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FEATURED Q&A

Have Gov't Housing Programs in the Region Failed?



Latin American governments have been increasingly focused on urban slums, Vanda Felbab-Brown says below. Caracas' Petare slum is pictured above. // File Photo: The Photographer, via Creative Commons.

Q Some 113 million people in South America, or nearly one in five, live in slums, according to a report last year by TrustLaw. The figure was cited by Zurich Insurance in its latest Global Risk Report as an example of the high risks presented by failed national governance in Latin America. Have government housing policies in Latin America been a failure? What political and economic forces in the region are affecting the implementation of effective housing policies? Where have such policies succeeded, and where have they fallen short? What role can the private sector play in addressing the housing problem?

A Vanda Felbab-Brown, senior fellow at The Brookings Institution: "After decades of neglect, Latin American governments are increasingly focused on urban slums. What often spurs their policy interventions is a desire to counter violent criminality leaking out from poor marginalized slums controlled by gangs into city centers the better-off residents want to keep safe. But tackling the socioeconomic dynamics of slums—the trap of poverty, discrimination, lack of public goods and social services and rule by nonstate actors—is not only complex, but also costly. Governments, elites and middle classes tend not to want to spend resources on slums. Effective policies have to be sustained for decades, and political will and tax revenues for such complex state-building are frequently scarce. Focusing on a discreet intervention—providing low-cost housing—becomes tempting. Rarely is it sufficient. The condition of the buildings alone is not what makes a

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TODAY'S NEWS

ECONOMIC

Mexico's Money Transfers Grow 18.8% in January

Mexicans sent more than \$932 million back home during the first month of the year.

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BUSINESS

Brazilian Police Arrest Facebook Executive

Authorities arrested Diego Dzo-dan, a Facebook vice president, after the company did not turn over information a judge had requested as part of a drug trafficking investigation.

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POLITICAL

Venezuelan Justices Strip Assembly of Court Oversight

Venezuela's Supreme Court stripped the National Assembly of court oversight powers, barring it from investigating President Nicolás Maduro's appointment of 13 justices last December, just before the Assembly came under opposition control.

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Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuelan Justices Strip Lawmakers' of Oversight Powers

Venezuela's Supreme Court on Tuesday issued a ruling stripping the National Assembly of its authority to remove high court justices and also barred lawmakers from investigating the appointments of several justices that were rushed through the legislature before it came under opposition control, Agence France-Presse reported. The Supreme Court's constitutional panel ruled that the National Assembly has oversight over the executive branch, but not over the courts or electoral bodies. Last December, just days before Christmas, the outgoing National Assembly approved President Nicolás Maduro's appointment of 13 new Supreme Court justices. The move happened several days before the opposition took control of the legislative body in early January. Opposition members have said some justices were forced to quit, the Associated Press reported.

ECONOMIC NEWS

Mexico's Remittances Grow 18.8 Percent in January

The amount of money Mexican workers sent home from abroad grew 18.8 percent in January as compared to the same month last year, El Universal reported Tuesday. According to new central bank data, remittances surpassed \$932 million in January, surprising market analysts who were disappointed by relatively flat growth in money transfers in December. Measured in local currency, remittances grew "a very high" 45.5 percent in January as compared to the year before, Goldman Sachs analyst Alberto Ramos said in a research note Tuesday. The Mexican peso has fallen in value over the past year by some 30 percent, from about 15

pesos per dollar a year ago to nearly 19 pesos this week. Combined with low inflation, the lower value of the peso is giving recipients a strong boost in real purchasing power, a positive development for private consumption trends among low-income families that make up the overwhelming majority of recipients, according to Ramos. Total remittances sent home in 2015 exceeded \$24 billion, the central bank said. According to a survey released Tuesday by American Express and CFO Research, Mexico ranks second in the world among countries surveyed for economic optimism. Seventy-nine percent of Mexicans surveyed said they expect economic expansion in their country this year, behind only India, with 86 percent.

