NTT Data in the Microsoft cloud, the platform provides governments an immediate digital solution, while paving the way for a more ambitious agenda on public-sector digital transformation and streamlining.

As well, continuous public-private-multilateral collaboration is critical to increasing government accountability and combating corruption in LAC. An example of such continuous collaboration is the Red Flags Project referenced above. This project builds on the successful InvestmentMap initiative, which promotes **public access to, and analysis of, government information and data (recommendation B)**, specifically public-procurement information. The Red Flag early-warning system, recently launched by Microsoft and IDB, is helping Paraguay prevent fraud and corruption by using analytical tools, AI, and other advanced technologies to flag questionable activity. The project receives support from Microsoft's Anti-Corruption Technology and Solutions (ACTS) initiative, which helps governments fight corruption through cloud computing, machine learning, and other technologies.

Finally, **improving integrity and regulatory quality (recommendation C)** requires private-sector collaboration and actions**.** Member companies of the IDB-led American Business Dialogue (ABD) have vocally supported "regulatory transparency… and good regulatory practices that protect people, increase accountability, predictability, and inclusion, and support strong and resilient economies."[78] ABD has also been in close coordination with the Ibero-American Network for Better Regulation, an intergovernmental community that promotes GRP.[79] Through this collaboration, representatives of Mercado Libre and other ABD members have participated in webinars organized by the network, sharing their views on the regulatory challenges that both companies and consumers face today in LAC.

78 "Inter-American Action Plan on Democratic Governance," Summit of the Americas Secretariat, June 8–10, 2022, 8, commitment 19, http://summit-americas.org/documentos_oficiales_ixsummit/CMBRS02295e02.pdf.

79 Since its first meeting, fourteen countries have participated in activities of the network: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, and the Dominican Republic, in addition to Spain and Portugal.

OPPORTUNITY #4:

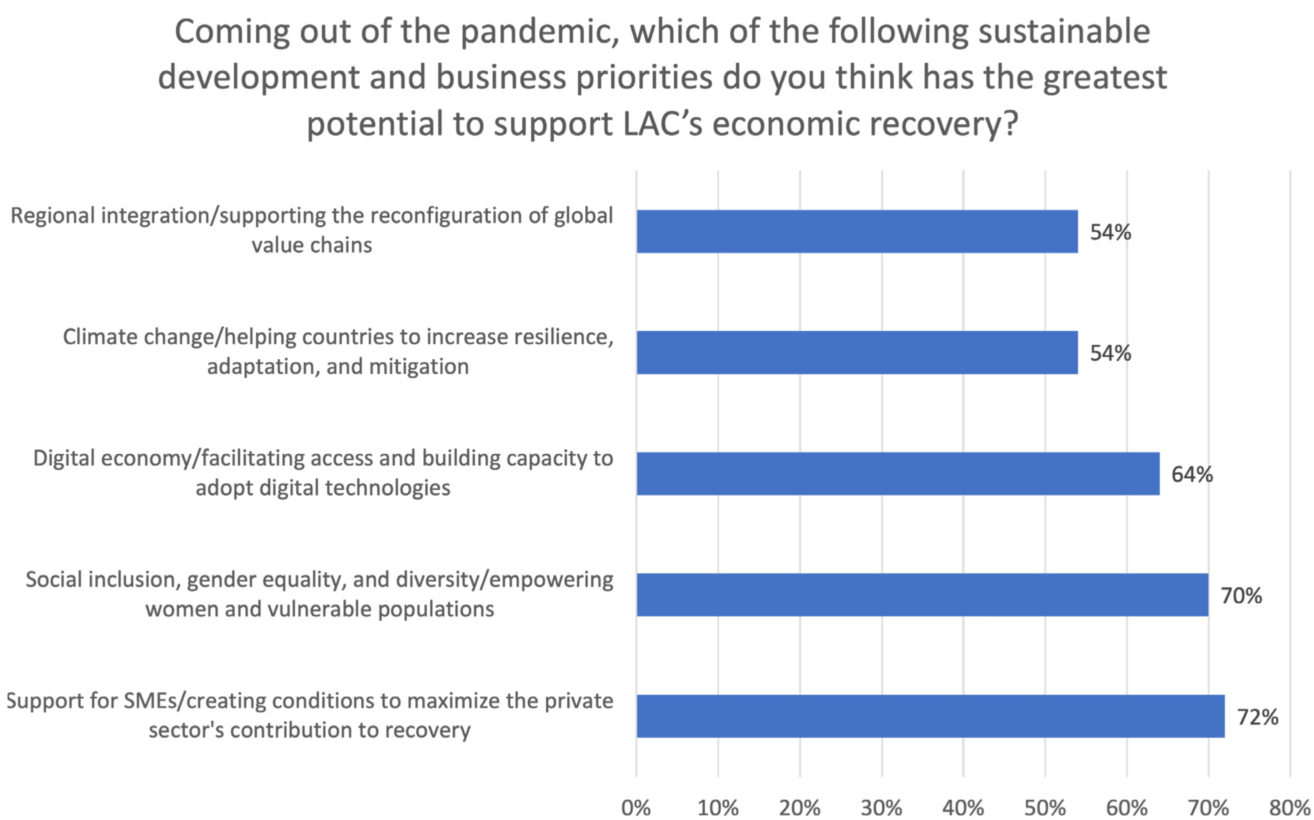
Addressing Multidimensional Inequality

Slums contrast with high rises in São Paulo, highlighting the region's inequality and social divides.
Image credit: REUTERS/Amanda Perobelli

Introducing the Opportunity

A fourth private-sector-led opportunity for accelerating socioeconomic development in LAC is tackling one of the region's most long-standing issues: inequality. In its interview, NTT Data cited inequality as one of the "great stoppers of development."[80] Similarly, in other interviews, nearly all business executives cited different dimensions of inequality as major issues facing LAC, including financial inclusion, digital skills and connectivity, and education.[81] Relatedly, survey respondents identified support for inclusion—whether SMEs (72 percent) or gender and diversity based (70 percent)—as a top priority for LAC recovery and prosperity (see Figure 10 and Box 6 below).

Figure 10. Priorities with the greatest potential for boosting LAC's recovery.



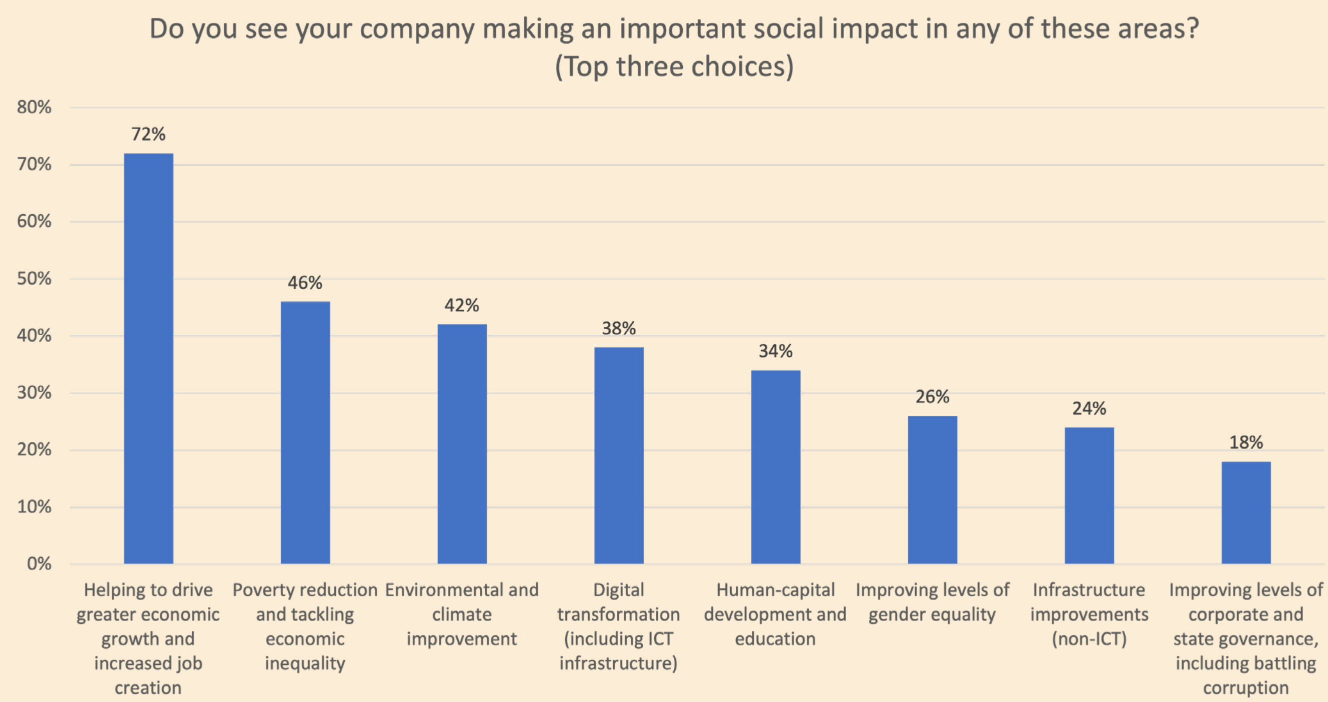
SOURCE: Atlantic Council survey 2022

80 Alejandro Moran Marco, interview by Pepe Zhang, *Experts of the Americas,* forthcoming.
81 Helga Flores Trejo, et al., interviews by Pepe Zhang, *Experts of the Americas*, forthcoming.

