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FEATURED Q&A

Will Brazil Successfully Reduce Poverty in the Coming Years?

Q According to figures released by the Instituto Brasileiro de Geografia e Estadísticas (IBGE), Brazil's favelas have doubled in population over the last five years. While the country has experienced dramatic economic growth that has helped to lift millions out of poverty, the 11.4 million people living in informal settlements or slums still account for 6 percent of Brazilians, Reuters reported. Will Brazil be able to make inroads at reducing urban poverty in the coming years? What role will government policies play, including the second phase of the country's Bolsa Família program, Brasil Sem Miséria? How should the government be addressing the public safety challenges that the favelas often pose? What conditions need to be created for the private sector—which has had a limited presence in the slums to date—to reach the poor in Brazil's favelas with services they need?

A Jacqueline Pitanguy, the executive director of Citizenship, Study, Research, Information, and Action (CEPIA) in Brazil and a member of the Inter-American Dialogue:

"The architecture of poverty is complex and requires a diversity of initiatives and policies, which are mutually reinforcing, in order to advance in its reduction. The fact that the Brazilian population living in slums or in informal settlements has increased in the last five years, a period that coincides with a major governmental pro-

gram to reduce poverty, is not necessarily contradictory. Taking income as a measure of poverty, there has indeed been extraordinary progress. Even if the rate of the country's economic growth was smaller than that of other emerging countries, Brazil distinguishes itself by major investment in social policies to reduce poverty and distribute income through programs such as Bolsa Família under Lula's government and now Brasil sem Miséria under Dilma. Extreme poverty was reduced from 12 percent to 4.8 percent of the population

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Ortega Begins Third Term as Nicaragua's President

Daniel Ortega was sworn in Tuesday for a third term as Nicaragua's president. Among the presidents in attendance at the ceremony were Iran's Mahmoud Ahmadinejad and Venezuela's Hugo Chávez. See story on page 2.

Photo: El Nuevo Diario.

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NEWS BRIEFS

Support Slips for Mexico's Peña Nieto After Gaffes

After a series of gaffes, support for Enrique Peña Nieto, the frontrunner in Mexico's presidential race, has slipped in the latest poll, Reuters reported Tuesday. Peña Nieto, a former governor of Mexico State, had 42 percent in the Consulta Mitofsky poll. Peña Nieto, of the Institutional Revolutionary Party, recently struggled to name a book other than the Bible that had influenced him and also could not name the minimum wage or the price of corn tortillas, a main dietary staple.

Mexico's Economic Activity Slowed in October

After expanding 4.6 percent year-on-year in September and October, Mexico's economic activity rose by 3.7 percent in October, Dow Jones reported, citing the National Statistics Institute (Inegi).

Agricultural output fell in comparison to the year prior and industrial production had modest growth. The Mexican economy is expected to have grown 4 percent in 2011 and analysts forecast that it will slow in 2012 to between 3 and 4 percent.

Codelco Sues Anglo American Over Stake Sale

Chile's state run copper company **Codelco** has sued **Anglo American** in an escalation of the fight between the two companies over a 49 percent stake in its **Anglo American Sur** unit, the *Financial Times* reported today. In October, Codelco signaled that it would exercise its right to purchase the stake but, the following month, Anglo sold a 24.5 percent stake to **Mitsubishi**. While Anglo maintains that Codelco could now only buy the remaining 24.5 percent, the Chilean company says it is entitled to the whole stake.

Political News**Daniel Ortega Begins Third Term as Nicaragua's President**

Nicaraguan President Daniel Ortega was sworn in Tuesday to begin his third five-year term as the country's leader. Ortega was inaugurated in Managua's Revolution Plaza before a crowd of about 8,000 people, the Associated Press reported. Presidents from every other country in Central America attended the ceremony, but the highest-profile visitor was Iranian President Mahmoud Ahmadinejad, who is touring Latin America in an effort to strengthen the Middle Eastern country's ties with countries in the region. Both Iran and Nicaragua are "on the road to fight for the establishment of security and justice," said Ahmadinejad, who referred

“ [Iran and Nicaragua are] on the road to fight for the establishment of security and justice. ”

