

Circular economy: What is it and how could it benefit Latin America?

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The circular economy presents itself as an alternative to the current production and consumption model. It is built around the aim to decouple economic activity from consumption of finite resources and to transition to the use of renewable energy sources. And the goal of this economic concept intertwined with sustainability is resource efficiency by turning one person's waste into another's resource. In this article we look at where Chile, Colombia, Mexico and Peru stand regarding the circular economy.

The circular economy is based on a range of principles, taking in eco-design, which considers the environmental impacts of a product and incorporates these concerns from the design stage; reuse, meaning using all or part of certain resources again to create new products; the functionality economy, aimed at giving priority to selling a service rather than a product; and second use, by reintroducing into the economic circuit products that no longer match consumers' initial needs, among others.

The benefits obtained by implementing a circular economy are a saving of costs by reusing resources; longer-lasting and innovative products for consumers which provide an incentive for competition and economic growth; and a reduction of the damage caused to the environment along with conservation of natural resources. These are the reasons why countries are seeking to transition towards circular economy models.

In Europe, the European Commission presented a circular economy action plan in March 2020, which sets out proposals for designing more sustainable projects and reducing the use of resources. Later, in February 2021, the European Parliament demanded additional measures to move towards the goal of a carbon-neutral and completely circular economy in 2050.

In Latin America, the circular economy is still in its infancy, although it is starting to gain ground, following initiatives such as the Circular Economy Coalition launched at the XXII Meeting of the Forum of Ministers of Environment of Latin America and the Caribbean (LAC), as well as the various actions described in this article.



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Colombia



In recent years Colombia has embarked on a transition towards a circular economy model aiming to return waste to useful life by giving it another use. A number of rulings and pieces of legislation on this subject have come from several public authorities. These are aimed at strengthening a set of legal rules that will allow and encourage the creation of a circular economy, and spur economic growth by making better use of available resources in the various production sectors.

Colombia has experienced two stages in which various legal developments have taken place and they provided it with the basic tools needed to implement this economic model. The first period, concentrating on measures designed to increase recycling, started in 1997, and it was in this period that the country's integrated waste management policy was adopted. Later, in 2000 an eco-efficient industrial parks policy was issued by the Bogota local council's department of the environment. In 2007, extended producer responsibility legislation was implemented. And in 2010 a green public procurement policy was adopted.

The second stage, which clarified and further defined the landscape in Colombia for these

matters, started in 2014. In that year, Decision 1207 was adopted by the Ministry of the Environment and Sustainable Development, containing provisions on the use of treated waste water, aimed at protecting the country's natural resource wealth and planning the use and exploitation of natural resources to guarantee that they are conserved, restored and used sustainably. Additionally, Law 1715 of 2014 was passed to propel the development and use of unconventional energy sources in the national energy system through their inclusion in the electricity market and their use in non interconnected areas.

Later, in 2017, the Ministry of the Environment and Sustainable Development adopted Decision 0472 on integrated management of waste generated in building and demolition activities. In 2018, Decision 1407 was adopted, implementing regulations on making better use of materials in containers and packaging which have a direct impact on the manufacturing sector; and lastly, the government's boost to the circular economy became more



[Circular economy](#)
[Back to map](#)

GARRIGUES

visible over the term of the 2018-2022 National Development Plan, as a result of a clear slogan: “conserve while producing and produce while conserving”.

One of the key factors for implementing this production and consumption model was the National Circular Economy Strategy. In 2019, the Ministry of the Environment and Sustainable Development and the Ministry of Trade, Industry and Tourism joined forces to issue a document designed to be seen as a core instrument for achieving targets related to green growth, to increasing recycling rates and finding new uses for solid waste products nationally, so as to reduce greenhouse gases and their impact on the environment. With these premises in mind, it was decided that the National Circular Economy Strategy was to be overseen by the National Competition and Innovation Commission and advised by the Executive Committee, the Regionalization Committee and the Sustainability Technical Committee, and that this last committee was to manage the circular economy and be responsible for implementing and following up on all steps taken.

It is also important to note the contributions made by the National Economic and Social

Policy Board in various CONPES documents (public policy guidance prepared to resolve cross functional issues) which have implemented the circular economy model in various areas. One example is CONPES 3866 of 2016 on the National Policy for Production Development which evaluates subjects such as the growth of green business; CONPES 3874 of 2016 on the National Policy for Integrated Solid Waste Management includes producer’s extended responsibility and management of hazardous waste; and CONPES 3934 on 2018 on the National Policy for Green Growth which has the identified goal of propelling until 2030 an increase in the country’s productivity and economic competitiveness, while ensuring sustainable use of natural capital and social inclusion, in a climate-compatible way.

In short, there is no one unified body of legislation implementing a single policy targeted at putting in place a circular economy model, although several documents have been submitted to provide guidance on the policy to be implemented on these matters. However, advances have been made in the legislation geared towards implementing this economic model, and tackling specific elements of the supply chain in various sectors of the economy.



Chile

In Chile the transition process towards implementing a circular economy model started very recently. Despite this, important advances have been achieved.