BOX 6: Additional Survey Insight: Optimists versus Pessimists

While survey pessimists and optimists have differing opinions on a wide range of issues, both agree that "reducing poverty and tackling inequality" can make a significant difference in the region. In fact, both consider this the second most socially impactful area of private-sector action, after only "economic growth and job creation" (see Figure 11 below).

Figure 11. Respondents' views of their most important social impacts.



SOURCE: Atlantic Council survey 2022

Inequality in LAC is multidimensional in that it affects a wide range of issues and population groups based on **gender (recommendation A below), geography (recommendation C below),** socioeconomic status, occupational sector, age, ethnicity, digital access, healthcare, and other factors.[82] Tackling these multidimensional and often interrelated inequalities can improve economic wellbeing. For example, evidence suggests that reducing **gender inequality** alone—in terms of lifetime earnings losses—could boost regional GDP by at least 8 percent.[83]

Furthermore, greater equity across the above dimensions furnishes individuals and businesses with greater **resilience against shocks (recommendation D)**, such as a food crisis, a natural disaster, or a pandemic. COVID-19 and its subsequent unequal economic impacts have provided important lessons in this regard. According to IDB's Labor Market Observatory, more than thirty-one million jobs were lost across LAC at the height of the pandemic, with women 44 percent more likely than men to lose their jobs, and 2.5 times more likely to remain jobless a year later.[84] Inequality also exists

82 Pepe Zhang and Peter Engelke, *2025 Post-Covid Scenarios: Latin America and the Caribbean, Atlantic Council,* April 21, 2021, https://www.atlanticcouncil.org/in-depth-research-reports/2025-post-covid-scenarios-latin-america-and-the-caribbean.

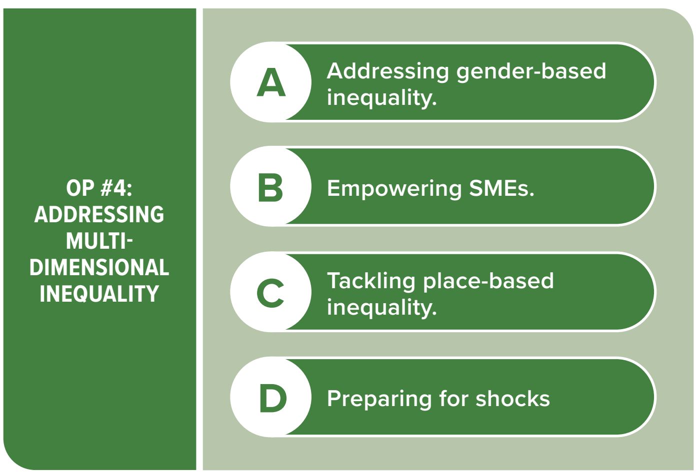
83 Quentin Wodon and Benedicte de la Briere, "The Cost of Gender Inequality: Unrealized Potential: The High Cost of Gender Inequality in Earnings," Canada, Children's Investment Fund Foundation, Global Partnership for Education, and World Bank Group, May 2018, 2, "Human capital measured as the present value of the future earnings of the labor force," https://openknowledge.worldbank.org/bitstream/handle/10986/29865/126579-Public-on-5-30-18-WorldBank-GenderInequality-Brief-v13.pdf?sequence=1&isAllowed=y.

84 Carlos Felipe Jaramillo, "Latin American Women Must Be at the Center of the Post-COVID Recovery," *Latin America and the Caribbean World Bank Blog*, March 8, 2022, https://blogs.worldbank.org/latinamerica/latin-american-women-must-be-center-post-covid-recovery; Gerhard Reinecke and Ramón Pineda, "Employment Situation in Latin America and the Caribbean: Real Wages During the Pandemic: Trends and Challenges," Economic Commission for Latin America and the Caribbean, June 2022, https://repositorio.cepal.org/bitstream/handle/11362/47927/S2200361_en.pdf?sequence=1&isAllowed=y.

within the private sector between large companies and **SMEs (recommendation B)**, with the latter facing considerably greater growth constraints and susceptibility to global shocks. In 2020, as many as 2.7 million LAC micro and small firms were forecast to close, equating to a loss of 8.5 million jobs.[85]

Beyond labor-market disparities, rural communities, Afro-descendants, and indigenous peoples tend to be susceptible to shocks, due to the additional obstacles in accessing key social services such as healthcare, water sanitation, and education.[86] This, in turn, makes them more likely to live in poverty and to experience food insecurity.[87]

Recommendations for the Private Sector



It is in the private sector's interest to combat multidimensional inequality, given its adverse impact on economic and business expansion and stability described above. Private-sector actions could be particularly effective in four areas: **gender-based**, **size-based** (SMEs versus larger firms), **place-based** (rural versus urban inequality), and **shock-based** (varying degrees of vulnerability to global shocks) **inequality**.

Since these and other inequalities are often interconnected, mitigating them will often require a holistic approach. For example, with gender-based inequality being present across—and exacerbating—the three other inequalities, private-sector efforts in related areas should be done through a gender lens, e.g., by targeting women-owned and women-led SMEs in particular, empowering women in rural communities, and preparing service-industry workers (more likely to be women) for future pandemic-like shocks. In this vein, promoting diversity—another major cross-cutting inequality like gender—is also critical for the region. This may include efforts to specifically empower diverse population groups such as indigenous peoples, Afro-descendants, persons with disabilities, and lesbian, gay, transgender, and queer (LGBTQ+) persons.

A. ADDRESSING GENDER-BASED INEQUALITY

LAC women remain underrepresented in the workforce and in the entrepreneurial sector, two areas in which private-sector entities are poised to make an impact. First, MNCs should tackle constraints to female labor-force participation that arise from caregiving and unpaid domestic work. For example, employers can implement policies on extending and updating parental-leave systems, and introduce more flexible work arrangements such that women would not have to leave their jobs for caregiving. Secondly, employers should focus on reskilling and upskilling programs that provide women with professional-development and career-advancement tools. Companies like Coursera offer a growing number of entry-level professional certificates from industry leaders like Google, IBM, and Meta to increase women's earning potential and bring women who stopped working mid-career back to work.[88]

On the entrepreneurial front, the private sector can lead or contribute to practical training and accelerator programs for women, alongside partners in the public and multilateral space. For example, the Scale Up Women program led by Wayra (Telefonica) organizes intensive mentoring sessions and pitch opportunities in front of major investors to scale up women-led tech startups in traditionally male-dominated sectors.[89] Other initiatives, like the Gender Parity Taskforces developed by IDB and the World Economic Forum, leverage high-level public-private collaboration to develop and implement multiyear action plans to reduce the economic gender gaps and increase women participation in leadership positions across LAC.[90] In this sense, targeted entrepreneurial programs allow

85 *Latin American Economic Outlook 2020*.

86 Alicia Puyana, "Horizontal Inequality and Ethnic Discrimination in Four Latin American Countries," *CEPAL Review* 125 (2018), 45–67, https://repositorio.cepal.org/bitstream/handle/11362/44319/RVI125_Puyana.pdf?sequence=1&isAllowed=y; "SIGI 2020 Regional Report for Latin America and the Caribbean," Organisation for Economic Co-operation and Development, 2020, https://www.oecd-ilibrary.org/sites/cb7d45d1-en/index.html?itemId=/content/publication/cb7d45d1-en.

87 "The Impact of COVID-19 on Indigenous Peoples in Latin America (Abya Yala): Between Invisibility and Collective Resistance," Economic Commission for Latin America and the Caribbean, 2020, https://www.cepal.org/sites/default/files/publication/files/46698/S2000893_en.pdf.

88 Arunav Sinha and Maria-Nicole Ikonomou, eds., "Women and Skills Report: Addressing Gender Gaps through Online Learning," Coursera, 2021, https://about.coursera.org/press/wp-content/uploads/2021/09/Coursera-Women-and-Skills-Report-2021.pdf.

89 Wayra (@Wayra), "#ScaleUpWomen encompasses all the startups in our portfolio that have a woman as the founder, co-founder, or CEO," Twitter, March 10, 2021, 4:47 a.m., https://twitter.com/Wayra/status/1369585638543138822; Yanin Alfaro, "Female Founders Way Behind Males in Capturing Latin American Startup Investment," Bloomberg Línea, May 24, 2022, https://www.bloomberglinea.com/english/female-founders-way-behind-males-in-capturing-latin-american-startup-investment.

90 "Gender Parity Taskforce," Inter-American Development Bank, last visited January 25, 2022, https://www.iadb.org/en/gender-and-diversity/gender-parity-taskforce.

female professionals to grow and innovate their businesses, take on more leadership positions, and level the playing field with men.

B. EMPOWERING SMES

To keep up with a competitive market and unlock their full potential, SMEs must obtain access to financing, supply-chain networks, and capability-building programs.

