

# EU-Latin America *Alliance*: renewing a digital and green agenda

Telefónica Hispam  
&  
Digital Public Policy, Regulation and Competition  
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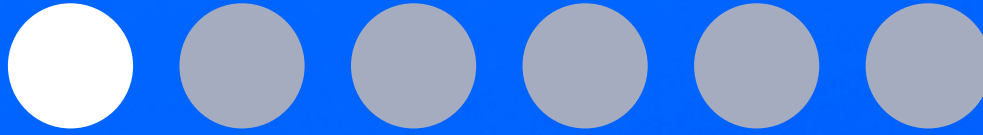
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# 1. *General* considerations

Latin America's geographical position, its productive structure, and its demographic characteristics, with a young and growing population, make it one of the most interesting regions from a geostrategic point of view. Latin America is not only attractive for the private sector, but also on the transatlantic axis between the European Union and the Americas. Indeed, in a global context marked by the digital revolution, the alliance between democratic regions with similar values and visions has become a strategic factor.

In July 2023, with the start of the Spanish presidency, the European Union takes a step further to advance and strengthen bilateral relations between the two regions by prioritising an ambitious bilateral agenda. Among the main objectives of cooperation between Europe and Latin America are the digital and green transition, as well as the social transition, coinciding with the roadmap for a 21st century industrial policy that the European Union has proposed to follow.



**With the Spanish presidency, the European Union takes a step further to advance and strengthen bilateral relations between the two regions by prioritising an ambitious bilateral agenda.**

In this spirit, the EU-LAC Digital Alliance has been promoted to foster the development of the digital economy in both regions and foster a secure, inclusive, and sustainable digital environment based on a public-private partnership in the long-term.

The EU-CELAC Summit and the business forum held on its fringes are a further step in this direction, both from the political and business points of view. This milestone will be relevant in terms of commitments and objectives going forward to channel a structured and institutionalised relationship.

Telefónica is therefore cooperating very actively with the EU, making its capabilities and experience available to be a facilitating agent for projects and initiatives between the two regions.

This renewed cooperation represents a fundamental rapprochement that will boost the social, economic and political development of both regions, and a boost to cooperation on the international stage. The impact of COVID-19 in Latin America was higher than in other regions, as some 22 million people fell into poverty during 2020<sup>1</sup> and GDP contraction was around 8%<sup>2</sup>. The pandemic led to foreign direct investment regressing to levels not seen in recent years, causing a 34.7% drop in 2020 compared to 2019, reaching the lowest value since 2012 (\$105.48 billion)<sup>3</sup>. At the same time, there has been an unprecedented acceleration in the digitisation of societies and economies.

This in itself constitutes a new opportunity and a risk: opportunity for the region in the face of a digital economy on a global scale, risk due to the increase in inequalities that this explosion of digitalisation has brought. The digital and green transition is key for the region and could become the lever to accelerate a transversal modernisation of the Latin American business fabric and to offer access to greater personal and professional opportunities to its citizens, improving their well-being.

With this document, Telefónica develops a series of policy recommendations with the aim of participating in the rapprochement of Europe and Latin America and promoting inclusive, secure and sustainable digitalisation in the region. These constructive contributions are based on the solid experience of a Spanish company with more than thirty years of experience in Latin America, and on the analysis of the current telecommunications sector in both regions. ●



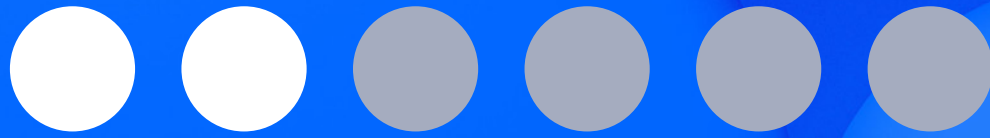
**The digital and green transition is key for the region and could become the lever to accelerate a transversal modernisation of the Latin American business fabric.**



1. Social Panorama of Latin America. ECLAC, 2020.

2. World Economic Situation and Prospects 2021. Latin America and the Caribbean. United Nations, 2021.

3. Foreign Direct Investment in Latin America and the Caribbean 2021. ECLAC 2021.



## 2. Global Gateway: an agenda for investing in digitisation and bridging the digital divide

Inequality is one of Latin America's greatest challenges, being one of the most unequal regions in the world. Latin America is the second most unequal region in the world, after the countries of Sub-Saharan Africa<sup>4</sup>.

