

INTER-AMERICAN DIALOGUE'S LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria

Director,
Columbus Group

Genaro Arriagada

Board Member, Banco
del Estado de Chile

Joyce Chang

Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg
Pincus

Alejandro Delgado

Senior Economist for
Latin America, Africa,
the Middle East
& Asia Pacific,
General Motors

Dirk Donath

Managing Director,
Eton Park Capital
Management

Jane Eddy

Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's

Marlene Fernández

Corporate Vice
President for
Government Relations,
Arcos Dorados

Jason Hafemeister

Vice President,
Allen F. Johnson &
Associates

Peter Hakim

President Emeritus,
Inter-American
Dialogue

Donna Hrinak

Vice President,
Global Public Policy &
Gov't Affairs, PepsiCo

Jon Huenemann

Vice President,
U.S. & Int'l Affairs,
Philip Morris
International

James R. Jones

Co-chair,
Manatt Jones
Global Strategies LLC

Craig Kelly

Vice President,
The Cohen Group

John Maisto

Director,
U.S. Education Finance
Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

President,
McLarty Associates

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

José Antonio Ríos

Chief Executive Officer,
Vadium Technology Inc.

Andrés Rozental

President,
Rozental & Asociados
and Senior Fellow,
Brookings Institution

Everett Santos

President,
DALEC LLC

Shelly Shetty

Head, Latin America
Sovereign Ratings,
Fitch Inc.

FEATURED Q&A

How Should the Level of Poverty in Colombia Be Measured?

Q Colombia is among the world's first countries to announce a plan to reduce poverty based on the new Multidimensional Poverty Index, or MPI. The index considers education, health and standard of living. Income poverty is measured separately. Colombia's government has committed to reduce MPI from 30.7 percent in 2010 to 22 percent by 2014. How should poverty be measured? What are the benefits or downsides of the new index? Does Colombia have a significantly bigger problem with poverty than its neighbors? What should a poverty-reduction plan in Colombia consist of?

of deprivations. According to both measurements, the problem of poverty is still far from being solved in Colombia. The most recent figures from the National Planning Department show that the percentage of people with income below the poverty line reached 42 percent in 2010, while 31 percent of the population suffered from multidimensional poverty. At the same time, however, both approaches showed a remarkable progress in recent years; while monetary poverty has dropped 14 percentage points since 2002, multidimensional

Continued on page 3

A Alicia Bárcena, executive secretary of the Economic Commission for Latin America and the Caribbean: "Colombia is one of the few Latin American countries, along with Mexico, to have official poverty figures based on a multidimensional approach, in addition to the more widespread monetary poverty measurements. Having two complementary methods for gauging the extent of poverty is praiseworthy. The traditional monetary method, which defines poverty as the lack of income, is useful to the extent that income is the main means for satisfying a wide array of basic needs. Nevertheless, not all dimensions of welfare may be well represented by income or the lack of it, so the multidimensional approach fills that gap by combining indicators for multiple kinds



Colombian Supreme Court Sentences Spy Chief to 25 Years

Colombia's Supreme Court on Wednesday sentenced the secret service chief under former president Alvaro Uribe, Jorge Noguera, to 25 years in prison for the murder of a university professor. See story on page 2.

File Photo: Associated Press.

Inside This Issue

FEATURED Q&A: How Should Colombia's Poverty Level Be Measured?	1	Brazilian Government Proposes New Oil Sharing Plan to States	2
Latin America's ALBA Group Moves to Block Libyan Rebels from U.N.	2	UK Company Finds More Oil Off Controversial Falkland Islands.....	3
Colombian Supreme Court Sentences Uribe Spy Chief to 25 Years in Prison	2	Venezuela Moves Closer to Pulling Out of ICSID	3

NEWS BRIEFS

Peru's Government Seeking Higher Mining Royalties

Peru's new left-leaning government presented a bill to Congress on Wednesday that aims to increase mining taxes to fund anti-poverty projects, Reuters reported. The plan would replace the current royalty system, which is based on sales rather than operating profits. If approved, mining companies will have to pay a "special contribution" of between 4 percent and 13.12 percent of their profits, according to the report.

Uruguayan Economy Expands by 4.8 Percent in Second Quarter

Uruguay's economy expanded 4.8 percent in the second quarter from a year earlier, the central bank said Wednesday. Gross domestic product climbed 0.5 percent compared with the first quarter of 2011. Uruguay's government forecasts economic growth will slow to 6 percent this year from 8.5 percent in 2010, Bloomberg News reported. Domestic demand grew 8.6 percent. Imports grew by 16.8 percent in the second quarter, while exports fell 4.4 percent.

Mexican President Accepts Credentials of New U.S. Envoy

Mexican President Felipe Calderón on Wednesday welcomed Earl Anthony Wayne, the new U.S. ambassador to Mexico, and seven other new ambassadors to the presidential residence to receive their credentials, EFE reported. Wayne replaces Amb. Carlos Pascual, who resigned in March in a fallout with Calderón after he questioned the capabilities of the Mexican army to fight drug trafficking. Wayne was previously posted in Afghanistan and had been ambassador to Argentina from 2005 to 2009.

