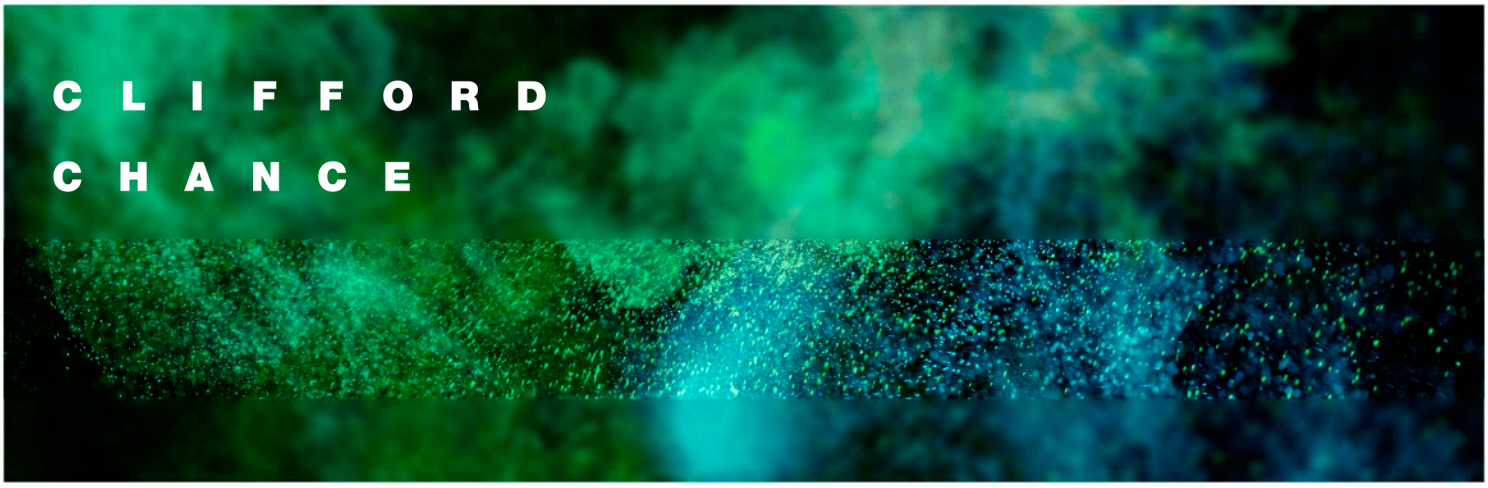

LATIN AMERICA'S DIGITAL INFRASTRUCTURE REVOLUTION: FINANCING THE NEXT WAVE OF CONNECTIVITY

As Latin America accelerates efforts to close the digital divide, high-performance digital infrastructure—from fiber optic networks to data centers—is now as vital to national progress as electricity or water. This evolving asset class calls for innovative risk-sharing and financing models. This briefing explores the region’s digital infrastructure landscape, offering strategic insights for investors, sponsors, and lenders shaping Latin America's connected future.

THE EXPANDING DIGITAL INFRASTRUCTURE LANDSCAPE

The region is witnessing a surge in digital infrastructure investment, driven by demand for connectivity and data processing capabilities. This encompasses expansive fiber optic systems, submarine cables, and a growing network of data centers.

Market research consistently shows robust expansion across Latin America's digital infrastructure sectors. The fiber optic segment is projected for sustained growth through the decade, while the data center market is anticipated to achieve multi-billion dollar scale by 2030, reflecting the region's accelerating digital transformation.

Several factors are specifically driving digital infrastructure growth across Latin America:

- **Data Privacy Laws:** Brazil's Lei Geral de Proteção de Dados (LGPD)[1] and similar regulations in Mexico, Argentina, and Chile require certain data to be stored within national borders, driving demand for in-country infrastructure.
- **Latency Requirements:** Applications like financial trading, telemedicine, and gaming demand lower latency, necessitating both processing facilities and fiber networks closer to Latin American user populations.

