

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

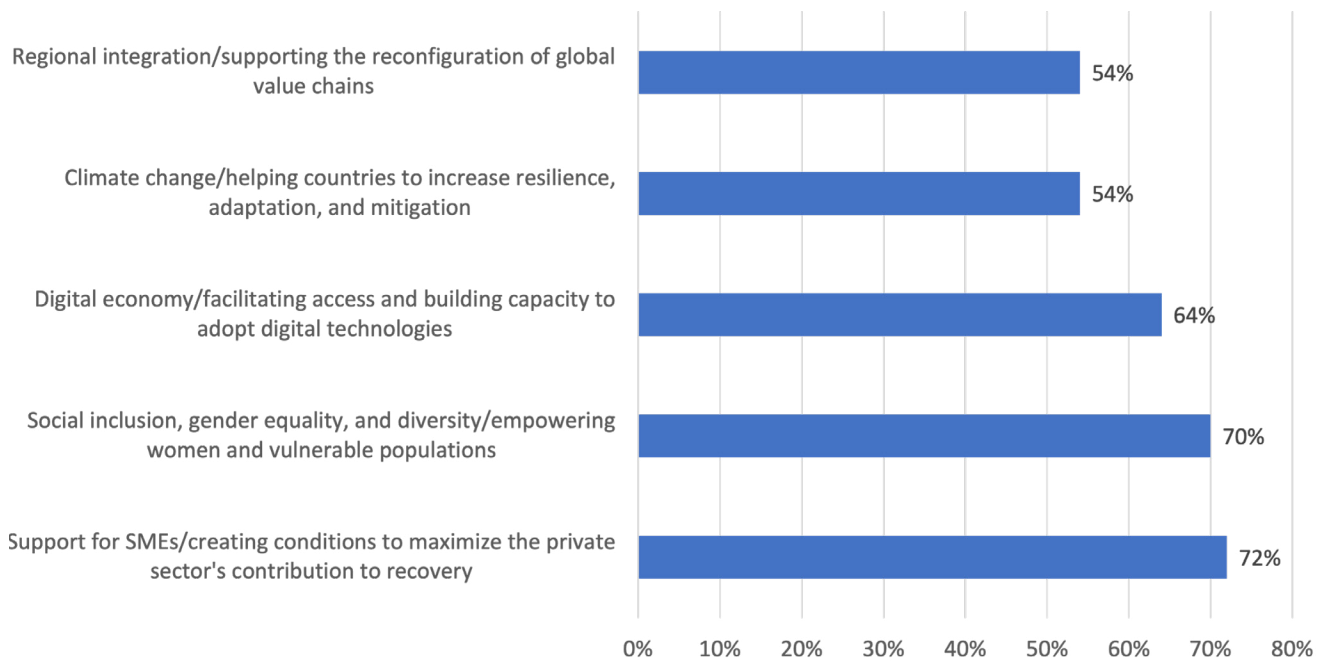
Introducing the Opportunity

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.

Coming out of the pandemic, which of the following sustainable development and business priorities do you think has the greatest potential to support LAC’s economic 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.

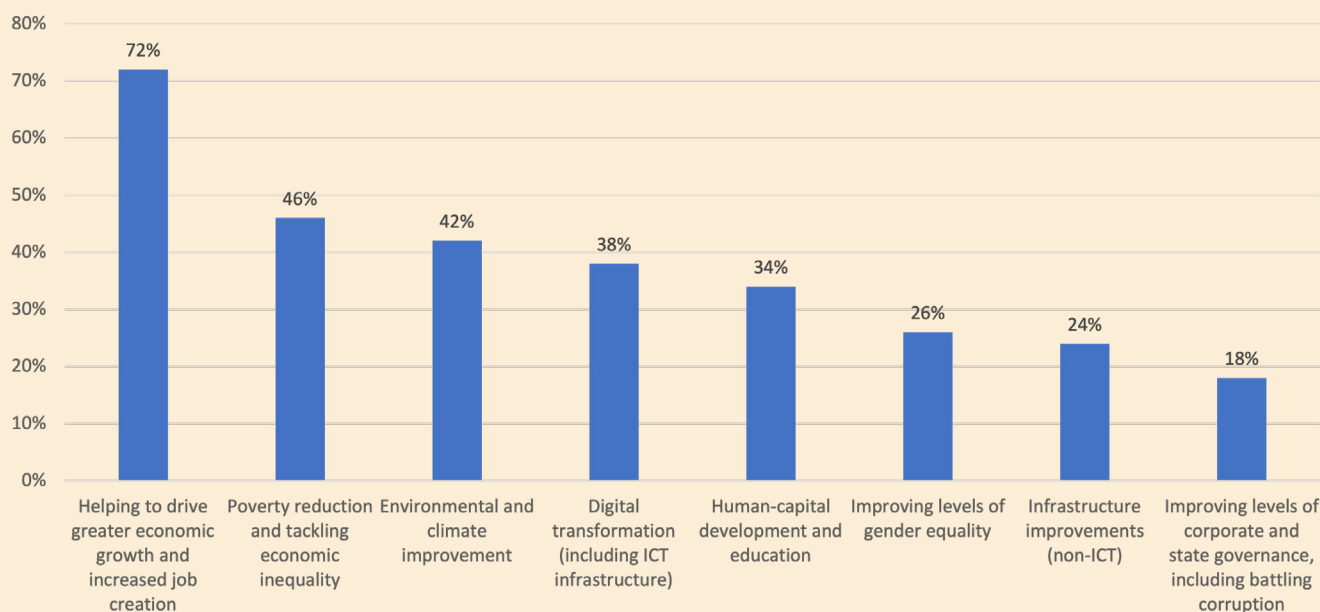
BOX 6: Additional Survey Insight: Optimists versus Pessimists

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.

Do you see your company making an important social impact in any of these areas?
(Top three choices)



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>.

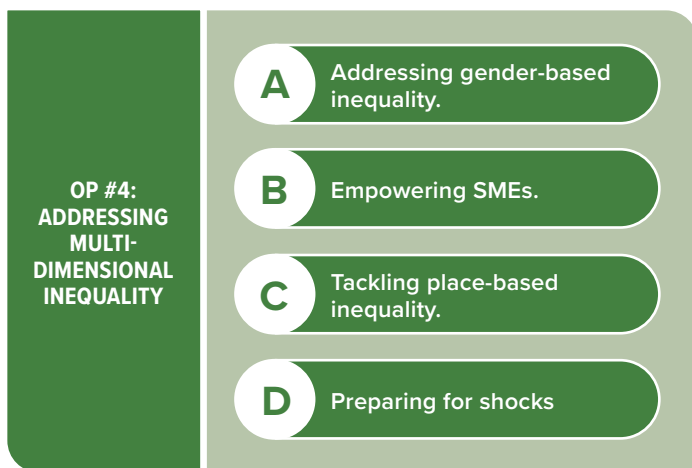
83 Quentin Wodon and Benedicte de la Briere, “The Cost of Gender Inequality: Unrealized Potential: The High Cost of Gender Inequality in Earnings,” Canada, Children’s Investment Fund Foundation, Global Partnership for Education, and World Bank Group, May 2018, 2, “Human capital measured as the present 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/RV1125_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 Ikonou, 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/projects/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," Secretaría 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 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>.