— *Mahmoud Ahmadinejad*

to Ortega as "my brother president." Also among the regional heads of state attending the inauguration was Venezuelan President Hugo Chávez, who had hosted the Iranian president in Caracas. "This is part of a unified process that has been set in motion [in Latin America], because only by being united will we truly be free," Chávez said, referring to Ortega's re-election. Chávez appeared to be speaking about the leftist Bolivarian Alliance group of countries, which counts Nicaragua among its members. Both Chávez and Ortega have defended Ahmadinejad, whose country is subject to sanctions from the United States because of Iran's nuclear program. After being sworn in, Ortega said "there is an entire conspiracy against Iran," and added that Ahmadinejad should propose "disarming Israel's nuclear stockpile, in order to bring peace to the region," the AP reported.

Ortega and Chávez also defended Libya's Muammar Gaddafi, who was killed during a popular uprising in October. A "brutal crime" was committed when rebels killed Gaddafi, said Ortega. Despite his ties to Ahmadinejad, Chávez and Cuba's Castros, Ortega has also worked to maintain Nicaragua's U.S. ties. He approved the Central American Free Trade Agreement with the United States and has also worked to strengthen relations with Nicaragua's business community and the Roman Catholic Church. Ortega also has won support from the poor through his creation of dozens of social programs. The Nicaraguan president, whose Sandinista party dominates the country's legislative branch, also has vowed to govern as a moderate. His critics have argued Ortega aims to be president of the Central American nation for life. Ortega ran for and won re-election after the Supreme Court ruled that he was entitled to seek re-election despite a constitutional ban.

Peru Replaces Drug Czar Who Suspended Eradication

The Peruvian government on Tuesday replaced its drug czar, who had temporarily suspended the country's manual coca eradication program, the Associated Press reported. Ricardo Soberón, who had spent just five months in the post, was replaced by Carmen Masias, a trained psychologist who has been a consultant for the U.S. Agency for International Development. Soberón's suspension of the manual eradication program was a surprise for U.S. Ambassador Rose Likins, whose government pays for the initiative. Peru's then-interior minister, Oscar Valdés, disagreed with Soberón's decision to suspend



Soberón

File Photo: Peruvian Government.

the program. Valdés last month became Peruvian President Ollanta Humala's cabinet chief. "Soberón's exit was a matter of time," said Jaime Antezana, an expert in drug policy, the Associated Press reported. "There was no chance that Oscar Valdés would keep

him in the job." Soberón did not return calls from the AP seeking comment. Kathryn Ledebur, an expert on drug policy at the Andean Information Network in Bolivia, said the drug czar change could spark violence in the coca-growing regions of Peru. "With Soberón's appointment, for the first time in Peru you had a drug control chief with legitimacy with the affected coca-grower population," Ledebur told the AP. The U.S. Embassy in Lima had no comment on Soberón's stepping down, said spokesman James Fennell.

Economic News

Brazil's Coffee Production Expected to Hit Record

Brazil's Agriculture Ministry expects the country's coffee production to rise to a record level this year as coffee trees yield more during the latter half of their two-year cycle and rains increase output, Bloomberg News reported Tuesday. Output is expected to rise to a level

Output is expected to increase to between 49 million and 52.3 million bags.

between 49 million and 52.3 million bags, an increase from last year's total of 43.5 million, said the ministry's crop-forecasting arm, known as Conab. The expected total for this year would surpass the previous record of 48.5 million bags in 2002. Devastating floods have left about 22,000 people homeless since November in Minas Gerais and Espírito Santo states, which produce about three-quarters of the country's coffee. However, the coffee trees in those states have escaped the floods. Conab said it expects arabica coffee to increase to as much as 39 million bags this year, an increase from 32.2 million in 2011. Output of robusta beans, which are used to make instant coffee, will increase to as high as 13.3 million bags from last year's total of 11.3 million bags, Conab added.

Featured Q&A

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between 2003 and 2008, and it is estimated that today more than 55 percent of the population belongs to the lower middle class. However, if other indicators are used, such as access to sanitation, habitation and security, there is a long road ahead. The dramatic growth of Brazil's urban population (84.64 per-

“The dramatic growth of Brazil's urban population ... was not accompanied by urbanization programs that attended to the demands of this migratory movement.”