[1] gov.br

- **Economic Digitization:** The accelerating adoption of digital services—from banking to government administration—is creating demand for more robust connectivity and computing resources throughout the region.
- **Digital Inclusion Initiatives:** Government programs aimed at expanding internet access to underserved populations are driving fiber deployments to smaller cities and rural areas.
- **Submarine Cable Landings:** New international submarine cable systems connecting to Latin America are creating opportunities for terrestrial network expansion and data center clusters near landing stations.
- **Green Energy and Sustainability:** Latin America's wealth in renewables—solar, wind, hydro—is powering sustainable data centers and cloud infrastructure, making the region attractive for hyperscalers with sustainability commitments.

Country-Specific Developments

Brazil: As Latin America's dominant data center market, Brazil accounts for approximately 40%[2] of the region's capacity, with São Paulo serving as the primary hub while Rio de Janeiro emerges as a strategic focal point through the ambitious Rio AI City initiative.[3] This landmark project in Rio's Olympic Park[4] will deliver up to 3.2[5] GW of energy capacity powered entirely by renewables, positioning the city as a potential AI computing powerhouse. To support this growth, Brazil is developing the Redata Framework,[6] a proposed regulatory structure aimed at accelerating investment through import tax exemptions on equipment and clearer data protection standards.

Brazil leads the region in fiber deployment with approximately 500,000 kilometers installed and is increasingly positioning itself as a green data center hub by leveraging its renewable energy mix. While this creates a compelling advantage for sustainable digital infrastructure development, industry observers note challenges including water usage concerns, potential grid strain, and climate risks in vulnerable regions.

Mexico: Querétaro has emerged as a dominant digital infrastructure cluster with over 160 MW of data center capacity, due to its favorable climate, seismic stability, and proactive government support. Major providers including KIO Networks, Ascenty, and Equinix[7] have established significant data center facilities, while Microsoft[8] and AWS[9] have deployed cloud regions in across Mexico. While Mexico's National Digital Strategy focuses broadly on digital inclusion and connectivity, northern industrial cities including Monterrey and Tijuana are seeing increased private investment in digital infrastructure to support manufacturing digitization and the growing needs of nearshoring operations.

Chile: Santiago's digital infrastructure is expanding rapidly with approximately 198 MW of data center capacity, supported by the country's political stability

[2] Pan American Finance citing Data Centre Magazine, 2024; Global News Wire and Business Wire's Latin America Center Market's geographical analyses
[3] https://www.prnewswire.com/news-releases/elea-announces-rio-ai-city-a-landmark-brazilian-data-center-project-with-capacity-up-to-3-2-gw-of-renewable-energy-supporting-ai-growth-302449289.html
[4] *Id.*
[5] *Id.*
[6] Fitch Ratings; Business News Americas
[7] Datacenters.com—KIO Networks, Ascenity, and Equinix
[8] Microsoft cloud datacenter
[9] AWS cloud center

and ambitious connectivity targets.[10] Google's US$200 million data center plan in Quilicura[11] and Oracle's cloud region have positioned Santiago as a key regional hub.[12] The country's Humboldt submarine cable project connecting to Asia-Pacific markets, is expected to strengthen Chile's position as a strategic digital gateway. Chile's Data Center National Strategy is expected to create frameworks for investment incentives and development zones, potentially including grants or tax benefits for strategic digital infrastructure projects.[13]

Colombia: Bogotá is the dominant data center hub in Colombia, home to at least 19 of the country's 23 operational colocation facilities.[14] The current installed capacity in Colombia is estimated around 50–60 MW. Roughly 60 MW of new capacity is expected to come online by the end of 2025.[15] The growth potential of Bogotá has attracted substantial interest from international data center operators. EdgeConneX recently secured US$150 million in sustainability-linked financing to support its Latin American growth, including a new hyperscale data center campus in Bogotá.[16] InterNexa has also expanded its regional presence by integrating the Nebula Datacenter in the Tocancipá Free Trade Zone.[17] The government's "Plan Integral de Expansión de Conectividad Digital," led by the ICT Ministry, aims to roll out hundreds of kilometers of new fiber-optic backbone and expand high-speed internet access.[18]

These developments highlight the emergence of integrated digital infrastructure corridors across Latin America, where fiber routes, internet exchange points, and data processing facilities create mutually reinforcing ecosystems. The relationship between these components is increasingly symbiotic—data centers require robust fiber connectivity for value creation, while submarine cable landing stations naturally become hubs for data center development. Brazil, Mexico, Chile and Colombia lead in this integration, with significant opportunities emerging in Peru, and Argentina.