BUSINESS NEWS

Brazilian Authorities Arrest Facebook VP Over Info Request

Brazilian federal police arrested a Facebook executive on Tuesday after the company did not turn over information from a WhatsApp messaging account a judge had requested as part of a drug trafficking investigation, The New York Times reported. Diego Dzodan, a Facebook vice president, was taken into what Brazilian authorities call "preventive prison," which usually lasts a week but can be



Dzodan // File Photo: Facebook page of Diego Dzodan.

extended, federal police said in a statement. This is not the first time Facebook, which owns WhatsApp, has run into trouble with the Brazilian judicial system. Three months ago, another judge ordered a temporary shutdown

NEWS BRIEFS

Samarco Mineração to Pay at Least \$5 Billion to Brazil Over Dam Spill

Brazilian miner Samarco Mineração is expected to sign a deal today with the government to pay at least 20 billion reais (\$5 billion) over 15 years to settle a suit for damages caused by a lethal waste dam spill at a mine in November, a government source told Reuters on Tuesday. A joint venture between Vale and BHP Billiton, Samarco is accused of causing Brazil's worst environmental disaster ever. Police in Brazil last month said they will seek charges of "qualified homicide" against the company in connection with the deaths of 19 people in the dam burst's aftermath.

Cuba's Government Reports First Case of Zika

Cuba's government today reported its first case of the mosquito-borne Zika virus, according to Reuters. A 28-year-old Venezuelan doctor whose husband and brother-in-law previously contracted the virus in their home country is now also recovering from Zika, which is suspected of causing birth defects. The patient arrived in Cuba on Feb. 21 to take a post-graduate course in medicine. The virus is spreading across the Americas. Puerto Rico now has 117 confirmed cases of Zika, four times the number at the end of January, the U.S. Centers for Disease Control said last Friday.

Chile's ENAP Begins \$5 Mn Maintenance Job

Chile's ENAP announced that it will begin a \$5 million maintenance project at its Bío Bío oil refinery, Reuters reported today. The state oil company's Bío Bío facility is one of two major refineries in the country, which imports nearly all of its fuel. The company said the 64-day project should improve the refinery's efficiency, adding that the project it is not expected to affect Chile's fuel supply.

of WhatsApp over a similar case. An appeals court quickly overruled the shutdown. The Sergipe court, where the criminal case connected to Dzodan's arrest was filed, said it had given Facebook three chances to provide the requested information. Facebook said Tuesday it was "disappointed with the extreme and disproportionate measure of having a Facebook executive escorted to a police station in connection with a case involving WhatsApp," adding that "Facebook has always been and will be available to address any questions Brazilian authorities may have." It is not clear if WhatsApp will be able to give the Sergipe court the information it needs, as WhatsApp does not store its messages, and increasingly has end-to-end encryption. "WhatsApp cannot provide information we do not have," the messaging service said in a statement about the Brazilian authorities' decision to arrest Dzodan. [Editor's note: See related [Q&A](#) in the Jan. 25 issue of the Advisor.]

Scotiabank Sets Aside Higher Provisions for Bad Oil Sector Loans

Bank of Nova Scotia, also known as Scotiabank, said Tuesday it had set aside more funds to cover bad loans in the oil and gas sector, warning of more bad loans to come as the price slump continues to cripple the oil and gas sector, Reuters reported. The bank's funds set aside for credit losses rose 16 percent in the quarter that ended Jan. 31, to \$399.94 million. "We expect there to be additional provisions for some of our loans in the energy sector," Chief Executive Brian Porter told analysts. During the quarter, Scotiabank had downgraded 10 percent of its energy portfolio, mostly in the exploration and production sector, with nine names on the "watchlist" of potentially higher-risk loans, according to Scotiabank Chief Risk Officer Stephen Hart. Oil prices reached a 12-year low in January, putting pressure on Canadian banks' clients and causing some to default on their loans. Scotiabank has the biggest direct exposure to the oil and gas industry of all Canadian banks.

THE DIALOGUE CONTINUES

What Challenges Face Jamaica's Holness?

Q **The opposition Jamaica Labour Party, led by Andrew Holness, last Thursday won the country's parliamentary election, narrowly defeating incumbent Prime Minister Portia Simpson-Miller's People's National Party. During Simpson-Miller's four-year tenure in her latest stint heading the government, Jamaica's economy returned to growth, and inflation fell to a 48-year low under an at-times contentious IMF austerity program. Was Holness' victory a big surprise? Did voters turn against Simpson-Miller and her party, or did Holness' message resonate more with the electorate? What does the relatively low voter turnout in the election say about the strength of Holness' mandate? What are the most pressing tasks and challenges facing his government?**

