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## FEATURED Q&A

### What Is the Road Ahead For Infrastructure Planning?

**Q** The Inter-American Development bank set record levels of loan approvals and disbursements in Latin America and the Caribbean last year, with 165 new operations totaling \$15.9 billion, up from \$11.2 billion in 2008, and disbursements rising to nearly \$12 billion from \$7.6 billion in 2008. Much of this support has been directed to infrastructure. What role do you see the IDB and other multilaterals playing in Latin America's infrastructure development in 2010 and beyond? How does that compare to the private sector and market involvement in the region's infrastructure planning? What innovations and trends in financing Latin America and the Caribbean's infrastructure do you see on the horizon?

**A** Roger Stark, partner at Curtis, Mallet-Prevost, Colt & Mosle in Washington: "The multilaterals have a central role to play in financing regional infrastructure. However, last year's credit crisis and its aftermath highlight multiple challenges confronting sponsors, governments and lenders alike. In the span of less than two years, the region has moved from an environment of high liquidity to one of a virtual credit embargo. With few notable exceptions, most commercial lenders have been slow to return to crossborder infrastructure lending, and those that have returned are limited to tenors well below the 15-20 years that were available precrisis. In short, the multi-

laterals are back in their traditional role as lender of last resort, but they lack a viable structure for deploying capital. Project finance lending, the traditional format, has been criticized as too expensive and cumbersome, particularly in the context of small- to medium-sized project assets. Moreover, the credit capability of emerging market off-take purchasers is not what it once was. One proposed public-private solution would enhance private credit through a combination of sovereign commitments and limited risk guarantees or

*Continued on page 3*



### Rescuers Struggle to Bring Aid to Haiti Quake Victims

The odor of decomposing bodies lying on streets and trapped in rubble filled the air of Port-au-Prince Monday as relief workers struggled to provide aid to survivors of last week's earthquake. See special coverage on page 2.

*Photo: Agencia Brasil.*

## Inside This Issue

**FEATURED Q&A:** What Is the Road Ahead For Infrastructure Planning?.....1

**Special Coverage: Devastation in Haiti:** Rescuers Struggle, Ban Wants More Troops....2

Chavez Announces Minimum Wage Hike, Cabinet Reshuffle .....2

Argentina's Government Will Appeal Telecom Italia Ruling.....2

Stocks Rise on Pinera's Win in Chile, Victory Ends Concertacion's Reign.....3

Venezuela Nationalizes Exitto Retail Chain, Threatens Cada Supermarkets .....3

## NEWS BRIEFS

**No Damage Reported as Earthquake Rattles Guatemala**

A 5.8 magnitude earthquake rattled Guatemala Monday morning, but produced no reports of injuries or damage. The quake was centered in the Pacific Ocean, 65 miles south-southeast of Guatemala City and happened at 9:40 a.m. local time, according to the U.S. Geological Survey.

**Chavez Announces Minimum Wage Hike, Cabinet Reshuffle**

Venezuelan President Hugo Chavez on Friday announced a minimum wage hike and a cabinet reshuffle during an annual speech to lawmakers, Reuters reported. Chavez said the government would raise wages 10 percent effective March 1 and another 15 percent Sept. 1. Chavez's announcement came a week after he devalued the country's currency by half for "non-essential goods." Chavez said he had combined the finance and planning ministries under current planning minister Jorge Giordani, and that the former finance minister, Ali Rodriguez, would become electricity minister.

**Argentina's Government Will Appeal Telecom Italia Ruling**

Argentina will appeal a court ruling blocking its effort to force Milan-based **Telecom Italia** to sell its stake in local phone company **Telecom Argentina** due to monopoly concerns, Planning Minister Julio de Vido said, Bloomberg News reported Monday. De Vido said the government would go to Congress if efforts to fight the court's ruling fail. Argentina has said the ownership by Spain's **Telefonica** of both a portion of Telecom Italia and Argentina's other main phone company, Telefonica Argentina, violates antitrust laws.

**Special Coverage: Devastation in Haiti****Aid Workers Struggle to Help Haitian Quake Victims as Violence Flares**

Rescuers and aid workers continued struggling Monday to provide food and medical attention to victims of last week's massive earthquake in Haiti, but desperation turned to violence in some areas and incidents of looting became more widespread in the devastated capital, Port-au-Prince. Haitian officials have said they fear the death toll could be as high as 200,000 and a government minister said Sunday that 70,000 of the dead have already been buried, Agence France-Presse reported. Given the sheer magnitude of the devastation and the destruction of communications networks, the final death toll may never be known, officials added. Many survivors of the 7.0 magnitude earthquake, which struck Jan. 12, are living in makeshift camps scattered throughout the city, alongside decomposing corpses and debris, Reuters reported. Looters also swarmed damaged stores in the capital, taking goods and fighting among themselves with knives, rocks and ice picks. Police shot at looters in efforts to disperse them. At least two people sus-

pected to be looters were shot and killed Sunday. U.N. peacekeepers, who have struggled to maintain order on the streets of Port-au-Prince will be joined by U.S. troops in that effort, said Haitian President Rene Preval, according to Reuters. U.S. Defense Secretary Robert Gates said U.S. soldiers will not police streets, but added they do "have the right

