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FEATURED Q&A

How Will a New Waste Management Law Affect Brazil?

Q After 20 years of legislative debate, Brazil last year passed its first national waste management law, a move that will affect the practices of nearly every business operating in the nation. What took the bill so long to pass? Is it the right legislation at the right time, and how can it be improved? How will the legislation affect companies operating in Brazil in 2011 and beyond?

A Vander Giordano, managing director of Kroll in Brazil: "Although a federal law on solid waste management was enacted last year, various states and municipalities in Brazil had already started developing policies to regulate the handling of certain types of waste. The new law, however, comes at a time when the environment is a hot global issue and will put more pressure on companies to invest in technologies and develop procedures to comply with the law. Likewise, companies can expect to see an increase in monitoring and auditing activities by the government. The law adds a new wrinkle to the traditional due diligence carried out on potential investments in Brazil. In addition to financial, legal and operational investigations, investors will now need to be more alert to comply with waste management procedures when acquiring companies subject to this law. If not, a buyer may be vulnerable to a number of risks and may inherit a liability that could jeopardize their investment. Kroll has already seen a few examples where, in the rush to close a deal, the investor failed to assess the acquisition's compliance readiness on waste management regulations and now may be facing some costly consequences."

A Sergio Guerreiro Ribeiro, president of the Waste-to-Energy Research and Technology Council in Brazil: "A very advanced directive (2008/98/EC) of the European Parliament has one main objec-

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'Baby Doc' Defends Rule, Says People Have 'Amnesia'

Former Haitian dictator Jean-Claude Duvalier said in an interview televised Tuesday night that he is not concerned about how history remembers him and also credited himself for promoting democracy. See story on page 2.

File Photo: Le Nouvelliste.

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NEWS BRIEFS

Five Workers Killed in Colombia Coal Mine Explosion

Five workers were killed Tuesday when a gas explosion tore through a coal mine in central Colombia, Agence-France Presse reported. The methane blast happened at La Escondida mine in Cundinamarca province, a spokesman at the state Institite of Geology and Mining told the wire service. A sixth miner was hospitalized with injuries, the severity of which was unclear. No other workers were inside the mine at the time of the explosion. Last week, an explosion in a coal mine in northeastern Colombia killed 21 workers. Last year, 173 people were killed in mining accidents in Colombia.

Raúl Castro Calls on Cuban Government to Boost Efficiency

Cuban President Raúl Castro attended an extended meeting of the Cuban Council of Ministers Jan. 28-29, where he urged officials to eliminate wastefulness in the government as well as keep its "ear to the ground" and be attentive to the people's response to the changes, EFE reported, citing state-run newspaper *Granma*. The administration has taken a number of measures to change the island's economic model, which include cutting unnecessary subsidies, making the real estate market more flexible and eliminating 500,000 state jobs.

Remittances to Mexico Rise Slightly From Year Prior

Mexicans received $21.27 billion in remittances in 2010, increasing 0.12 percent from 2009, the central bank said Tuesday, EFE reported. Remittances in December averaged $302.51, which constituted a 9.1 percent increase from the same month the year before.

Political News

Haiti's 'Baby Doc' Duvalier: 'People Are Suffering From Amnesia'

Former Haitian dictator Jean-Claude "Baby Doc" Duvalier said in a televised interview broadcast Tuesday night that he is unconcerned about how he will be remembered and credited himself for promoting democracy in the country, the Associated Press reported. "I was the one who started a democratic process. When they talk to me about tyranny it makes me laugh, it gives me the impression that people are suffering from amnesia," Duvalier told Univision. "They have forgotten the condition in which I left Haiti. I left voluntarily ... to avoid a major disaster and facilitate a peaceful exit from the crisis." Duvalier, who unexpectedly returned to Haiti on Jan. 16 after 25 years in exile, said he was unconcerned about how he is remembered in the future. "I think that is not important," he told the television network. Duvalier, 59, faces a judicial investigation in Haiti in connection with allegation of human rights abuses and corruption. He added that he traveled to Haiti using a renewed diplomatic passport but would not say who gave it to him.