Political News

Latin America's ALBA Group Moves to Block Libyan Rebels from U.N.

The left-leaning nations belonging to the Bolivarian Alliance for the Americas, known by its Spanish acronym ALBA, are opposing the transfer of Libya's United Nations member seat to the rebels who ousted Muammar Gaddafi's government, the Venezuelan ambassador said in a letter delivered Wednesday to the new General Assembly president, the Associated Press reported. Ambassador Jorge Valero said in the letter to Nassir Abdulaziz Al-Nasser that foreign ministers of the countries in the ALBA group agree that Libya's United Nations seat should not be occupied by "an illegitimate transitory authority imposed by foreign intervention," according to the report. The seat should not be filled until "a legitimate government is established" that "reflects the free and sovereign will of the Libyan people." Libya's U.N. seat still technically belongs to Gaddafi's government, but opposition leaders who months ago disavowed Gaddafi have continued to staff the country's U.N. mission offices. The General Assembly's new credentials committee had agreed by consensus on Wednesday to recommend that the council get Libya's seat, but the letter of opposition by ALBA increases the likelihood that a formal vote on the matter will be needed, rather than a simple consensus, according to the AP. ALBA's members include Cuba, Venezuela, Bolivia, Ecuador, Nicaragua and several Caribbean nations.



Valero
File Photo: United Nations.

Colombian Supreme Court Sentences Spy Chief to 25 Years

Colombia's Supreme Court on Wednesday sentenced the secret service chief under former president Álvaro Uribe to 25 years in prison on charges

including the murder of a university professor, AFP reported. The court declared Jorge Noguera, the former director of the DAS intelligence agency, guilty of aggravated conspiracy and homicide in the death of Alfredo Correa de Andreis, a professor and activist at the Universidad del Norte in Barranquilla. Andreis was gunned down in 2004 by members of the right-wing Self Defense Units of Colombia (AUC), a terrorist paramilitary organization that has since partially disbanded. The DAS has been accused of harboring paramilitary fighters in its ranks and of illegally wiretapping the telephones of magistrates, politicians and journalists critical of Uribe. A long-time defender of Noguera, Uribe said in a Twitter message on Wednesday, "I nominated him because of his résumé and his family...I trusted him; if he transgressed the law, it pains me and I offer apologies to the citizenry," the *New York Times* reported. Although there are numerous legal cases against other officials pending for similar crimes, this is the first time that a senior official appointed by Uribe has been convicted, AFP reported.

Economic News

Brazilian Government Proposes New Oil Sharing Plan to States

Brazil's government on Wednesday released a long-anticipated plan for sharing oil royalties among states, Reuters reported. The contentious issue has held up government efforts to tap subsalt reserves estimated in the billions of barrels of oil that would turn Brazil into a major oil exporter. President Dilma Rousseff hopes to hold new auctions for deepwater fields by the second half of 2012, the first such offer since 2007. A handful of oil-producing states are vying with non-producing states who say they deserve a share of the proceeds. The administration's proposal would cut the amount of royalty revenue received by the federal government to 20 percent of the total by 2020 from 30 percent under current legislation, while the non-producer states' cut would jump more than ten-fold to 23 percent in the same period, accord-

ing to the report. Henrique Eduardo Alves, a leader of the government-allied PMDB party in the Chamber of Deputies, told reporters Wednesday the proposal would not meet the demands of non-producer states.

Company News

UK Company Finds More Oil Off Controversial Falkland Islands

A British company searching for oil off the Falkland Islands in the South Atlantic says it has made "further significant finds," the BBC reported Wednesday. **Rockhopper Exploration** now estimates there are 350 million barrels of recoverable oil in the field, twice the amount previously estimated. The company expects to start pumping oil by 2016 but needs \$2 billion to develop the field. Argentina claims sovereignty over the islands, which it calls Las Malvinas, and Rockhopper's E&P work has prompted a flurry of diplomatic barbs between Argentina and the United Kingdom. The administration of President Cristina Fernández de Kirchner has intensified a blockade on the islands, which the two countries fought a brief war over in the 1980s, and ceased all collaboration in areas of mutual interest such as fisheries conservation, MercoPress reported last month. While Rockhopper has found success prospecting there, Argentina-based oil company YPF said in July that a deep-water well it drilled off the islands has come up dry, Dow Jones reported. YPF invested about \$150 million to develop the well in an area known as Cuenca Malvinas.

Venezuela Moves Closer to Pulling Out of ICSID

The Venezuelan government is moving closer to withdrawing from the International Center for Settlement of Investment Disputes (ICSID), local daily *El Universal* reported Wednesday. The Ministry of Foreign Affairs has prepared a report outlining steps necessary to pull out of the country's investment protection and promotion agreements. Venezuela is facing suits in ICSID, an

Featured Q&A

Continued from page 1

poverty has fallen by 18 percentage points in a similar period and has almost halved since 1997. The approach of the Millennium Development Goals' 2015 deadline and the country's commitment to its targets should lead to a renewing of efforts toward poverty reduction. Policies for more and better employment and education, and advancing towards a universal basic social protection system will enhance welfare, no matter the differences in the methodologies for its measurement."