Private-sector innovation in credit scoring and risk analysis can increase SME eligibility for loans, including long-term credit crucial to funding innovation and digitalization. In this vein, Cignifi partnered with a Brazilian-based credit-bureau startup, Quod, to launch an online platform that provides credit, marketing, and fraud insights on SMEs using artificial intelligence. By using new technologies like this, private-sector commercial banks can better serve and lend to SMEs, either directly or as a conduit to channel national development-bank funding earmarked for SMEs.

Additionally, MNCs can offer SMEs financial-literacy courses on topics ranging from business-plan creation to digital tool use. Financial education in these areas enable SMEs to make informed decisions that improve productivity, expansion, and access to markets, as is the case with Mastercard's *Cuentas Claras* program in Central America.[91] Financial education is particularly critical for women-owned SMEs, of which 70 percent cite difficulties in securing loans.[92] By facilitating access to financial services and education, larger firms can directly contribute to the financial inclusion and growth of SMEs.[93]

MNCs can also play an important role in strengthening SMEs' capacity and competitiveness and integrating them into new supply chains. Amazon, for instance, has partnered with the Mexican Ministry of Economy and Colombia's official trade promotion agency (ProColombia) to provide digitalization and e-commerce trainings for businesses interested in exporting, with an emphasis on SME exporters.[94] In another example, DHL Express launched its *Pymexporta* program to support SMEs in LAC by providing discounted shipping prices and advising them on how to internationalize.[95] DHL later expanded the program's scope by partnering with IDB's ConnectAmericas program to connect SME suppliers to potential international buyers. Creating productive and sourcing linkages between SMEs and MNCs allows for knowledge transfer and generates positive spillover along the value chain.[96] This is particularly beneficial for larger firms, as SMEs are not only customers, but also suppliers to MNCs across the value chain.

C. TACKLING PLACE-BASED INEQUALITY

Today, people living in LAC's rural areas account for nearly a third of the region's poor, and often lack access to basic services. For example, take affordable, high-speed Internet.[97] Ensuring connectivity for as many as seventy-seven million people in rural areas is important and should be done through public-private collaboration.[98] Companies can support government efforts to facilitate infrastructure investments, as Millicom did in Panama by investing $250 million between 2021 and 2022 to modernize and expand its fixed and mobile networks in remote areas.[99] Internet penetration in previously disconnected areas can significantly stimulate economic activities and promote employment.[100] Strengthening rural development will help meet the productivity, dietary, and other growing needs of not only the rural economy, but the broader economy, benefitting businesses and citizens alike.

The private sector can also lend its expertise and innovative solutions to optimize rural access to other basic services like water. As part of a PepsiCo-IDB collaboration, Hydro-BID uses computer-based modeling tools to identify water shortages/surpluses and inform local decision-making for disaster prevention. To date, Hydro-BID has reached one hundred and fifty agencies in twenty countries

91 "Mastercard Commits to Delivering Economic Empowerment Tools and Resources to More than One Million Women in Guatemala, El Salvador, and Honduras," Mastercard, June 7, 2022, https://www.mastercard.com/news/press/2022/june/mastercard-commits-to-delivering-economic-empowerment-tools-and-resources-to-more-than-one-million-women-in-guatemala-el-salvador-and-honduras.

92 Gabriela Andrade and Marisela Alvarenga, "Financing for Women Entrepreneurs, Key for Economic Recovery," *IDB Invest Blog*, August 14, 2020, https://idbinvest.org/en/blog/gender/financing-women-entrepreneurs-key-economic-recovery.

93 "Financial Inclusion SMEs," Economic Commission for Latin America and the Caribbean, last visited January 25, 2023, https://www.cepal.org/en/proyects/financial-inclusion-smes#:~:text=The%20concept%20of%20financial%20inclusion,that%20are%20already%20part%20of.

94 "ProColombia lanzó 'Colombia a un clic' para impulsar el e-commerce," ProColombia, last visited May 23, 2023, https://procolombia.co/actualidad/procolombia-lanzo-colombia-un-clic-para-impulsar-el-e-commerce; "La Secretaría de Economía firma convenio de colaboración con Amazon México en apoyo a las MiPyMEs mexicanas," Secretaria de Economía, last visited May 23, 2023, https://www.gob.mx/se/articulos/la-secretaria-de-economia-firma-convenio-de-colaboracion-con-amazon-mexico-en-apoyo-a-las-mipymes-mexicanas-304564?idiom=es#:~:text=Este%20convenio%20establece%20las%20bases,el%20mercado%20interno%20y%20externo.

95 Angela Funez and María Jimena Vargas, "*DHL y el BID Expanden su Alianza para Continuar Impulsando la Internacionalización de las Pymes*," Inter-American Development Bank, April 12, 2018, https://www.iadb.org/es/noticias/dhl-y-el-bid-expanden-su-alianza-para-continuar-impulsando-la-internacionalizacion-de-las.

96 Eva Lardizábal and Pepe Zhang, *Unlocking SME Potential in Latin America and the Caribbean*, *Atlantic Council,* September 2022, https://www.atlanticcouncil.org/wp-content/uploads/2022/09/Unlocking-SME-potential-in-Latin-America-and-the-Caribbean.pdf.

97 "After Decade of Progress, Rural Areas of Latin America, Caribbean Slide Back into Poverty—UN Report," United Nations, November 21, 2018, https://news.un.org/en/story/2018/11/1026261.

98 "Policy Recommendations, IX Summit of the Americas."

99 Ibid., 41, recommendation 18; "Meeting between President Cortizo Cohen and Mauricio Ramos, CEO of Millicom, Strengthens Tigo's Commitment and Long-Term Investment in Panama," Millicom, press release, July 14, 2021, https://millicom.gcs-web.com/news-releases/news-release-details/meeting-between-president-cortizo-cohen-and-mauricio-ramos-ceo.

100 "Socioeconomic Impact of Broadband in Latin American and Caribbean Countries," Inter-American Development Bank, November 2021, https://publications.iadb.org/en/socioeconomic-impact-broadband-latin-american-and-caribbean-countries.

across LAC, predicted flood patterns of thousands of basins, and supported the design of resilient infrastructure.[101] The partnership also expanded to identify gender issues, like pay gaps and land ownership, within the agricultural value chain, where 4.5 million women participate as producers in LAC. Reducing gender inequality in terms of pay and land ownership in this sector—including through partnerships with agro-industrial companies—could increase land yields by up to 30 percent and mitigate regional hunger.[102]

D. PREPARING FOR SHOCKS

Financial crises, natural disasters, and other shocks tend to disproportionately affect underprivileged groups, thus compounding preexisting inequalities. However, through their direct link to the employment, income, and wellbeing of employees, firms can effectively cushion the impact of these shocks on lives and livelihoods. In addition, **employer-led initiatives** demonstrate a company's care for its employees and commitment to local communities, helping cultivate a a wholesome culture and workforce. Companies like Coca-Cola and Mastercard offer assistance and disaster-relief funds to help employees facing financial hardship following a disaster, epidemic, or personal issue.[103] Coca-Cola's fund, for example, was critical in supporting communities across the Caribbean following Hurricanes Irma and Maria.[104] Given its responsibility and role in the economy, the private sector must be at the forefront of resilience-related efforts in an increasingly shock-prone world.

Partnership Examples

Multidimensional inequality is a pressing development challenge that requires creative, out-of-the-box solutions to empower vulnerable and marginalized groups. Consequently, leveraging private-sector financing, expertise, business operations, and technological capabilities is a must have, rather than nice to have.

To empower SMEs and tackle size-based inequality (recommendation B), and tackle size-based inequality, a consortium of MNCs partnered with IDB Lab to launch *INTEcGRA* in 2020. This initiative first crowdsources digital solutions to boost the productivity and competitiveness of the region's *tiendas de barrio*, or mom-and-pop shops. Then it introduces SMEs to winning solutions, as well as to the business acumen and resources of leaders from the food and beverage industry, including AB InBev, Arca Continental, the Central America Bottling Corporation, Danone, EFFEM (Mars), the International Council of Beverages Associations, PepsiCo, Postobon, and Coca-Cola.

When it comes to **addressing gender-based Inequality (recommendation A)**, AWS and a dozen LAC universities joined forces with IDB to create "Tech Skills: Empowering Women in the Cloud." This five-week course aimed to reduce professional, technological, and gender gaps in LAC, and reached approximately seven hundred women looking to jumpstart careers in tech, helping to amplify their voices and cultivate their leadership skills.

Additional examples of how partnerships with the private sector can drive progress in inequality reduction and empower vulnerable groups in LAC include the following.

- LAC Women Founders Accelerator program, a ten-week virtual program created by Google, Mexican entrepreneurial hub Centraal, and IDB Lab through WeXchange, a platform led by IDB Lab to connect women entrepreneurs with mentors and investors.
- Innovative pilot projects undertaken by the Real Madrid Foundation and IDB to support the integration of migrant returnees in Guatemala and that of the Venezuelan migrant population in Colombia.

101 "Tech to Wet: HydroBID Digital Innovation for Water Security," World Water Week, last visited January 25, 2023, https://www.worldwaterweek.org/event/9347-tech-to-wet-hydrobid-digital-innovation-for-water-security.