Economic News

Brazil Auto Sales Still Growing Despite 36 Percent Fall in January

Sales of cars and light trucks in Brazil plunged 36.3 percent in January, Reuters reported Tuesday. A total of 229,858 units were sold in January, down from 361,259 units in December, said Fenabrave, an auto industry group in São Paulo. But the drop comes on the heels of a particularly strong month of sales in December, and January is traditionally a weak month for sales of cars as customers slow purchases of durable goods, according to Reuters. Vehicle sales in January grew 13.9 percent

Featured Q&A

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tive—minimizing 'the negative effects of the generation and management of waste on human health and the environment. Waste policy should also aim at reducing the use of resources, and favor the practical application of the waste hierarchy.' However, Brazil's national waste management policy, known as PNRS, has no less than 15 objectives that are quite difficult to implement. Organic waste in landfills generates methane, a greenhouse gas, and hard-to-treat leachate. Landfills are the last option in the European waste management hierarchy under energy recovery in high-efficiency facilities. But the Brazilian law, mistakenly, defines landfills as the environmentally 'adequate' solution, preventing the adoption of somewhat more expensive solutions, at least in the short time, but ones that are better for the environment. Article 30 of the PRNS 'aims to reduce the waste of resources and environmental damages.' But this is exactly what landfill disposal of untreated waste is all about. Therefore the law contradicts itself. Recycling in Brazil is not low. Data from the Brazilian Association of Public Cleaning and Special Waste Companies shows that clearly and it is well known that we are the world leaders in aluminum can recycling without any government interference. This is because most recycling is done by small groups of low income 'waste pickers' that make their living out of the waste by collecting recyclables before the municipality

> "The law should regulate source separation with selective collection, but this implies new trucks and additional costs."
>
> *— Sergio Guerreiro Ribeiro*

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compared to the same month a year earlier. Germany's **Volkswagen** was the best-selling car brand in January, reaching 54,551 cars and light trucks, a growth of 39.6 percent from the year earlier. Italy's **Fiat**, which had held the top sales spot, sold 46,625 units in the month, an increase of only 3.1 percent from January 2010. Fiat executives last week credited strong Brazilian sales in 2010 with bringing the company into profitability again, Agence France-Presse reported.

January is traditionally a weak month for sales of cars as customers slow purchases of durable goods.

Quito Mayor Formalizes $684 Mn Concession for New Airport

Ecuador's efforts to transform itself into a regional trade hub took a step forward Tuesday when Augusto Barrera, the mayor of Quito, formally signed an agreement worth $684 million with multinational concessionaire **Quiport** to manage Quito's new international airport. The new facility will replace the existing Mariscal Sucre Airport in the center of the city, notorious for tricky landings amid nearby mountains. To be located roughly 15 miles outside the capital, in Tababela, the new airport is set at a lower altitude and will have longer runways, the government said. Airport construction is on schedule for completion in the summer of 2012 and has already created over 5,000 jobs, according to Quiport, a private capital firm formed by investors in Canada, Brazil and the United States, including the **Houston Airport System Development Corporation**. Quiport will lead the airport's construction, management system and administration. Ecuador's government noted that the new airport is the only new international airport currently under construction in Latin America.

In Focus

Andean Mission Chiefs: U.S. Role in Region Undergoing Changes

By Rachel Sadon

WASHINGTON—Relationships between the United States and the Andean countries remain positive even as significant changes in regional dynamics, economic development and political transitions have significantly transformed the region, top U.S. envoys to Andean countries said Tuesday.

U.S. ambassadors Heather Hodges (Ecuador), Rose Likins (Peru) and Michael McKinley (Colombia)

Photo: Inter-American Dialogue.

Speaking at an event hosted by the Inter-American Dialogue, the diplomats discussed a wide range of issues that shape regional policy, including the United States' relationship with current administrations and the emerging power of China and Brazil.

