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## FEATURED Q&A

# How Well Are Latin American Nations Fighting Poverty?



Brazil's poverty rate has decreased over the past two decades. Above, the Complexo do Alemão favela in Rio de Janeiro is pictured. // File Photo: Nicola Dracoulis via Creative Commons.

**Q** The World Bank on Oct. 4 updated the international poverty line to those living on \$1.90 per day or less, up from \$1.25 per day or less. The World Bank also projected that Latin America and the Caribbean's poverty level would fall to 5.6 percent of the population in 2015, as compared to 6.2 percent in 2012. How will these figures change the way the region fights poverty? Which countries in Latin America are doing the best job of helping lift individuals and families out of poverty? Will raising the poverty line affect the way international development agencies address poverty reduction efforts for the region?

**A** George Gray Molina, chief economist at the Regional Bureau for Latin America and the Caribbean at the United Nations Development Programme: "The World Bank adjustment reflects changes in prices between and within countries. The basket of goods and services that cost \$1.25 (2005 PPP) a few years ago, now costs \$1.90 (2011 PPP). The net effect in Latin America and the Caribbean is relatively small. Still, the most successful countries at reducing extreme poverty—as captured by the harmonized SEDLAC data—are Bolivia, Peru and Ecuador (each, a very different 'development model'). The larger issue is that more and more countries face 'last mile' challenges with respect to extreme poverty—they are only getting started with the 'resilience marathon', both raising and keeping people above a \$10/day vulnerability line. Our own work at UNDP shows that the determinants of 'sliding-back-into poverty' are not the same as the determinants of 'leaving poverty.' The resilience challenge requires assets, labor skills and so-

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## TODAY'S NEWS

### POLITICAL

## 'Argentina Needs Change': Massa

Argentina needs a new direction, said Sergio Massa, who failed to advance to Argentina's presidential runoff but whose supporters are critical to the remaining candidates in the second round. His statement was seen as a snub of the ruling party candidate.

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### BUSINESS

## U.S. Fed Clears Bci for Purchase of Florida Bank

Bci, the third-largest bank in Chile, originally requested approval to buy City National Bank of Florida in 2013. The deal is valued at \$883 million.

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### POLITICAL

## Santos Seeking Jan. 1 Truce With FARC

Colombian President Juan Manuel Santos expressed hopes that the government and the FARC rebels could reach agreement on the fifth point of their negotiating agenda and begin a bilateral cease-fire on New Year's Day.

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Santos // File Photo: Colombian Government.

## POLITICAL NEWS

## Colombia's Santos Seeks Jan. 1 Truce With FARC

Colombian President Juan Manuel Santos on Wednesday expressed hopes that his government and the Revolutionary Armed Forces of Colombia, or FARC, rebels could begin a bilateral cease-fire beginning on New Year's Day, EFE reported. The two sides already have reached agreement on four broad points, and

**The FARC has been observing a unilateral cease-fire.**

Santos said enough progress could be made over the next two months to call a truce. "Let's make that effort so that between now and Dec. 31 we can, for example, finish point five, the end of the conflict, and thus be able to declare a bilateral, internationally verified cease-fire starting Jan. 1," Santos told a meeting of the National Commission on Competitiveness, Science, Technology and Innovation. Since the peace talks began three years ago in Havana, Colombia's government and the FARC have reached agreements on the issues of land reform, the rebels' political participation, the illegal drug trade and transitional justice. Now, only one major point remains—the FARC's disarmament and demobilization. In July, the FARC called a unilateral cease-fire, leading the government to suspend aerial attacks on rebel camps. Santos has consistently refused to halt all attacks as the rebels in the past have used breaks in government raids to re-arm, Reuters reported. Last month, the two sides reached what they called a breakthrough in the negotiations and set a six-month deadline for reaching a final peace accord. Any accord would have to pass Colombia's Congress and voters in order to be implemented. [Editor's note: See [Q&A](#) on whether peace is finally within reach in Colombia in the Sept. 30 issue of the Advisor.]

