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## FEATURED Q&A

# How Fast Is Latin America Moving on Digitalization?



Digitalization is a key part of Latin American countries' economic advancement and inclusion efforts, a top World Bank official said last month. // File Photo: Unsplash.com.

**Q** Increased digitalization in Latin America "is key for enhancing economies and improving inclusion in the region," Carlos Felipe Jaramillo, the World Bank's vice president for Latin America and the Caribbean, said in an interview the institution posted in January. But now, the challenge for countries in the region is how to "build on this momentum to create incentives for further digitization in ways that speed economic diversification and growth," Jaramillo added. Which countries are already achieving economic growth through digitalization? What types of initiatives have seen the most success in this area? What headwinds are governments and private companies encountering in providing services and conducting commerce online?

**A** Eleonora Rabinovich, head of government affairs and public policy for Spanish speaking Latin America at Google: "Latin America is at a critical technological crossroads as it strives to adopt disruptive technologies, such as AI, in a responsible and meaningful way. Collaboration among stakeholders will be essential to promote the large-scale adoption of these technologies, as no single economic actor can achieve these goals alone. At Google, we share this goal and have taken a bold and responsible approach to AI, managing advantages and risks while we develop our own products. Latin American countries are at different stages of adopting policies and promoting initiatives to harness the benefits of AI for economic development. CENIA's Latin American Artificial Intelligence Index provides a comprehensive overview of the region's progress and its challenges in embracing AI,

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The assassination last August of Ecuadorean presidential candidate Fernando Villavicencio was planned from inside a prison, prosecutors said Tuesday.

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Venezuelan President Nicolás Maduro's government is reportedly intensifying efforts to bring down the level of inflation ahead of this year's presidential election.

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Maduro // File Photo: @NicolosMaduro via X.

## POLITICAL NEWS

## Ecuador Candidate's Killing Planned From Jail: Prosecutors

The assassination last August of Ecuadorean presidential candidate Fernando Villavicencio was planned from inside a jail in the Andean nation, according to prosecutors, BBC News reported Tuesday. Prosecutors have asked for charges to be filed against six suspects—five Ecuadoreans and one Colombian—in connection with Villavicencio's murder. Villavicencio, 59 was fatally shot in Quito as he left a campaign rally, just days before the election. He had vowed to fight gangs if elected. He had received death threats in the weeks before the election and was given a security detail, BBC News reported. On Tuesday in a court hearing, prosecutor Ana Hidalgo said the gunman who was believed to have shot Villavicencio was himself killed after being shot by police. Video footage of the scene allowed police to identify another one of the assailants and found him in a house east of Quito, BBC News reported. At the house, they arrested six Colombians and also seized ammunition, grenades and other weapons. The six suspects were later found dead in the country's El Litoral prison, where they were being held before trial. A seventh suspect was killed a day later in a different jail. The seven men who were killed in the jails had likely been hired to kill Villavicencio, and the order for his assassination had come from inside a prison, said prosecutors. Messages sent to one of the assailants had been traced to an inmate in the Latacunga jail, prosecutors added, BBC News reported. That inmate and a woman who is suspected of providing support to the gunmen are believed to be members of the Los Lobos gang, BBC News reported. The gang is believed to have approximately 8,000 members and is among Ecuador's most powerful criminal groups. The gang is accused of instigating some of the country's most deadly prison riots. In early January, Ecuadorean President Daniel Noboa declared the country to be in an "internal armed conflict" following a surge

in gang violence. His order designated more than 20 gangs as terrorist organizations, and he ordered the military to "neutralize" them. However, the military will encounter significant obstacles in dealing with the gangs, Eileen Gavin, principal analyst for global markets and the Americas at Verisk Maplecroft, told the Advisor in a [Q&A](#) published Jan. 17. "The violence is unlikely to be rapidly subdued by the security forces, which are less well-resourced to tackle organized crime than their Colombian and Mexican counterparts," she said.