The U.S. ambassador to Colombia highlighted the unifying effects of Brazil's growing influence in the region. "Brazil's changing role is very positive engagement throughout Latin America. It's not just a question of expanding economic ties, it's working with other Latin American countries through regional groupings," said Michael McKinley. "I think the benefits have been there to see over the last two to three years in improving diplomatic relations."

John Creamer, the chargé d'Affaires in Bolivia, echoed the sentiment that Brazil has positively affected its neighbors. "In Bolivia, they are a major player in the energy sector… and in general, Bolivia is benefitting from Brazil's interest in physical integration. BNDES is playing a major role in the lending for infrastructure and highway construction. I would expect that trend would continue and deepen in the future."

Despite some significant differences in policy and the increasing influence of China in the region (Heather Hodges, Washington's ambassador to Quito, pointed out that China has offered $4.9 billion in assistance to Ecuador), both Hodges and the chargé d'affaires in Venezuela, John Caulfield, cited results from a recent Latinobarómetro report as evidence that the United States is still viewed favorably in the region.

With regard to the recent release of classified cables by WikiLeaks, the diplomats reiterated the State Department's position that the leaks will not hurt U.S. diplomacy. "The damage done by the leaks was significant," said McKinley. "What's important is that where we have robust relations, we are able to deal with the fallout quickly and move on and maintain relations on the basis of mutual interests."

Among the positive steps, several of the U.S. diplomats acknowledged challenges to the working relationships between the United States and Andean countries. Despite differences in policy, Creamer said that "the key thing is that the Bolivian government has remained at the table" and has been willing to work toward common ends where possible. McKinley refused to "speculate" about the passage of the free trade agreement with Colombia but said "the fact that it was mentioned in the state of the union was significant indeed."

On the other hand, Venezuela and the United States are at an impasse with regard to the absence of ambassadors following Chávez's decision to reject the U.S. nominee for the post, Larry Palmer, according to Caulfield. "We are at a stalemate," he said.

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Featured Q&A

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trucks. To improve the current situation, the law should regulate source separation with selective collection, but this implies new trucks and additional costs. But the PNRS is very shy on this. In summary, I believe that everything is going to stay the way it is if no corrections are made in the new Brazilian law that, after 20 years of debates, was born old."

Ronaldo Seroa da Motta, senior researcher at the Research Institute for Applied Economics (IPEA) and professor of environmental and regulation economics at IBMEC University in Rio de Janeiro: "Waste collection in Brazil is almost universal but the country lags behind on waste disposition. Less than a half of total collected waste is not properly disposed of. Waste management is a municipal service and cities are facing serious budget constraints to cope with the increasing demand on these services that account, on national average, for around 5 percent of the their budget and applied charges cover only half of total costs. The new National Policy on Solid Waste enacted in August is an attempt to radically change the sector's regulatory framework. Following closely European experiences, the new policy introduces the reversal logistic that claims shared responsibility among producers, importers, sellers, consumers and municipalities in the life cycle of the products. These changes were discussed over two decades to accommodate concerns of the two major economic agents, private sector and autonomous collectors. Uncertainty on the system costs to be borne by the producers and sellers affect the former while the latter faced uncertainty on the potential reduction of their participation in the model. The new regulation adopts the instrument of 'sectoral agreement' in which burden sharing among stakeholders is compromised. To reduce uncertainty and asymmetry on information with transparency and participation, agreements can be designed voluntarily by the stakeholders themselves in accordance to policy and technical parameters. Public calls for agreements will take place if voluntary action fails to set them. The new policy also offers a great deal of financial and economic incentives. An inter-ministerial committee with civil society representatives will be responsible for approving both agreements and incentives. It is too early for results, but it seems that the new model still lacks governance means as, for example, a regulatory agency with high technical capability and an autonomous mandate to implement and supervise agreements and their articulation with incentives that will be crucial for the successful performance of this new paradigm in solid waste management in Brazil."

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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