## Gov't Fabricated Evidence in López Case: Ex-Prosecutor

The Venezuelan government fabricated evidence against Leopoldo López, who was sentenced to nearly 14 years in prison, because the government "feared his leadership," said a former prosecutor who helped convict the opposition leader, CNN reported Wednesday. The former Venezuelan prosecutor, Franklin Nieves, who was recently fired by Attorney General Luisa Ortega, fled the country and is seeking asylum in the United States. He said "100 percent of the investigation was fabricated," in which López was convicted in September of inciting violence amid anti-government protests. Nieves told CNN that "after examining each and every piece of evidence, it was shown that this person had at no point made even a single call to violence." Video footage of the protests show the opposition leader "always



López // File Photo: Instagram site of Leopoldo López.

calling on his supporters to remain calm," said Nieves. When asked why he did not speak out sooner, Nieves said that he was pressured to stay quiet. He said the pressure filtered down from President Nicolás Maduro and National Assembly President Diosdado Cabello through Ortega. Nieves said López's case is not unique in Venezuela. "There are innumerable cases in which people were investigated and innocent people detained," he said. Ortega dismissed Nieves' claims on Monday, saying "at the state prosecutor's office we don't pressure anyone." She also said that Nieves has succumbed to "pressures from foreign and domestic elements," though she did not specify what those pressures were, BBC News reported. Venezue-

## NEWS BRIEFS

## Former Brazilian Soccer Head Agrees to Deportation in FIFA Case

The former head of Brazilian soccer, who along with six other officials from soccer's governing body FIFA, was arrested in May on corruption charges, has agreed to be deported from Switzerland to the United States in order to face charges, BBC News reported the Swiss Federal Office as saying. José Maria Marin is accused of taking millions of dollars in bribes in connection to marketing rights at Copa America and Copa do Brasil tournaments, though he denies the charges.

## More Interest Rate Hikes Necessary: Chile Central Bank Chief

In order to bring Chile's inflation rate to the targeted 2-4 percent range, the central bank will need to increase the interest rate, bank President Rodrigo Vergara said Wednesday, Reuters reported. Policymakers raised the interest rate to 3.25 percent on Oct. 15, and said more rate hikes were on the way as the central bank tries to control inflation. This year, Chile's peso has depreciated 12 percent against the dollar, and fell 13 percent last year against the dollar.

## U.S. Federal Reserve Clears Chile's Bci to Purchase Florida Bank

The U.S. Federal Reserve has given its approval to Chilean bank Bci to buy City National Bank of Florida, a unit of Spain-based Bankia, Bci said Wednesday, Reuters reported. Bci, the third-largest bank in the South American country, originally requested approval for the \$883 million purchase in 2013. Spanish and Chilean banking authorities already have approved the purchase. The transaction should be finalized within 30 days, Bci said in a statement.

la's Ministry of Communications and Information has not responded to CNN's requests for comment.

## Argentina Needs New Path: Massa

Sergio Massa, the third-place candidate who failed to advance past the first round of Sunday's presidential election in Argentina, said Wednesday that the country needs a new path forward, a statement seen as a snub of ruling party candidate Daniel Scioli. The Wall Street Journal reported. Massa, whose supporters are crucial as Scioli faces off against opposition candidate Mauricio Macri in the Nov. 22 runoff, has not officially endorsed either of the remaining candidates. However, he said the country needs a new direction. "Argentina needs change," he said. A poll released Wednesday shows that Macri has 48 percent support, while Scioli trails with 37 percent. Scioli was the top finisher in Sunday's first round, but beat Macri by only three percentage points—37 percent to 34 percent—an unexpectedly close margin. Massa finished with 21 percent. [Editor's note: See [Q&A](#) on Argentina's election in Tuesday's Advisor.]

### ECONOMIC NEWS

## Gulf Countries Against Oil Price Summit

Persian Gulf countries oppose Venezuela's proposal for an oil-price summit with heads of member and non-member OPEC countries, The Wall Street Journal reported Wednesday. Officials from Saudi Arabia, the United Arab Emirates, Qatar and Kuwait do not think a summit could garner adequate commitment for cutting oil production to the level needed in order to raise oil prices. Last week, Venezuela called for an oil-price summit to raise the price of oil from its current low of less than \$44 a barrel to

### FEATURED Q&A / Continued from page 1

cial protection to keep all boats afloat. This upgrading is a generational challenge that will not be achieved by any single government, nor for any single political mandate.

“The resilience challenge requires a basket of assets, labor skills and social protection to keep all boats afloat.”

— George Gray Molina

At a moment when the region as a whole is at zero GDP growth, it is important to regain broad-based growth while also strengthening resilience and addressing the hardest exclusions of the decade. This is a tall order. It will require using short-run politics to create precious policy space, and using policy space to achieve long run impact.”

