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FEATURED Q&A

What Is Being Done About Water Stress in Latin America?



Shortages of water have worsened this year in locations including Mexico. // File Photo: Mexican Government.

Q Some 70 percent of Mexico was affected by the country's long-term drought as of July, up from about 50 percent in December, according to Mexico's federal water commission, or CONAGUA. Water shortages in Mexico have also worsened amid extreme heat that is blamed on climate change. Meanwhile, Brazil is suffering from its worst drought in nearly a century and recently saw unusually damaging freezing temperatures, leading to soaring prices from crops including coffee and sugar. What are governments and the private sector doing in order to mitigate the effects of droughts in Latin America? What more should they be doing—both in the short-term and the long-term? How well have multinational efforts, such as the Inter-American Development Bank's Water Funds Partnership, functioned in order to strengthen water security in the hemisphere?

A Devry Boughner Vorwerk, member of the Advisor board and CEO of DevryBV Sustainable Strategies: "While Brazil, Argentina, Paraguay and Mexico are experiencing the brunt of the current drought, the entire region is affected, and it will continue to be affected with the melting of glaciers in countries such as Peru and less runoff coming from the Andes. About 70 percent of the world's fresh water comes from the mountains, which is a frightening statistic. According to a joint report this year by WHO and UNICEF, coverage of safely managed drinking water services varied widely across Latin America and the Caribbean, with Mexico at the bottom with 43 percent of the population using safely managed water resources and Brazil closer to the top with 86 percent. Government, citizens and industry must

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Cuba to Recognize, Regulate Use of Cryptocurrencies

Cuba's central bank will establish rules for digital currencies and determine how to license providers of related services, the government said.

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Coty to Seek \$190 Million in IPO of Brazilian Unit: Report

Fragrances and cosmetics manufacturer Coty filed a draft prospectus for the offering on the São Paulo stock exchange.

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Nicaraguan Nat'l Assembly Bans 15 More NGOs

Nicaragua's National Assembly, which is dominated by the party of President Daniel Ortega, ordered the closure of 15 more nongovernmental organizations. The move brought to 45 the number of organizations that have been banned from operating in Nicaragua.

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Ortega // File Photo: Nicaraguan Government.

POLITICAL NEWS

Nicaragua Assembly Orders Closure of 15 Additional NGOs

Nicaragua's National Assembly, which is dominated by the ruling party of President Daniel Ortega, on Thursday ordered the closure of 15 additional nongovernmental organizations, the Associated Press reported. The move brought to 45 the number of organizations that have been banned from operating in the Central American country in the past month. The action against the NGOs is the latest move against individuals and groups that could threaten Ortega's effort to win a fourth consecutive term in the country's Nov. 7 elections. The National Assembly said Thursday that it took action against the NGOs because they failed to report the full extent of their activities to the government, the AP reported. Ortega's government previously barred 10 other NGOs from operating in Nicaragua, leveling accusations ranging from treason to money laundering. Among the latest groups to be affected is the Mejía Godoy Foundation, which is connected to folk singers Carlos and Luis Enrique Mejía Godoy. The singers went into exile in 2018 when authorities brutally repressed anti-government demonstrations, the wire service reported. In late May, Ortega's government began its current crackdown against opposition leaders, arresting more than 30 opponents, including several who could potentially run against him in November. Among the latest was attorney Roger Reyes, whom agents detained a week ago, CNN reported. Nicaragua's Public Ministry accused Reyes of engaging in "acts that undermine the sovereignty, independence and self-determination of Nicaragua." The ministry added that Reyes has "celebrated the imposition of sanctions against the State of Nicaragua and its citizens." Ortega's crackdown has drawn international condemnation and sanctions from the United States and the European Union. "Since Ortega's return to power, the Sandinista government—in practice, Ortega and his wife Rosario Murillo, who is also his vice president—has now cre-

ated a one-party state, complete with all the coercive attributes of Castro's Cuba or Xi's China," Robert Callahan, a former U.S. ambassador to Nicaragua, told the Advisor in a [Q&A](#) published June 24.

