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## FEATURED Q&A

# Is Brazil's Central Bank Doing Enough on Sustainability?



Brazil's central bank launched a new "sustainability agenda" earlier this month. Part of the Brazilian Amazon rain forest is pictured above. // File Photo: NeilPalmer, CIAT via Creative Commons.

**Q** Brazil's central bank on Sept. 8 launched a new "sustainability agenda" that will incorporate into its policies efforts to protect the environment. The plan features initiatives such as the creation of a sustainable liquidity financing line for banks, including ones in the private sector. How effective will the new agenda be in addressing climate change? To what extent will banks and other private-sector institutions participate in the initiative? Have central bank-led efforts to drive environmentally friendly policies succeeded elsewhere?

**A** Emine Isciel, head of climate and environment at Storebrand Asset Management in Norway: "The Brazilian central bank unveiled an ambitious sustainability agenda which will further embed green and climate issues into its policies on currency reserves management, bank stress tests and lending criteria. Leveraging the existing landscape of policy and sustainable financing presents an enormous opportunity for Brazil's transition to a sustainable economy. One important element in the central bank's sustainability agenda is to make the Task Force on Climate-related Financial Disclosures (TCFD) mandatory to Brazilian financial institutions beginning in 2022. Already at the 1992 Rio Conference, member states agreed to work together to combat climate change. And one of the first tasks was reporting on greenhouse gas emissions, since without this kind of information there would be no baseline for mitigation policies. Today, the financial community is echoing the call for climate related transparency. Disclosure is funda-

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## TODAY'S NEWS

### ECONOMIC

## White House Unveils Nearly \$13 Bn in Aid for Puerto Rico

The Trump administration announced that it plans to award Puerto Rico nearly \$13 billion in aid to help rebuild the territory's electrical grid and strengthen its education system.

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### BUSINESS

## Barrick Accepts Ruling for Closure of Chile Mine

Barrick Gold said it was accepting a ruling by an environmental court for the closure of the Chilean portion of the Pascua-Lama mine.

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### POLITICAL

## Peru's Congress Rejects Move to Oust Vizcarra

Peru's Congress overwhelmingly rejected a move to oust President Martín Vizcarra. The president has been under fire over audio recordings that his opponents say show he tried to hinder an influence-peddling probe.

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Vizcarra // File Photo: Peruvian Government.

## POLITICAL NEWS

## Peru's Congress Rejects Move to Oust Vizcarra

Peruvian President Martín Vizcarra survived an impeachment vote on Friday as the country's Congress overwhelmingly voted to reject a motion to oust him, *El Comercio* reported. After several hours of debate, lawmakers rejected the move in a vote of 78-32, with 15 abstentions. A two-thirds majority would have been needed to remove Vizcarra. During the debate, several lawmakers criticized Vizcarra, but they called the impeachment process rushed and said the president's removal would only cause more chaos in Peru as it faces the Covid-19 pandemic and an economic crisis, the Associated Press reported. "It's not the moment to proceed with an impeachment, which would add even more problems to the tragedy we are living," said legislator Francisco Sagasti. The push to remove Vizcarra from office stemmed from the release of several audio recordings that Vizcarra's critics said showed that he tried

to hinder an influence-peddling investigation. Although Vizcarra survived Friday's vote to remove him, the controversy is likely to continue, and it could further hinder him from carrying out his anti-corruption agenda, experts said. "In the overall scheme of things, Vizcarra has won this round, but winning is a very relative term," Jo-Marie Burt, a senior fellow at the Washington Office on Latin America, told the AP. "He is very isolated, very alone," she added. Before Congress on Friday, Vizcarra said he did not commit a crime, but he apologized for the controversy that the audio recordings had created. He called for an investigation, and he urged legislators not to worsen the country's situation by speeding ahead with his impeachment. "Let's not generate a new crisis, unnecessarily, that would primarily affect the most vulnerable," Vizcarra said. Vizcarra took office in 2018 after his predecessor, Pedro Pablo Kuczynski, resigned under pressure following the discovery of some \$782,000 in undisclosed payments to his consulting firm from Brazilian construction firm Odebrecht, which is at the center of a multi-country bribery scandal. Despite Peru's high Covid-19 rate and the country's economic troubles, Vizcarra's approval rating recently stood at 57 percent, the AP reported.

## NEWS BRIEFS

## Guatemalan President Tests Positive for Covid-19

Guatemalan President Alejandro Giammattei has tested positive for Covid-19, *Prensa Libre* reported Friday. In a radio interview, Giammattei said that he will be working from home. "I want to tell you that my symptoms are very mild, so far," he said. The presidents of Brazil, Honduras and Bolivia have also previously tested positive for Covid-19.

