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## FEATURED Q&A

# What Changes Could Help Latin America's Small Businesses?



Greater digitization can be of big benefit to small businesses, the United Nation's Economic Commission for Latin America and the Caribbean said in a recent report. // File Photo: Mexican Government.

**Q** Among measures Mexico's government can take to boost the recovery of small and medium-sized enterprises is support for their digital transformation, including accessibility and affordability of connectivity and broadband infrastructure as well as training and financing, according to a recent report by the Economic Commission on Latin America and the Caribbean. What are the most significant ways in which the pandemic has hit the region's small and medium-sized enterprises? What have governments in the region done over the past year to help SMEs get back on their feet, and what else can they do to support their recovery? How are other actors, including the private sector and NGOs, contributing to solving the problems?

**A** **Barbara Kotschwar, executive director of the Visa Economic Empowerment Institute:** "The pandemic has laid bare the reality of the digital divide and its potential to exacerbate inequality. As policymakers seek to expand inclusive economic growth and social development, extending payments acceptance to more micro and small businesses should be a key part of national policies and investments. Digitization can help micro, small and medium enterprises reach more customers in their communities and compete with larger firms across the globe. Our [research](#) has found that companies that embraced digital commerce and cross-border capabilities before and during the pandemic weathered the crisis better than those that did not. It also found that what small businesses across the globe really need and want from policymakers is improved Internet connectivity, assistance with digital commerce and help with cybersecurity. Visa's [survey](#) of micro and

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## Mexico Searching Graves to Find Missing Victims

Mexican authorities are seeking genetic samples from unidentified bodies in mass graves across the country in order to identify thousands of people who have gone missing amid drug gang warfare.

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## NuBank's Mexico Unit Getting \$135 Mn Injection

The Mexican unit of Brazilian financial technology company Nubank is getting \$70 million from its parent company and revolving credit lines worth \$65 million from other banks.

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### POLITICAL

## Brazilian Justice Orders Probe of Brazil's Response to Pandemic

Brazilian Supreme Court Justice Luís Barroso ordered the country's Senate to proceed with an investigation into the government's handling of the Covid-19 pandemic.

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Barroso // File Photo: Harvard University.

## POLITICAL NEWS

## Brazilian High Court Orders Senate Probe of Covid Response

A justice of Brazil's Supreme Court on Thursday ordered the country's Senate to proceed with an investigation into the government's handling of the Covid-19 pandemic, the Associated Press reported. The order by Justice Luís Barroso will examine how President Jair Bolsonaro's administration has handled the crisis, and if senators decide the administrations actions included criminal activity, the Senate would



**Unfortunately, people die everywhere."**

— Jair Bolsonaro

have to ask Brazil's attorney general's office to open its own probe. Senate President Rodrigo Pacheco had sought to delay the installation of the Senate's investigatory committee even though a sufficient number of senators had approved setting it up, Reuters reported. Pacheco said he would adhere to the court's order to launch the investigation, but he added that it was too early to begin the probe at the same time Brazil was still dealing with the crisis. He said proceeding would put the health of committee members at risk because their meetings would be held in person. "It wasn't the moment. That's what I think," Pacheco told reporters after the justice's ruling, the AP reported. "This inquiry at this moment will be out of bounds. It might crown the national failure in this pandemic." Some experts expressed support for pursuing the investigation, however. "The inquiry will call scientists from all over Brazil to testify and show how irresponsible the president's statements were. It will get tougher for him. Public opinion will be heard at the Senate," Carlos Melo, a political science professor at Insper University in São Paulo, told the AP. "It was unavoidable. The time came for the political system to react." The court

order came on the same day that Brazil set yet another record for the number of reported daily deaths from Covid-19. The Health Ministry reported that 4,279 people died of the disease in the preceding 24 hours, Reuters reported. Brazil's successive records for daily deaths from Covid-19 are approaching the U.S. single-day record number of deaths from the disease—4,405, which was set on Jan. 20, the day U.S. President Joe Biden took office, according to the U.S. Centers for Disease Control and Prevention. The public health care system in Brazil has shown signs of collapse, and a survey by the National Association of Private Hospitals suggested that even the country's wealthiest hospitals are running out of medicine, Reuters reported. Bolsonaro, who has downplayed the pandemic from the beginning, touted unproven remedies, eschewed the use of face masks and fought lockdown measures, told Brazilians in a public address Wednesday, "Let's not cry over spilled milk." He added, "We're still going through a pandemic that, in part, is being used politically—not to defeat the virus but to bring down the president. In what country on earth do people not die? Unfortunately, people die everywhere."