A Nora Lustig, nonresident fellow at the Inter-American Dialogue and at the Center for Global Development and Samuel Z. Stone Professor of Latin American Economics at Tulane University: "Colombia is the most unequal country in Latin America and in stark contrast with what happened in the rest of the region, inequality has not declined in the 2000s. So, while the government's initiative to commit to reducing multi-dimensional poverty should be welcomed, one should ask whether these initiatives will make a sufficient dent on income inequality. The government expects inequality to decline with its initiatives as well. However, it is hard to tell whether it will make an acceptable effort. Most countries where inequality (and poverty) declined have implemented large cash transfer programs. Is the Colombian government planning to expand its current programs (or introduce new ones) to reach a similar scale to Bolsa Familia in Brazil or Oportunidades in Mexico? It doesn't seem so. Is the decision to use an MPI to measure progress

right? Nobody questions that deprivations go beyond income. In the last decade, the quest to find sensible multi-dimensional indices has picked up pace, and measurement methodologies and their practical application have blossomed. The MPI's beauty is that it captures poverty as the experience of simultaneous deprivations (for example, the proportion of people who are simultaneously deprived in terms of access to education, water and sewerage and healthcare). However, the MPI also has its pitfalls. When one aggregates dimensions into a single index, one is implicitly accepting trade-offs between dimensions and some of these trade-offs may be unappealing or unrepresentative of society's preferences. How much access to education is one willing to give up for an additional 'unit' of access to healthcare? We need both income poverty indicators and MPIs. Monitoring income poverty and the MPI are complements, not substitutes. And one should give credit to the Colombian government because it has set goals for both. Going back to my initial point, Colombia stands out in terms of income concentration in a region which features the highest inequality in the world. My question to the Colombian government is: how much redistribution does it plan to achieve through its taxes and transfers policy overall?"

A Eduardo Porretti, counselor at the Permanent Mission of Argentina to the United Nations: "Poverty, like development, is a multidimensional phenomenon. The way we measure poverty shapes our perception of reality with further implications in the developmental agen-

Continued on page 4

arbitration body housed within the World Bank in Washington, from private companies worth some \$40 billion, according to the *Financial Times*. **ExxonMobil's** case alone is worth \$7 billion. Last month, steel giant **Tenaris** was the latest company to join the group, initiating arbitration proceedings in ICSID following the nationalization of steel-

maker **Matesi**. President Hugo Chávez said in 2007 that Venezuela would withdraw from the ICSID, but efforts had stalled. Venezuela needs foreign partners to help develop new oil fields to increase output in order to fund domestic spending, and some officials in Caracas have been wary of further eroding the investment climate.

Featured Q&A*Continued from page 3*

da. This perception is based on statistics, that, like labels, are indispensable tools for understanding and interpreting the world. Since money-based indicators (GDP and others) have raised criticism in recent decades—given that they could not identify the 'missing dimensions' of poverty—the work done by the UNDP has been a groundbreaking effort to improve the comprehension of poverty by creating more sophisticated tools to diagnose it. The Human Development Report, which recently included the Gender Inequality Index and Inequality-Adjusted Human Development Index, also features the Multidimensional Poverty Index (MPI). The MPI measures acute poverty, reflecting deprivations of elemental services, exploring the incidence and intensity of deprivations and refining the analysis beyond income parameters. There is a strong relationship between the MPI and Millennium Development Goals, which focus on severe (or extreme, as characterized by the World Bank) poverty. The MPI indicators follow the pattern of the Millennium Development Goal targets, reflecting deprivations in very rudimentary services and core human functioning, which makes clear why the worst MPI performances take place in sub-Saharan Africa and South Asia. That could explain why the performance of

Colombia through MPI still experiences serious challenges to reducing poverty in a region historically characterized by a severe inequality in wealth distribution. As Amartya Sen has argued, the choice of

“The choice of relevant dimensions for any poverty measure is a political decision (based on cultural values), rather than a technical exercise.”

— *Eduardo Porretti*

relevant dimensions for any poverty measure is a political decision (based on cultural values), rather than a technical exercise. Measuring poverty in Colombia—and the Americas—with inadequate tools could lead us to misperceive the real situation, simplifying the complexity of poverty.”

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

Latin America Advisor

See farther than others.

The daily **Latin America Advisor** features a Q&A section to help you plan ahead for developments in the region. Prospective subscribers can email freetrial@thedialogue.org for complimentary preview access.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2011

Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Rachel Sadon

Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

Peter Hakim, President Emeritus

Katherine Anderson, V.P., Finance & Administration

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Senior Fellow

Margaret Myers, Director, China and Latin America Program

Manuel Orozco, Director, Remittances and Development Program

Tamara Ortega Goodspeed, Senior Associate, Education

Marifel Pérez-Stable, Senior Fellow

Jeffrey Puryear, Vice President, Social Policy

Viron Vaky, Senior Fellow

Latin America Advisor is published every business day, except for major U.S. 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

Subscription Inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.