

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Promoting Innovation to Accelerate the Circular Economy in LAC
▪ TC Number:	RG-T3636
▪ Team Leader/Members:	GRAZZI, MATTEO (IFD/CTI) Team Leader; HENNESSEY, MICHAEL P. (IFD/CTI); ACOSTA, GEOVANA (IFD/CTI); LAGUYAS, NATALIA; PELAEZ ZAMBRANO, PAULA (INO/NFP); STURZENEGGER, GERMAN (INE/WSA); RIHM SILVA, JUAN ALFREDO (INE/WSA); PIEDRAFITA, CAROLINA MARCELA (CSD/CSD); CHEVALIER, OPHELIE (CSD/HUD); ALMEIDA OLEAS, NATALIA (LEG/SGO); BRENES FONSECA, NOLASKA MARCELA (IFD/CTI); VELASQUEZ NANO, BRIANA ALEXANDRA (IFD/CTI); SIERRA LIRANZO, MAYRETT (IFD/CTI); CARDENAS VARON, GINA STEFANY (IFD/CTI); MARIA ALEJANDRA GALEANO (IFD/CTI); CATHLES, ALISON REGAN (IFD/CTI); GENESIS MORALES (IFD/CTI)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	18 Mar 2020
▪ Beneficiary:	Innovation Agencies, Ministries of Science and Technology, Academia, others
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$180,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	IFD - Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Environmental sustainability

II. Objective and Justification

- 2.1 The general objective of this TC is to enhance the capacity of LAC policymakers to design, implement, monitor and evaluate policies aimed at promoting the circular economy in the region. This will be pursued through three specific objectives: (i) the generation of statistical information and analytical studies on the demand and offer of skills and capacities to promote the circular economy in LAC; (ii) the strengthening of LAC institutional capacity in the circular economy area, through activities of knowledge generation and capacity building; (iii) the development of specific circular economy strategies in a few selected LAC countries
- 2.2 The circular economy can play a crucial role in decoupling growth from material extraction, thereby creating the conditions to promote growth and development with a diminishing use of primary resources. A circular economy fosters innovation and encourages the development of business models which reduce inputs and re-use

products and materials, creating value instead of waste. According to recent estimates, globally circular economy models can provide a \$4.5 trillion opportunity by 2030 through avoiding waste, making businesses more efficient and creating new employment opportunities (WEF, 2018).

- 2.3 The region is ideally placed to take advantage of the economic potentials of the circular economy and safeguard its natural resources. Latin America produces 44% of the world's copper, 49% of its silver and 65% of its lithium. It hosts 20% of the world's oil reserves, 33% of its fresh water and 20% of the planet's native woodland (UNIDO, 2017). Considering that natural resource extraction and processes are responsible for more than half of the effects of global climate change and that, without action, resource use will more than double from current levels by 2060 (UNEP, 2019), current "linear" economic models can bring about severe negative effects, not only on the environment, but also on health and human wellbeing, as well as greater price volatility of natural resource commodities, especially in natural resource-rich countries (WEF, 2019). For this reason, there has been an increasing consensus among LAC policymakers and practitioners that the circular economy represents an important strategy to address some of the most pressing environmental challenges while providing positive economic benefits.
- 2.4 Before policymakers can tap into the economic potential of the circular economy, they first need solid evidence as to what skills are most needed to promote circular jobs. When looking at the very few existing indicators on circular economy, most information remains missing for many countries in the region and virtually no solid indicator can properly picture the skill demand and offer for circular jobs across LAC countries. This, in turn, prevents researchers from producing conclusive empirical evidence on many aspects related to the functioning of the circular economy, and it limits the capacity of policymakers to design and implement sound evidence-based policy mixes.
- 2.5 This TC is aligned with the strategic priority of Productivity and Innovation of the Second Update to the IDB Group Institutional Strategy (AB-3190-2), as well as with the cross-cutting of climate change and environmental sustainability. Specifically, the project operates in the area of emphasis of promoting technology and innovation, by supporting the development and deployment of public programs in the area. The TC is also aligned with the area of intervention of "Quality Institutions and Policies" of the Ordinary Capital Strategic Development Program for Institutions (INS). In fact, the TC will expand LAC institutional capacities, allowing a more effective policy-design in a substantially unexplored area.

III. Description of Activities and Outputs

- 3.1 **Component I: Statistical information and analytical research.** This component will promote the production of analytical research to better understand the gap existing between the demand and offer of human capital for green innovation and circular economy in the region.
- 3.2 **Component II: Capacity building and institutional strengthening.** This component will promote actions to strengthen the capacities of LAC policymakers in the fields of green innovation and circular economy, with the aim of making public intervention in the area more effective. In particular, it will finance the design and delivery of a training program to foster the capacity to formulate and implement circular economy policies at national level and in key economic sectors.
- 3.3 **Component III: Circular economy strategies promotion.** This component will support, in a few selected LAC countries, the development of circular economy strategies to guide public actions in the area in the short, medium and long term.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Statistical information and analytical research	US\$55,000.00	US\$0.00	US\$55,000.00
Capacity building and institutional strengthening	US\$70,000.00	US\$0.00	US\$70,000.00
Circular economy strategies promotion	US\$55,000.00	US\$0.00	US\$55,000.00
Total	US\$180,000.00	US\$0.00	US\$180,000.00

V. Executing Agency and Execution Structure

- 5.1 The IDB through IFD/CTI will be responsible for the direction, supervision and coordination of this TC. Given the experience of CTI in the topics included in this TC, this unit will be responsible for the procurement and supervision of the products. The Bank will select and contract all consulting services (firms and individuals) according to current procurement policies and procedures. The monitoring and evaluation of the TC will be carried out by IFD/CTI with the support of CTI specialists in the country offices of participating countries.
- 5.2 Given the activities of this TC consist mostly on research studies throughout the region, the Bank will lead the execution of this TC in order to facilitate the coordination among participant countries.

VI. Project Risks and Issues

- 6.1 There are no major risks associated with the implementation of this TC. However, the success of the activities included in Component I and II will depend, respectively, on the actual availability of big data (in particular of circular skills supply data) in LAC countries (Component I) and the actual capacity of identified partners to execute the training programme (Component II). To mitigate the risk of Component I, the budget available will allow to collect alternative primary data on skill supply via the implementation of a survey for higher and vocational education institutions. To mitigate the risk of Component II, the project team partners will be selected on the basis of their experience in the field, institutional capacity and previous work with the IDB.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".