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*At least two suspected looters were shot dead Sunday.*

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to defend innocent Haitians and members of the international community if they see something happen." More than 11,000 U.S. military personnel are either in Haiti, in ships off the coast, or headed to the Caribbean country, according to the White House. More than 30 countries have sent rescuers, medics, food, medicine and other supplies to the beleaguered nation. The Haitian capital's airport was clogged Monday with aid shipments and officials have been unable to adequately unload, organize and distribute aid, EFE reported.

**U.N.'s Ban Wants More Troops in Haiti, Clintons Survey Damage**

United Nations Secretary General Ban Ki-moon on Monday asked the U.N. Security Council to dispatch more troops and police officers to Haiti, as the country grapples with increased looting and other lawlessness a week after the country's devastating earthquake, Bloomberg News reported.

Ban, who visited Haiti on Sunday, requested an additional 2,000 soldiers and 1,500 police officers from the Security Council, which is set to vote on the request today. The United Nations currently has more than 9,000 troops and police in Haiti. "Haiti requires a massive response from the international community," said Ban. At least 46 U.N. personnel were killed in the earthquake, the organization's largest-ever loss from a single event, CNN reported. Among the dead was mission chief Hedi Annabi.

On Monday, former U.S. President Bill Clinton, the U.N.'s special envoy for Haiti, visited the devastated country, bringing water and other supplies, and walked through the crowded General Hospital in Port-au-Prince. "I'll be surprised and disappointed if 48 hours from now we're not feeding and bringing fresh water to dramatically larger amounts of people," Clinton told reporters, Agence France-Presse reported.

U.S. Secretary of State Hillary Clinton brought water, soap and other goods when she visited Haiti Saturday, *The New York Times* reported. She met with Haitian President Rene Preval for an hour to discuss relief efforts.

## Political News

### Stocks Rise on Pinera's Win in Chile, Victory Ends Concertacion's Reign

Chilean stocks rose Monday, a day after conservative businessman Sebastian Pinera was elected the South American country's president, defeating former President Eduardo Frei in Sunday's runoff vote. Santiago's IPSA gained 1.24 percent on expectations Pinera will support business-friendly practices. Pinera's inauguration March 11 will put an end to

*Pinera received 52 percent support Sunday, while Frei garnered 48 percent.*

two decades of rule by the center-left Concertacion coalition that has governed Chile since Gen. Augusto Pinochet's dictatorship ended. Pinera garnered 52 percent of the vote Sunday, to Frei's 48 percent, Agence France-Presse reported. In his victory speech Sunday night, Pinera said he would "break down the walls dividing us and build new bridges to bring us together."

## Company News

### Venezuela Nationalizes Exito Retail Chain, Threatens Cada Supermarkets

Venezuelan President Hugo Chavez on Sunday nationalized the foreign-owned hypermarket chain **Exito**, accusing it of raising prices after Venezuela's devaluation of its currency, the *Latin American Herald Tribune* reported Monday. Chavez said Exito, owned by France's **Casino Guichard Perrachon** and Colombia's **Almacenes Exito** repeatedly hiked prices in defiance of government orders. Venezuela's trade minister, Eduardo Saman, on Monday accused another retailer, locally owned supermarket chain **Cada**, of "behaving worse" than Exito.

### Featured Q&A

*Continued from page 1*

insurance products. Because multilaterals have the institutional capabilities to structure and implement such solutions on a national or regional basis, they are uniquely well positioned to catalyze the next wave of infrastructure construction."

