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FEATURED Q&A

Will New Funding Help Spur Peru's Digitalization?



Peru's government said earlier this month that a German development bank will provide it with a credit to speed its digital transformation. // File Photo: Glenn Carstens-Peters via Unsplash.com.

Q Peru's government announced July 6 that it is receiving a credit of as much as \$325 million from Germany's KfW Development Bank for a digital transformation program. Where does Peru currently stand on its efforts at digital transformation? What are the most important areas that need investment in order to speed greater digitalization in Peru? Which industries in the country stand to benefit most, and what are the main challenges facing digitalization efforts in Peru?

A Ernesto Haikewitsch, executive director of Mazaltech Consulting in São Paulo: "Peru is embarking on an ambitious digital transformation journey, supported by a \$325 million credit from Germany's KfW Development Bank. This funding is crucial for enhancing connectivity, fostering innovation and improving public services. The comprehensive digital transformation strategy targets significant progress by 2030. The loan prioritizes key areas for investment. Expanding broadband infrastructure, especially in rural areas where Internet penetration rates are as low as 43 percent, is essential for connecting millions of Peruvians. Initiatives like 'Internet para Todos' aim to bridge the digital divide. The public sector is set for a complete overhaul, with streamlined services potentially saving businesses billions of dollars annually. The education sector can leverage online learning platforms to democratize access to knowledge, affecting millions of students. The financial services sector is expected to grow by 150 percent over the next five years, driven by improved digital infrastructure and

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TODAY'S NEWS

POLITICAL

U.S. to Provide Additional \$60 Mn in Aid to Haiti

The United States will provide an additional \$60 million in aid to Haiti, Linda Thomas-Greenfield, the U.S. ambassador to the United Nations, announced Monday during a trip to Haiti.

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POLITICAL

BBVA Planning Cybersecurity Center in Mexico

Spanish financial services company BBVA is planning to construct a new cybersecurity center in Mexico. The bank will work with information technology firm Telefónica Tech on the project.

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POLITICAL

Brazil's Lula Urges Maduro to Respect Venezuela Vote

Brazilian President Luiz Inácio Lula da Silva on Monday said he was "frightened" by Venezuelan President Nicolás Maduro's warning of a "bloodbath" if he does not win re-election on Sunday.

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Lula // File Photo: Brazilian Government.

POLITICAL NEWS

Brazil's Lula Urges Maduro to Accept Venezuela Vote

Brazilian President Luiz Inácio Lula da Silva said he has urged his Venezuelan counterpart, Nicolás Maduro, to respect the outcome of Sunday's presidential election in the Andean nation, The Guardian reported. "I have told Maduro that the only chance for Venezuela to return to normality is to have a widely respected electoral process," Lula told reporters Monday at the presidential palace in Brasília, the newspaper reported. Lula said he was "frightened" by Maduro's warnings that there will be a "bloodbath" if he loses Sunday's election. "If you don't want Venezuela to fall into a bloodbath, into a fratricidal civil war, due to the fascists, let's ensure the greatest success, the greatest victory in the electoral history of our people," Maduro said last week at a rally. Maduro faces opposition presidential candidate Edmundo González, who was chosen to stand in for María Corina Machado, whom the government banned from running for office. For years, Lula refused to openly criticize Maduro, who has been in office more than 11 years and is seeking a third term. Lula said he will send former Foreign Minister Celso Amorim to observe Venezuela's election, the Associated Press reported. "If Maduro wants to contribute for growth to return to Venezuela, for people who left Venezuela to come back and to establish a state of economic growth, he needs to respect the democratic process," Lula said Monday. In May, Maduro's government revoked its invitation to the European Union for it to send observers, adding to concerns about how free and fair the election will be, The Guardian

CORRECTION

In the July 5 issue of the Advisor, a commentary attributed to Robert Munks of Verisk Maplecroft should have instead been attributed to Gunther Baumgarten, senior Americas analyst for global risk insight at Verisk Maplecroft.

reported. Venezuelan authorities have arrested dozens of people connected to González's campaign this year. They include Machado's head of security, who was detained last week for 48 hours, The Guardian reported.