A **Paget deFreitas, editor of overseas publications of the Gleaner Company and editorial writer for the Gleaner and Sunday Gleaner:** "Perhaps the larger question from Jamaica's general election is what the results say or imply about Andrew Holness and his Jamaica Labour Party (JLP). Context is important in determining this. A mere 48 percent of the island's more than 1.8 million voters turned out, five percentage points lower than when Jamaicans last voted in 2011. In a first-past-the-post electoral system, Holness' party, at the latest count, has won 32 of the 63 parliamentary seats, with 50.1 percent of the popular vote. Only 4,000 votes separated the two big parties. As it stands, Holness will govern with a one-seat majority. At 43, Holness is 27 years younger than Portia Simpson-Miller, whose People's National Party (PNP) government for the past four years administered an IMF-backed economic reform program, which, while reducing the country's debt-to-GDP ratio and stabilizing the macro-economy, has been painful to peo-

ple. Swathes of PNP supporters may have been disillusioned. Under the circumstances, it might have been expected that the opposition, with its ongoing criticism of IMF austerity, would have had a relatively easy path to victory. The JLP did gain nine seats, but the momentum by which it eked out the

“ Swathes of PNP supporters may have been disillusioned.”

— Paget deFreitas

victory seemed largely to have come late in the campaign with its promise to eliminate personal income tax for people earning up to \$12,400, removing 120,000 Jamaicans from the tax roll. Holness' party is notoriously fractious and his razor-thin majority could therefore be problematic. Then there is the IMF, associated foreign financial institutions and the domestic private sector, which have largely praised the PNP's economic management. They will be concerned that the JLP's tax promise and other spending plans might undermine the reform program, just when it's showing signs of bearing fruit. Holness has said that he will honor the IMF agreement, maintain fiscal discipline and generate growth. If the election numbers are anything to judge by, a huge chunk of the electorate remains skeptical. Holness' government has a tough job ahead. It's hardly surprising that his first post-election meetings were with the IMF representative in Jamaica and private sector leaders."

EDITORS NOTE: The comment above is a continuation of the [Q&A](#) published in Tuesday's Advisor.

FEATURED Q&A / Continued from page 1

slum a slum. Moving residents from slums to better low-cost housing has encountered systematic challenges not just in Latin America, but also in other places where it has been tried, such as Kenya. Instead, policies need to focus on broader community dynamics, including public safety, legal job creation with sufficient income, human capital development and robust connectivity of slums to economically-thriving areas, something residents of the latter often don't want. Paradoxically, real estate dynamics can have pernicious effects. If broader pacification does take hold and public safety in slums increases, some slum areas can become desirable real estate with vast development possibilities. Developers may well seek to buy the land by offering 'better' low-cost housing to slum residents to get them to move. Since many slum residents do not have title to their residences, forced displacement also occurs, albeit under the cloak of being nice to the poor. Instead of being limited to the provision of alternative residences, policies to address slums need to be about inclusion, economic growth, safety and connectivity of slums with the thriving city parts, and accountability of city-governance authorities."

A César P. Bouillon, principal economist in the Office of Evaluation and Oversight at the Inter-American Development

Bank: "The causes of the housing ills of our region are complex and multidimensional, including explosive urban growth fueled by the massive waves of migration, poverty, poor urban planning, low investment in infrastructure, underdeveloped mortgage markets, high labor informality and well-intended housing policies that unfortunately failed to tackle the complex causes of the housing problem. Policy and regulatory

change are now priorities. Slums are just one of the symptoms of our housing ills; congestion, pollution, and low quality of life are hallmarks of the region's big cities. Policies need to expand focus to take the



Slums are just one of the symptoms of our housing ills..."

— César P. Bouillon

importance of neighborhood location, access to urban amenities, urban form, density, and segregation into account. These factors are a result of how well housing markets function—or fail to function—from how land is developed and serviced to the way homes are built. This new approach departs from the traditional focus on home attributes and leads to a more complete understanding of how housing influences the quality of life in an urban setting. National and city governments spend significant resources on public housing programs and subsidies. Improving their effectiveness necessarily implies piloting and evaluating innovative solutions to expand the range of tools to address the housing needs of the poorest households. Fortunately, many efforts are ongoing as policymakers and practitioners become more and more aware that focusing more attention and resources on low income housing is a win-win for our cities, generating income, employment and growth and improving the lives of the poorest Latin Americans."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org

**Michael Shifter**, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

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Phone: 202-822-9002

Fax: 202-822-9553

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Subscription Inquiries are welcomed at
freetrial@thedialogue.org

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