LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Wednesday, February 24, 2021

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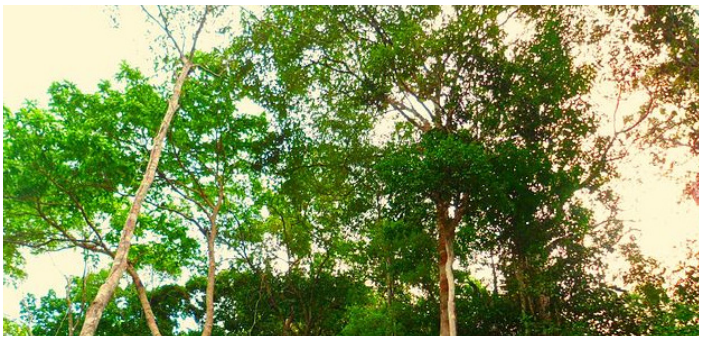
FEATURED Q&A

How Important Are Private Donors in Amazon Protection?



The Brazilian government is accepting foreign donations for protection of the Amazon rain forest through a new program. // File Photo: James Martins via Creative Commons.

Q Brazil's government this month announced a new initiative dubbed "Adopt-a-Park," under which international actors including companies, investment funds or individuals can sponsor the preservation of a part of the Amazon rain forest for about $12 per hectare. The government expects to raise $590 million as part of the initiative. How innovative and significant is the participation of foreign and private donors in Amazon conservation efforts? Is lack of investment in the rain forest's protection at the root of problems such as illicit activity and deforestation in the Amazon, or are other factors in play? How willing is Brazilian President Jair Bolsonaro to work with multilateral entities and other countries, in particular the Biden administration in the United States, to advance efforts to preserve the Amazon?

A **Jeanett Bergan, head of responsible investment at KLP in Norway:** "The latest Adopt-a-Park announcement gives new hope but leaves questions as to whether the initiative can tackle the alarming deforestation crisis. However, we continue to engage with the government, and we are very clear that there would be great value in establishing a fair financing mechanism that rewards landowners, farmers and local communities for preserving the forest. Investors are very eager to hear how this will work in practice to keep precious forests standing across the entire Amazon region and respect local communities' rights. Foreign investors want to invest sustainably in forestry and agricultural supply chains, infrastructure such as solar and wind power, and sovereign green bonds. Naturally, poor governance is of

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TODAY'S NEWS

POLITICAL

At least 75 Inmates Killed in Ecuador Prison Riots

At least 75 inmates were killed in coordinated riots in prisons in the Ecuadorean cities of Guayaquil, Cuenca and Latacunga. The government said the riots stemmed from a feud between rival gangs.

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ECONOMIC

Mexico Deputies Pass Measure Favoring State Power Utility

Mexico's Chamber of Deputies passed a measure that gives priority to state-owned power utility CFE over private-sector generators. The bill now goes to the Senate.

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ECONOMIC

Puerto Rico's Governor Rejects Debt Agreement

Puerto Rico's federal control board reached a deal with creditors, but Governor Pedro Pierluisi rejected it over concerns relating to pension system cuts.

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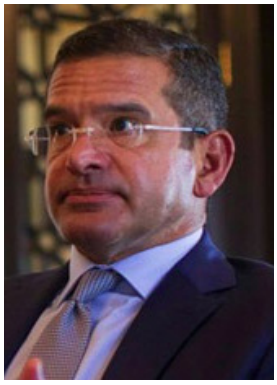

Pierluisi // File Photo: Commonwealth of Puerto Rico.

