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FEATURED Q&A

Should the Region Invest More in its Hydropower?



Brazil has Latin America's highest installed capacity of hydropower. Mascarenhas de Moraes Dam in Ibiraci, Minas Gerais is pictured above. // File Photo: Andre Borges Lopes via Creative Commons.

Q With 1,300 gigawatts of installed capacity, hydropower is the world's largest source of renewable energy generation, the World Bank said in a March report. However, more than half of that capacity was installed before 1990, making those assets particularly in need of major rehabilitation today, the multilateral lender added. What is the state of hydropower infrastructure in Latin America and the Caribbean, and what sorts of investments are needed to efficiently maintain and operate the region's hydro facilities? How has the economic downturn in the wake of the coronavirus pandemic changed how countries and companies can maintain and upgrade hydropower assets? What is the fate of hydropower in Latin America and the Caribbean in the face of increasingly cost-effective renewables and lower prices for fossil fuels?

A Regina Ranieri, business development manager at UL Renewables: "The energy matrix in Latin America is made up of 56 percent renewable energy, basically twice that of the rest of the world. Favored by the surplus of natural resources, Latin America has 200 gigawatts of installed renewable power, of which about 80 percent comes from hydropower. Brazil has the world's second-highest installed capacity at 109 gigawatts, after China. In terms of new projects, of course the incorporation of new installed capacity is 'slower' than in other renewable sources such as solar or wind. The latter can be installed modularly, and it entails a construction time of as long as one year. Meanwhile, high-power hydroelectric plants, especially those

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TODAY'S NEWS

POLITICAL

Former Mexican Defense Minister Denied Bail in U.S.

A U.S. federal judge in Los Angeles ordered former Mexican Defense Minister Salvador Cienfuegos held without bail. Cienfuegos was arrested last week on charges of accepting bribes from a drug cartel.

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BUSINESS

Brazil Plans IPO of Caixa's Digital Bank

Brazil's government is planning an initial public offering of the new digital bank of state-owned Caixa Econômica Federal, Economy Minister Paulo Guedes said during an online event.

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POLITICAL

Bolivia's Arce Says Morales Will Have No Role in Gov't

Bolivian President-elect Luis Arce said former President Evo Morales, who heads Arce's MAS party, will not have a role in his government. Morales resigned under pressure last year.

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Arce // File Photo: Arce Campaign.

POLITICAL NEWS

Former Mexican Defense Minister Denied Bail in U.S.

Former Mexican Defense Minister Gen. Salvador Cienfuegos, who was arrested last week in the United States and stands charged with accepting bribes from a drug cartel, on Tuesday was ordered held without bail, Reuters reported. U.S. District Judge Alexander MacKinnon in Los Angeles said Cienfuegos represented a flight risk if he were released on bail before trial, the Associated Press reported. The prospect of spending the rest of his life in prison would be a powerful motivation to flee, said MacKinnon. Cienfuegos, who was Mexico's defense minister from 2012 to 2018 under then-President Enrique Peña Nieto, did not appear at Tuesday's 15-minute hearing. His attorney's comments at that hearing represented Cienfuegos' first public denial of the allegations against him. "My client has every intention of wanting to clear his name," said Cienfuegos' attorney, Duane Lyons, the AP reported. "He is a dedicated Mexican general who served his country honorably for a number of years and, if he were to be released on bail

and flee, his name and reputation would be ruined." Lyons said Cienfuegos could post as much as \$750,000 bail, which Lyons said was his life savings. In denying Cienfuegos the opportunity to post bail, MacKinnon sided with prosecutors who said returning him to the United States would take years if he were to flee to Mexico. Cienfuegos' attorneys argued that a U.S. extradition treaty with Mexico would help ensure his return to the United States. In August 2019, a grand jury in New York indicted Cienfuegos on international drug distribution conspiracy and money laundering charges. He faces a mandatory minimum sentence of 10 years in prison if convicted of the conspiracy charges.

BUSINESS NEWS

Brazilian Gov't Plans IPO of Caixa's Digital Bank: Guedes

Brazil has plans to launch an initial public offering of shares for the new digital bank of state-owned Caixa Econômica Federal, Economy Minister Paulo Guedes said Tuesday during an online event, Cointelegraph reported. Caixa

NEWS BRIEFS

Bolivia's Arce Says Morales Will Have No Role in His Government

Bolivian President-elect Luis Arce said Tuesday that former President Evo Morales will have no role in his government, Reuters reported. "He can return to the country whenever he wants, because he's Bolivian ... but in the government it's me who has to decide who forms a part of the administration and who does not," Arce told the wire service. Morales is head of Arce's MAS party, and Arce said any influence Morales has will be limited to that position. Morales was Bolivia's president for nearly 14 years before resigning under pressure and fleeing the country last year. [Editor's note: See related [Q&A](#) in Tuesday's Advisor.]

