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FEATURED Q&A

What Should the Next President of the IDB Prioritize?



Reina Irene Mejía, interim president of the Inter-American Development Bank, congratulates Ilan Goldfajn on his election Sunday. // Photo: IDB.

Q Brazil's candidate to lead the Inter-American Development Bank (IDB), Ilan Goldfajn, won Sunday's election in the first round of voting. A former central governor and currently the head of the Western Hemisphere Department at the International Monetary Fund, Goldfajn had strong backing from the United States, which holds the most votes in the institution and is its largest financial contributor. What factors contributed to Goldfajn's victory, and what attributes does he bring to the job? How might Goldfajn, 56, reshape the multilateral lender, and what should he prioritize for his five-year term? What will be his biggest challenges when he takes office next month?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "The new IDB chief is exceptionally well-qualified and will bring considerable management experience to the bank. He is also widely respected across the ideological spectrum. Although nominated by Brazil's extreme right-wing president, he was endorsed by key figures in the newly-elected-president Lula's transition team. Yes, Goldfajn would have welcomed a stronger endorsement from Lula himself, but there were few serious objections to his candidacy. Still, while it appeared flawless, the selection process should be reassessed. Rather than leaving the choice entirely to national governments, an independent board might do a better job of reviewing potential candidates. More importantly, the United States should not be commanding 30 percent of the vote. Yes, Washington is the bank's largest contributor, but that is no reason to give the United

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TODAY'S NEWS

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Colombia, ELN Begin Peace Talks

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ECONOMIC

Lower Growth, Yet No Recession Next Year: OECD

OECD Secretary-General Mathias Cormann said today the world can expect slower growth in 2023 than forecast six months ago, yet global recession will be avoided. Major economies in Latin America saw their growth outlooks dim in the organization's latest report.

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Cormann // File Photo: OECD.

POLITICAL NEWS

Colombia, ELN Begin Peace Talks, Ending Three-Year Stall

Peace talks between the Colombian government and the National Liberation Army (ELN) rebel group resumed on Monday after more than three years of halted negotiations, BBC News reported. Gustavo Petro, Colombia's first leftist president in modern history, aims to end nearly 60 years of conflict with the group in order to achieve "total peace." The ELN, initially a Marxist movement, has about 2,500 members, and the group is accused of getting funds through drug trafficking, cattle smuggling and illegal mining. Along with Venezuela, which is hosting the talks, Cuba and Norway have agreed to act as co-sponsors of the peace process, according to the report. In a joint declara-



Ramírez Pineda // File Photo: Ecuadorean Government.

tion, the delegates affirmed Monday that they had gathered to restart political dialogue "with full political and ethical will, as demanded by the people of rural and urban territories that suffer from violence and exclusion, and other sectors of society," according to the Associated Press. They added that they are willing to "build peace based on a democracy with justice." Israel Ramírez Pineda, an ELN leader also known as Pablo Beltrán, in a statement said the group in this negotiating effort aims to produce "fundamental changes" as demanded by the Colombian people during massive demonstrations in 2021 and in polls this year by electing Petro, the AP reported. Petro, who championed social justice during his successful campaign, marked his first 100 days in office last week.

[Editor's note: See related [Q&A](#) in the Nov. 15 issue of the Advisor.]

Mexico Could Cancel Pacific Alliance Mtg. Over Peru Exclusion

Mexican President Andrés Manuel López Obrador said Monday it was likely that this week's Pacific Alliance summit would be canceled in light of Peru's congressional refusal to allow embattled leftist President Pedro Castillo to travel for the event, Reuters reported. The leaders of Mexico, Peru, Chile and Colombia were scheduled to gather later this week in Mexico City. "It's very probable that the meeting between the Alliance countries will be canceled, that it will be postponed," López Obrador told reporters. Peruvian legislators, mostly from the opposition, argued that Castillo's trip to Mexico was not convenient while a corruption investigation is ongoing. Also on Monday, Argentine President Alberto Fernández, who was intending to attend the summit as a guest, canceled his participation, citing health issues. However, local media in Mexico speculated that the reason behind his decision was Argentina's backing of a Brazilian candidate as president of the Inter-American Development Bank in Sunday's election, instead of Mexico's nominee, *El Universal* reported.