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POLITICAL NEWS

At Least 75 Killed in Riots at Three Prisons in Ecuador

At least 75 inmates were killed in coordinated riots blamed on gang rivalries at three prisons in Ecuador, local daily newspaper El Comercio reported Tuesday. The riots happened at prisons in Guayaquil, Cuenca and Latacunga. In a posting on Twitter, Ecuadorean President Lenín Moreno blamed the riots on "criminal organizations" that were engaged in "simultaneous acts of violence in several prisons." Soldiers were deployed to quell the riots, which the country's public defender's office called "an unprecedented massacre," Agence France-Presse reported. Eight hundred police officers were also deployed in attempts to regain control, said prisons director Edmundo Moncayo, according to the Associated Press. The authorities regained control on Tuesday afternoon, The New York Times reported. The clashes first broke out late Monday, the AP reported. Two rival groups were attempting to gain "criminal leadership within the detention centers," said Moncayo, who added that the riots were sparked by a search for weapons that police officers carried out on Monday. Photographs and videos posted to social media show people decapitated and dismembered, lying in pools of blood. Moreno said he had ordered Ecuador's Ministry of Defense "to exercise strict control of weapons, ammunition and explosives in the outer perimeters of prisons" as a result of the riots. Ecuador's prisons are overcrowded, with facilities designed to hold 27,000 inmates actually housing about 38,000, the AP reported. "This sort of thing was unthinkable in our country," Ricardo Camacho, a former director of Ecuador's prison system, told The New York Times. "This is a tragedy, a true shock." The government said the riots stemmed from a feud between rival gangs, the newspaper reported. In December, the leader of a prominent gang known as Los Choneros was assassinated at a shopping mall in the city of Manta, which has become a key hub for trafficking cocaine to Central America. The riots that began late Monday involved retaliation for the gang leader's death, said Moncayo. Many of the victims were not linked to organized crime but were just caught in the middle of the battle, he added. While Ecuador does not grow large quantities of coca, the plant used to produce cocaine, it is surrounded by Colombia and Peru, which do. Colombian cocaine traffickers for years have used Ecuador for some of their operations, The New York Times reported.

ECONOMIC NEWS

Puerto Rico's Governor Rejects Debt Agreement

Puerto Rico's federal control board reached a deal with creditors that would lower the U.S. commonwealth's overall debt by almost 80 percent, but Governor Pedro Pierluisi rejected it over concerns relating to cuts to Puerto Rico's pension system, the Associated Press reported Tuesday. While Pierluisi said the deal would have many benefits for Puerto Rico, he added that his administration would not support it when it is submitted in court next month. "The plan of adjustment should not be structured in a way that affects our pensioners even more," the governor said. The deal would require the approval of the federal judge who is overseeing Puerto Rico's debt restructuring process. The deal would resolve $35 billion of the territory's debt and non-debt claims, and it was reached with creditors who hold general obligation bonds and Public Building Authority bonds sold by the island's government. The agreement would also lower debt that those creditors hold from $18.8 billion to $7.4 billion, and it would provide them with $4.7 billion in bonds and $7 billion in cash, among other provisions. The federal control board added that the deal would free more than $300 million annually for government services, and it said that rather than 30 cents of every dollar in the commonwealth's tax and fee revenue going to creditors, as it once did, less than eight cents would now go

NEWS BRIEFS

U.S. Congress Considers Calling for Sanctions on Honduran President

New legislation in the United States targets Honduran President Juan Orlando Hernández, who is allegedly linked to drug trafficking, the Associated Press reported Tuesday. A group of Democratic senators, led by Sen. Jeff Merkley (D-Ore.), have introduced a bill that calls on U.S. President Joe Biden to impose sanctions on Hernández and determine whether he is a "specially designated narcotics trafficker." Hernández in recent years has relied heavily on U.S. support when facing domestic opposition and multiple allegations of drug trafficking. Honduras' presidency has denied the allegations.

Colombia's Ecopetrol Reports 87% Decline in Net Profit for 2020

Colombian state-run oil company Ecopetrol on Tuesday posted an 87.3 percent decline in 2020 net profit, adding that it will make organic investments of as much as $15 billion between this year and 2023, Reuters reported. Ecopetrol said it will invest between $12 billion and $15 billion over the next three years, with an annual average of between $4 billion and $5 billion. The investment plan aims to ensure profitable growth based on Brent oil prices of $45 per barrel this year and of $50 per barrel and higher in subsequent years, said Chief Executive Officer Felipe Bayón.