Law 20920 of 2016 sets out the Rules on Waste Management, the Producer’s Extended Responsibility and Encouraging Recycling (“REP Law”). It was a major step forward towards a circular economy, especially in relation to reducing the generation of waste and encouraging its reuse and recycling. The law basically determines that producers of “priority products” (lubricants, batteries, tyres, electrical and electronic appliances, containers, packaging) must organize and finance management of the waste arising from the sale of their products, in line with the targets determined in the respective decrees on collection and recovery targets.

The boost that this law gave to the circular economy in Chile, on top of other factors such as a growing awareness of environmental concerns, have set a number of organizations in motion which are now employing a great deal of force to push this transformation forward.

The Ministry of the Environment has been key to the transition to this model and one of its major advances was the creation of the Circular Economy Office in 2018. This ministry has also supported the adoption of several additional laws, such as Law 21100, prohibiting the provision of plastic bags throughout the country, and Law 21368, on the provision of single use plastics.



[Circular economy](#)
[Back to map](#)



Corporación de Fomento de la Producción, a government agency, has submitted a number of initiatives since 2018 such as the instigation of projects in this field via competitive bidding processes for funds, the creation of networks and the creation of skilling programs. On top of this, the Sustainability and Climate Agency has joined these efforts and secured at least 12 clean production agreements on subjects related to the circular economy.

A great many larger companies are working towards changes for more circular operation through various projects. Examples include the Scale 360 project by SOFOFA; the Circular Economy Strategy in Construction by the Chilean Chamber for Construction; and the Clean Production Agreement for Electrical and Electronic Appliances organized by the Santiago Chamber of Commerce. Small enterprises have also made contributions through sustainable undertakings, notably including GreenGlass (glass recycling to produce personalized glassware) and Karum (factory for making glasses out of plastic collected by fishing nets).

Along the same lines, the general public have played an active role in the transition process. A notable example is the Zero Waste Alliance Chile, which identifies itself as a network of organizations promoting a waste free lifestyle.

In this context of global and local enthusiasm for all things related to the global economy, and in view of its huge potential in the long term, in 2019, the Ministry of the Environment in conjunction with the Ministry of the Economy, Corporación de Fomento de la Producción, and the Sustainability and Climate Change Agency launched a participatory process which ended in June 2021

with the publication of a Road Map for a Circular Chile, a document charting the path over the next 20 years and recommending 32 initiatives divided into four fields of action: circular regulation, circular innovation, circular culture and circular territories. Broadly speaking, the document sets out seven targets to be achieved by 2040: (i) for the circular economy to generate 180 thousand new green jobs; (ii) reduce the generation of municipal solid waste per capita by 25%; (iii) bring the solid waste recycling rate to 65%; (iv) increase the country's material productivity by 60%; (v) reduce waste generated per unit of GDP by 30%; (vi) achieve an overall recycling rate equal to 75%, and (vii) recover 90% of the sites affected by illegal waste dumping. In short, the document seeks to implement changes in the country in both production and consumer behavior patterns, and speed up the transition from linearity to circularity, which will benefit individuals and the environment.

All these initiatives and products are undoubtedly a major step forward towards implementing a circular economy model in the country, which will bring economic growth and reduce the environmental impact. However, a great many challenges remain to be tackled before this goal can be achieved, including the provision of education on the environment, greater incentives to investment in research, innovation and technology, and exhaustive legislation on environmental matters.



[Circular economy](#)
[Back to map](#)



Peru

Peru is no stranger to this new circular economy model. Since the end of 2016, when Legislative Decree 1278 was published approving the Law on Integrated Solid Waste Management, and its subsequent entry into force in 2017, efforts have been directed at achieving that eagerly awaited transition towards a circular economy. This model is acknowledged in the decree as a principle of integrated management of solid waste, to secure efficient regeneration and recovery of resources.

Elsewhere, the National Competitiveness and Productivity Plan (2019-2030), approved by Supreme Decree 237-2019-EF, sets out among the aims of Priority Goal no 9, on sustainability, the creation of conditions for the transition towards a circular and eco-efficient economy. A notable element of that goal is Political Measure no 9.3, which recommends: (i) approving circular economy road maps for the manufacturing, fishing and agriculture sectors, together with (ii) signing clean production agreements.

In relation to these road maps, Supreme Decree 003-2020-PRODUCE approved the Road Map towards a Circular Economy in the Manufacturing Sector, setting out four fields of action to be considered by companies planning to implement a circular economy model for industrial production, namely: (i) sustainable industrial production; (ii) sustainable consumption; (iii) recovery of discarded materials and industrial waste management, and (iv) innovation and finance.

Along similar lines, this time for the agricultural sector, Ministerial Decision 0189-2021-MIDAGRI published the project for a Road Map towards a Circular Economy in the Agriculture and Irrigation Sector. One of the most important fields of action in the project mentioned above is the creation of a culture, by disseminating the government's Education and Communication Strategy on responsible consumption, recovery and integrated solid waste management.