Brazil, U.S. Sign Deal to Boost Trade Ties

Brazil and the United States on Tuesday signed a \$1 billion memorandum of understanding in a bid to boost trade ties between the two countries, the U.S. Embassy in Brasília said in a statement. Under the agreement, the Export Import Bank of the United States, or EXIM, and Brazil's Economy Ministry will "identify options" to use EXIM financing to promote business development opportunities in areas including telecommunications, energy, infrastructure and mining.

Guatemalan Prosecutors Seek Arrest of Former Communications Minister

Guatemalan prosecutors are seeking the arrest of José Luis Benito Ruiz, who was communications minister under former President Jimmy Morales, on money laundering charges after allegedly linking him to a house where authorities last week found nearly \$16 million in various currencies, the Associated Press reported Tuesday. Benito Ruiz had been renting the house since February, prosecutors said.

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that require reservoirs, can take decades from the point of conception and feasibility analysis to final operation. It's important to highlight that the benefits of hydropower generation include the ability to generate clean energy without greenhouse gas emissions while at the same time providing firm power to the grid. Another benefit of hydropower is its social impact. For the most part, investors and operators of hydroelectric plants are national governments themselves, either individually or regionally. The purpose for this is, in many cases, to generate employment or provide water resources for regions whose productive activities depend on water."

A **Liliana Diaz, managing director of economic and financial consulting at FTI Consulting:** "Latin America is blessed with natural resources, among them water. The region, which occupies less than 15 percent of the planet's surface, captures almost 30 percent of its rainfall and generates 33 percent of global runoff. For decades, it has capitalized on this potential through guided planning and infrastructure development in the electricity sector. As a result, today the region has about 300 gigawatts of hydropower installed capacity, with most of it corresponding to large-scale dams. In the last two decades, however, heightened social and

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during the pandemic created a digital bank in an effort to help distribute government-funded emergency aid to nearly 64 million lower-income Brazilians. At the virtual Milken Institute Global Conference, Guedes said the country was preparing the IPO for the digital platform, which was created in less than six months and which Guedes said had huge market opportunities. “We digitalized 64 million people. How much is a bank of 64 million people worth?” Guedes said, Reuters reported. “Low-income people, but people that were [bank-registered] for the very first time, so they are going to be loyal for the rest of their lives,” he added. Caixa has reportedly played a crucial role in identifying legitimate and deserving beneficiaries of the government’s Covid-19 emergency aid, Crowdfund Insider reported. In related news, Caixa last month said it had indefinitely postponed plans for an IPO for its insurance unit, Caixa Seguridade, Reuters reported. It was the second time the high-profile offering has been delayed this year. Caixa Seguridade’s IPO is part of the government’s privatization plans, and the lender had initially planned to raise more than 10 billion reais (\$1.79 billion) in the offering by partially selling its stake.

Bancolombia Likely to Let Workers Divide Time at Home, Office

Bancolombia, Colombia’s largest bank, will likely allow its employees to divide their working hours between their homes and offices even after the Covid-19 pandemic ends, said Chief Executive Officer Juan Carlos Mora, Bloomberg News reported. Mora said he is envisioning a “hybrid model” in the future now that the bank has more experience with employees working at home during the pandemic. “We’ve learned that many things can be done efficiently at home,” said Mora. However, he said that if all work is done at home, it is more difficult to maintain a corporate culture. “Being able to have conversations, contact and a physical common space maintains a certain unity.” Mora told the news service in an interview that allowing most of the bank’s 22,000 employees to work from home some days of the week will

THE DIALOGUE CONTINUES

How Can the Blue Economy Help the Caribbean Recover?