ECONOMIC NEWS

OECD Sees Lower '23 Growth, Although No Global Recession

The Paris-based Organization for Economic Cooperation and Development said today that the world economy will grow 3.1 percent this year and that a global recession will likely be avoided next year, OECD Secretary-General Mathias Cormann said. "But this is a very, very challenging outlook, and I don't think that anyone will take great comfort from the projection of

NEWS BRIEFS

Guyana: World Bank Debars Consultant Over Violations

The World Bank has announced a three-year debarment with conditional release of an individual consultant in connection with a corrupt practice as part of the lender's Petroleum Governance and Management Project in Guyana, *Stabroek News* reported today. Carlos Barberán Díez, a Spanish national, and his controlled companies are now ineligible to participate in projects and operations financed by institutions of the World Bank Group. Barberán Díez has acknowledged culpability for an underlying sanctionable practice. He has agreed to meet integrity compliance conditions in order to be released from debarment.

Gov. of Paraná Takes Steps to Privatize Brazil's Copel

The government the state of Paraná, which controls Brazilian power company Copel, plans to take measures that would privatize the state-run utility, *Folha de S.Paulo* reported Monday. Governor Ratinho Júnior had announced his intentions to take steps to limit state ownership to 15 percent, according to the report. In reaction to the news, Copel's shares closed up 23 percent in trading on Monday.

MFS Investment Opens Office in Montevideo

Boston-based financial firm MFS Investment Management said Monday it is opening of a new office in Montevideo, Uruguay. The office will be home to the company's sales and support staff serving the Southern Cone region. Originally founded in 1924, MFS has been operating in Latin America for more than 35 years with offices in Miami and Santiago, as well as a focus on Argentina, where it has had deep and longstanding relationships, according to José Corena, managing director for the Americas for MFS.

2.2 percent global growth” for 2023, he added. Most major economies around the world saw their growth forecasts dim slightly in today’s report, as compared to the OECD’s estimates made in June. In Latin America, Brazil’s outlook fell by 0.4 percent, to 0.8 percent growth for 2023. Mexico’s fell 0.6 percent since June to 1.5 percent for next year. Meanwhile, Argentina’s outlook fell the most among the three, at 1.5 percent, to growth of just 0.8 percent next year. “The macro picture in Latin America is far from settled and balanced,” Goldman Sachs economist Alberto Ramos said Monday. “Throughout 2023, we expect Latin America to undergo a challenging transition from peak-growth to sub-trend growth, from peak-inflation to more moderate but still significantly above target levels, and from peak rates to slightly lower nominal policy rates,” he added.

BUSINESS NEWS

Atlas Renewable Energy Inaugurates Mexico Solar Plant

Miami-based Atlas Renewable Energy announced Monday that its La Pimienta solar plant has become fully operational. Located in the state of Campeche, the plant has a capacity of 300 megawatts, making it the second-largest solar plant in the nation. The plant will supply energy to Mexican state-run power company CFE under a 15-year contract to power the Yucatan peninsula. La Pimienta, which will generate about 789 gigawatt hours annually, is composed of more than a million solar panels. The plant was backed with investments from the Inter-American Development Bank (IDB), National Bank of Public Works and Services (Banobras), MUFG Bank, Sumitomo Mitsui Banking Corporation (SMBC) and Société Générale. The construction of La Pimienta created over 1,000 jobs, which included training for 355 local women in technical skills, raising female representation for this type of project from a traditional 2 percent to 15 percent during the construction.

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States the right, in practice, to determine the bank’s president. Goldfajn’s first task will be to provide serious, professional leadership for an institution that has been damaged in its morale, reputation and practice by poor management in recent years. The bank has many crucial roles to play in the economies of Latin America and Caribbean, far too many to discuss here. But one particularly important challenge, which has been routinely ignored or poorly executed in recent years, is helping to build closer trade and economic ties among Latin American nations and between Latin America and the United States and Canada. That is no easy task, particularly given the many failures of hemispheric cooperation (recently and strongly illustrated in the fight against Covid) and continuing political and ideological divisions among the region’s countries. Successful coordination will mostly depend on sustainable, mutually agreed-on economic policy reforms in many Latin American nations, along with more stable and equitable growth across the region. It will also require substantial additional funding for the IDB from its wealthiest members, the United States, Canada, China and Europe.”