102 "IDB, PepsiCo, and PepsiCo Foundation Expand Partnership to Foster Growth," Inter-American Development Bank, January 12, 2021, https://www.iadb.org/en/news/idb-pepsico-and-pepsico-foundation-expand-partnership-foster-growth; "Women Could Feed Millions More People if Given Access to Means of Production—UN," United Nations, March 7, 2011, https://news.un.org/en/story/2011/03/368252-women-could-feed-millions-more-people-if-given-access-means-production-un.

103 "The Mastercard Employee Assistance Fund," Emergency Assistance Foundation, last visited January 25, 2023, https://emergencyassistancefdn.org/mastercard-employee-assistance-fund; "Coca-Cola Employee Disaster Relief Fund," Coca-Cola EDRF, last visited January 25, 2023, https://www.coca-colaedrf.org.

104 "Coca-Cola Provides Additional Relief to Communities Affected by Natural Disasters in Latin America and the Caribbean," Coca-Cola, press release, September 26, 2017, https://investors.coca-colacompany.com/news-events/press-releases/detail/908/coca-cola-provides-additional-relief-to-communities.

OPPORTUNITY #5:

Meaningfully Advancing the Green Agenda

A wind farm supplies green energy to firms including Coca-Cola in Argentina in Azul, Buenos Aires Province.
Image credit: REUTERS/Agustin Marcarian

Introducing the Opportunity

The private sector identified the green agenda as a major opportunity, with more than half of survey respondents flagging “addressing climate change” as a top sustainable development and business priority to drive full economic recovery from COVID-19.[105] While climate action is critical on a global level, companies recognize that it is particularly pressing in LAC.

LAC is the world’s most economically unequal region and the second-most disaster-prone region in the world, highly vulnerable to climate consequences.[106] This vulnerability threatens to further entrench inequality and undermine the wellbeing of people and communities. Every year, between one hundred and fifty thousand and two million people in LAC are pushed into poverty or extreme poverty because of natural disasters, while as many as seventeen million people could migrate across LAC by 2050 due to climate change.[107] Climate change also threatens food security, which can heavily impact rural communities.[108] It will generate economic costs of up to $100 billion annually by 2050, which undercut growth and limit the ability of businesses to operate, prosper, and thrive.[109]

But advancing the green agenda is not simply imperative as a means of mitigating these challenges. Rather, It unlocks economic opportunity, particularly through the creation and growth of **green jobs, the circular economy, and green finance (recommendations A, B, and C)**. Globally, transitioning to a nature-positive economy is expected to yield $10 trillion in business opportunities.[110] In LAC—home to 40 percent of the world’s biodiversity, 30 percent of its freshwater, and nearly half of all tropical forests—these opportunities are particularly salient.[111] In Costa Rica alone, for instance, achieving net-zero emissions is predicted to generate $41 billion in net benefits over thirty years through energy savings, improved agricultural yields, and more, while in Peru, carbon neutrality is expected to unlock $140 billion in net benefits by 2050.[112]

Transitioning to a low-carbon and resilient economy requires expanded investment. Indeed, across the LAC region, an estimated $2.6 trillion in investment is needed in renewable energy, industrial energy efficiency, and urban infrastructure to meet Nationally Determined Contributions (NDCs) under the Paris Agreement by 2030.

Decisive action by governments will need to play a role. The ABD outlines actions governments should take, including promoting low- and zero-carbon technologies; integrating energy, environmental, and economic policies; boosting renewable-energy integration; championing climate-smart solutions and regenerative agriculture; developing environmentally friendly and efficient logistics systems; and promoting cooperation with financial institutions to facilitate investment.[113] Governments should also help facilitate private financing. National development banks can, for instance, provide blended finance instruments that unlock investments that are not yet financially viable, thereby crowding in the private financial sector.

The private sector is an essential partner for the public sector in these efforts to drive the green agenda forward, as it is particularly well poised to deploy **capital, knowledge, and technology.** Fortunately, firms seem to recognize this—42 percent of survey respondents highlighted “environmental and climate improvement” as one of the top three areas in which their firms could make an important social impact.[114] In interviews with senior executives, firms like Bayer acknowledged that green partnerships are essential to swiftly respond to major environmental challenges.[115]

105 “Opportunities and Challenges in Latin America and the Caribbean: The Private Sector Perspective,” June 2022, question 10.

106 “GHO 2023: at a Glance,” Humanitarian Action, last visited January 25, 2023, https://gho.unocha.org/appeals/latin-america-and-caribbean#footnote-paragraph-136-1.

107 Carlos Felipe Jaramillo, “A Green Recovery of Latin America and the Caribbean is Possible and Necessary,” *Latin America and the Caribbean World Bank Blog*, September 11, 2020, https://blogs.worldbank.org/latinamerica/green-recovery-latin-america-and-caribbean-possible-and-necessary.

108 Enrique Oviedo and Adoniram Sanches, coords., “Food and Nutrition Security and the Eradication of Hunger: CELAC 2025: Furthering Discussion and Regional Cooperation,” Community of Latin American and Caribbean States, July 2016, 74–75. https://repositorio.cepal.org/bitstream/handle/11362/40355/S1600706_en.pdf?sequence=1&isAllowed=y.

109 Walter Vergara, et al., “The Climate and Development Challenge for Latin America and the Caribbean: Options for Climate-Resilient, Low-Carbon Development,” Economic Commission for Latin America and the Caribbean, Inter-American Development Bank, and World Wildlife Fund, 2013, 13–14, https://publications.iadb.org/publications/english/document/The-Climate-and-Development-Challenge-for-Latin-America-and-the-Caribbean-Options-for-Climate-Resilient-Low-Carbon-Development.pdf.

110 “The Future of Nature and Business,” World Economic Forum and AlphaBeta , 2020, 4, https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf.

111 “Policy Recommendations, IX Summit of the Americas,” 15; Dario Abramskiehn, et al., “Supporting National Development Banks to Drive Investment in the Nationally Determined Contributions of Brazil, Mexico, and Chile,” Inter-American Development Bank, 2017, https://publications.iadb.org/publications/english/document/Supporting-National-Development-Banks-to-Drive-Investment-in-the-Nationally-Determined-Contributions-of-Brazil-Mexico-and-Chile.pdf.

112 Jennifer Doherty-Bigara Rodríguez, Andrea García Salinas, and Daniella Restrepo Duarte, “One Region, One Commitment: Towards Sustainable Recovery in Latin America and the Caribbean,” Inter-American Development Bank, 2021, 18, https://publications.iadb.org/publications/english/document/One-Region-One-Commitment-Towards-Sustainable-Recovery-in-Latin-America-and-the-Caribbean.pdf.

113 “Policy Recommendations, IX Summit of the Americas,” 15.

114 “Opportunities and Challenges in Latin America and the Caribbean: The Private Sector Perspective,” June 2022, question 9.

115 Helga Flores Trejo, interview with Pepe Zhang, *Experts of the Americas*, forthcoming.

Recommendations for the Private Sector

The private sector is well placed to advance the green agenda, particularly across three areas: **green jobs, the circular economy, and green finance**.

OP #5: MEANINGFULLY ADVANCING THE GREEN AGENDA

- **A** Creating green jobs
- **B** Promoting the circular economy
- **C** Partaking in green finance

A. CREATING GREEN JOBS

Private firms are critical job creators across sectors. But the creation of **green jobs**, in particular, stands out as an opportunity for unlocking economic benefits with meaningful social and environmental impact.[116] For example, the transition toward net-zero-emission economies has the potential to add over fifteen million net jobs in LAC by 2030.[117] More than seven million jobs in fossil fuels and animal-based food production could disappear, but they would be offset by 22.5 million new opportunities in sectors including agriculture, renewable energy, forestry, construction, and manufacturing.

Green-job creation will require firms to genuinely commit to adopting sustainable practices, identifying opportunities to enhance the sustainability of their operations, and seizing business opportunities in emerging green sectors. It will also demand that firms work, in cooperation with governments and other stakeholders, to provide income support to displaced workers o r upskilling and reskilling opportunities to ensure a just transition.[118] As seen in Opportunity #2, IDB partners are working actively to design training programs and empower workers in the transition to a digital economy. Firms can look to these efforts as a model for preparing workers for green jobs as well, starting with efforts to identify and fill skills gaps as they transition to greener ways of working.[119]

B. PROMOTING THE CIRCULAR ECONOMY

Another critical opportunity for private-sector action lies in the transition away from a linear economy model towards a circular one—which, starting from its design, adopts an economic model of production and consumption that eliminates waste and pollution, circulates products and materials, and regenerates nature. A **circular economy** offers a model for creating long-term economic prosperity and contributes to the achievement of multiple Sustainable Development Goals.[120]

In the ABD report, firms highlighted the need to "accelerate an equitable expansion of regenerative agriculture and the circular economy" as a priority in government efforts to address climate change.[121] But firms themselves can also play a key role in the circular-economy transition.