The digitalisation of the economy and society can be a key vector to reduce current gaps. This requires a large-scale public-private effort to advance a holistic and forward-looking agenda. The fundamental pillar of this agenda is connectivity. Infrastructure is the backbone on which an ambitious package of policy and regulatory measures and initiatives should be built. Without connectivity there is no digitisation.

Nowadays there are 230 million unconnected people across the region. In Latin America, the demand (or usage) gap is the main reason for today's mobile internet connectivity gap. Thirty-one percent of the regional population (190 million citizens in the region), both in urban and rural areas, live in areas covered by mobile internet networks but do not access the internet<sup>5</sup>.

Global Gateway<sup>6</sup> and the EU-Latin America Digital Alliance should therefore enact a public-private investment agenda to foster digitalisation, digital skills and to accelerate the deployment of 4G and 5G in the region.

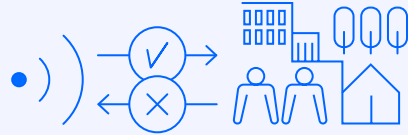
4. Regional Human Development Index 2021. Caught: High inequality and low growth in Latin America and the Caribbean. Latin America and the Caribbean remains the second most unequal region in the world. United Nations Development Programme (UNDP), 2021.

5. Connectivity gaps in Latin America, GSMA 2023.

6. Global Gateway is an initiative that aims to mobilize up to €300 billion of EU funds to invest in other regions until 2027, including Latin America, with the objective of fostering economic growth and social inclusion. The Global Gateway is the EU's contribution to bridging the global investment gap worldwide. It will invest in projects that can be delivered with high standards, good governance, and transparency in the areas of digital, climate and energy, transport, health, and education and research. It aims to enable EU partners to develop their societies and economies and decrease their strategic dependencies, as well as to create opportunities for the private sector in EU Member States to invest and remain competitive, also in the light of the new geopolitical reality that requires the EU to strengthen its strategic sovereignty.

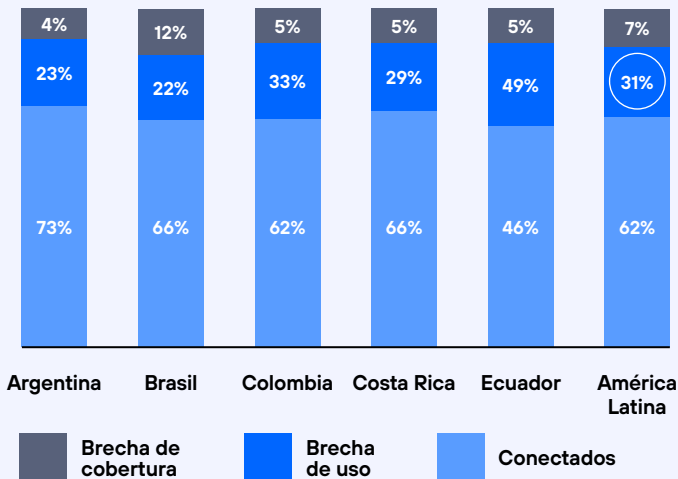
Global Gateway will focus on physical infrastructure such as fiber optic cables, clean transport corridors and clean energy transmission lines to strengthen digital, transport and energy networks, as well as on creating an enabling environment to ensure that projects come to fruition by providing attractive and business-friendly business and investment conditions, regulatory convergence, standardization, supply chain integration and financial services.

● In Latin America



in both urban and rural areas, live in locations with mobile internet network coverage but do not access the internet

● Mobile Internet connectivity gaps in Latin America, 2021



Fuente Brechas de conectividad en America Latina, GSMA 2023.