### **A** José Agustín Aguerre, manager of the Infrastructure and Environment Department and chief of the Transport Division at the Inter-American Development Bank:

"During 2010, we see the bank focusing on improving access to high-quality infrastructure in an effort to increase the competitiveness of individual countries and the region as a whole. This support will be provided through loans to public or private entities, with or without sovereign guarantees. The bank will also provide analytical support and intellectual leadership to help countries find innovative solutions to their infrastructure needs. All included, the bank estimates approvals of \$4 billion in 2010 in loans for infrastructure: \$3 billion in sovereign-guaranteed loans plus \$1 billion in non-sovereign-guaranteed loans. We don't yet know the bank estimates for total lending in 2010. That will depend on the process of the bank's replenishment, currently underway. Total lending could therefore vary between \$8 billion and \$12 billion. In the transportation sector, bank lending will mainly focus on improving road networks to foster economic growth, in improving accessibility in urban areas and promoting the use of and the investment in massive transportation systems. In addition to its traditional financing role, the bank will continue to lead in three areas considered critical for future development of the transport sector: road safety, logistics and sustainable transport. In the energy sector, the bank will focus on changing the energy matrix in Latin America and the Caribbean by strengthening the underlying energy delivery infrastructure (transmission and distribution) and by supporting the renewable indigenous

energy generation sources. In the agricultural sector, the bank will support regional dialogue on agricultural policy, and focus on operations that will promote the social inclusion of small producers, more efficient use of public funds for agriculture, and higher economic returns on investments. In the water and sanitation sector, the focus will continue to be expanding urban and rural coverage of services. Special emphasis will be given to rural and peri-urban areas. A distinctive focus of the 2010 program involves financing solid waste projects and improving institutional and managerial conditions of service providers."

### **A** Norman Anderson, president and CEO of CG/LA Infrastructure in Washington:

"The issue is extremely urgent as the system is broken. The premise behind the question—and most thinking about Latin infrastructure—is that the region is almost, but not quite, doing enough. That is wrong. There is too little investment, and it is in the wrong sectors. For the region to improve produc-

“There is too little investment, and it is in the wrong sectors.”

— Norman Anderson

tivity and broaden opportunity, investment must rise from about \$35 billion per year to well over \$100 billion. Infrastructure investment last year declined. The following facts frame the issue: First, during the last two cycles—stretching back to 1995—enormous stress was placed on private sector-led investment (first through privatization, and then through a PPP/concession

*Continued on page 4*

**Featured Q&A***Continued from page 3*

model), and it came up dramatically short in terms of vision, public sector participation and overall investment. In 1980, Latin America had great planning capacity and now has very little. With a weak, and weakening, public sector, it is not possible to sustain and increase infrastructure investment. Boosting public sector capacity is, to be sure, an important role for the multilaterals. Second, Latin America's recent infrastructure investment, focused on commodity exports, has created huge pent-up demand for people-focused infrastructure. The multilaterals need to lead a hard tilt toward water, wastewater and green technology-powered urban mobility. Third, country-focused infrastructure finance institutions need to be created. The near complete withdrawal of private banks from project finance is effectively a 'long shadow of the crisis' that needs to be addressed immediately. Of the 40 or so global banks that had robust teams working on infrastructure 16 months ago, there are now perhaps five to seven serious players. The smaller countries will be the most seriously harmed—their priority projects are simply not financeable in the present environment. The problem of Latin American infrastructure is a little bit like our problem in Detroit. Once dimly perceived, the inclination is to make little adjustments around the edges—that would be catastrophic. This is a big problem, clearly perceived, and it should be addressed with all the resources, conviction and vision that we possess."

**A** **Roldán Trujillo, general manager and chief operating officer of the Inter-American Investment Corporation in Washington:** "The lingering debt crisis provoked the virtual disappearance of the bank syndication market as an important source of term debt financing for private sector infrastructure projects in the region. Consequently, during the past year, multilateral and bilateral development finance institutions (DFIs) were asked to play a greater role in meeting the

funding needs of these projects. At the same time, the debt crisis together with the dramatic drop in remittances resulted in increased demands by the region's governments for funding from these same agencies. The DFIs simply are not able to make up for the lack of bank lending, thus limiting the availability of funding for private sector infrastructure projects in the region. The competing demand for financing from public and private sectors of the region is expected to continue until the syndication market returns to a more normal situation. In the meantime, both lenders and developers of private sector

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**“Lenders are more selective, requiring more equity in the deal and generally demanding more security.”**

— *Roldán Trujillo*

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infrastructure projects have adjusted to the new reality, recognizing that the structuring process requires more time and involves higher costs. Lenders are more selective, requiring more equity in the deal and generally demanding more security. Financing plans are being closed mainly through club deals among groups of lenders with experience working together. Developers are also being more cautious and, given the higher costs, are delaying initiatives. The DFIs are financing projects jointly with other DFIs and also as part of club deals, while at the same time providing their 'umbrella' to the other members of the club as the lender of record. Clearly, the efficiencies gained in structuring project finance deals over the last decade are currently lacking in the region."

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*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

**Latin America Advisor**

*is published every business day by the Inter-American Dialogue, Copyright © 2010*

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**Latin America Advisor** is published every business day, except for major US holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 [www.thedialogue.org](http://www.thedialogue.org)

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