First, the private sector can act as a financier of the transition. It can invest in infrastructure, such as collection systems and treatment plants, and in programs that help workers and organizations to cultivate the necessary skills and implementation capacity to make the circular economy a reality.[122] These efforts are wise not only from an environmental perspective, but from a business perspective, as consumers increasingly expect companies to operate sustainably. In this space, partnerships are highly relevant. For example, national and commercial banks in Colombia are working actively with IDB and IDB Invest to develop a common taxonomy and identify proper

116 "What Is a Green Job?" International Labour Organization, April 13, 2016, https://www.ilo.org/global/topics/green-jobs/news/WCMS_220248/lang--en/index.htm. The ILO defines green jobs as decent jobs that preserve or restore the environment, provide goods or provide services that benefit the environment, and utilize environmentally friendly processes to: improve the efficiency of energy and raw-materials consumption; limit greenhouse-gas emissions; minimize waste and pollution; protect and restore ecosystems; and support adaptation efforts. The holistic view of green jobs described by the ILO provides a framework for the private sector to help workers develop the skills demanded by green jobs, both through training and partnering with the public sector to support the global green transition.

117 Monserrat Bustelo, et al., "Gender and Inclusion in the Green Agenda: Where Are We, and How to Move Forward?" Inter-American Development Bank and Canada, 2022, https://publications.iadb.org/publications/english/document/Gender-and-Inclusion-in-the-Green-Agenda-Where-Are-We-and-How-to-Move-Forward.pdf; Catherine Saget, Adrien Vogt-Schilb, and Trang Luu, "Jobs in a Net-Zero Emissions Future in Latin America and the Caribbean," Inter-American Development Bank and International Labour Organization, 2020, 13–14, https://publications.iadb.org/publications/english/document/Jobs-in-a-Net-Zero-Emissions-Future-in-Latin-America-and-the-Caribbean.pdf.

118 "Achieving our collective global climate targets is a monumental task and it is going to take a whole of-economy effort to make it happen. That means we need a transformation in the skills and jobs people have if we're going to get there," Global Green Skills Report 2022.

119 Saget, Vogt-Schilb, and Luu, "Jobs in a Net-Zero Emissions Future," 75.

120 "*Economía Circular en América Latina y el Caribe: Una Visión Compartida,*" Circular Economy Coalition, last visited January 25, 2022, https://coalicioneconomiacircular.org/wp-content/uploads/2022/02/ESPAN%CC%83OL-Ecoonomi%CC%81a-circular-en-Ame%CC%81rica-Latina-y-el-Caribe.pdf.

121 "Policy Recommendations, IX Summit of the Americas," 5.

122 "*Economía Circular en América Latina y el Caribe*," 15, 42.

financial instruments for financing the circular economy that better meet market needs.[123]

Second, firms can lend their voices and critical perspectives to multistakeholder circular-economy initiatives. By joining efforts like the World Economic Forum's Scale360° initiative and the Circular Economy Coalition for LAC, a consortium led by IDB and a group of strategic partners, firms can help shape regulatory frameworks, support capacity-building efforts, and coordinate action with other companies in pursuit of a more circular economy.

Finally, and perhaps most importantly, firms can promote circular practices and solutions in the industries in which they operate—for instance, by working to minimize the amount of material used across the infrastructure lifecycle or value chain, adopting technologies that improve environmental sustainability across operations, and helping SMEs in their value chains adopt sustainable, circular practices. Many companies are already setting an example in this space. For instance, a group of partners have coalesced around *Latitud R,* an initiative that promotes recycling in the region and formalizes the work of LAC's recyclers. Through this initiative, firms including Dow Chemical Company, Nestlé, PepsiCo, and the Coca-Cola Company are working alongside Fundación Avina, the Latin American Network of Recyclers (Red LACRE), and IDB to collect more than three hundred thousand tons of recycled material and to empower more than twenty thousand recyclers in LAC over the next four years. In the long term, the partnership seeks to accelerate the circular-economy transition by investing in circular-economy businesses through an accelerator, innovating recycling practices, generating and harmonizing data to inform decision-making, and promoting behavioral change among consumers.

C. PARTAKING IN GREEN FINANCE

Though perceived risks continue to constrain private-sector involvement in green financing in the region, there is ample opportunity for firms to ramp up their role as leaders in green finance.[124] Doing so will be essential to moving the green agenda forward, which private firms flagged as a top priority. It can also position firms to effectively and responsibly take advantage of the abundant returns seen in the green and sustainable-finance space in recent years.

For starters, private financial institutions can tighten ESG requirements and align investments with the Paris Climate Agreement, the Task Force for Climate Financial Disclosure, the Sustainable Development Goals, and other international frameworks focused on climate action. Many firms are already incorporating green objectives into their transactions. For example, in an interview, BNP Paribas highlighted its financing programs designed to reduce deforestation, preserve biodiversity, facilitate the ecological transition of businesses, and protect natural capital.[125] In this space, one practical resource for firms is the "SDG Impact Toolkit for Infrastructure Investments," a visualization instrument developed by IDB that aligns infrastructure investment opportunities with the SDGs using a sophisticated methodology developed with the UN Sustainable Development Solutions Network. Sharing data on current and historic infrastructure investment, the toolkit guides investors toward investment opportunities that can most move the needle on the SDGs.

In addition, private entities can join forces to foster a robust ecosystem for green financing in the region. Financial institutions from across LAC, for instance, have participated in more than twelve national sustainable-finance roundtables facilitated by IDB Invest to increase understanding of sustainable finance. These roundtables enable firms to enhance the sustainability ambitions of domestic financial markets and capture critical lessons, such as the importance of reporting. Based on this experience, IDB and IDB Invest developed the Green Bond Transparency Platform (GBTP), which promotes harmonization and standardization in green-bond reporting to increase investor confidence and nurture the green-bond market in LAC. By using this platform and uploading their green-bond placements on the GBTP, financial institutions are helping to enhance the transparency and standards of the green-bond market and mitigate greenwashing. This, in turn, encourages more and better green investments.

123 Paula Peláez and Rodrigo Navas, "Four Ways to Put the Circular Economy to Work for Your Company," *IDB Invest Blog*, November 17, 2021, https://idbinvest.org/en/blog/development-impact/four-ways-put-circular-economy-work-your-company#:~:text=The%20circular%20economy%20is%20tailor,well%20as%20private%20sector%20action.

124 Juan A. Ketterer, "What is the Financial Innovation Lab?" Inter-American Development bank, last visited January 25, 2023, https://www.iadb.org/en/financial-innovation-lab/financial-innovation-lab.

125 Florence Pourchet, interview with Pepe Zhang, *Experts of the Americas*, forthcoming.

BOX 7: How IDB Group Is Driving Green Finance Forward

As countries work to implement their NDCs under the Paris Agreement, the banking sector must step up as a key partner. Multilateral organizations like the IDB Group are working actively to build up the green-finance ecosystem and help financial institutions align themselves with the Paris Agreement.

For example, IDB is also working to empower national development banks (NDBs) as agents of change. It has built a portfolio of more than fifty operations for a total of $6.6 billion with NDBs, deploying a financial-solutions toolbox that includes loans, guarantees, bonds, and technical assistance. These efforts are critical because NDBs operate at the center of the financial system in many of the region's economies and play a crucial role in mobilizing private resources for the green agenda.

As well, IDB and IDB Invest have been supporting the issuance of thematic bonds to mobilize green financing from capital markets, providing technical assistance to support frameworks and second-party opinions in the market, and helping enhance the credit profile of issued bonds to generate more demand by private investors. Between 2017 and 2022, the IDB Group supported more than seventy public thematic-bond issuances, representing more than 20 percent of the total market volume issued by governments, NDBs, public electricity utilities, commercial banks, and private enterprises in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panamá, Perú, and Uruguay.

Partnership Examples

Given the region's natural bounty and the extent of its vulnerability to climate change, partnerships to advance the green agenda are critical. Many private-sector leaders are already taking actions on environmental and climate issues that align with the three recommendations outlined above.

For example, PepsiCo is working to further integrate green considerations into its own operations. As part of their partnership with IDB and IDB Lab, in 2021 PepsiCo and the PepsiCo Foundation pledged to invest approximately $6 million in projects across four areas linked to PepsiCo operations: water access, inclusive recycling, sustainable agriculture, and economic recovery. It also funded the creation of the Next Generation Agriculture Fund, an IDB-managed financing vehicle that will boost resilience, sustainability, and gender equality within PepsiCo's potato supply chains in three countries. All these actions are helping to **create green jobs (recommendation A).**

Firms are also working through industry-wide coalitions to advance the green agenda in the **circular economy (recommendation B)**. Similar to the approach taken by *Latitud R,* the IDB-led *#SinDesperdicio* initiative brings together a group of food and beverage companies and other government, civil-society, and academic stakeholders to address food loss and waste (FLW), a challenge with serious economic and environmental implications. Through *#SinDesperdicio*, Dow, Nestlé, Coca-Cola, Grupo Bimbo, Oxxo, Fundación FEMSA, and IBM are supporting efforts to harness technological solutions to reduce FLW along the entire food supply chain; support studies on market failures that cause FLW; promote behavioral change among producers, consumers, and all actors in the food supply chain; and inform public policy to combat FLW.