— *Jacqueline Pitanguy*

cent) as a result of migration was not accompanied by urbanization programs that attended to the demands of this migratory movement. The informal urban settlements that have mushroomed in metropolitan areas were largely abandoned by successive state and municipal governments. Not only sanitation, but also access to security has been denied to these populations. A perverse combination of the increase of drug dealing, lack of arms control, police corruption and lack of political will to face these problems led to the spread of violence in these slums. The good news is

the successful new public security program, called Units of Pacifying Police, UPPS, is expelling the drug dealers from these territories and bringing security to these large settlements, thus engendering new possibilities for social and business initiatives for the private sector."

A **Albert Fishlow, professor emeritus at the School of International and Public Affairs at Columbia University:**

"Brazil's urban favelas are in the news again. Not surprisingly, as continuing migration to urban areas occurs and adequate housing is unavailable—despite new commitments by the government that have been reduced for fiscal curtailment—they have continued to expand rapidly in all metropolitan areas. They have become centers for illegal drug trade, and the fears of urban violence have led to periodic, but not entirely satisfactory, interventions by local and state police. With the reprise of the Rio environmental conference this year, the World Cup in 2014 and the Olympic Games in Rio in 2016, the issue is important, not only domestically, but internationally. There is no simple solution. Urban expansion will continue. Construction of alternative housing sites at long distances from urban employment opportunities is inadequate. The way to attack the problem is through investment in primary education. Bolsa Família has served rural areas very well; and there is a need for an urban counterpart, where incomes are higher and the problems more complicated."

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Company News

Banco BTG Pactual Offers to Buy \$555 Mn in Hypermarches Shares

Brazil's Banco **BTG Pactual** has offered to purchase 1 billion reais (\$555 million) worth of shares in conglomerate **Hypermarches**, Bloomberg News reported Tuesday. The purchase would bring Pactual, which is owned by billionaire Andre Esteves, into a group with a controlling stake in the company. The pur-

chase would be transacted in the secondary market and would represent approximately 96 million shares at current prices. The offer would lead to a capital increase, an unnamed source told the news service. Hypermarches stock has fallen 64 percent from its record high of 29.49 reais, which it reached on Oct. 11, 2010. Among the other investors that have approached Hypermarches about joining the block of controlling shareholders are Brazil's **GP Investments** and U.S.-based **TPG Capital**, Bloomberg reported.

Featured Q&A*Continued from page 3*

A **Claudiney M. Pereira, senior professor of practice at Tulane University:** "Brazil has achieved substantial success in reducing poverty in the last 10 years. However, the evidence also shows an asymmetry between poverty reduction in rural and urban areas. The consolidation of all social programs into Bolsa Família seems to have been of more benefit to those living in rural areas. The newly created Brasil Sem Miséria is expected to play a crucial role in reaching a large fraction of the eligible population still not included in Bolsa Família. Another important change is the creation of additional transfer programs sponsored by local and state governments, such as Família Carioca in Rio de Janeiro. These programs are mostly targeting urban areas. Public safety is a problem for the entire country, but is even more challenging in the favelas. It took more than three decades for the Brazilian government to finally take action and make the favelas part of the cities where they are located. The recent experience in Rio de Janeiro with the Unidades de Polícia Pacificadora (UPPs) and similar projects elsewhere (for example, Bases Comunitárias de Segurança or BCSs in Salvador) show that it is possible to create a safe environment for those living in the favelas and others around

them. All these projects could achieve success as long as they include not only police presence but also all other services provided by the government, such as education and health. The favelas need to be

“The private sector is already moving into the favelas to offer services found in other areas of Brazil.”

— *Claudiney M. Pereira*

considered a safe and stable environment to be able to attract the private sector. The creation of UPPs and the like are shaping such an environment. As a result, the private sector is already moving into the favelas to offer services found in other areas of Brazil. In the next decade, we should see a significant change in the landscape of the favelas with the increasing participation of the private sector."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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