EMERGING FINANCING AND INVESTMENT TRENDS

As Latin America's digital infrastructure market matures, financing models are evolving beyond traditional approaches. The scale of investment required—coupled with the unique risk profiles of these assets—is driving innovation in

[10] https://www.latercera.com/pulso-pm/noticia/superficie-y-capacidad-de-data-centers-en-chile-anota-fuerte-alza-a-junio/3C6Y7NS52RDHVHFPQVCFYSFWTM/; https://blog.investchile.gob.cl/data-center-surface-area-and-capacity-chile?utm_source=chatgpt.com
[11] https://blog.investchile.gob.cl/google-will-invest-us200-million-to-develop-new-data-center-in-chile#:~:text=The%20company%20has%20begun%20the,is%20already%20operating%20in%20Quilicura.
[12] https://www.datacenterdynamics.com/en/news/oracle-opens-second-cloud-region-in-chile/#:~:text=Oracle%E2%80%99s%20first%20Chilean%20cloud%20region,%E2%80%93%20launched%20in%20December%202020
[13] https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4924/chile-launches-national-data-centers-plan#:~:text=On%205%20December%202024%2C%20the,5%20billion%20in%20investment
[14] https://www.marketwatch.com/press-release/colombia-colocation-data-center-portfolio-analysis-report-2025-key-locations-competitive-landscape-white-floor-space-it-load-capacity-retail-and-wholesale-pricing-2024-2028-researchandmarkets-com-9d8b5bdc; Colombia Existing & Upcoming Data Center Report 2025: Upcoming Capacity Set to Surpass 200MW - Almost Four Times the Current Existing Capacity Colombia Existing & Upcoming Data Center Portfolio; https://forbes.co/2023/11/03/actualidad/bogota-es-uno-de-los-centros-de-datos-mas-atractivos-de-la-region-estudio; https://www.datacenters.com/locations/colombia/bogota
[15] *Id.*
[16] https://www.capacitymedia.com/article/2ar2wce526wnsl3jtzbwg/news/edgeconnex-borrows-150m-for-chile-and-colombia-expansion
[17] https://blog.internexa.com/en/news/expanding-premium-connectivity-internexa-integrates-nebula-datacenter#:~:text=Nebula%20Datacenter%2C%20located%20in%20the,delivery%20capabilities%20for%20our%20customers
[18] https://mintic.gov.co/micrositios/PlanConectividadDigital/870/articles-399394_documento.pdf; https://taxsummaries.pwc.com/colombia/corporate/tax-credits-and-incentives#:~:text=Special%20CIT%20rate%20for%20free,FTZs; Colombia - Reforms tax legislation and creates new fiscal incentives for large investments | Investment Policy Monitor | UNCTAD Investment Policy Hub.

capital structures and creating opportunities for specialized financing solutions.

Current Financing Landscape

To date, most Latin American data center development has relied primarily on corporate secured financing, with operators leveraging their balance sheets and secured corporate credit facilities to fund expansion. This approach has enabled relatively rapid development for established players but has limited the pace of market growth and restricted entry for new operators.

Project Finance Emergence

Project finance structures are now gaining traction for digital infrastructure across the region. Chile led this trend with Scala Data Centers' landmark project financing transaction, establishing a precedent for non-recourse financing based on the stable, contracted cash flows of hyperscale facilities.