## Mexico Searching Mass Graves to Find Missing Victims

Mexican authorities are seeking to obtain genetic samples from unidentified bodies in cemeteries across the country in a bid to gather information on tens of thousands of people who have gone missing amid drug cartel warfare in the country, Reuters reported Thursday. Karla Quintana, the head of the National Search Commission, or CNB, said authorities would dig up unidentified bodies from mass graves in municipal cemeteries to help locate the missing people. "What is being proposed ... is to exhume all the bodies, remove genetic information ... and with the genetic information that we already have from some families, do identification massively," Quintana said during a government news conference. Over the last 15 years, approximately 80,000 Mexicans have

## NEWS BRIEFS

## Voters in Ecuador, Peru Head to Polls Sunday for Presidential Elections

Voters in Ecuador and Peru will head to the polls Sunday in the countries' presidential races. In Ecuador, Andrés Arauz, a leftist protégé of former President Rafael Correa, faces conservative businessman Guillermo Lasso in the country's runoff. Meantime in Peru, the first round of the country's presidential election features 18 candidates, with a June runoff virtually assured, the Associated Press reported.

## El Salvador's Bukele Reportedly Refuses to Meet With U.S. Envoy

Salvadoran President Nayib Bukele refused to meet with the U.S. special envoy to the Northern Triangle, Ricardo Zúñiga, two of Bukele's aides told the Associated Press. Zúñiga visited Guatemala and El Salvador this week to discuss an influx in migration from those countries into the United States. Bukele's snub apparently follows a similar move by the administration of U.S. President Joe Biden, which allegedly declined a meeting with Bukele during an unannounced trip to Washington in February, the AP reported.

## IMF's Werner Expresses Doubts About Argentina's Debt Sustainability

There is a lot of uncertainty regarding Argentina's economic policy future and debt sustainability, Alejandro Werner, the head of the Western Hemisphere department at the International Monetary Fund, said during an event on Thursday, Reuters reported. "There's always at least two legs to any restructuring. One is how you change the terms of your debt contracts, the other one is how you change your policies to make the new debt sustainable. And I think that second leg is where we have a lot of uncertainty," Werner said.

gone missing and have never been found, the Los Angeles Times reported. The number is comparable to the scale of disappeared people during the Latin American civil wars of the 1980s, Reuters reported. Many of their bodies are thought to be in mass graves built by the government, and many are suspected to be victims of drug cartel violence. So far in 2021, there has been a total of 1,438 registered cases of missing people, Reuters reported.

## BUSINESS NEWS

# Nubank's Mexico Unit Getting Capital Injection of \$135 Mn

Brazilian fintech Nubank, the world's largest standalone digital bank, is injecting \$70 million into its Mexico unit, which will also receive revolving credit lines worth \$65 million from JPMorgan Chase, Goldman Sachs and Bank of America, Nu Mexico General Manager Emilio González told Bloomberg News in an interview published Thursday. Nubank, which was valued at \$25 billion in a fundraising earlier this year, has become one of Latin America's most important financial institutions by offering cheaper, zero-paperwork products, according to the report. The Brazilian company first introduced a credit card in Mexico in March of last year, just as the Covid-19 pandemic began hitting the region. "Even though we launched in a very complex period, with a pandemic along the way, we've noticed that we have a product that is much needed in the market," González told Bloomberg News. He added that Nu Mexico is expected to receive more investments in 2022 and beyond. In Mexico, the unit has received 1.5 million requests for credit cards, although it is unclear how many of these were approved and remain active. Only a year after entering the Mexican market, Nubank is already among the five-largest credit card issuers in the country, Forbes México reported. [Editor's note: See related [Q&A](#) in the Nov. 19-Dec. 2 issue of the Dialogue's biweekly Financial Services Advisor.]

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small businesses in Mexico also evidenced that accepting digital payments improved businesses' resilience and growth. A new breed of financial technology company—payment facilitators—are solving distribution challenges to include more micro and small businesses and people in the digital payments ecosystem. As governments look to help businesses recover and to boost inclusive, equitable growth, they can focus on building an open, interoperable ecosystem for digital commerce. Digitization presents opportunities for governments to enhance connectivity and raise productivity in their private sectors, especially for small businesses."