## Pompeo Meets With Duque to Conclude Trip to South America

U.S. Secretary of State Mike Pompeo met with President Iván Duque on Saturday in Colombia, the last stop in a four-nation trip to South America that Pompeo began late last week, the Associated Press reported. Pompeo praised Colombia's tough stance against socialist Venezuelan President Nicolás Maduro, describing Duque's backing of Venezuelan opposition leader Juan Guaidó as "incredibly valued" by the United States. Pompeo also said he is hoping to help bring more private sector investment from the U.S. to Colombia. During the trip, Pompeo also visited Brazil, Guyana and Suriname.

## Canada's Crystallex Asks Judge to Set January Deadline in Citgo Case

Canada-based miner Crystallex has asked a U.S. district judge to set Jan. 11, 2021, as the date to sell shares of PDV Holdings, the parent company of Venezuela-owned refiner Citgo Petroleum Corp., *Mining.com* reported Sunday. Delaware District Court Judge Leonard Stark is hearing a request from Crystallex to enforce a \$1.4 billion arbitral award against the South American country. However, the United States government has blocked the move, saying that the sale of Citgo threatens U.S. national security interests.

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mental to our fight against climate change, and without it, retirement savings could be at risk. As investors, we are used to dealing with risks, but to avoid climate-related financial risks we need consistent and reliable information. This information is currently lacking in the climate space. The transparency gap is even bigger when it comes to biodiversity. For a megadiverse country like Brazil, sustainable use of natural assets is critical to present and future generations. Ongoing natural capital depletion will bring production risks for the country. Deforestation and current environmental management systems are expected to cause reductions in agricultural yield via changes in rainfall driven by both land use change and climate change, degradation of soil quality, reductions in biodiversity and increased exposure to natural disasters. These risks have

economic and fiscal impacts that will affect the countries' risk profiles, cost of capital and access to international commodity and financial markets."



**Enrique G. Ortiz, senior program director at the Andes Amazon Fund:**

"The Brazilian central bank's ambitious sustainability agenda will force financial institutions to quantify risks and opportunities in relation to climate change. This is a step forward in a country with a bad reputation for its environmental record, which is resulting in commercial threats from European financial markets, including the threat of not reaching an E.U.-Mercosur agreement. In spite of unequivocal proof that President Bolsonaro's policies are related to increasing deforestation and fires in the Amazon and the

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## ECONOMIC NEWS

## White House Unveils Nearly \$13 Billion in Aid for Puerto Rico

The administration of U.S. President Donald Trump announced Friday that it plans to award Puerto Rico two of its largest grants ever for emergency infrastructure projects. The Federal Emergency Management Administration said it will award almost \$13 billion to help rebuild Puerto Rico's electrical grid system and spur recovery of the U.S. territory's education system. Of that amount, \$9.6 billion is slated for the Puerto Rico Electrical Power Authority to repair and replace transmission and distribution lines and make other grid improvements. Another \$2 billion grant for the Puerto Rico Department of Education will focus on restoring school buildings and educational facilities across the island, the White House said. Much of the damage covered in the plan stems from Hurricane Maria, which struck Puerto Rico as a Category 4 storm in September 2017, killing at least 3,000 residents. Parts of the island remained without power for almost a year. Congress allocated the emergency funds for Puerto Rico in 2018, but disagreements between local and federal governments over how much repairs would cost and what kind of controls would be placed on spending delayed their disbursement, NPR reported. On Friday, opposition lawmakers raised questions about the timing of administration's funding announcement, coming less than two months ahead of the Nov. 3 national elections in the United States.

## BUSINESS NEWS

## Barrick Accepts Court Ruling for Closure of Chile Mine

Barrick Gold said Friday that it had accepted a ruling by the Antofagasta Environmental Court for the closure of the Chilean portion of its Pas-

cua-Lama project. In a statement, Barrick said it would not appeal the decision in the case, which started in 2013. That year, the gold and silver project, which straddles the Chile-Argentina border, was put on hold over environmental concerns, political opposition, labor disputes and development expenses that rose to \$8.5 billion, Reuters reported. The Chilean portion of the project will now be "transitioned from care and maintenance to closure in accordance with the Environmental Court's decision," Barrick said. In its ruling last Thursday, the court said Barrick had failed to implement measures to comply with its environmental license for

## THE DIALOGUE CONTINUES

## Are Latin America's Students Learning Under Lockdown?

**Q** Mexico's government has decided that it is too dangerous to send children back to school due to the Covid-19 pandemic, so the country is relying for now on classroom instruction broadcast on television, radio and over the Internet. Like countries around the world, Latin American and Caribbean nations have debated whether children should be attending class in person this year. What are examples of best practices that schools have employed in order to provide education safely to students during the current pandemic and previous crises? What are the main obstacles the pandemic is presenting for students, parents and teachers, and how can they be overcome? What will be the long-term effects of children missing in-person classes during this crisis?

