INTER-AMERICAN DIALOGUE'S
LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria
Director,
Columbus Group

Genaro Arriagada
Nonresident Senior Fellow,
Inter-American Dialogue

Joyce Chang
Global Head of Emerging Markets Research, JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Senior Partner,
Aimara Capital LLC

Jane Eddy
Managing Director, Corporate & Govt. Ratings Group,
Standard & Poor's

Marlene Fernández
Corporate Vice President for Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President,
Boeing Brazil

Jon Huenemann
Vice President,
U.S. & Int'l Affairs,
Philip Morris Int'l

James R. Jones
Co-chair,
Manatt Jones Global Strategies LLC

Craig A. Kelly
Director, Americas International Gov't Relations,
Exxon Mobil

John Maisto
Director,
U.S. Education Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
President,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President,
Rozental & Asociados and Senior Fellow,
Brookings Institution

Everett Santos
President,
DALEC LLC

Shelly Shetty
Head, Latin America Sovereign Ratings,
Fitch Inc.

FEATURED Q&A

Can Technology Help Quell Citizens' Anger at Governments?

Q As government funding for public services comes under strain amid slower economic growth in numerous countries of Latin America and the Caribbean, public officials and disgruntled citizens alike are increasingly looking to new technologies as ways to both deliver services and express priorities and demands. Mexico's Yo Soy 132 movement and Brazil's local participatory budgeting models, now in place in 70 communities, are two examples in the headlines. What are the best practices for engaging citizens in the region through new technologies? Why have some e-government initiatives failed in the past, and what is needed to make them succeed today?

A Juan Rada, senior vice president for the public sector and education global business unit at Oracle: "Throughout Latin America, there is a significant opportunity for improved communication between governments and citizens. The effective use of technology, and social media in particular, can help enable governments to be more responsive to their citizens. Social media has completely transformed the way we engage, connect, inform, report and access information. From a political perspective, it's a game changer. And yet there is a substantial gap between social media connectivity and activism and actual collaborative public policy formulation. To date, it's been seen that social media can be leveraged to campaign, but to what extent is it being used as a mature resource for governing? Social relationship management (SRM) tools are essential platforms that allow governments to listen to the needs of its citizens, capture raw data and then deliver actionable results to millions of people. The key to an effective SRM strategy is data. It must be properly collected, managed, integrated, analyzed and shared. Relying on new SRM technologies empowers governments to introduce models of participatory budgeting, establish

Continued on page 3

Mexico Captures Reputed Leader of Gulf Drug Cartel

Mario Ramírez Treviño, the reputed leader of Mexico's Gulf drug cartel, was captured Saturday without a shot being fired by Mexican military personnel. Authorities have stepped up security in northeastern Mexico in the wake of the arrest. See story on page 2.

Photo: Associated Press.

Inside This Issue

FEATURED Q&A: Can Technology Help Quell Citizens' Anger at Governments?.....1

Mexican Troops Capture Reputed Leader of Gulf Cartel 2

Paraguay's Cartes Said to Want Uncle Treated as Any Other Suspect 2

J.P. Morgan Cuts Forecast for Brazil's Economic Growth 2

Bahamas Deports 24 Refugees Back to Cuba.....2

Brazil's Itaú, Bradesco Betting More Than $13 Billion on Housing 3

Copyright © 2013, Inter-American Dialogue

NEWS BRIEFS

J.P. Morgan Cuts Forecast for Brazil's Economic Growth

J.P. Morgan on Friday sharply cut its outlook for Brazil's GDP growth, *Forbes* reported. A slower-than-expected economic recovery in the second quarter and sluggish start to the third quarter were behind the revision. Saying third-quarter growth had fallen into an "abyss," economists Fabio Akira and Cassiana Fernandez reduced their forecast for third quarter GDP from 1.5 percent to 0.3 percent. J.P. Morgan also lowered its estimate for 2014 growth, to 2.4 percent from 2.7 percent. The bank is now forecasting 2 percent growth for Brazil this year.