Finally, partnerships with the private sector are helping to strengthen the **green finance (recommendation C) ecosystem.** In addition to the GBTP referenced above, a noteworthy partnership example is the Latam Projects Hub, launched in 2022 by the Brazilian Development Bank (BNDES), the National Works and Public Services Bank SNC of Mexico (Banobras), the Latin American Association of Development Financing Institutions (ALIDE), and IDB. The hub offers investors a comprehensive view of investment opportunities in sustainable infrastructure, including concessions, public-private partnerships, privatizations, and strategic information on the sustainability of projects, with the goal of attracting investors to the region and scaling the reach of national development banks in structuring high-quality projects.

IV. Conclusion

When asked to identify the main social impact of their companies, survey respondents cited myriad promising areas. Unsurprisingly, the most commonly cited was economic growth and job creation (72 percent), as shown in Figure 11 a few pages ago.

But LAC needs companies to consider their contributions far beyond output and employment, especially with the region confronting a number of additional short-term uncertainties and structural socioeconomic obstacles. As evidenced by concrete examples throughout the report, many firms have undertaken commendable efforts and rethinking in this regard. But more can be done. Going forward, the private sector would do well to step up as a leader—and a partner for the public sector—in boosting development, equity, resilience, and sustainability in LAC.

This report explored how the private sector can rise to this challenge in a systematic and actionable way, through sixteen recommendations across five concrete opportunities (summarized below). Additionally, it explained why doing so also benefits firms, for those less convinced of the cause (or less optimistic about the region). This is particularly critical to further galvanizing private-sector interests at a time when pandemic-induced scarring and other ongoing economic headwinds have eroded corporate revenues and suppressed cumulative investment in certain sectors.[126] Even with fewer resources available, however, companies can make an impact through well-designed day-to-day operations, strategies, special programs, and partnerships.

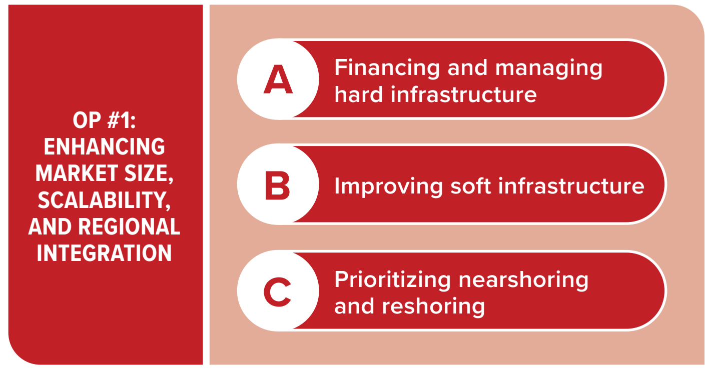
Finally, the private sector cannot, and should not, do it alone. The report highlighted success stories and the overall importance of multistakeholder partnerships (public-private, private-multilateral, private-civil society, etc.), as a way to complement private-sector actions and amplify developmental impact. On that note, this conclusion section offers some final thoughts and additional insights on how to stimulate public-private partnerships in particular, as well as the critical role of the multilateral sector to advance partnerships and private-sector-led development.

126 "Healthier Firms for a Stronger Recovery: Policies to Support Business and Jobs in Latin America and the Caribbean," Inter-American Development Bank, August 2022, https://publications.iadb.org/en/healthier-firms-stronger-recovery-policies-support-business-and-jobs-latin-america-and-caribbean.

Opportunities for Private-Sector Actions

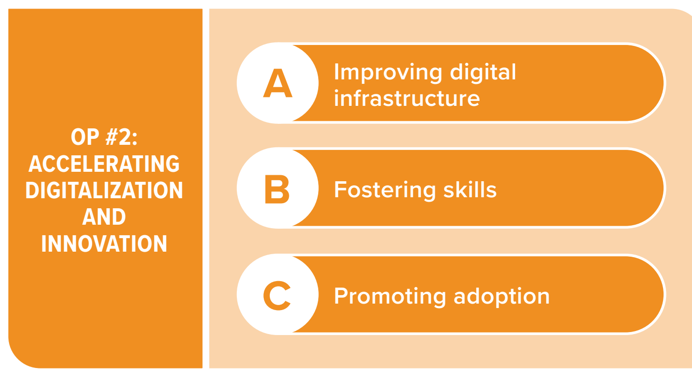
Opportunity #1: Enhancing Market Size, Scalability, and Regional Integration

LAC's market size and scalability make it an attractive environment for businesses, but the public and private sectors have an opportunity to further strengthen this appeal through deeper regional integration. Private-sector leadership and participation will be crucial for efficiently improving **hard and soft infrastructure** for trade, energy, and other forms of integration. Together with public-sector efforts, these improvements will help pull more **nearshoring and reshoring** investment to the region.



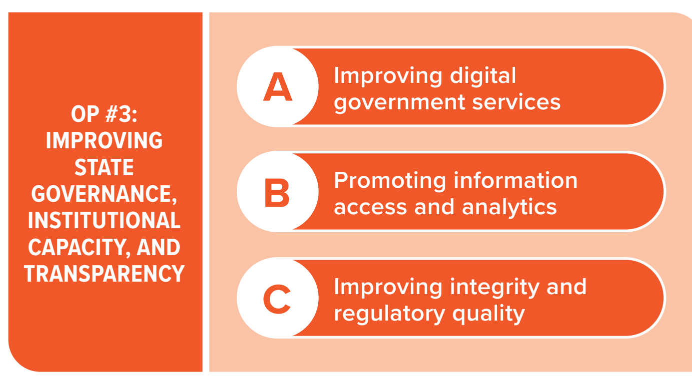
Opportunity #2: Accelerating Digitalization and Innovation

The private sector is well positioned to help LAC economies, governments, and citizens make the most of its digital-innovation potential. As employers, service providers, consumers, partners, and investors, companies can leverage an ecosystem approach to enhance **digital infrastructure, skills, and adoption** within and across countries, delivering better digital outcomes conducive to economic inclusion and competitiveness.



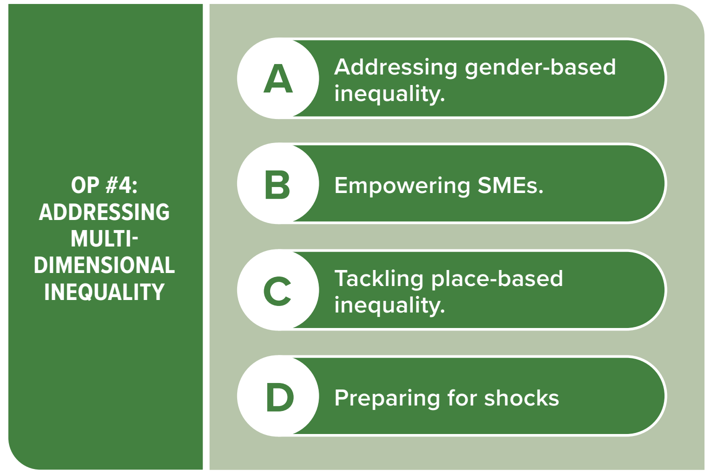
Opportunity #3: Improving State Governance, Institutional Capacity, and Transparency

Businesses in LAC can assist governments in combating institutional capacity and governance challenges. Private-sector know-how and technology, including **digital** and cloud-based tools, can streamline **government-service delivery** and improve user experience. Public-private collaboration on **information access and analytics, regulatory issues, and integrity mechanisms** can help expose graft, boost transparency, and establish best practices, while keeping citizens informed. Together, these steps can help mitigate the region's trust deficit, cultivate an attractive business climate, and boost economic growth.



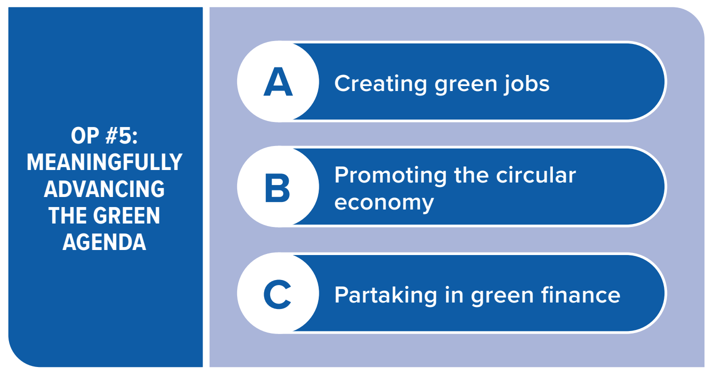
Opportunity #4: Addressing Multidimensional Inequality

Tapping into the financing, expertise, and technological capabilities of private firms will be crucial to mitigating multidimensional inequality in LAC. Practical training, mentoring, capacity building, supply-chain integration, and other programs help bring new talent into the region's workforce, expand business operations, and increase productivity in LAC. This will particularly benefit underprivileged groups such as **women, SMEs, and rural populations**, making LAC's growth more inclusive and resilient against **future shocks**.