It is proven that investment in telecommunications infrastructure can significantly increase GDP and employment in LAC countries<sup>7</sup>. In turn, high-capacity networks accelerate the digitisation of businesses and enable the adoption of digital services in a more efficient way, which is even more necessary in Latin America given that nearly 99% of the business fabric is made up of SMEs<sup>8</sup>.



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On the other hand, the situation of youth in the region is critical and has been aggravated by the pandemic, school and university closures and the inability to telework. The future of young people depends on policy measures and interventions<sup>9</sup>. By the end of 2020, 1.3 billion children aged 3-17, two-thirds of school-aged children, did not have access to the internet globally and 759 million children aged 15-24 did not have internet at home<sup>10</sup>. In 2021, it was estimated that around 32 million children in Latin America were still unable to go to school because of Covid-19. These numbers are a threat to the educational innovation that was being built.

● By the end of 2020, at global level



aged 3-17 did not have access to the internet globally.



aged 15-24 did not have internet at home.

7. The IDB identified that a 10% increase in broadband penetration generated a 3.19% increase in GDP and 2.61% increase in productivity in LAC countries, while generating more than 67,000 direct jobs. Broadband Development Index Annual Report: Digital Divide in Latin America and the Caribbean. IDB, 2023.

8. SELA (Latin American and Caribbean Economic System), 2020.

9. The invisible graveyard of Covid-19: Intergenerational losses for the poorest children and adolescents and measures to address a human development pandemic. UNDP, 2020.

10. How many children and young people have internet access at home? UNICEF, International Telecommunication Union, 2020.



Global Gateway has the virtue of generating specific digitisation projects based on far-reaching and long-term public-private partnerships, with great potential to accelerate the deployment of the necessary digital infrastructures that will enable the digital transformation of the business fabric and of society itself. It is an unprecedented opportunity to generate economic development and prosperity in the region. It will be an essential ally to reduce the various existing inequality gaps and move towards a sustainable, inclusive and resilient digital future. It will therefore be important to include innovative projects for the deployment of connectivity infrastructure in rural and remote areas, which will provide access to new basic services and generate new opportunities for these populations.

In addition, digitalisation must be accompanied by:

1. public policies and an investment agenda to promote entrepreneurship and support the creation of start-ups and unicorns in the region.
2. training and retraining programmes for young people and adults in digital skills, providing them with the appropriate professional profile and improving their employability.

Telefónica is being very active in generating synergies with other potential partners, based on its experience in the region. The main proposals that Telefónica

intends to promote in the countries where it operates and where the regulatory framework allows, will focus on the following areas:

- **“Internet for All”** (IpT) is one of the most ambitious and high impact projects that Telefónica has developed in Peru to provide rural connectivity and foster digital inclusion, in conjunction with other entities from different sectors, such as Meta, IDB Invest and CAF-Development Bank of Latin America. The extension of this successful model and project to Colombia may be an opportunity for Global Gateway funding. This project was possible thanks to the collaboration and design of an innovative network model based on the use of shared access infrastructure and a neutral network. Its main objective is to bring internet connectivity to remote areas which the network did not previously reach, providing access to connectivity to people suffering from the greatest inequality. As a result, as of 2022, IpT has provided 4G internet access to more than 3 million people in rural areas and in more than 16,000 population centres in the most remote areas



of Peru. Operator partnerships like this are recommended by bodies such as the ITU, OECD and GSMA.

- In the field of education and employability, Telefónica promotes different initiatives. **42 is a non-profit programming school that offers an innovative and free educational programme** for young people and adults interested in learning to program. Telefónica will be able to collaborate by extending its reach to Colombia and Chile, as well as in other employability initiatives aimed at improving the digital skills of young people.

- **Corporate Impact Venturing Latin America and the Caribbean** (CIVLAC) enables companies and start-ups to work together to solve social and environmental problems. CIVLAC relies on a network of companies and start-ups to develop projects and funds focused on financing technological solutions. The goal for the next 5 years is

- to leverage the Corporate Impact Venturing Network by incorporating 50 new leading companies,

- scale 100 impact technologies through the network's partner companies and

- create a Corporate Impact Venture Fund with new strategic partners.

This project is expected to have a significant impact over the next 5 years, benefiting 14,000 poor or vulnerable households and reducing the equivalent of 90,000 tonnes of CO<sub>2</sub>.