**A** Nora Lustig, Samuel Z. Stone professor of Latin American economics at Tulane University and nonresident fellow at the Center for Global Development and the Inter-American Dialogue: “There are four important factors to note. First, the new World Bank international line of \$1.90 per day is measured in purchasing parity dollars of 2011 (PPP). The PPP exchange rate is the exchange rate from dollars into local currency that would give the same purchasing power in both the United States and the country in which poverty is being measured. Since prices for many goods and services in Latin America are cheaper than in the United States, the PPP exchange

rate will yield more pesos or reais per PPP dollar. In Latin American countries, \$1.90 in PPP dollars is worth more than one would presume. Second, the \$1.90 per day in PPP does not imply a higher international poverty line. The previous international poverty line was \$1.25 in PPP dollars per day. However, it was measured using 2005 PPP exchange rates, which were constructed using prices for similar goods around the world collected that year. The current line of \$1.90 uses PPP generated from prices collected in 2011. Thus, the new line is not really higher in the sense that \$1.90 in PPP 2011 is supposed to buy the same goods and services as the \$1.25 in PPP 2005. Third, this new international poverty line is not really relevant for middle-income Latin America (no Latin American country is among the benchmark countries). The lowest poverty lines in most countries in the region are closer to twice as much or \$4 per day in PPP 2011. Fourth, extreme poverty in the region is still going to be excessive in the sense that, given the countries' average incomes, poverty should have been much lower than what it actually is. Excessive poverty is the consequence of excessive inequality. In spite of its decline in the past decade, inequality in Latin America is still the highest in the world. Reducing inequality should remain a priority.”

**A** Sergei Soares, visiting fellow at the Center for Global Development: “What changes in poverty measurement with the new poverty line? The answer is: in theory, nothing; in practice, very little. Conceptually, the World Bank's extreme poverty line has not changed since 1990, when Martin Ravallion defined it as the average of the national poverty lines

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what Venezuela's oil minister, Eulogio del Pino, calls an “equilibrium price” of \$88 per barrel. At the meeting in Vienna last week, OPEC and five non-OPEC members discussed the price of oil, though they reached no agreements. Venezuela's economy is in danger of experiencing the

worst recession of any country in the world this year, according to the International Monetary Fund, which expects Venezuela's GDP to contract 10 percent because of low oil prices and a lack of savings to get Venezuela through periods of fluctuation in market prices.



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of the poorest countries on the planet, made comparable using purchasing power parity (PPP) currency conversion rates. Updated PPPs have led to updated poverty lines in 2001 (1993 PPPs), 2008 (2005 PPPs) and this year (2011 PPPs). It is important to remember that new lines never come alone; they always come hand-in-hand with new PPPs. In practice, relative prices change among countries from one PPP exercise to the next. This means that although worldwide the \$1.90/day + 2011 PPPs combination counts about 28 million fewer very poor people for 2011 than the previous methodology (\$1.25/day+2005 PPPs), in Latin America it counts almost eight million more people. This is due to changes in relative prices between Latin America and the rest of the world. However, none of this changes the fact that Latin America has done very well in reducing extreme poverty. Chile, Costa Rica and Uruguay have extreme poverty rates that are negligible, and Brazil, Colombia, Peru and Mexico have slashed their extreme poverty rates by a factor of two or three over the last 10 years. Impressive achievements, whatever the line."

**A** **Jacqueline Pitanguy, sociologist and executive director of Citizenship, Study, Research, Information, and Action (CEPIA)**

**in Brazil:** "In view of the historically high levels of social inequality prevailing in Brazil in spite of periods of strong economic growth, the challenge of promoting social justice and recognizing the interrelation between human rights, social welfare and social development could not be postponed much longer after the democratization of the country and the promulgation in 1988 of a new Constitution. Even if some conservative sectors still defended the theory that economic growth and GDP increase would lead to the reduction of social inequality, the prevailing perspective was that it was

necessary, and urgent, to have a state intervention in order to face extreme poverty and its perverse effects on the wellbeing of the population. Starting with Fernando Henrique Cardoso's government and in a broader,

**“No government will be sustainable if it does not include the reduction of social inequality as priority on their agenda.”**

— Jacqueline Pitanguy

deeper and faster pace with Lula da Silva's and Dilma Rousseff's governments, two main programs aimed at decreasing poverty and social inequality have been successfully implemented: Bolsa Familia and Brasil sem Miséria. The recent World Bank report shows that in Brazil, the number of people in extreme poverty fell, between 2001 and 2013, from 13.6 percent to 4.9 percent of the population. The report also recognizes that the decline in extreme poverty in Brazil was more significant than in any other Latin American country. This good news will not be highlighted in the media, which will focus on the negative effects of the crisis on these gains. Brazil is undergoing a political, moral and economic crisis and a collective feeling of discredit in the country. Certainly poverty reduction might be compromised by the crisis but will not collapse. Safety networks, investment in education, public health and housing play a key role in protecting the most vulnerable population. No government will be sustainable if it does not include the reduction of social inequality as priority on their agenda."

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

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