## ECONOMIC NEWS

## Venezuela Reportedly Intensifying Efforts to Lower Inflation

Venezuela's government is intensifying its efforts to reduce inflation ahead of this year's presidential election, Reuters reported. President Nicolás Maduro's government has been keeping the exchange rate between bolívars and dollars steady and has also been considering how to manage government spending without putting upward pressure on prices, the wire service reported, citing unnamed analysts and public-sector sources. Venezuela, which is subject to U.S. sanctions over government crackdowns on the opposition and alleged criminal activity, has long faced an economic crisis that includes a plunging currency, hyperinflation and shortages of basic goods. Consumer prices in Venezuela soared 190 percent last year, among the world's highest inflation rates, Reuters reported. In January, inflation had fallen to 107 percent on an annual basis. Maduro's government launched anti-inflation measures in 2021, including restrictions on spending and credit, moves that have reduced inflation. "Venezuela will consolidate its definitive victory this year against inflation, returning, with the help of God, to annual inflation of two digits," Maduro told legislators last month. The country has not had an inflation rate of less than 100 percent since 2014. "The objective is low inflation and holding the exchange rate. That is the policy," a

## NEWS BRIEFS

## Assailants Kill Two Mayoral Candidates of Mexican City of Maravatío

Two mayoral hopefuls in the Mexican city of Maravatío, who intended to run in the upcoming June 2 elections, were shot and killed late Monday, the Associated Press reported. The murders of Miguel Ángel Zavala and Armando Pérez Luna occurred just hours apart. Ahead of Mexico's 2021 nationwide elections, over 30 candidates were killed during their campaigns. Experts now warn this year's vote may bring about the nation's worst ever spate of political violence.

## Nine Killed During Police Raid in Rio de Janeiro Favelas

Nine people were killed and six injured during a police raid in Rio de Janeiro's favelas on Tuesday morning, according to a Brazilian police statement, the Associated Press reported. The police raids targeted the narco-trafficking group Red Command and were carried out in several different communities in the city's northern favelas. Schools and public transportation were shut down during the operation, as gunfire forced residents to shelter in their homes, the AP reported.

## Airlines Cancel Flights in Mexico City Due to Volcanic Ash

Airlines canceled 22 domestic and international flights at Mexico City International Airport due to ash from the Popocatepetl volcano, Reuters reported Tuesday. "Specialized teams and management remain on alert and are evaluating the ash conditions," the airport said in a statement. "At this time, the volcanic ash cloud is heading toward the Gulf of Mexico," it added. The airport also said that it remains open and operating.

source close to the government told Reuters. A date for the election has not been set, but Luis Vicente León, president of Datanalysis in Caracas, told the Advisor that Maduro's government is likely to ramp up spending ahead of the vote. "The government will relax its restrictive spending policy to finance its electoral campaign," he told the Advisor in a [Q&A](#) published Feb. 2.

## BUSINESS NEWS

# Government Unveils Relief Package for Struggling Petroperú

Peru's government Tuesday announced a \$1.3 billion government relief package aimed at rescuing state-owned oil firm Petroperú from its financial crisis, Bloomberg News reported. Peruvian state-owned Banco de la Nación will extend to Petroperú a state-backed line of credit totaling \$500 million and a state-guaranteed loan of \$800 million. The details of the financial package were published in a decree in the nation's official gazette on Tuesday. The decision comes as the embattled state-run firm struggles with a liquidity crisis following debt incurred in the construction of the Talara refinery, a project which ballooned over budget and took significantly longer than planned. Petroperú's executives say that refinery, now operational, will be able to aid the company in emerging from debt, Bloomberg News reported. The government also reshuffled the board of Petroperú on Monday, and the terms of the decree stipulate that the firm now has 15 working days to reorganize itself and that once a new board is established it must approve a restructuring plan for the company within 20 days, Reuters reported. "The root of Petroperú's financial problems is deep and has two main sources: billions borrowed to substantially upgrade the Talara refinery, and a recurring operating deficit because its costs and expenses are higher than its revenues," Jose L. Valera a partner at Mayer Brown in Houston, told the weekly Energy Advisor in a [Q&A](#) published Feb. 16.