Q **The Caribbean is better positioned than any other region in the world to take advantage of the “blue economy,” Valerie Hickey, a practice manager at the World Bank, said this month. The blue economy, which the multilateral lender describes as the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, has only now begun to take hold among countries in the region, she added. What opportunities would a focus on the blue economy bring to the Caribbean, and what are some possible obstacles standing in the way? What else can Caribbean nations do to snap back from recession, both individually and as a region, and what tools are at their disposal to finance their recoveries? How can the region’s countries diversify their economies, and which sectors should they invest in to become more resilient to external factors?**

A **Edmund Bartlett, Jamaica’s tourism minister:** “With more than 80 percent of Jamaica’s GDP generated in coastal areas, it is imperative that we safeguard the economic and social value of highly vulnerable coastal communities and coastal infrastructure to support sustainable trade, tourism and development. Jamaica is approximately 10,990 square kilometers, with an exclusive economic zone (EEZ) almost 22 times this size. Our coastline is approximately 1,022 kilometers of an array of ecosystems, including coral reefs, seagrass beds, mangrove

improve efficiency by reducing time commuting. Mora, who became Bancolombia’s CEO in 2016, said business travel will also likely be reduced. All of Bancolombia’s branches in Colombia are open, but only about 10 percent of the bank’s staff are working in its main offices. Before the pandemic hit, approximately 1,800

forests and wetlands. For this reason, the Jamaican government remains committed to ocean-based solutions for sustainable development benefiting all citizens, in keeping with Sustainable Development Goal 14. As the only developing country host of an international organization—the International Seabed Authority—the sustainable use of marine resources for sustainable development is not a new consideration for Jamaica. These solutions include the conservation of biodiversity with initiatives such as restoration of mangrove forests, seagrass beds and coral reefs, and establishment of fish sanctuaries for resilience of sensitive fisheries. Strong regulatory frameworks and guidelines for coastal development and restoration support these efforts. Engagement with communities and relevant stakeholders for education and empowerment on use of the marine space as well as facilitating market access for their products and services is important. Earlier this year, the new Port Royal Cruise Port welcomed tourists to the historic city for the first time in more than 40 years. Port Royal is a prime location for maritime archeology as a nontraditional tourist offering. Resilient spaces, communities and people are key to the necessary resilience for development.”

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

employees worked from home full-time. That number will likely increase to between 4,000 and 5,000 employees after the pandemic ends, said Mora. In an interview with Portafolio, Mora said Bancolombia’s digital operations have grown between 150 percent and 190 percent during the pandemic.

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environmental costs associated with large dams have contributed to the slowdown of large-scale project development. Added to this, changing climate is shifting patterns of precipitation, and severe droughts are depleting water basins. In this context, governments, developers and investors have been forced to consider rehabilitation and upgrade strategies in lieu of greenfield development. For example, in Mexico, the López Obrador administration has launched an initiative to rehabilitate 60 hydroelectric assets, some of them dating back to the

“**Heightened social and environmental costs associated with large dams have contributed to the slowdown of large-scale project development.**”

— Liliana Diaz

1980s. The initiative has received mixed reviews, as only about 18 of these plants can effectively increase their generating power. It is uncertain whether the money invested in upgrading these assets will generate sufficient returns given the serious and real threat of water scarcity for power generation. As governments in the region struggle to reactivate their economies in the Covid-19 aftermath, each dollar invested in infrastructure counts. Policymakers and energy planners would be well advised to think broadly and tackle head on the challenge presented by aging hydropower infrastructure. Perhaps it is time to start capitalizing on other bountiful renewable resources and tilt the balance toward more sun and wind.”

A Carlos St. James, board member of the Latin American and Caribbean Council of Renewable Energy (LAC-CORE): “New large

hydro—those mega-projects so common in Latin America decades ago—is no longer viable and is being considered nowadays only because it still fits the outdated lending model of development banks. Large hydro projects are peppered with drawbacks: all the best locations have been taken, those government-sponsored projects lend themselves to abuse, and they can’t even be counted on as baseload (as Colombia has discovered over and over again during dry spells). Finally, and just as importantly, the significant environmental impact of damming an area is no longer considered to have sufficient positive impact on a community or a national grid. However, there is potential for growth in small hydro (usually defined as under 30 megawatts) using pass-through water resourcing rather than creating a dam. Given the shift toward distributed energy and microgrids—and if coupled with lithium-ion energy storage—you have solutions that can be located off-grid in smaller communities, capable of providing baseload power and having a far smaller environmental impact. These can be bundled into packages of different sizes and financed using provincial or sovereign guarantees, and with an appropriate public-private partnership of public-sector sponsor, private-sector lender and local civil society management of the resource. Payments from the beneficiaries of the small hydro projects can then be used to repay debts.”

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

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