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. 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. 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 due to natural disasters, while as many as seventeen million people could migrate across LAC by 2050 due to climate change. Climate change also threatens food security, which can heavily impact rural communities. 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.

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. 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. 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.

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. 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. In interviews with senior executives, firms like Bayer acknowledged that green partnerships are essential to swiftly respond to major environmental challenges.

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

### 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. For example, the transition toward net-zero-emission economies has the potential to add over fifteen million net jobs in LAC by 2030. 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 or upskilling and reskilling opportunities to ensure a just transition. 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.

### 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.

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. 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

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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.


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.


122 “Economía Circular en América Latina y el Caribe,” 15, 42.
financial instruments for financing the circular economy that better meet market needs.\textsuperscript{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\textsuperscript{°} 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.\textsuperscript{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.\textsuperscript{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.


\textsuperscript{125} Florence Pourchet, interview with Pepe Zhang, Experts of the Americas, forthcoming.
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.

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.
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. 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.

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).
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.
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. 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.

Keefer and Scartascini, Trust, 7.