Bahamas Deports 24 Refugees Back to Cuba

The Bahamas has deported 24 Cuban refugees who had applied for asylum in the United States and elsewhere back to the communist island, BBC News reported Friday. The deportations spurred criticism from activists in the United States and other countries who said the Bahamas is putting the Cubans' lives in danger by returning them. The Bahamas, which has said it cannot afford to house all its refugees, has become a point of transit for Cubans and Haitians who arrive by boat and are seeking asylum.

JCCUL Targeting Remittance Market With MoneyGram: Report

The Jamaica Co-operative Credit Union League (JCCUL) is in negotiations with **MoneyGram International** to begin offering remittance services by October, the *Jamaica Gleaner* reported Friday. MoneyGram currently has less than 10 percent of the remittance market in Jamaica, offering remittance services primarily through a network of storefronts across the island.

Political News

Mexican Troops Capture Reputed Leader of Gulf Cartel

Mexican military personnel on Saturday captured Mario Ramírez Treviño, the reputed leader of the country's Gulf Cartel and one of Mexico's most wanted drug lords, BBC News reported. Ramírez Treviño, known as "X-40," was captured in a joint operation by the army and marines in Rio Bravo in the northern state of Tamaulipas, according to local news media. No shots were fired, *The Wall Street Journal* reported. Ramírez Treviño "is one of the principal people responsible for the violence that has been generated in the state of Tamaulipas," said Mexican government spokesman Eduardo Sánchez. Ramírez Treviño used "extreme violence" and has been responsible for kidnappings and bomb attacks against police officers, Sánchez added. Authorities believe Ramírez Treviño took control of the Gulf Cartel after the arrest last September of the drug gang's previous leader, Jorge Eduardo Costilla, BBC News reported. On Sunday, Mexican officials said they have beefed up security in the northeastern part of the country to brace for potential violence after Ramírez Treviño's arrest. The government increased security in case Ramírez Treviño's capture leads other members of the Gulf Cartel or other drug gangs to "reposition themselves and expand their areas of influence," said Sánchez, *The Wall Street Journal* reported. The arrest is seen as a boost for Mexican President Enrique Peña Nieto, whose government's capture of Ramírez Treviño marked the second major arrest of a drug lord in the past month. In July, Mexican marines captured Miguel Ángel Treviño, the head of the Zetas drug cartel. Peña Nieto, who took office in December, has promised to continue fighting the drug war started by his predecessor, Felipe Calderón while at the same time focusing on lowering the rates of drug-related killings, kidnappings and cases of extortion. In the first half of this year, the number of drug-related killings in Mexico declined by 18 percent as compared to the previous six-month period, to 6,300 according to government officials. However, the violence has continued in several areas of the country. Authorities said Saturday that they had discovered at least 23 bodies on an abandoned property near the town of Buenavista Tomatlan in Michoacán state, the Associated Press reported. Drug cartels and vigilantes have been fighting in the area for much of this year.

Peña Nieto

File Photo: Mexican Government.

Paraguay's Cartes Said to Want Uncle Treated as Any Other Suspect

Paraguay's new president, Horacio Cartes, is said to want authorities to treat his uncle as any other drug suspect, the Associated Press reported. The president's uncle, Juan Viveros Cartes, was arrested in Uruguay on July 29 on charges of violating the country's airspace. Authorities in Uruguay allege that Viveros Cartes was using a small plane to search for fields that could be used clandestinely to land planes involved in drug smuggling. Viveros Cartes has been wanted on drug charges in Paraguay for years, and authorities in the landlocked country are now seeking to extradite him. "For the president, kinship does not exist in this matter," Luis Rojas, the head of Paraguay's anti-drug agency, said Sunday, the AP reported. "He wants us to be relentless." Rojas added that Cartes will not allow special treatment of family members. "He is informed about everything [in the case] and he wants us to treat him like any

> "For the president, kinship does not exist in this matter."
>
> ***— Luis Rojas***

Copyright © 2013, Inter-American Dialogue

other" suspect, Rojas added. The new president, who took office Thursday, is a multimillionaire businessman who has faced accusations that drug trafficking helped boost his wealth. He has denied the allegations.

