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## FEATURED Q&A

# Will Latin America's Governments Make the Digital Leap?



Governments, including in Latin America, have increased efforts at providing services digitally during the pandemic. // File Photo: Štefan Štefančík via Unsplash.com.

**Q** Multinational lender CAF—Development Bank of Latin America this month approved a \$350 million loan for Panama's digital transformation, including the implementation of norms, plans and investment agreements aimed at digitizing government functions and eliminating the digital divide, among other goals. Is the amount a meaningful sum for the initiative, and what more needs to happen for Panama to meet its digital goals? What steps are countries in Latin America and the Caribbean taking to digitize government services and functions, and how successful have these measures been? How are governments financing digitization efforts, and will multilateral lenders play a bigger role in advancing tech? What are the main challenges the region faces as it seeks to expand access to the digital economy?

**A** Carlos Santiso, head of the governance practice on digital innovation in government at the CAF—Development Bank of Latin America: "This decade will be a digital decade. In this context, CAF—Development Bank of Latin America is advancing a comprehensive digital transformation agenda and scaling up its support to address the digital challenges that the coronavirus crisis has accelerated in the region. The program approved for Panama is part of CAF's support for the government's strategy of creating an inclusive digital revolution, economic recovery and modernization of the state, an agenda led by Panama's National Authority for Government Innovation (AIG). Digital solutions have been key for implementing emergency transfers to cushion the social crisis, better targeting social programs

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Brazil Reports More Than 3,000 Covid Deaths in a Day, New Record

Brazil on Tuesday reported 3,251 daily deaths from Covid-19, a new daily record and the first time that the daily death toll surpassed 3,000.

Page 2

### ECONOMIC

## Colombia Eyes Tax Reform to Raise \$7.15 Bn: Report

Colombia's government will reportedly seek to raise 25.4 trillion pesos (\$7.15 billion) through a tax reform that President Iván Duque's administration plans to send lawmakers.

Page 2

### POLITICAL

## Brazilian High Court Rules Judge Was Biased in Lula's Graft Trial

Brazil's Supreme Court ruled that former Judge Sérgio Moro was biased in the corruption trial of former President Luiz Inácio Lula da Silva.

Page 2



Lula // File Photo: Facebook page of Luiz Inácio Lula da Silva.

## POLITICAL NEWS

## Brazil Reports More Than 3,000 Covid Deaths for Single Day

Brazil on Tuesday reported 3,251 daily deaths from Covid-19, a new record, and the first time the one-day total has surged past 3,000 in the country, the Associated Press reported. The South American country has become the global epicenter of the pandemic, as a variant spreads unchecked, hospitals approach collapse and vaccine rollout lags. Brazil has more deaths per day from the disease than any other nation in the world, the AP reported. The record death toll on Tuesday was fueled by São Paulo state, which recorded 1,021 new deaths, far surpassing its previous high of 713 last July. In most of the country's states, intensive-care units are more than 80 percent filled, while some are at full capacity, Bloomberg News reported. Meantime, just 6 percent of the population has received even a single dose of vaccine. President Jair Bolsonaro has consistently downplayed the severity of the pandemic, calling it a "little flu" and recently telling Brazilians to "stop whining" about the disease. He has resisted calls for shuttering businesses, saying the economic damage caused by closures is worse. In a nationwide address Tuesday, he said life will be back to normal "very soon," adding that Brazil will soon become self-sufficient in producing vaccines, Bloomberg News reported. "We will make 2021 a vaccination year for Brazilians," he said, just hours after he swore in his fourth health minister in a year. Following Bolsonaro's address, Brazilians in cities across the country protested by banging pots and shouting from their windows, with some protesters calling him a murderer. In the past year, Brazil has recorded more than 12.1 million cases of Covid-19 and more than 298,000 deaths from the disease, according to Johns Hopkins University. The country has the world's second-highest number of cases and deaths after the United States, which has recorded more than 29.9 million cases and more than 543,000 deaths.

## ECONOMIC NEWS

## Colombia Eyes Tax Reform to Raise \$7.15 Billion: Report

Colombia's government will seek to raise 25.4 trillion pesos (\$7.15 billion) through a tax reform that President Iván Duque's administration plans to send lawmakers over the next several days, Reuters reported Tuesday, citing unnamed sources and documents. The Finance Ministry previously said the reform, which the government is considering in order to help the country maintain its investment-grade credit rating, would raise approximately 15 trillion pesos, or about 1.5 percent of gross domestic product. However, the documents that Reuters reviewed showed that the government hopes to raise significantly more through the reform, an amount equivalent to 2.2 percent of GDP. A press officer at the Finance Ministry told the wire service that ministry officials met with Colombian business groups and political parties. The reported reform would raise 16 trillion pesos for spending needs and 7.6 trillion pesos for welfare programs. Additional money raised would be used for efforts to reactivate the economy, which has been damaged amid the Covid-19 pandemic. The reform would not subject additional foodstuffs to value-added taxes, but VAT exemptions on some products would be cut, Reuters reported. The changes would bring the percentage of tax revenue that VAT raises from 39 percent to 46 percent. The reform would also expand Colombia's tax base, make a wealth tax permanent and increase taxes of dividends from 10 percent to 15 percent, the wire service reported. Tax reform in Colombia to cover spending associated with fighting the pandemic and bolster government revenues could negatively affect corporate credit, Fitch Ratings said Tuesday. "Weakness in Colombia's fiscal metrics after the sharp decline in oil prices and efforts to combat the pandemic increase the likelihood of passage [of a tax reform] before Congress enters recess on June 20," the ratings agency said. Colombia's economy shrank 6.8 percent last year