- **Other EU-Latin America Digital Alliance and Global Gateway projects** that activate a public-private investment agenda to accelerate the deployment of 4G and 5G in the region.



## Recommendations

**1. Develop a Euro-Latin American forum**, generating an institutional framework and continuity for the projects arising from the different alliances, particularly the digital alliance. It should be established as a meeting place for public agents, development banks and companies to establish far-reaching agreements and initiatives.

**2. Promote alliances between companies and public-private partnerships** to foster beneficial transatlantic project collaboration that will last in the future. This requires attracting the interest of Latin American (IDB and CAF) and European (EIB) development banks.

**3. Contribute to the creation of an investment ecosystem in Latin America** in the field of infrastructure and digital transition with clear budgetary and strategic lines. Global Gateway could include

relevant projects in each of the countries without losing sight of the region, generating incentives for investment and making progress in reducing digital divides.

**4. Contribute to improving and accelerating innovation in the field of communication infrastructures** to expand connectivity, in particular in remote and rural areas.

**5. Promote digital literacy and re-skilling for employment** by embedding the necessary skills in education systems, upgrading and re-skilling initiatives, and public-private partnerships to ensure that businesses and individuals have the necessary tools to take advantage of the opportunities of the digital world regardless of their socio-economic background.





## 3. Digitalization for a green *transition*

The digital revolution has the potential to transform our world more profoundly than any previous technical revolution. In a context where climate change, along with other environmental issues, may be the most complex challenge we face, the digital transition will play a decisive role because the green and digital transitions must necessarily go hand in hand.

Digitalization is not only an essential condition for the modernization of our economies through greater business competitiveness, increased labor productivity and more efficient production processes. It can also contribute to reducing inequalities and achieving greater social equity, while it also has the capacity to transform our societies towards a new paradigm based on decarbonization, sustainability and the circular economy.

The technology sector has a key role to play in keeping emissions in line with climate targets. Reports by the World Economic Forum (WEF) and the Exponential Roadmap have shown that digitalization can reduce CO<sub>2</sub> emissions by up to 20%<sup>11</sup> when applied in industrial sectors and by up to 35%<sup>12</sup> considering its ability to change people's habits.

The role of the telecommunications sector is crucial for digitalization and the achievement of sustainability and decarbonization goals. The region is endowed with a large renewable energy resource potential, but limited transmission and distribution infrastructure constrains their expansion.

11. [Digital Tech Can Reduce Emissions by up to 20% in High-Emitting Industries](https://www.weforum.org/press-releases/digital-tech-can-reduce-emissions-by-up-to-20-in-high-emitting-industries) > Press releases | World Economic Forum (weforum.org)

12. [https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap\\_1.5.1\\_216x279\\_08\\_AW\\_Download\\_Singles\\_Small.pdf](https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap_1.5.1_216x279_08_AW_Download_Singles_Small.pdf)



However, despite growing support for renewables, mobile operators, who have large but widely distributed electricity consumption, face a number of challenges in accessing renewable energy sources, particularly in countries, such as Latin America, where markets are not as open. This creates a particular set of problems that require specific solutions.



**The region is endowed with a large renewable energy resource potential, but limited transmission and distribution infrastructure restricts its expansion.**



## Recommendations

**1. Implement sound industrial policies with core digital and green transition components to avoid widening existing production, technological and ecological gaps and their associated negative consequences.** Widespread implementation of these initiatives can reduce climate change-related gaps between countries, socio-economic groups, territories, generations and different population groups that are exposed to greater risk.

**2. Modernizing the rules for accessing renewable energy sources.** Regulation does not always support power purchase agreements, which allow a commercial energy consumer, such as a

mobile operator, to enter into an agreement with the independent power producer and commit to purchase a specified amount of renewable electricity at an agreed price for a specified period of time.

**3. Encourage public-private partnerships and give priority to environmentally committed companies and enable partnerships with innovative telecommunications solutions.** This will facilitate sustainable economic growth and the dual digital and green transition. Partnerships involve the sharing of active and passive infrastructures and spectrum, thereby reducing duplication and, therefore, environmental impact.