Opportunity #5: Meaningfully Advancing the Green Agenda

Advancing the green agenda is not only imperative as a means of addressing the threat of climate change, but also as a means of unlocking massive business opportunities with the potential to drive private-sector-led economic recovery and growth in LAC. In particular, private firms have an important role to play by **creating green jobs, promoting the circular economy, and partaking in green finance.**

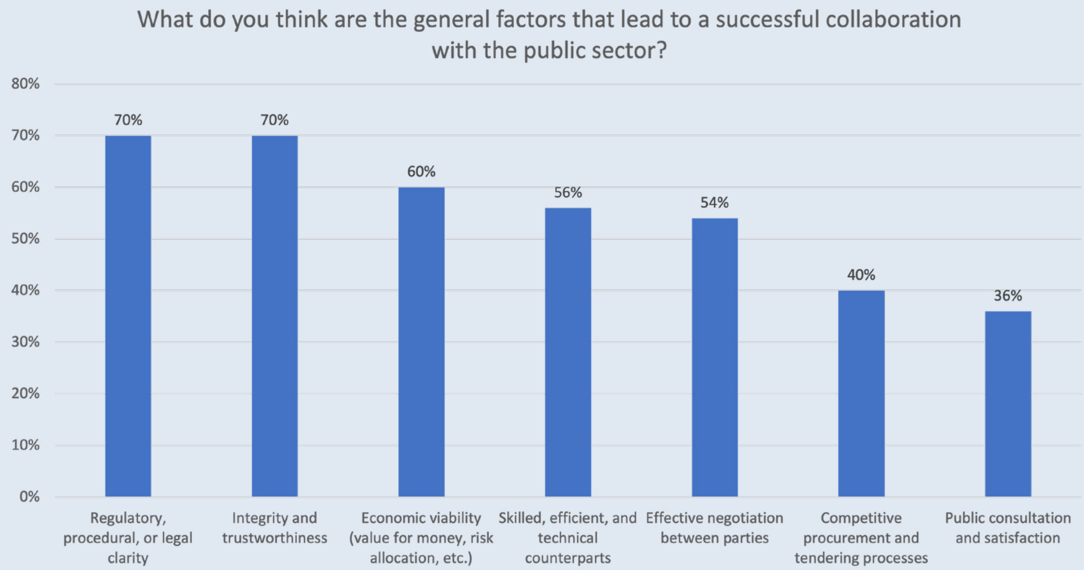


BOX 8: Special Feature: Maximizing the Potential of Public-Private Cooperation

In addition to the private-sector opportunities and recommendations summarized above, the report showcased scores of successful partnerships with the private sector that helped magnify developmental impact. As governments pursue and expand these partnerships, a central question remains: how to ensure these partnerships are successful. The answer varies greatly depending on the nature of the collaboration (e.g., co-financing an infrastructure project versus developing vocational training with private-sector expertise). Nevertheless, insights from our survey shed light on this. See Figure 12 below.

Firms most commonly cited the two following factors as necessary for successful collaboration with the public sector: regulatory, procedural, and legal clarity (70 percent), and integrity and trustworthiness (70 percent). The next tier of requirements was related to the attributes of specific collaborations themselves: economic viability (60 percent), skilled counterparts (56 percent), and effective negotiation (54 percent).

Figure 12. What makes public-private collaboration successful?

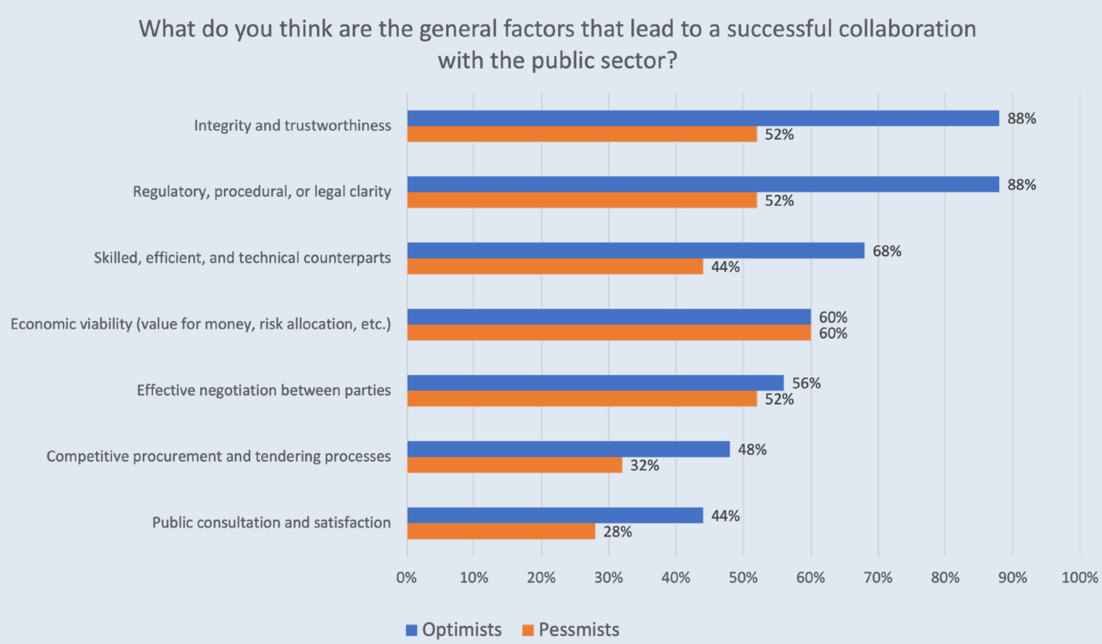


SOURCE: Atlantic Council survey 2022

Here again, interesting differences appeared between our survey's optimists and pessimists. The latter—who showed greater skepticism of government institutions—are more likely to prioritize regulatory and legal frameworks and engage with trustworthy and honest counterparts. Optimists, meanwhile, focused more on the specifics of a given collaboration (in particular, economic viability). See Figure 13 below.

Ultimately, as with all relationships, successful public-private cooperation in pursuit of recovery and sustainable development in the region will depend on a shared vision for success, a clear sense of what each partner brings to the table, trust and communication, transparency and honesty, and a shared belief in the unique potential of multistakeholder partnerships to improve lives in the region.

Figure 13. Optimists versus pessimists on successful public-private collaboration.



SOURCE: Atlantic Council survey 2022

BOX 9: Special Feature: The Role of the Multilateral Sector

Multilateral actors have a critical role to play in these partnerships. Indeed, many interviewees, including Telefonica, pointed to the multilateral institutions as key partners that can help private actors unlock their full potential to support the region's development.

First, multilateral entities bring profound sectorial, country, and development expertise to partnerships. This knowledge helps ensure partnerships are designed in line with country and sector needs, that they respond to the realities on the ground, and that they are soundly implemented and carefully monitored to maximize impact.

Second, multilaterals are trusted partners of governments, civil-society actors, and private firms, and therefore can serve as a bridge connecting these diverse actors. This is particularly relevant in LAC, where trust in the public and private sectors is low, and where mistrust is a significant obstacle to development.[127] As an honest broker, multilaterals can unlock progress and prosperity by convening and building trust among public, private, and civil-society actors, and by opening the hearts and minds of local partners and beneficiaries to the ways in which private-sector partnerships can improve the region's environmental, social, and economic wellbeing. A salient example here is IDB's leadership in convening public-private dialogue, through platforms like the Americas Business Dialogue, on diverse topics of strategic development importance. These dialogues have effectively fostered public-private-multilateral ties in the region and involved nontraditional stakeholders, such as MNCs, in the region's development journey.

Third, multilaterals can play a supporting role to empower partnerships with the private sector, even without being directly involved in the partnerships themselves. For example, they can partner with governments to provide anchor investments or de-risking facilities that may crowd in the private sector. Their support of private-sector operations with a meaningful development impact creates significant demonstration effects for other private firms to follow. Their commitment to fostering domestic private-sector development lays the groundwork for private firms to thrive, generating opportunities for future partnerships.

Such financial and technical assistance is particularly important in today's uncertain economic and political context. On one hand, multilaterals are well positioned to act as countercyclical lenders during credit crunches and other crises. On the other hand, the multilaterals' focus on the long-term growth and competitiveness agenda helps induce similar behavior in the public and private sectors, which helps overcome certain short-termism (for example, caused by elections, protests, or political polarization) potentially counterproductive to ultimate development goals.

Finally, multilaterals are also well placed to extract and disseminate the lessons generated from partnerships and use them to inform future partnerships and public policymaking—an essential component and objective of this collaborative report between AALAC and IDB. Moreover, their robust government ties, network of stakeholders, and in-country presence facilitates the exchange and cross-pollination of know-how across different geographies and industries. Like MNCs, many multilaterals have extensive coverage and memberships across LAC. The IDB, for example, has physical presence across twenty-six countries in the region.