Brazil's RecargaPay Raises $70 Mn in Funding Round

Brazilian payments company RecargaPay has raised $70 million in a series C funding round, which the company says it will use to enhance its payments platform. The fintech start-up has raised more than $100 million to date, it said in a statement. The latest funding round was led by IDC Ventures and Fuel Venture Capital.

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to creditors, the AP reported. Natalie Jaresko, the executive director of the federal control board, said she understood Pierluisi's concerns about how the plan would affect retirees. However, she said that more than 70 percent of the territory's pensions would see no cuts. She added that the control board would also set aside a pension reserve trust. Holders of more than $11.7 billion of the territory's bonds support the agreement, Pensions & Investments reported.

Mexico Lawmakers Pass Bill Prioritizing State Power Utility

The lower house of Mexico's Congress on Tuesday approved a bill that gives priority to state-owned power utility CFE over private-sector generators, canceling key parts of the 2013 energy reforms that opened the electricity sector to private and foreign investment, The Wall Street Journal reported. Legislators voted 304-179 in favor of the controversial bill, with the ruling Morena party supporting the proposal, which President Andrés Manuel López Obrador submitted to Congress earlier this month. López Obrador has long opposed the energy overhaul, and strengthening both the state utility and state oil firm Pemex have been cornerstones of his administration. Critics of the proposal, including the conservative National Action Party, said the changes would drive up generation costs and electricity rates, be damaging to the environment and prompt international arbitration and constitutional challenges, The Wall Street Journal reported. A majority of legislators in the lower house overruled a series of objections raised by opposition lawmakers, El País reported. The proposal will now go to the Senate, where its passage is expected, said Senate Majority Leader Ricardo Monreal. "The majority is going back to the president on this. I don't think there will be any changes to what the lower house approves," Monreal said. [Editor's note: See related **Q&A** on Mexico's state utility in the Feb. 19 issue of the Energy Advisor.]

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concern to investors, as Brazilian Amazonian deforestation has reached a 12-year high, and the biome is on the brink of a death spiral. Along with other investors managing trillions of dollars, we have engaged directly with the government since the last terrible fire season. As investors, we look for actions that 'walk the talk.' Alongside the dialogue between investors and the government, this new announcement could be seen as a hopeful, positive step. Other actions have unfortunately been negative. Brazilian Environment Minister Ricardo Salles said last year that the government could push through deregulation of environmental policy while the public is distracted by Covid-19. Brazilian President Jair Bolsonaro did react aggressively to then-U.S. presidential candidate Joe Biden's suggestion that countries raise a collective $20 billion to stop deforestation in Brazil. Furthermore, Brazil's cutting of environmental budgets is worrisome. A new wave of divestment is underway due to deforestation in Brazil. It really doesn't have to be this way, and we want solutions. We respect Brazil's sovereignty, and we expect all of us to protect the global environment and biodiversity. Can Salles and the government with this new announcement radically change course by ending deforestation and attracting sustainable investment?"

Cristiane Mazzetti, forest campaigner at Greenpeace Brazil: "After two years of record increases in deforestation and fires, resulting from the dismantling of public environmental policies, the government passes to the private sector the responsibility of financing part of the country's environmental protection, despite having the resources to do so—for instance, through the Amazon Fund, which previously financed activities related to conservation areas and which has a balance of 2.9 billion reais but is currently paralyzed. Furthermore, the Protected Areas in the Amazon Program, established in 2002, has more than 100 billion reais available. The Adopt-a-Park program is another attempt to cover up the reality. Although it could benefit companies and the government, it is unlikely to increase protection of the forest and its biodiversity. Companies such as Carrefour could take advantage of this large investment in parks to continue omitting commitments to removing deforestation from its shelves. While the Brazilian federal government is betting on yet another mediatic action to clean up its image, it continues to destroy the instruments that protect conservation units, undermining ICMBio, the environmental agency in charge of managing these areas, by marginalizing its staff, significantly cutting its budget and proposing to extinguish the agency by merging it with Ibama. To solve the problem of deforestation, the government should reverse the environmental dismantling and strengthen bodies such as Ibama and ICMbio, recomposing their public budgets and technical staff, in addition to creating new protected areas, a strategy that the current management has completely ignored despite its having contributed significantly to the reduction of deforestation in the Amazon between 2004 and 2012. Those measures would be better than the current program, which opens up a huge space for greenwashing and does not solve the problem. Most companies are far behind their zero deforestation policies and commitments; they need to act immediately to finally deliver to their consumers a product that is deforestation-free, and not illusory advertising while the thousands of buyers remain unwitting accomplices to environmental destruction."