And elsewhere, the Ministry of the Environment has been put in charge of encouraging businesses to sign clean production agreements. The same ministry has responsibility also for designing and implementing non-financial incentives targeted at the private sector, in other words, at any

companies who will voluntarily provide information or education and encourage sustainable consumption and lifestyles among the general public. These clean production agreements are seen as a crucial strategy for strengthening Peru's transition towards a circular economy based on incentives such as eco-efficiency and energy efficiency, along with a saving of resources and a saving of materials related to the production process.

In Directive 02-2019-MINAM/DM, the Ministry of the Environment has defined the rules on the signature of clean production agreements in relation to the treatment of solid waste, including the procedure that must be implemented for these purposes. That directive underlines that clean production agreements must contain work targets related to the recovery and minimized and efficient use of materials, together with educating, informing and raising awareness in relation to the environment, in addition to determining responsibilities with local councils, to support and encourage the Source Separation and Collection of Municipal Solid Waste Program.

A few clean productions agreements have now been signed by larger companies which, due to their size, for example, use a greater amount of waste-generating raw materials, and have undertaken going forward to choose raw materials with a lower environmental impact and include recycled materials in their production processes, together with agreeing to provide their employees with skills related to the treatment of solid waste and practices contributing to eco-efficiency.

It is important to note that Peru is one of the few Latin American countries among the members of the Global Alliance on Circular Economy and Resource Efficiency (GACERE), an initiative started by the European Commission, on behalf of the European Union, in conjunction with the



[Circular economy](#)
[Back to map](#)



United Nations Environment Programme and in coordination with the United Nations Industrial Development Organization.

The aim of this international initiative is to give impetus to the strategies of member countries in their transition towards a circular economy, for fostering efficient resource use, and sustainable, consumption and production. At the Alliance launch event, the then Peruvian Minister of the Environment, Gabriel Quijandría, highlighted that to create this production and consumption model it will be important to take an approach based on fair transition and focusing implementation on the transfer of technology and finance.

Moreover, the international trend towards achieving an effective transition towards a circular economy has given rise in Peru to certain cross-sector initiatives to bring about this change, such as the Peruvian Pact for a Circular Economy, made in July 2021 and signed by 28 public, private and international institutions. This agreement aims to encourage contribution among public sectors, trade associations, Peruvian universities and international cooperation which will take forward the new model, by seeking harmonization among

production processes and responsibility concerning caring for and conserving the environment.

Geared towards achieving compliance with the undertakings given in the Peruvian Pact for a Circular Economy, the Peruvian Platform for a Circular Economy has been set up as a space for dialog, coordination and collaboration and to be used to organize the actions of public and private players to realize their undertakings. To achieve this goal, the Ministry of the Environment has created an impetus task force with the signatories of the pact who expressed a wish to create it.

Another point needing to be mentioned is the publication at the beginning of 2022 of Supreme Decree 003-2022-MINAM through which the Ministry of the Environment declared the climate emergency to be a matter of national interest, with the aim to reduce climate-related risks to the population, ecosystems,



Circular economy
[Back to map](#)

property and services; by implementing specific actions to become carbon neutral, stabilizing concentrations of greenhouse gases into the atmosphere and stopping the rise in temperature. That decree states that climate change mitigation and adaptation actions have a direct effect on production activities and contribute to the growth of the circular economy.

In short, in Peru's case there is a growing interest, coming from the authorities and from the private sector, in redesigning the current production management model to achieve the creation of a circular economy in various strategic economic sectors, and by doing so, to tackle the climate emergency that we are facing.



Mexico

In November 2021, an initiative was submitted to the upper house of the Mexican parliament to issue the General Circular Economy Law, which was unanimously approved. Despite this successful achievement, for the law to be published and come into force in the country, the next step will be approval by the lower house.

A few of the objectives of that law will be to promote efficiency in the use of products, services and materials; to enable advances in technology for recycling, reusing and redesigning products; to promote a culture of environmental co-responsibility among the population; as well as to stimulate economic development through actions related to circular economy principles.

According to this law, circular economy principles means those aimed at reducing the carbon and water footprint, as well as securing optimum usage of materials through efficient use of natural and economic resources and sustainable consumption and production.

Among the most important elements of this initiative are the proposed instruments for control, handling and enhancement in relation to the circular economy, such as the solid waste handling plans; shared responsibility plans; and the National Circular Economy Plan, among others.

Another important point to note is that under that legislative initiative, the three levels of government in Mexico (federal, central and municipal) must encourage the participation of individuals and legal entities in circular economy

models, including actions such as requiring individuals or legal entities producing containers or packaging to submit a circular economy plan; incentives for the renewal of vehicles aiming for better fuel performance and better highway safety; together with other tax incentives and economic instruments.

Although the creation of a circular economy law is a major step forward towards that production and consumption model, an essential element is needed for it to be effective: inclusion of the population.

Fortunately, there are already members of the population, such as the Plastic Circular Network, a Mexican project involving various links in the plastic supply chain and believed to be one of the first circular economy systems in Latin America, who are seeking to implement efficient systems for collecting and recovering plastics based on circular economy principles.

Although Mexico and the rest of the world still have a long road ahead towards transition to a circular economy, its countless benefits make it the best option.



[Circular economy](#)
[Back to map](#)

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