ECONOMIC NEWS

Cuba to Recognize, Regulate Use of Cryptocurrencies

The Cuban government said Thursday that it will recognize and regulate the use of cryptocurrencies as payment on the island, the Associated Press reported, citing a resolution published in the country's official gazette. The resolution said the central bank will establish rules for the digital currencies and determine how to license providers of related services within Cuba. The currencies, whose values can be highly volatile, are usually independent of any central bank and use widely distributed Blockchain computer codes to keep track of transfers, the AP reported. Cuba's central bank will be able to authorize use of cryptocurrencies "for reasons of socioeconomic interest," but with operations always under state control. The announcement follows El Salvador's move to make Bitcoin one of its official currencies alongside the U.S. dollar. Salvadoran President Nayib Bukele has touted lower costs on remittances as one of the move's biggest benefits for the country. Earlier this week, Dante Mossi, the head of the Central American Bank for Economic Integration, or CABEL, said other countries will have an eye on El Salvador's adoption of Bitcoin as legal tender and its effects on remittances. "If it goes well for El Salvador and if, for example, the cost of remittances drops substantially ... other countries will probably seek that advantage and adopt it," Mossi told Reuters. Cuba is estimated to receive between \$2 billion and \$3 billion annually, representing the country's third-largest source of U.S. dollars, Reuters reported. [Editor's note: See [Q&A](#) on El Salvador's embrace of Bitcoin in the June 15 issue of the Advisor.]

NEWS BRIEFS

Venezuela's Guaidó Seeking Early Presidential Election

Venezuelan opposition leader Juan Guaidó will seek to move presidential elections, currently scheduled for 2024, to an earlier date in what he said is the only solution to the country's political and economic crises, Agence France-Presse reported today. Guaidó told the wire service he wants elections "as soon as possible" and as early as December. "The presidential election is what will resolve the conflict," Guaidó said. Norway-mediated talks between representatives of President Nicolás Maduro's government and the opposition are set to begin in Mexico City next week.

Peru's Congress Planning Confidence Vote Today on Castillo's Cabinet

Peru's Congress has delayed a vote to confirm or reject President Pedro Castillo's cabinet until today, Reuters reported. The vote of confidence is seen as a key test for Castillo, a member of the socialist Perú Libre party. Castillo came into office last month amid widespread uncertainty about how far left his economic policies would go and tensions between some more moderate members of his cabinet and radicals within the party. [Editor's note: See related [Q&A](#) in the Aug. 12 issue of the Advisor.]

Coty Seeking to Raise \$190 Million in IPO of Brazilian Unit: Report

New York-based fragrances and cosmetics manufacturer Coty is seeking to raise approximately 1 billion reais (\$190 million) in an initial public offering of its Brazilian unit, Bloomberg News reported Thursday, citing unnamed people with knowledge of the matter. Coty filed a draft prospectus earlier on Thursday for an offering on the São Paulo stock exchange.

BUSINESS NEWS

Ecuador's CELEC Spending \$80 Mn to Revamp Power Plants

Ecuadorean state power company CELEC said Thursday that it will earmark \$80 million to revamp thermal power plants that are currently offline so that they can provide backup electricity supply as erosion puts the Coca Codo Sinclair hydroelectric plant at risk, Reuters reported. The funds will go toward buying spare parts, tools and machinery to revamp operations at the Esmeraldas I and Esmeraldas



Uquillas // File Photo: Ecuadorean Government.

II power plants, BNamericas reported. CELEC also said the money will help recover approximately 426.5 megawatts (MW) of thermoelectric generating capacity by 2022, with 125 MW coming online as soon as November following investments at the country's oil-fired Esmeraldas I plant, according to the report. "With these actions, we will guarantee electrical service for Ecuadoreans in the hypothetical case of an operational outage at the Coca Codo Sinclair hydroelectric plant as a consequence of the headward erosion of the Coca rivers," said Gonzalo Uquillas, the chief executive of CELEC. The country will also spend \$100 million in structures in a bid to prevent the Coca River from reaching the 1,500-MW facility, which supplies one-third of the Andean nation's power, Reuters reported. In related news, the government of President Guillermo Lasso recently unveiled a new electricity plan for 2031, with updates that allow for the incorporation of around 1.4 gigawatts of nonconventional renewable energy capacity, Renewables Now reported.

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collectively develop a rationing mindset to weather the current drought. Also necessary is a long-term conservation, restoration and management mindset, which includes taking climate change seriously, and appropriately embracing alternative sources of energy beyond hydro. In addition, industry must voluntarily invest in water-saving technologies, and government should impose stricter requirements for companies' water behaviors. In the long term, it would behoove governments to take a regional approach to water policy and agree to enact laws and regulations that require companies to disclose water usage and reduction metrics. Also, supporting institutions such as the Inter-American Development Bank, which is driving capital toward the issue with its AquaFund and other similar funds, is critical, as these funds are under-resourced. Most importantly, the practice of deforestation must end, lest we all suffer from the adverse effects of one continuous drought."