## 4. Modernization of policies and *regulation* adapted to the 21st century economy

This renewed cooperation between the EU and Latin America is expected to activate institutional dialogue between the two regions to promote a rapprochement of regulatory and policy frameworks adapted to a 21st century economy and society. The modernization of policies and regulation in the heat of the challenges and opportunities posed by digitalization is a pending issue in the region and will be a *sine qua non* condition to generate prosperity and at the same time preserve the values and rights of democratic societies. Moreover, in order to be successful with a renewed investment agenda in Latin America, it will be important to promote legal certainty and institutional strengthening.

Latin America and Europe face similar challenges in their digitalization processes in terms of data privacy, market competition, people's digital rights, access to spectrum and conditions for innovative projects. In response to some of these problems, Europe has been a pioneer on a global scale in the development of more up-to-date regulations that include solutions in line with the current realities of the telecommunications sector, such as the Digital Markets Act and the Digital Services Act.

A paradigmatic example of the need for regulatory modernization is the urgent need to move towards a generalization of voluntary sharing agreements. These agreements should go beyond infrastructure to include even radio spectrum. This will allow an acceleration of 4G and 5G deployment and thus achieve the connectivity goals set by countries, such as Colombia's strategy to connect 85% of the population to the internet.

These new, more sustainable, and collaborative business models could become the key to the transformation of the digital ecosystem in Latin America.

- First, they would generate a more efficient and cost-effective use of resources.
- Second, they would facilitate the aggregation of the capital investments needed for infrastructure deployment based on network sharing and wholesale service provision.
- Third, such agreements generate wealth and increased revenue which, in turn, increases government investment.



- Fourth, they can improve quality of service.
- And finally, these agreements have a lower environmental impact and are more financially sustainable.

On the other hand, a more inclusive digitalization implies promoting real competition among all players in the digital ecosystem, and not only among the traditional players that provide digital services. To this end, it is critical to eliminate all distortions in the markets that inhibit investment and allow some players who do not make an investment effort and have no costs to provide services to benefit the most.

Digital platforms benefit from regulation, taxation and social contributions that are more advantageous than those to which telecommunications services are subject. The regulation applicable to digital services remains minimal compared to the obligations to be met by telecommunications operators.

In short, EU-Latin America cooperation must include mechanisms and spaces for institutional collaboration to share experiences and proposals for regulatory modernization. It is a unique opportunity to develop convergent regulatory proposals and thus enhance the capacity of society and businesses to generate prosperity and economic development.



## Recommendations

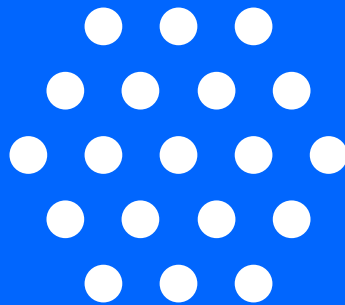
**1. Advance in the convergence of Latin American and European regulatory frameworks,** allowing for the adaptation of Latin American frameworks to the reality of citizens and their needs. The EU's legislative initiatives have proven their capacity to dynamize the market, protect consumers' rights and their data and at the same time guarantee digital transformation based on an industrial policy focused on the future. They can therefore be considered as a benchmark in Latin America for the development of future regulations.

**2. Modernization and simplification of regulatory frameworks** that provide investment with legal certainty and long-term predictability, especially spectrum policies and other barriers that inhibit private investment, making it unfeasible to bring connectivity to the areas that need it.

**3. Committing to infrastructure sharing,** allowing telecommunications operators in Latin America on a voluntary basis to address market specificities in relation to demographic and geographic factors, offering a wider variety and higher quality offer to the customer and boosting the operators' cost structure.

**4. Establish a regulatory framework that ensures a fair distribution between actors in the digital value chain, creating a sustainable market.** Given the changes in the digital market, regulatory and competition authorities, in their analysis of the relevant markets, should take this into account and address each actor accordingly, modernizing regulatory, fiscal and competition frameworks based on a principle of "same services, same rules, same obligations, same rights".

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