Company News

Brazil's Itaú, Bradesco Betting More Than $13 Billion on Housing

The two largest privately owned banks in Brazil are making a bet of more than $13 billion on housing, increasing their mortgage portfolios at the same time borrowing costs are increasing in most other parts of the economy, Bloomberg News reported. **Itaú Unibanco** and **Banco Bradesco** each boosted their home-loan portfolios by 32 percent in this year's second quarter to 32.4 billion reais ($13.6 billion). That level is more than twice

The average mortgage rate in Brazil declined to 11.94 percent in June from 12.91 percent in January.

what the banks had forecast this year for growth of all forms of credit. The average mortgage rate in Brazil declined to 11.94 percent in June from 12.91 percent in January, according to the South America country's central bank. The banks are boosting their home-loan businesses amid weaker prospects for the region's largest economy, which are making other forms of lending more risky. Home prices in Brazil increased 12 percent for the 12-month period through July, twice the pace of inflation, according to the FIPE research institute and real estate Web site Zap Imoveis. Meantime, Brazil's level of net savings deposits grew to a record 37.6 billion reais for this year through July. That amounts to a 58 percent increase as compared to the same period last year, the central bank said.

Featured Q&A

Continued from page 1

community priorities and design relevant public services without the cost and complexity of traditional, less inclusive methods. Also critical to an effective technology strategy is growth in broadband accessibility throughout Latin America. Social media and effective SRM tools create an opportunity for governments in Latin America to listen, communicate directly with constituents and drive a culture of transparent public engagement that citizens will value."

A Miguel A. Porrúa, e-government lead specialist at the Inter-American Development Bank: "In Latin America and the Caribbean, most of the past failures of e-government initiatives have occurred for three main reasons. The first is weak political support for the projects. The second element is a lack of focus on citizens from inception to deployment. This has often meant governments implement initiatives citizens didn't want or understand. The third reason is the limited broadband connectivity that made e-government available to just a small part of the population. Fortunately, government leaders in Latin America and the Caribbean are awakening to the emergence of better informed, more participatory and increasingly demanding citizens. Along with the challenges associated with attending to these increasing demands come the opportunities that information and communication technologies open. Uruguay's efforts on open data policies, Chile's on the participatory initiative 'Yopropongo' and several of the Colombian initiatives under ViveDigital show us that governments with advanced e-government plans are trying to reach citizens and serve their needs more efficiently. However, the most remarkable efforts in this regard are probably occurring at the municipal level. The experience of the city of Junín in Argentina on how to engage citizens in providing assistance to seniors, or that of the Brazilian city of Canoas on how make collective budget decisions, merit special attention. The list of pioneer municipalities in Latin America taking advantage of the new technologies to better serve their citizens includes Peñalolen, Chile; Miraflores, Peru and Patzun, Guatemala. It also includes several cities that received the Digital Cities award from the Ibero-American Association of Research Centers and Telecommunications Companies over the past 10 years. Also, the Inter-American Development Bank, in collaboration with the governments of Argentina, Brazil, Colombia, Costa Rica and Uruguay, has recently launched yogobierno.org, where citizens can describe their experiences with governments and provide ideas to improve them."