A Rebecca Keller, director of analysis for Stratfor's geopolitical analysis team at RANE: "With the effects of climate change set to increase the magnitude and frequency of severe weather events, including droughts and large swings in temperature, water stress and scarcity impacts will remain. There is a renewed push from many governments and the private sector to increase not only climate awareness but also climate action. This includes increased government support for green initiatives as well as the climate impact and risk being considered for many investments and loans. However, many of these approaches are geared toward limiting future impacts of further climate change. Water stress around the world will increase because of climate change, but that will only compound existing stress brought on by overuse and overallocation of limited resources. In the short term, efforts to encourage limiting the use of water, be it through pricing changes or regulatory changes on

allowed usage, may help. However, pricing or treating water like any other commodity has always been an uphill battle. Water rights remain a local political issue, so even though water sources cross borders, international management of water resources has always been and will remain extremely difficult and often ineffective."

A Thomas Rideg, president of M-Brain Americas Inc.: "It is winter now in Brazil, and this season almost always brings droughts and fires. The Paraná River basin, which drains rivers from the Southeast and Central-West regions of the country, was hit badly this year. The region has approximately 60 large reservoirs to supply one-third of the Brazilian population. These reservoirs are at their lowest level since 2001. A lack of rain, which is common in winter, is the main

“ The Bolsonaro government made a big leap with water supply in the Northeast Region...”

— Thomas Rideg

cause, and water supply will bounce back up in the coming months. However, the quantity of water seems to be gradually and continuously declining over the years. According to a recent study, Brazil lost 15 percent of its fresh water supply over a period of 36 years. Water consumption has accelerated at twice the pace of the population's growth due to increased agricultural, industrial and household consumption (in that order). Brazil has the world's largest supply of fresh water, but 75 percent of this water is in the Amazon, and 95 percent of Brazilians live outside of the Amazon region. That said, the water supply is often distant from the consumer. Urbanization combined with infrastructure is another cause for lack of access. Brazil has

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infrastructure, but not enough of it, and it is often distant from where it should be. Several initiatives have either been approved or are under consideration in Brazil to improve the water supply. Among them are increased investments in solar energy. Also, energy bills were increased by 52 percent in July as an 'incentive' to reduce consumption. Additionally, the Bolsonaro government made a big leap with water supply in the Northeast Region, which is Brazil's driest and most impoverished region and has secular droughts. Bolsonaro resumed programs to link water from the São Francisco River to cities in the region via canals and dams. There aren't enough formal initiatives around this topic. Brazil has huge infrastructure projects, but government management doesn't seem to be very evident. The government also had a program called Interáguas, which had backing from the World Bank, but it was shut down last year."

A **Patricia Urteaga Crovetto, director of the master's in human rights program and principal professor in the Academic Department of Law at the Pontifical Catholic University of Peru:** "The 2007 United Nations report on climate change attributed the consequences of climate change to the productive systems of the wealthiest countries, which mostly affect the poorest ones. Droughts, high temperatures and unpredictable precipitation inevitably affect agricultural systems. These earliest predictions have extended to most of the globe. In Peru, climate change and erratic government policies have worsened the pernicious effects of water scarcity. In 1982

and 1983, an extreme drought and desertification in the southern Andes hit Peru's economy with losses amounting to \$171 million, with half a million people affected. In spite of these climate occurrences, most dams and reservoirs are located in the coastal area. By means of hydraulic systems and water reservoirs, water access

“**In Peru, climate change and erratic government policies have worsened the pernicious effects of water scarcity.”**

— Patricia Urteaga Crovetto

is guaranteed to the agroindustry in the coastal arid and semi-arid lands, yet the rural and urban poor lack full access to potable water. Within the framework of the Project for the Modernization of Water Resources Management, in 2014 the National Water Authority installed the National Observatory of Droughts with the support of the World Bank and the Inter-American Development Bank. This modern software started to operate in 2015 with the Climate Data Library of the International Research Institute for Climate and Society at Columbia University in the United States. We hope this is the first step in a long-term integrated plan to manage droughts and guarantee water access for all in the near future."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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