**A** Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach: "Unfortunately for the region, there are few countries that can successfully migrate from in-person teaching to distance learning. Indeed, while distance learning would have been the advisable route to reduce costs of education while

also enhancing digital skills, most Latin American countries have neglected this option. And this is in spite of early success stories in the 1980s and 1990s in Brazil, Colombia and Mexico. In these three nations, innovative solutions to guarantee universal primary and secondary education were put in place. In Colombia and Brazil, through Catholic radio stations and in Mexico under the support and monitoring efforts of Ernesto Zedillo, television was used to reach distant rural areas and guarantee access to the nationwide curriculum. These experiences proved that quality education could be made accessible to vulnerable groups through the use of technology. With the arrival of the Internet, these experiences should have been relaunched to both improve education quality and fight exclusion. However, Latin American elites chose to leave this fundamental matter to government bureaucrats who seem to believe that the solution is to spend more but not innovate."

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**EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Sept. 9 issue of the Advisor.**

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the project, leading it to be unable to protect people's health and the environment, Reuters reported. It also maintained a fine of more than 7 billion pesos (\$9.2 million) against the company. The South American country's environmental regulator ordered Barrick to close the Chilean part of the project in 2018, but the following March, Chile's Supreme Court canceled the regulator's order for procedural reasons, the wire service reported. In Barrick's statement Friday, Marcelo Álvarez, the miner's executive director for Chile and Argentina, said the company is committed to continued investment in the two countries.

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Pantanal, he is still in denial. His aggressive pro-agrobusiness policies and unfriendly relationship with the indigenous and NGO sectors have resulted in an international campaign against Bolsonaro himself. This central bank announcement is the right move in the 'green' direction, in a world that is increasingly paying attention to financial risks brought by environmental degradation. Understanding that, it is not surprising that the private sector has been encouraging the federal government to move in that direction. As part of the plan, the financial institutions' reports will have to follow the model set by the Task Force on Climate-related Financial Disclosures (TCFD), a market-driven initiative set up to develop recommendations for climate-related financial risk disclosures. More than 20 major Brazilian companies are already following these guidelines, such as Itaú, Bradesco and Natura. There is hope many more will follow. The bank announced the provision of 'sustainable liquidity' credit lines and an increase in credit limits for rural companies and operations that can show they meet high environmental and sustainability standards. Although there are several challenges ahead, it is a good move forward, following the model of many other countries in Europe. Trillions of investment dollars are at stake."

**A** **João Teixeira da Costa, partner at Benchmark Investimentos in São Paulo and co-founder of environmental journalism nonprofit oeco.com.br:** "The central bank's recently announced 'sustainability agenda' is a remarkable set of policies, especially for an agency of the Bolsonaro government. In her speech, Deputy Governor Fernanda Nechio made it clear that the main driver for this initiative was its responsibility as overseer (and guarantor) of the Brazilian financial system's stability. She recognized that increasingly frequent climate shocks 'affect relative prices in the economy, and therefore, may have an impact on our monetary policy

decisions.' She added that 'these same extreme events put the national financial system at risk and may change the demand for currency, physical assets and loan collaterals' values, in addition to bringing high financial costs to our society.' The agenda includes several instruments to increase the transparency of social and environmental

“ **It is not a substitute for a national climate change policy, but it does increase the pressure on the Bolsonaro administration...**”

— João Teixeira da Costa

risks in the Brazilian financial system, a key demand of regulatory partners, investors and creditors, as well as environmentalists. It is not a substitute for a national climate change policy, but it does increase the pressure on the Bolsonaro administration and its allies in the Brazilian countryside. The central bank's regulatory powers over the whole financial system go places ESG investors can only dream about—for instance, agricultural credit. The question, however, is how this agenda fits within Bolsonaro's frankly and explicitly anti-environmental bias. One imagines this policy, originating as it did from the central bank bureaucracy, flew under the radar, but things may change in a hurry once forest-burning ranchers in the Amazon start being denied agricultural credit, for instance. In the meantime, expect more intentional confusion and diversion from the presidency and vice presidency as well as the ministries of agriculture and environment."

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

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2020

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**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

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