**A** **Santiago Levy, nonresident senior fellow at the Brookings Institution:** "Facilitating SMEs' access to digital technologies may help a little, but I am skeptical that it will make a large difference. These firms, not only in Mexico but pretty much throughout Latin America, face a very unfavorable environment as a result of the combination of cumbersome and costly labor, social insurance and tax regulations. These firms also suffer from an uncertain legal context, in which enforcing commercial and credit contracts is very costly. As a result of these conditions, the vast majority of SMEs in the region are informal, and unless these conditions are changed, informality will persist. There is now plenty of empirical evidence that even controlling for size, informal firms are substantially less productive than formal ones. However, informal firms survive because they are de facto subsidized by the joint effects of imperfect enforcement, labor regulations and social insurance regimes. Informal firms take away resources and market share from formal firms, which are then less able to grow, adopt new technologies and increase their productivity. In response to the pandemic, governments in the region have implemented measures such as transitory tax holidays, exemptions to social

insurance obligations and/or subsidized credit facilities to help SMEs. These measures have varied in generosity and duration across different countries. They are certainly welcome. But, that said, so far there has not

“**Facilitating SMEs' access to digital technologies may help a little, but I am skeptical that it will make a large difference.**"

— Santiago Levy

been a permanent substantive change in the underlying conditions that result in large informality. In this context, better digital access is also welcome, but we should not expect it to produce the changes in labor market conditions and firm productivity that the region needs."

**A** **Leith Dunn, gender consultant and former head of the University of the West Indies' Institute for Gender and Development**

**Studies Mona Unit:** "The Covid-19 pandemic has exacerbated the vulnerability of micro, small and medium-sized enterprises (MSMEs) in the Caribbean, many of which are operated by women, and the majority of which are in the informal economy. Many women are single female heads of household and face several challenges balancing care work and their business. Caribbean governments can improve the effectiveness of national stimulus programs to 'build back better after Covid-19,' boost economic recovery as well as fulfill their commitments to gender equality and economic empowerment for women by mainstreaming gender considerations in their policies and programs. They can also adapt lessons from an ILO study entitled 'Women's Entrepreneurship Development Assessment: Jamaica,' conducted by myself and a team from the Institute for

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Gender and Development Mona Unit at the University of the West Indies in Jamaica. This was the first Caribbean study using the ILO WED assessment methodology, which uses a participatory methodology to collect and analyze data to assess enabling and inhibiting factors to promote women's entrepreneurship on six framework conditions: 1.) developing a gender-sensitive legal and regulatory system that advances women's economic empowerment; 2.) effective policy leadership and coordination to promote women's entrepreneurship development; 3.) access to gender-sensitive financial services; 4.) access to gender-sensitive business development support services; 5.) access to markets and technology and 6.) ensuring the representation of women entrepreneurs and participation in policy dialogue. The WED study and an action plan were launched on March 8 to implement the recommendations."

**A** **Richard Cane, senior vice president of international operations at SBA Communications:** "Covid-19 has revealed not only the enormous digital gap in many countries of Latin America, but also the importance of connectivity to the region's economic growth. While the pandemic negatively affected every aspect of the region's economy, communities and businesses with access to digital services suffered less and will almost certainly recover faster than those without such access. As a result, there is a growing consensus on the need to accelerate the region's digital transformation and to provide rural coverage and equitable Internet access, not as a nice-to-have but as an essential service for individuals and societies. One of the underlying conditions to fully realize the

potential of the digital economy is critical wireless infrastructure. Tower companies play a key role in expanding coverage to underserved areas in Latin America by working with governments, wireless carriers and landowners to ensure the efficient allocation of capital and resources through

“**There is a growing consensus on the need to accelerate the region's digital transformation...**”

— Richard Cane

shared infrastructure. This, in turn, helps reduce the cost of wireless coverage and improves the affordability and accessibility of Internet access for all. During the pandemic, governments reacted quickly to fill some of the gaps in regulations that guaranteed continuous digital access. I do not believe that is enough. There is a need to update telecom regulations, consider new actors in the telecommunications ecosystem and establish a robust and collaborative dialogue for mobile network operators, tower companies, satellite and technology providers, and communities to join forces and leverage strengths in increasing connectivity. I believe it is essential to design a national connectivity plan, incentivize an orderly and efficient deployment of wireless infrastructure with regulations that support infrastructure sharing, and harmonize municipal normativity."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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