U.S. to Provide Haiti \$60 Million in Additional Assistance

The United States will provide an additional \$60 million in humanitarian aid for Haiti, Linda Thomas-Greenfield, the U.S. ambassador to the United Nations, announced Monday during a visit to the Caribbean country, the Associated Press reported. The U.S. Defense Department would provide Haiti a "substantial increase" in vehicles that are landmine-resistant to a U.N.-backed multinational security force. During her visit to Haiti, Thomas-Greenfield met with Kenyan police officers who form the backbone of the force, which is tasked with fighting gangs, the AP reported. She also met with Haiti's new transitional government. Haitian Prime Minister Garry Conille has said that the U.N.-backed contingent of security officers will be crucial to controlling the nation's gangs, which are estimated to control up to 80 percent of the nation's capital, Port-au-Prince. The U.S. ambassador's visit also aims to advocate for reforms to facilitate new elections in 2026. [Editor's note: See related [Q&A](#) in the July 15 issue of the Advisor.]

ECONOMIC NEWS

Brazil's Power Generation Grows 18.7% Through June

Brazil increased its power generation by 18.7 percent in the first half of this year as compared to the same period last year, state-run news service Agência Brasil reported Friday. The figures mark the highest growth rate in power generation in 27 years and were driven

NEWS BRIEFS

Mexico City's Police Operations Chief Killed

The police operations chief of Mexico City was killed when he was accosted inside of a store in the municipality of Coacalco in Mexico state, the Associated Press reported Monday. "As a result of a cowardly attack that occurred in Coacalco, Mexico state, my colleague and friend Chief Commissioner Milton Morales Figueroa lost his life," local security official Pablo Vásquez said in a posting on social media. Vásquez vowed to "identify, arrest and bring those responsible for justice." Morales, who was killed on Sunday, oversaw intelligence operations fighting organized crime groups.

Brazil Expecting Budget Deficit of \$5.2 Billion This Year

Brazil's government is expecting to end this year with a budget deficit of 28.8 billion reais (\$5.2 billion), which is equivalent to 0.25 percent of the country's gross domestic product, Bloomberg News reported Monday, citing new government estimates. The estimate, which does not include interest payments, is at the limit of the government's tolerance range, the news service reported. A previous government estimate put the deficit at 14.5 billion reais. Last week, Brazilian Finance Minister Fernando Haddad said the government would freeze 15 billion reais.

Asunción's First Electric Buses to Be Operational This Year: Official

The first 30 electric buses to ply the streets of Paraguay's capital, Asunción, will be operational this year, the country's deputy transportation minister said Monday, MercoPress reported. The official, Emiliano Fernández, made the announcement after meeting with experts from the Taiwan-based company that is making the buses.

by Brazil bringing 168 new power plants online in the first half of 2024, helping to increase the installed capacity of the South American country's electricity matrix by 5.7 gigawatts. The nation's total installed electric capacity is 203.8 gigawatts. Brazil's electricity generation is expected to continue growing and, by the end 2024, the country's installed capacity is expected to increase by 10.1 gigawatts, according to Aneel, Brazil's national electric agency, Agência Brasil reported. A large portion of Brazil's energy matrix comes from renewable sources. Last month alone, the country opened 13 wind farms, 10 photovoltaic solar plants and four thermoelectric plants, adding a total of 889.51 megawatts of renewable energy. In total, more than half of Brazil's energy matrix comes from hydro, with wind power accounting for another 15 percent and biomass and solar accounting for 8 percent and 7 percent, respectively. No single non-renewable energy source accounts for more than 10 percent of Brazil's matrix and, in total, renewable energy accounts for 84.62 percent of the country's installed electric capacity.

BUSINESS NEWS

Spain's BBVA Plans Cybersecurity Center in Mexico

Spanish multinational financial services company Banco Bilbao Vizcaya Argentaria, or BBVA, plans to create a new global cybersecurity center in Mexico, Finextra reported Monday. BBVA plans to partner with Spain-based global information technology services firm Telefónica Tech on the project, which will work to shield BBVA from cybersecurity threats. BBVA already has a cybersecurity hub in Spain, but the newly planned Mexico center will incorporate artificial intelligence and process automation to help catch cybersecurity threats. Between the two cybersecurity centers, roughly 200 Telefónica Tech cybersecurity professionals will be employed to help safeguard the firm with proactive anticipation of threats, strategies to strengthen resilience, and a holistic

THE DIALOGUE CONTINUES

What Will Three New Rail Lines Mean for Mexico?