A **Isabel Saint Malo, former vice president and foreign minister of Panama and a current fellow at Harvard University’s Advanced Leadership Initiative:** “The decisive 80 percent of the votes given to President-elect Goldfajn are a clear mandate for him to lead amidst clear structural challenges faced by the region. Moving forward, Goldfajn will need to lead the organization in its dual capacity as a development agency and a financial institution. The financial limitations faced within the framework of slow growth, inflation and war will require the IDB to mobilize the global north and generate the fresh resources the region needs. The support he has received from the United States and Canada will be instrumental in this respect. Further, he will need

to guide the IDB towards the Sustainable Development Goals, to which the world is committed as the umbrella for advancement. As a financial institution, the new president will need to work towards the expansion of capital, debt relief through restructuring or other innovative financial mechanisms, as well as the generation of new projects. The incoming president will face the structural problems that have been present in the region for decades and are made worse by the pandemic: education, employment, and governance. Given growth forecasts of 1.7 percent in 2023 with high levels of inflation, the IDB could play a transformational role in supporting its borrowing member countries, partnering with governments to deliver on progress for their citizens. While for the first time a Brazilian is elected to preside over the IDB, Goldfajn was elected amid clamor for a woman to lead the organization for the first time. While this did not happen, he does have an opportunity to advance gender parity within the organization. While the IDB has for decades promoted gender equality within the private sector in LAC, parity within the IDB does not exist. Currently three of the bank’s vice presidents are male and 21 out of 27 managers are male. Latin America and the Caribbean are home to many women with the knowledge, capacity and a proven track record needed to run the IDB. It is time to invite them to join and form a 50/50 cabinet to support his efforts as the bank’s new president.”

A **Rubén Olmos, CEO of Global Nexus in Washington:** “The strong election result of Goldfajn sends a clear message that it is time to put behind the tumultuous last couple of months at the Inter-American Development Bank and move forward amid a critically important moment in the region as it tries to recover from the pandemic and become more competitive globally. Goldfajn has the private and public sector credentials to become the bank’s seventh president and

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lead it towards a new forward-looking stage taking into account the regional political complexities and social necessities. When he starts his tenure in December, he will need to assemble a solid and balanced team and immediately address institutional challenges, including employee morale and negotiate with the countries that supported his election new priorities, including increasing the bank's capitalization. As he was presenting his candidacy, he spoke about key objectives, such as fighting inequality and food insecurity, addressing climate change and investing in physical and digital infrastructure. It will also be important to strengthen the dialogue with the private sector in the region and fix any disagreements with countries that did not support his candidacy, including Mexico."

A **Claudio M. Loser, former head of the Western Hemisphere Department of the International Monetary Fund:** "Ilan Goldfajn's election as president of the bank is a victory of collective wisdom, and a good omen for the future of the institution and the region. After a thorny period for the bank under Mauricio Claver-Carone, Goldfajn brings impeccable professional and personal credentials. A brilliant academic, he carried out great real-world jobs, as president of the Central Bank of Brazil and too short a stint as head of the IMF's Western Hemisphere Department. He has the substantive, political, and administrative savvy to become a strong president. His job will not be easy, as Latin America and the Caribbean have lagged behind the rest of the emerging world, in terms of economic growth and innovation. His support by most shareholders provides optimism for his future work, which will necessarily be one of reinvention of the institution. With outstanding lending of more than \$110 billion, it is the paramount multilateral development institution of the Americas. The work ahead is complex, though. While maintaining the commitment to develop the infrastructure

of the State, fighting climate change, and seeking equality, the bank needs to become a stronger partner with the private sector, as the true motor of growth, even if some governments may not like the new orientation. But the bank needs to move forward to avoid falling into complacent status-quo. Only a renewed bank, attuned to the challenges of mid 2000s, will be a relevant protagonist to embark in a prosperous and just future for Latin America."

A **Bruno Binetti, PhD candidate at the London School of Economics:** "There were several reasons for Goldfajn's decisive victory.

First, he is a technocrat with vast experience in multilateral and national financial institutions and a pragmatist who can work with governments of different ideologies, the exact opposite of Mauricio Claver-Carone. Second, Goldfajn was nominated by Jair Bolsonaro but got the tacit endorsement of president-elect Lula, which proved decisive to rally Argentina and other leftwing governments behind the candidate. Third, Mexico changed its candidate at the last minute and suffered from the relative isolation of President López Obrador, especially now that Lula offers a more appealing leadership within the left. Goldfajn's most urgent task is to restore the credibility and reputation of the IDB's presidency not just in the hemisphere but among the bank's own staff, which has become demoralized under Claver-Carone's politicized and unprofessional management. The new president will need to set up more transparent and rigorous human resources practices and present a vision for the future of the IDB that transcends narrow political agendas. In the longer-term, the IDB should concentrate on areas where it can make a difference, such as infrastructure and climate change, and support sound and ambitious projects that lack public or private financing. To do so, Goldfajn will need to work with the U.S. Congress to approve a capital increase and ensure the bank has the firepower it needs."

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