127 Keefer and Scartascini, *Trust*, 7.

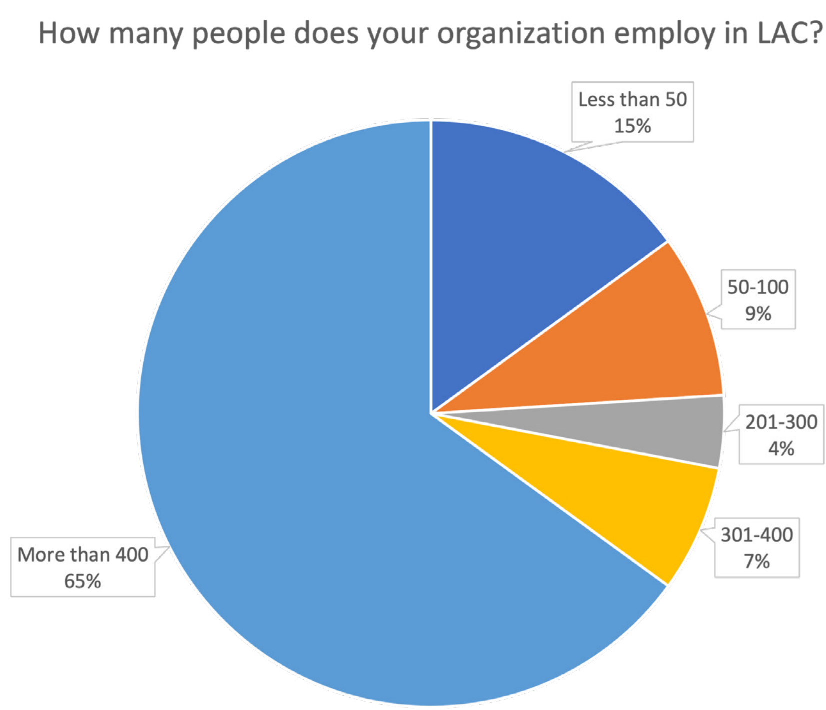
V. ANNEX

Annex A: Methodology

A collaborative effort between AALAC and IDB, this report drew on insights from direct, structured consultations with key private-sector stakeholders familiar with and active in LAC through: an anonymous survey conducted in May and June 2022; nine one-on-one, in-depth interviews with senior executives in June and July 2022; and additional input in particular from the ABD, an IDB-led initiative that houses and produces public-policy recommendations in collaboration with more than four hundred companies and associations.

Survey: To better understand the private-sector perspective on the opportunities facing LAC, AALAC and IDB invited their private-sector partners to participate in an anonymous online survey, hosted on Survey Monkey. Fifty-five individuals completed the questionnaire in late May and late June 2022. The questions, developed jointly by AALAC and IDB, covered areas including: recent and likely future evolution of LAC's business environment, how LAC compares with other global regions, top attractions and barriers of doing business in LAC, the socioeconomic role and contributions of private firms in regional recovery and development, and ways to enhance private-sector partnerships with governments and multilateral organizations.

Figure 14. Size of respondents' businesses in LAC.



SOURCE: Atlantic Council survey 2022

Survey respondents were predominantly multinational firms operating in LAC. The mean number of each company's employees in the region is more than four hundred, with more than three-quarters having more than two hundred (see Figure 14, above). Consistent with such size, these businesses typically operate across the region. On average, surveyed companies are active in nine LAC countries. Seventy-nine percent of them operate in more than one subregion of LAC: South America, Central America, and the Caribbean. Respondents' firms are also distributed across a wide range of sectors—fifteen in total—with the most common being information technology (15 percent), financial services (15 percent), and automotive (11 percent).

Interviews: In June and July 2022, AALAC conducted one-on-one interviews with nine senior executives from IDB's network of private-sector partners representing several industries: Bayer, BNP Paribas, Coca-Cola, Google, Mastercard, Millicom, NTT Data, Telefonica, and Visa. These qualitative interviews complemented the survey by delving deeper into specific issues relevant to the report and of private sector and partnership interest. Full-length interviews were published on the Atlantic Council's website as part of its Experts of the Americas series.

ABD: The report also benefited from insights from the Americas Business Dialogue, in particular its 2022 report of policy recommendations. ABD carries out a sustained high-level exchange between LAC governments and companies, and acts as the private-sector consultation mechanism for the Summit of the Americas. The opinions expressed in ABD recommendations are those of ABD members, and do not necessarily reflect the views of the IDB, its board of directors, or the countries it represents.

Additional input: Finally, the report benefited from technical inputs of IDB teams working closely with the private sector, including: Climate Change & Sustainable Development Sector (CSD), Department of Research & Chief Economist (RES), Infrastructure & Energy Sector (INE), Institutions for Development Sector (IFD), Integration & Trade Sector (INT), Social Sector (SCL), IDB Lab, and IDB Invest. The report was produced and coordinated by the Office of Outreach and Partnership (ORP) on the IDB side, and the AALAC on the Atlantic Council side.

Building on the above resources and additional research, AALAC and the IDB identified five areas of opportunity for accelerating growth and development in LAC through the private sector and partnership, which were used as the foundation for the report.

Annex B: ABD Recommendations

The report drew on recommendations facilitated by the Americas Business Dialogue (ABD). For ease of navigation, this table summarizes where ABD recommendations were used and included the text of the original recommendations.

Opportunity	Location of ABD recommendations used	Original ABD recommendations
Opportunity #1: Enhancing Market Size, Scalability, And Regional Integration	Introduction	ABD rec #10: Incorporate high quality digital trade provisions in trade negotiations and regional integration processes to support the development of a sustainable digital economy in the region, including commitments to facilitate cross-border data flows and refrain from implementing data localization requirements.
	Rec A: Financing and Managing Hard Infrastructure	ABD rec #25: Facilitate improvements in the efficiency, cost, reliability, and emissions of electricity production through the physical and regulatory integration of regional markets; enabling the efficient purchase and sale of electricity; and utilizing market-friendly regulations that improve access to renewable energy and natural gas.
Opportunity #2: Accelerating Digitalization And Innovation	Rec A: Improving Digital Infrastructure	ABD rec #11: Take urgent action to increase connectivity in the region and adopt innovative approaches, from a political, regulatory, and technological point of view, to facilitate universal access under high-quality conditions.
	Rec B: Fostering Skills	ABD rec #10: Design and implement national policies on digital entrepreneurship and innovation to reduce existing barriers—regulatory, fiscal, and administrative—to digital innovation in different sectors of the economy, as well as to incorporate incentives for the growth of this type of innovation. ABD rec #21: Elevate public research-and-development spending as an integral part of long-term economic-development strategy.
	Rec C: Promoting Adoption	ABD rec #15: Ensure that all companies and citizens in the region have access to and adopt digital payments and financial services, and digitize the financial flows of the public and the private sectors. ABD rec #16: Adopt measures to increase the effectiveness of fraud prevention, particularly in online transactions. Government, the private sector, civil society, and individuals should be incentivized to reduce fraud rates.
Opportunity #3: Improving State Governance, Institutional Capacity, And Transparency	Introduction	ABD rec #3: Implement mechanisms to ensure legitimate, transparent, and technically sound regulations, and adopt administrative simplification plans.
	Rec B: Promoting Information Access and Analytics	ABD rec #2: Strengthen and modernize public procurement systems to ensure integrity, transparency, and competition along the different stages of the procurement process, as well as throughout the entire lifecycle of the contractual relationship.
Opportunity #4: Addressing Multidimensional Inequality	Rec B: Empowering SMEs	ABD rec #5: Strengthen policies to address inequality and promote inclusive development, including public-private partnerships to foster inclusion of women and people of diverse groups into the workforce across various economic sectors and decision-making roles, ensuring equal job opportunities, conditions, career paths, and fair and ethical talent-recruitment processes and management. ABD rec #12: Promote and implement specific policies and programs, at the national and regional levels, and in collaboration with industry, that support all micro, small and medium-sized enterprises (MSMEs) in the region to actively participate in and benefit from the digital economy, taking advantage of the different technologies and tools available.
	Rec C: Tackling Place-Based Inequality	ABD rec #18: Invest in quality infrastructure based on international standards and best practices, to ensure that it benefits citizens, communities, and users, provides good value for money to countries, and stimulates both economic activity and equity by connecting regional and global markets.
Opportunity #5: Meaningfully Advancing The Green Agenda	Rec B: Circular Economy	ABD rec #23: Support the rapid and exponential scaling of low- and zero-carbon technologies through the integration of energy, environmental, and economic policies.
	Rec C: Green Finance	ABD rec #27: Promote the broadest possible cooperation between financial institutions and government in creating frameworks and investment opportunities to fight climate change.

About the Author

Pepe Zhang is a senior fellow at the Atlantic Council's Adrienne Arsht Latin America Center. Zhang leads the center's policy work on regional economic issues including macro-fiscal policies, international trade and investment, supply chains, productivity, health, multilateral development organizations, digital transformation, and strategic post-COVID growth opportunities. In addition, Zhang manages the center's China-Latin America portfolio, which provides timely insight on these growing relations through multi-perspective analyses and events. Zhang's multilingual commentary on these issues has appeared in US and international outlets including the Financial Times, Bloomberg, CNN, the New York Times, Project Syndicate, World Economic Forum, Valor Econômico, and O Globo.

Prior to joining the Atlantic Council, Zhang worked at the Inter-American Development Bank, focusing on international trade and investment promotion, entrepreneurship, and technology in Latin America and the Caribbean. Zhang holds a master's degree in international economics from the John Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS), and a bachelor's degree from Pomona College in Latin American Politics and Spanish. Zhang is fluent in Spanish, English, and Chinese, and has extensive professional and academic experience across Latin America, China, and the United States.

Atlantic Council

Board of Directors

Atlantic Council

The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

Atlantic Council
1030 15th Street, NW, 12th Floor,
Washington, DC 20005
(202) 463-7226,
www.AtlanticCouncil.org