Q **President-elect Claudia Sheinbaum announced July 10 that she will build three train lines running from the capital to some cities along the U.S. border. The project involves constructing some 1,850 miles of passenger rail, about double what current President Andrés Manuel López Obrador built. Sheinbaum announced that the trains would be electric, in contrast to the diesel-consuming freight trains that make up Mexico's current fleets. Why is Sheinbaum proposing this infrastructure project? How does this align with her environmental policies? What will the new rail lines accomplish? To what extent would there be an impact on irregular migration toward the United States?**

A **Roberto Durán-Fernández, professor in the School of Government and Public Transformation at Tecnológico de Monterrey:**

"Claudia Sheinbaum's announcement regarding the construction of three electric train lines from Mexico City to the U.S. border presents multiple strategic facets that warrant thorough analysis. This project, reflecting her commitment to environmental policies and sustainable development, stands as one of the most ambitious initiatives of her administration. First, Sheinbaum seeks not only to continue the legacy of the railway infrastructure established by Andrés Manuel López Obrador but also to expand it significantly. By doubling the length of the train lines, she aims to consolidate a transportation system that improves na-

security response for all of BBVA's operational and businesses elements, Finextra reported. "These two hubs specializing in cybersecurity are unique in the financial industry and represent a new step towards protecting our infrastructures with the latest technological

tional connectivity and strengthens regional integration. Second, the commitment to electric trains is a clear statement about the direction she wishes to take in terms of environmental policies. By opting for this type of transport, Sheinbaum aims not only to reduce greenhouse gas emissions but also to promote a shift toward cleaner and more sustainable energy sources, aligning with international climate change commitments. Finally, Sheinbaum has shown herself to be a staunch advocate for sustainability. This railway electrification project is a natural extension of her previous efforts to improve public transportation in Mexico City and reduce pollution. This task goes beyond the construction of infrastructure; it also demands integrated financial and technological infrastructure, as well as nationwide coordination of transportation and land use policies among subnational and national governments. In conclusion, Sheinbaum's proposed electric train project emerges as a comprehensive initiative that promotes economic and social development, enhances sustainable mobility and reinforces national infrastructure. This effort is not only aligned with her environmental policies but also addresses the contemporary needs and challenges of the country, projecting a vision of balanced and sustainable progress."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's issue of the Advisor.

advances," Sergio Fidalgo, BBVA's global CISO said, Finextra reported. "Our goal is to be a bank that is increasingly secure and prepared to respond to all types of attacks and to offer the best service to our customers with the best security guarantees in the market," he added.

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regulatory support. Digital health initiatives aim to reach 80 percent of the rural population by 2025, addressing health care access disparities. Additionally, the e-commerce market is projected to grow by 10.61 percent annually, with sales reaching \$16.14 billion by 2029, according to Statista. Challenges remain, including bridging the digital divide,

“**Peru is embarking on an ambitious digital transformation journey.**”

— Ernesto Haikewitsch

creating a supportive regulatory environment and attracting investment in technology start-ups. Peru has the potential to advance from 76th place in the 2023 Global Innovation Index to the top 50. Venture capital investment is expected to grow from \$50 million to \$500 million by 2030, fostering a robust startup ecosystem. Peru’s commitment to digital transformation, evident in its strategic plans and international partnerships, aims to create a more inclusive and dynamic economy, enhancing the overall quality of life for its citizens.”

A Maite Vizcarra, director of Goberna Digital for Peru and Colombia and columnist at El Comercio: “Peru is at an intermediate stage of digitalization, primarily possessing a regulatory framework that promotes the use of technology in areas related to public services or in the relationship between the state and its citizens. However, there are still pending issues regarding the deployment of infrastructure that would allow the interconnection of various public platforms, enabling the provision of digital

public services in areas such as administrative procedures, health, digital identity and banking. Digitalization efforts should focus on productivity, manufacturing, government services and cybersecurity. The sectors that could benefit the most are education, productivity and citizen services. The most lagging sectors are manufacturing and industrial activities. In general, digitalization in Peru should help improve low productivity levels, which are evident in the lack of sophistication of the economic matrix that is highly dependent on commodities, natural resources and extractive activities.”

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:

“Starting in the pandemic, digital payments in Peru started taking off and grew by 68 percent in a short period of time. There are three platforms: Yape, Plin and Bim for mobile payments. Although Bim was launched first (in 2016), it has the lowest number of users with about 1.6 million. Plin, which has 12 million users, is more popular and was launched by a consortium of the most important banks in Peru. Banbif, BBVA, Consortia Bank and Intercorp. The third player and the most popular, Yape, with 15 million users (11.5 active users per month), wants to be a superapp and is supported by Banco de Crédito and a group of regional banks. These mobile payments ecosystems are facilitating the possible launch of a central bank digital currency. This is fertile ground for further digitalization of the economy, and this loan will accelerate the process.”

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

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