Henrique Rzezinski, member of the executive committee and former president of AMCHAM Rio and member of the board of the Council of Foreign Relations of Brazil (CEBRI): "It is difficult to comment on such complex issues in such a polarized world, where facts are easily substituted by views.

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I am not a supporter of President Bolsonaro. My whole life, I have been center-left-oriented and still am. Bolsonaro is willing to work with other international actors, except those whose agenda is to destabilize Brazil's government—such as the U.S. Network for Democracy in Brazil, which recently published a policy paper called 'Recommendations on Brazil to President Biden and the New Administration,' as well as others that set the stage for direct intervention to protect the rain forest. This is just one example of that confrontational approach that will only serve as a good excuse for the Brazilian government to raise the flag of sovereignty. There are organizations such as the Nature Conservancy that have been doing silent and great work in the Amazon, without a political agenda. One of the most critical issues in the deforestation process is related to huge international smuggling organizations that operate from irregular airports in the middle of the jungle, carrying wood to different countries. Brazil needs many more surveillance aircrafts to effectively identify these operations; financing a drastic increase in these capabilities could be a very important effort at cooperation with the United States and the European Union. There are obviously many actions that could be better managed, but it is difficult to believe that the Brazilian military, which is presently in charge of managing deforestation, can be accused of deliberate violations against the Amazon environment or against the rights of Black and Indigenous populations. Since the Rondon-Roosevelt expeditions in the Amazon at the beginning of last century, Brazil's armed forces have been important guardians of the environment and of Indigenous and Black populations in the region. Also, 67 percent of Brazil's territory is in preserved areas. I am not trying to defend any wrongdoing but rather trying to be a fair observer in a situation in which wrong actions are amplified to the extreme and important efforts are completely ignored."

Paulo Barreto, associate researcher at IMAZON in Brazil: "The concept of having donations to help Amazon conservation is relevant as part of a comprehensive and coherent policy. Unfortunately, the Brazilian government is failing in both criteria. The president has criticized the existence of protected areas and promised to open them to commercial exploitation. His rhetoric has stimulated invasions of some areas and increased deforestation. Moreover, the government instituted an additional step for the prosecution of environmental crimes. Once inspectors issue environmental fines, the application of penalties is suspended until the government holds conciliation meetings. However, the government has rarely conducted such sessions, which in practice means impunity is secured. Regarding financial resources, the government dismantled the Amazon Fund's governance, which received donations from Norway, Germany and Brazilian state oil firm Petrobras. The government terminated the fund's advisory board, including civil society institutions, state governments and scientists. Given that extinguishing the board was a breach of contract, the fund is frozen, and $552 million has not been used. Moreover, Germany and Norway stopped further contributions to the fund. Before sponsoring any new forest conservation program, donors should check if the government has resumed and improved the policies that reduced deforestation by 80 percent from 2004 to 2012."

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

LATIN AMERICA ADVISOR
is published every business day by the
Inter-American Dialogue ISSN 2163-7962

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

Diana Roy
Editorial Intern
droy@thedialogue.org

THEDIALOGUE

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at
1155 15th Street NW, Suite 800
Washington, DC 20005

www.thedialogue.org

Subscription inquiries are welcomed at
ebrand@thedialogue.org

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