The project finance approach offers several advantages for digital infrastructure:

- Enables higher leverage ratios compared to corporate financing
- Aligns debt repayment timing with asset revenue generation
- Provides off-balance-sheet treatment for sponsors
- Creates opportunities for developers without extensive corporate balance sheets
- Allows institutional investors to participate in specific assets rather than operator equities

Regional Digital Infrastructure Platforms

Private equity firms are expected to create specialized platforms focused on Latin American digital infrastructure. These vehicles might allow investors to gain diversified exposure across both fiber networks and data processing facilities in multiple countries while maintaining specialized operational expertise. Platform approaches may offer several advantages:

- Scale efficiencies in both capital raising and deployment
- Risk diversification across geographies and infrastructure types
- Specialized management teams with regional expertise
- Ability to pursue both greenfield development and brownfield acquisitions

Multilateral and Development Banks Leadership

Multilateral and development banks could potentially play important roles in the next phase of development. These institutions might provide not only capital but also risk mitigation instruments for both fiber optic networks and data processing facilities in emerging markets. Their involvement could be particularly relevant for cross-border fiber projects and digital infrastructure initiatives in secondary markets where commercial financing may be more challenging to secure.

Structured Finance and Securitization

The evolution of digital infrastructure assets is expected to drive increased use of structured financing approaches. Project bond structures might become more prevalent for larger facilities with established revenue streams,

particularly those with creditworthy anchor tenants. Asset-backed securitization could emerge for portfolios of smaller edge facilities or colocation assets, allowing operators to access capital markets while recycling equity for new developments. These structured approaches may prove particularly attractive for institutional investors seeking exposure to digital infrastructure with enhanced liquidity profiles.

CRITICAL RISK FACTORS AND MITIGATION STRATEGIES

Power Infrastructure Constraints: Grid capacity limitations represent the primary obstacle for data centers across the region. Leading operators address this through dedicated substations and self-generation capabilities.

Rights-of-Way Challenges: Fiber deployment faces fragmented municipal permissions and complex infrastructure access rights. Successful developers implement comprehensive stakeholder engagement and establish dedicated rights-of-way teams.

Water Resource Limitations: Data centers face increasing scrutiny over water consumption, particularly in drought-prone regions like Chile. Operators are adopting air-cooled systems that reduce consumption by 80-90%.

Multi-Tenant Financing Complexity: Colocation data centers and fiber networks with multiple customers present financing challenges due to diverse revenue streams and contract structures. Lenders must evaluate cash flow stability across different tenant credit profiles, contract terms, and renewal schedules. Security arrangements become more complex when collateral includes multiple customer agreements with varying assignment and termination provisions. For debt structuring, these assets typically require tenant concentration limits, diversified cash flow analysis, and careful attention to customer contract terms to ensure adequate lender protections.

Regulatory Fragmentation: Each Latin American country maintains distinct licensing, data protection, and investment screening approaches, complicating regional strategies. Successful operators develop specialized regulatory capabilities and flexible operational models.

Natural Disaster Vulnerability: The region's exposure to hurricanes, earthquakes, and other events creates elevated risks for linear fiber infrastructure. Network operators implement redundant routing and ring architectures for resilience.

LOOKING AHEAD

Latin America's digital infrastructure is rapidly evolving and is drawing interest both locally and internationally. Three areas of relevance for financiers, developers and hyperscalers to take into account:

Evolving Capital Structures: The market will likely see increasing sophistication in financing structures, with cross-border project finance, ABS style securitization platforms and portfolio financings and becoming more prevalent as the asset class matures and operators seek to optimize capital efficiency and gain more leverage than more traditional corporate financings.

Tenant Leverage Dynamics: The concentration of demand among a small number of hyperscale technology companies is creating new negotiation realities where these tenants increasingly set technical standards, contract

terms, and commercial structures, requiring financiers to understand and accommodate these power dynamics.

Local Market Knowledge: Regional regulatory environments, operator relationships, and infrastructure constraints vary significantly across Latin American countries, requiring deep local expertise to navigate successfully.

Our team at Clifford Chance is committed to supporting and assisting clients with mobilizing investments to support the rapidly expanding digital infrastructure market across Latin America. For more information, please reach out to the following contacts.

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