



“If circular economy were to become a key sector in the ECLAC’s economies, this sector could contribute to a greener economy and generate almost 450,000 stable jobs. It would also increase the region’s GDP by 0.35%.”

- José Luis Samaniego LEYVA, Carlos de MIGUEL

Image Source: The sale of spare parts for all sectors of the economy is a visible part of the industry on the street in many countries in Latin and South America, and a link between global industries and daily urban life, as well as neighborhoods specialized in certain products. Addressing this economic urban geography to develop the circular economy should be accompanied by a more global approach to supply chains. Here, a store selling cables for the automotive industry in Mexico City, February 2020. Image by Nicolas J.A. Buchoud, all rights reserved ©.





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## Circular economy and the 2030 agenda in Latin America and the Caribbean

Latin America and the Caribbean (LAC) was strongly impacted by the global COVID-19 pandemic in 2020 and 2021: its GDP decreased by 6,8%, poverty reverted to its levels from 12 years ago and that from 20 years for those in extreme poverty (ECLAC, 2021c). It has now become essential, in a more restrictive fiscal context and in an environment of rising interest rates, to promote the development of sectors that contribute to public revenue without aggravating the external constraint; all that while reducing the environmen-

tal footprint (ECLAC, 2021b, 2020). Circular economy (CE) responds to this profile, and even with limitations, it is able to accelerate the way out of the recession and make better use of the materials which are currently wasted. It also creates jobs and renders other social, environmental and economic co-benefits.

Advancing circularity implies applying cross-cutting policies and also specific industrial policy for each sector. Extended producer responsibility (EPR) laws, for example, have encouraged greater reuse by type of waste and are generating industries capable of recovering waste, such as glass, cardboard, and plastic (Samaniego et al., 2021). In the region, the percentage of reuse or recycling of materials is still very low, and this generates high costs for local governments. In LAC, most water bodies are polluted and increasingly the coasts and seas are turning into waste dumps. The problem is growing and far from being controlled. Little has been achieved, for example, at the design stage for circularity, as it takes place mostly outside the region. Little progress has been made in harmonizing design processes to avoid waste. Without a shift in relative profitability in favor of circularity approaches, their promotion will not go beyond a marginal improvement in waste management.

Of the more than 200 million tons of waste generated annually, less than 5% is estimated to be recycled, compared to 20% in OECD countries. Furthermore, this only applies

to waste such as paper and cardboard, scrap metal, some plastics and glass. Hence, CE is an opportunity to develop local production chains.

In the region, there are different levels of progress in terms of circular strategies. Some countries have included CE in their NDCs to achieve the goals of the Paris Agreement. Others, such as Ecuador and Peru, have developed or are planning circular economy roadmaps. Brazil, Colombia, Chile, Costa Rica, Honduras, Mexico, Peru and Uruguay are in the process of implementing EPR laws, including for electrical and electronic waste, batteries and tires, among others.

The high employment multipliers as well as direct and indirect effects on the GDP lead to the conclusion that, if CE were to become a key sector in the region's economies and if municipal waste recycling rates were equivalent to those in Germany, this sector could contribute to a greener economy. It would also generate almost 450,000 stable jobs and increase the region's GDP by 0.35%. The results for four countries analyzed in detail by ECLAC (Colombia, Mexico, Peru and Chile) are similar: CO<sub>2</sub> emissions from combustion would decrease, and even more net jobs could be created.

Together with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) as well as the European Commission through the Euroclima+ program, ECLAC has

simulated the economic, social, and environmental impacts of circular economy, the relationships between international trade and circularity, as well as some aspects of circular bioeconomy. Its key purpose is to document and inform a positive narrative based on the idea of a big sustainability push by estimating the possible positive contribution to the 2030 Agenda. It aims at a transition towards sustainable development and analyzes the potential of regulatory and economic instruments to accomplish this transition.

Incorporating carbon valuation mechanisms for changing relative returns in favor of lower carbon development

<https://euroclimaplus.org/en/lao2/incorporating-carbon-valuation-mechanisms-for-changing-relative-returns-in-favor-of-lower-carbon-development>

Participating Countries: Chile, Colombia, Costa Rica, Guatemala, Honduras, México, Nicaragua, Panamá, Perú.

Goal: This initiative aims to create incentives to promote changes in the profitability of public investment projects and changes in production and consumption patterns, so that Latin American countries move towards a more sustainable and low-carbon development.

Training: Strengthening the technical capacities of national public investment system teams on developing mechanisms to assess the social price of carbon.