A Mike Mora, electronic government section chief in the department for effective public management at the Organization of American States: "We are facing a paradigm shift, where thanks to information and communications technologies, citizens have become drivers of change. Some of the good examples of citizen engagement in the region are those that have arisen from open-data initiatives, which invites citizens to generate applications that respond to societies' changing needs. That is the case of Colombia's open-data initiatives through its Ministry of ICTs, which by June 2012 already had 46 applications in its 'apps store.' Other good examples are found in the incorporation of technology regarding participatory budgeting such as in Belo Horizonte in Brazil, and the immersion of technology principles and values in schools and communities, such as the case of Plan Vive Digital in Colombia. Likewise, in Chile through the State Modernization Unit, citizen participation has opened the debate on broadening the number of online government services, thus improving the interaction among government agencies. However, the most concrete example of citizen engagement is brought about by Brazil, linking civil society to open government in a variety of ways. Despite progress, one

Continued on page 4

Copyright © 2013, Inter-American Dialogue

Featured Q&A

Continued from page 3

of the biggest challenges in the region has been the lack of citizen embracement and adoption of electronic government strategies. Better country and regional efforts for citizen engagement could contribute greatly to the improvement of democratic governance, development, and security. Electronic government initiatives were primarily developed from the perspective and convenience of public officials. On the other hand, the current situation is more effective because it focuses on beneficiaries' needs, interests and expectations. Efforts are needed to widely educate today's citizens on the strategic use and significance of technology and to develop initiatives that situate citizens at the core of governance by placing their needs, challenges and potential ahead of the implementation of technology."

A Beatrice Rangel, member of the *Advisor* board and director of AMLA Consulting in Miami Beach: "There indeed is a dangerous difference in development degrees between citizens and states concerning usage of cyberspace. While most citizens increase their online presence on daily basis, governments remain tied to physical reality. Accordingly, citizens build their perceptions, opinions and militancy through interactions among themselves. This leads them to cluster and coalesce around interests, issues and grievances. Meanwhile, governments produce public policies that lack such interaction or even the proper recording of impact through pilot programs. In economic terms, this situation can best be described as market dislocation because supply and demand do not match. Citizens demand public policies that are consumer friendly; governments produce public policies that are incomprehensible for consumers and thus taken as hostile. And while countries like Chile have made great inroads into e-government by delivering all services through the Internet, little headway has been made in changing the locus of public policy production from government offices to cyberspace. As more cyber savvy generations enter the work force, the disconnect between supply and demand for public policies will increasingly trigger protests and noncompliant attitudes toward public policies."

A Andres Maz, executive director of advanced technology policy at Cisco Systems: "Latin America's emerging and vibrant middle class has rising expectations for government services including education, health, justice and the interaction with their own officials and administrators. The expectations are not just in quantity, but also in quality. Parents in Latin America demand the same education for their children as the education their peers are receiving in Europe, the United States and Asia. The challenge for governments is enormous. Adding to available resources for their citizens when budgets are constrained and economic growth is slowing down is unfeasible. One way for governments to meet these demands is to embrace technology as a supporting and enabling tool. Governments that have understood this challenge have adopted new technologies and automated processes. But the opportunities go beyond the use of a particular new technology. The wide adoption of technology represents a unique opportunity to look holistically at the health, education and justice systems and drive reforms across the value chain. In the field of health, the adoption of new technologies could, for example, eliminate the need to keep low-risk patients in hospital beds when they can stay at home and be monitored remotely with sensors connected to the network. Digitalizing medical records could prevent errors and expedite attention in emergency rooms. However, to make technology adoption successful it is critical that governments think holistically. Citizens will be the first to reap the benefits of new technologies. What are governments waiting for?"

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

Latin America Advisor
is published every business day by the Inter-American Dialogue, Copyright © 2013

Erik Brand
General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Megan Cook
Reporter, Assistant Editor
mcook@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

Peter Hakim, President Emeritus

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Maria Darie, Director, Finance & Administration

Mary Ellen Flather, Senior Director of Strategy and Development

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, China and Latin America Program

Manuel Orozco, Director, Remittances and Development Program

Tamara Ortega Goodspeed, Senior Associate, Education

Jeffrey Puryear, Vice President, Social Policy

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:
1211 Connecticut Avenue NW, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553
www.thedialogue.org ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

Copyright © 2013, Inter-American Dialogue