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reflecting a broader commitment to understanding and leveraging digital transformation for economic development. According to our Digital Sprinters framework, achieving sustainable and inclusive economic growth through digitalization requires a combination of physical and human capital, technology and competitiveness. Investing in cloud computing infrastructure, for instance, has proven highly successful in advancing digital economies, as it leverages the power of AI. That said, governments and private enterprises face significant challenges in realizing the full potential of digitization. They must address the need for robust cybersecurity measures, the digital divide to ensure equitable access, and regulatory frameworks that balance innovation, among others, to unlock the full economic potential of digitalization and create a more inclusive and resilient future for the region."

**A** lone Amorim, economist at the Brazilian Institute of Consumer Protection (IDEC): "Digital inclusion in Latin America is advancing quickly and with many challenges, such as social inequality, environmental preservation, a high level of investments and the need to improve education and professional training. The biggest obstacles are the issues of privacy, data protection, cybersecurity, regulation of artificial intelligence and the actions of transnational provider companies. Legal issues are fundamental to ensuring digital inclusion. Data protection, cybersecurity, freedom of expression and other challenges require an in-depth legal approach. Digital transformations have contributed to enabling quick access to information, breaking the barrier of distance and intensifying connectivity. An example in Brazil was the creation of Pix, with instant transactions, generating digital inclusion through the practicality of innovation. The best performing countries in Latin America in the digital inclusion ranking in 2023, according to the Global Innovation

Index, were Brazil, which came in first place, followed by Chile, Mexico, Uruguay and El Salvador. These countries face additional connectivity and communications infrastructure challenges and data privacy security issues. Brazil has the second-highest rate of

**“ Digital inclusion in Latin America is advancing quickly and with many challenges...”**

— Ione Amorim

digital crime, behind Mexico. It is necessary for countries to advance at the same speed as technological innovations to ensure that laws are adequate to protect the digital environment, privacy and cybersecurity. It is also necessary to establish jurisprudence on the responsibility of transnational companies and access providers with global operations."

**A** Nathalia Foditsch, director of international programs at Connect Humanity: "A recent study by the United Nations' Division of Productive and Business Development of the Economic Commission for Latin America and the Caribbean (ECLAC) unveils that, when juxtaposing Latin America with advanced economies, the region lags behind in sectoral digital transformation. However, it's noteworthy to emphasize three sectors where Latin America outpaces advanced nations in the proportion of intermediate digital inputs: construction, financial services and real estate. Within Latin American countries, in the realm of digital technology adoption, the manufacturing sector holds a more advanced stance compared to agriculture, transportation and storage. In the specific case of Brazil, the thousands of small providers stand out as crucial actors in bringing the Internet to all corners of the

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country, and consequently, are a key part of the country's digital transformation. But are these providers up-to-date with digitalization trends? In addition to investing in equipment, it's important to take care of the internal functioning of the company itself, so that it becomes 'investment ready.' This means, for instance, using management software to optimize routines and automate activities. We have seen a wide variation in the level of preparedness regarding the investment readiness of these providers, given that their profiles vary significantly. We are making efforts to level the playing field."

**A** **Lourdes S. Casanova, senior lecturer and director of the Emerging Markets Institute at the Cornell S.C. Johnson**

**College of Business at Cornell University:**

"One of the most successful initiatives in Latin America has been Brazil's instant mobile payment system, Pix, which Brazil's central bank launched it November 2020 in collaboration with private banks. Its high adoption is based on its ease of use and affordability (it is cheaper than credit cards). One only needs to register a unique key

(such as a mobile number). Now, the total number of payments using Pix in Brazil is higher than the total payments done by all credit cards combined and cash payments. Small and medium-sized enterprises, both large and small, can generate QR codes to facilitate payments, control their finances and, eventually, have better access to credit. It is not surprising that Brazil is also exploring the launch of the Digital Brazilian Real (DREX) later this year. The success of Pix is the result of an innovation eco-system that has facilitated the growth of Internet banking and spread of e-government services. In 1998, Brazil introduced electronic voting to avoid fraud, simplify counting and reduce the cost of elections. Brazil also has one of the most advanced electronic tax-filing systems, which facilitates tax collection and reduces costs. These are examples of the achievements digitalization has brought in Brazil and how digitalization can simplify and lower the cost of payments and facilitate the functioning of governments at a lower cost."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.*

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