## NEWS BRIEFS

## U.S., Mexican Officials Discuss Immigration, Regional Development

Top U.S. and Mexican officials met Tuesday in Mexico City to discuss immigration and regional development amid a surge in migrants, including unaccompanied minors, at the countries' border, the Associated Press reported. The delegations discussed "humanitarian actions to spur, in the short term, an inclusive economic development in northern Central America," the Mexican government said.

## CAF Leader Stepping Down a Year Early

The executive president of CAF—Development Bank of Latin America, Luis Carranza, is stepping down in April, a year ahead of the official end of his term "due to political and internal issues of the organization itself," CAF said in a statement Tuesday. The announcement comes amid allegations of workplace harassment, abuses of power and massive layoffs across the organization's offices in Latin America, El País reported. Carranza has served four years as the president of the bank, which is headquartered in Caracas.

## Brazil's Supreme Court Rules Judge Was Biased in Lula's Corruption Trial

Brazil's Supreme Court on Tuesday ruled that former Judge Sérgio Moro was biased in connection with the corruption trial against former President Luiz Inácio Lula da Silva, who has long claimed his conviction on graft charges was based on political persecution, the Associated Press reported. Moro headed an investigation that led to the jailing of hundreds of business and political leaders, including Lula, who was released in November 2019. Earlier this month, a Supreme Court judge annulled the criminal convictions against Lula. [Editor's note: See related [Q&A](#) in the March 17 Advisor.]

amid the pandemic, the country's statistics agency said in February. However, ratings agencies are expecting growth this year. "Moody's forecasts growth in 2021 of about 4.5 percent to 5 percent, driven by a rebound from last year's low base and the beginnings of a stronger recovery toward the second half of 2021 as the vaccination process progresses in the country," Renzo Merino, vice president and senior analyst in the Sovereign Risk Group of Moody's Investors Service, told the Advisor in a [Q&A](#) published March 16.

## BUSINESS NEWS

# Carrefour to Acquire Brazil's Grupo BIG for \$1.3 Billion

French grocery group Carrefour announced today that it will acquire Brazilian rival Grupo BIG for 1.1 billion euros (\$1.3 billion) from Walmart Inc. and Advent International Corp. In a statement, Carrefour Brazil said the acquisition of the country's third-largest food retailer would allow the company to grow its presence in the Brazilian market, which it described as having "high growth potential." The group expects the acquisition to eventually bring net additional contributions to its earnings before interest, tax, depreciation and amortization, or EBITDA, of about 260 million euros on an annual basis three years after the closing of the transaction. "The acquisition of the BIG Group is a major transformation movement for Carrefour Brazil," Alexandre Bompard, chairman and CEO of Carrefour Group, said in the statement. "The transaction fits perfectly into the Carrefour Brazil ecosystem and into the Group's acquisition strategy, centered on the consolidation of our key markets," he added. Carrefour recently announced it would participate in the Brazilian government's latest "Adopt-a-Park" initiative, in which international actors including companies and individuals can sponsor the preservation of a part of the Amazon rain forest for about \$12 per hectare. "For a retail group, the protection of 75,000 hectares of forest is a pioneering

## FEATURED Q&A / Continued from page 1

and sustaining remote work. They will be central to the recovery. The program will recognize the government's efforts to promote inclusion by connecting remote areas, accelerating the state's digital transformation and fostering the digital economy. CAF has actively worked since 2010 for the region's digital transformation, supporting high-quality infrastructure and technologies for connectivity, competitiveness and productivity. CAF and AIG are developing a feasibility study to expand digital connectivity in remote areas, '100% Digital Panama.' In 2019, CAF created a new governance practice to accelerate digital innovation in government, leveraging digital solutions and data insights for policy design and service delivery. The Covid crisis provides a unique catalyst for modernizing bureaucracies and changing how governments interact with citizens. Governments in the region, such as Panama's, have accelerated digital reforms. Brazil and Peru have digitalized more public services in the past year than in the previous five. Reconstructing the social contract will require a digital pact."

**A Roy Guzman, regional director for the public sector in Central America and the Caribbean, and Diogo Brunacci, government affairs and public policy director for Latin America, both at Oracle:** "Panama has proven the importance of digital transformation action as part of the government agenda. A good example is the country's Government Innovation Authority (AIG), which coordinates digital innovations with the aim of coping with the Covid-19 emergency, through the implementation of platforms for immediate response to the populations in areas such as identification, health care, prevention, banking, economic aid and education. This is not only important for Panama, but

initiative that aims to prevent deforestation, improve living conditions ... and reduce carbon dioxide emissions," Stéphane Engelhard, vice

also to inspire the entire region to put into practice all available tools, technologies and solutions for improving citizens' well-being. Latin American governments' digital transformation journeys are in their first stages. The moment we are now living brings to our attention not only an important growth opportunity, but also the urgency, in terms of technologies and concrete applications, to provide services to the community in a more efficient way. As an example of how digital technologies can transform public institutions and help them address challenges in service automation, e-health and e-learning, among others, the region has more than 53 open-government plans (38 implemented and 15 in progress), according to the OECD's Latin American Economic Outlook 2020. National development plans and digital agendas are strategic tools for planning and coordinating the digital transformation. Digital security, privacy regulation and safe, secure and transparent management of data are important to ensure public trust in digital technologies. To make this transformation work, some of the challenges are cultural (in order to prioritize actions to enhance the bureaucracy transformation) as well as financial. The tricky situation that Latin American governments are already facing obliges the search for public and private financial resources from multilateral and regional bodies to urgently reduce the digital divide. To manage the digital transformation also means to fight against market concentration, inequalities and more unemployment. Also, government institutions have been challenged to find operational efficiency, cost reduction and better citizen services. Additionally, cloud adoption has been seen as a technique to accomplish these goals faster. Even though the beginning was slow, we have seen more and more uses of the cloud in the region lately."

Continued on page 4

president of institutional relations at Carrefour Brazil, recently [told](#) the Advisor. [Editor's note: See related [Q&A](#) in the Feb. 24 Advisor.]

## FEATURED Q&amp;A / Continued from page 3

**A** **Richard Fogarty, managing director of Alvarez & Marsal, and Tony Moroney, managing director at Beta Digital:** “CAF has approved a \$350 million loan to Panama to accelerate its digital transformation. It’s been noted that the absolute amount, relative to the size of the economy, is small at less than 0.5 percent of GDP. However, the message it sends is clear. Panama, like all countries in Latin America and the Caribbean, needs to invest and bridge the growing digital divide to ensure digital inclusion, coupled with an acceleration of digitalization of both its public and private sectors. This will necessitate the introduction of policies, standards and the development of digital infrastructure and enabling legislation. Until recently, governments typically looked at digital transformation as an opportunity to improve existing services. This is changing. There is recognition of the need to develop as a hyperconnected economy, which supports new business models. These models would include how and where we will work in the future, along with where the Internet of Things (IoT), edge computing and 5G converge to enable the development of digital services, including smart cities, capable of delivering significant benefits for businesses, residents and the economy. Governments urgently need to accelerate the development of a cohesive national strategy in which both the social and economic benefits are clear. As with any other major investment, optimal financing, including multilateral support, should be agreed to at the outset. The time to act is now. Keeping pace with digital developments and the growing demand for digital services will play a major role in turning the Covid-19 crisis into a development opportunity for Latin America. Critical to this will be digital inclusion, greater participation and a reskilling of the work force. The combination of these elements will help enable small and medium-sized enterprises (SMEs) to harness the potential of digital technologies, boosting innovation and developing ecosystems while transforming the public

sector with a more digital and innovation focus.”

**A** **Silvina Moschini, founder and CEO of SheWorks!:** “The pandemic created the perfect conditions for digital transformation, as public and private sectors have been forced to shift to a virtual environment overnight and discovered that the change enhanced productivity and efficiency. For governments, investments in digitalization provide a clear path to sustainable and equitable economic growth by increasing GDP, reducing unemployment and driving inclusion of traditionally marginalized populations. For these initiatives to succeed, the private and public sectors must work together to fill the skills gap that is required for employability in the digital economy. Investment in digital transformation must start with educating and training the population to perform the most in-demand jobs in the digital economy and to make qualified workers available to companies who are looking for talent, regardless of where they are based. When people receive training and obtain certifications in digital skills, they can receive an average pay increase of 30 percent. More importantly, they are positioned to compete in the digital economy, which puts unskilled workers at a disadvantage. Currently, in Latin America, two out of 10 jobs are at risk of automatization, while another four will have substantial changes when it comes to tasks and responsibilities that will require upskilling. Progress has been made in the region as multilateral organizations and government entities in Colombia, Guatemala and Ecuador have invested in private-public partnerships with organizations such as SheWorks! to offer training to marginalized populations that have been disproportionately affected by the pandemic, including women, and created incentive programs for companies who hire through these government-backed programs. We consider this to be a win-win-win model: companies win, governments win and, most importantly, people win.”

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