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Colombia's US Ambassador Moreno to Head IDB
by LADB Staff
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The race to name a new head of the Inter-American Development Bank (IDB) ended more quickly than analysts had expected, with Colombian candidate Luis Alberto Moreno winning a strong majority from member nations. Moreno replaces Uruguayan IDB president Enrique Iglesias, 75, who ran the world's largest regional lending institution for the past 17 years. Moreno's success is a gain for the US, which backed the official's bid to become the IDB's fourth president in 46 years.

US favorite to head world's largest regional lender

Moreno served the past six years as Colombia's ambassador to Washington, DC, appointed by former President Andres Pastrana (1998-2002). Moreno was one of Pastrana's closest advisers, in addition to being a former manager of a Pastrana family business, TV Hoy. He was president of the state Instituto de Fomento Industrial (IFI), Colombia's main governmental financial corporation, and later worked as development minister in the government of former President Cesar Gaviria (1990-1994).

Not only was Moreno US backed, he was also US born. Born in Philadelphia 52 years ago, the business administrator and economist later renounced his US citizenship. He took on the ambassadorship to the US in 1998, where his most important work was securing funding from the US Congress for Plan Colombia, an antinarcotics and anti-insurgency program. He also played a key role in renewing and broadening the Andean Trade Preference Act (ATPA) in 2002 and in promoting free-trade talks between the US and Andean countries (see NotiSur, 2004-12-17).

Moreno had to win two elections to take over the IDB presidency. He needed to win at least 15 votes from the 28 IDB member nations 26 Latin American countries that the bank lends to along with the US and Canada. He also needed to gain support from the bank's 47 partner nations, with voting power distributed according to their holdings in the bank. Moreno came away from the closed-door vote with 20 of 28 member nations and 60% of the shareholder nations supporting him.

The US's control of nearly one-third of the IDB's capital played a key role in the 60% support from shareholder nations. The top shareholders in the bank include the US with 30% of the shares, Brazil and Argentina with 10.7% each, Mexico with 6.9%, and Venezuela with 5.8%. The bank has made US $100 billion in development loans to Latin America and the Caribbean since its inception.

The first president of the bank was Felipe Herrera from Chile (1960-1971), followed by Mexico's Antonio Ortiz Mena (1971-1987). Iglesias was the third to take the post in 1988, at the end of the "lost decade" when Latin American countries went through a debt crisis that caused explosive levels of inflation and economic deterioration. He was re-elected to office three times in 1993, 1998, and 2003.
Moreno had four competitors in the race: Brazil’s candidate, Joao Sayad, currently the bank’s number-three official; Peruvian Finance Minister Pedro-Pablo Kuczynski; Venezuela’s finance minister from 1999-2001 Jose Rojas; and Mario Alonso, Nicaragua’s Central Bank president.

Colombia's Foreign Affairs Ministry said that Central and North American countries supported Moreno's presidency bid, along with European partners in the IDB and three South American countries Ecuador, Paraguay, and Uruguay. The vote was held in secret, but analysts said the votes against Moreno probably came from Venezuela, Brazil, Argentina, Bolivia, Suriname, Haiti, Chile, and Peru.

Colombian President Alvaro Uribe said that the election of Moreno could not be seen as a sign of differences between Colombia and Brazil. "This was an example of a very strong campaign and a weak opposition," said Peter Hakim of the Inter-American Dialogue, a Washington-based think tank. "Brazil didn't make a strong case for its candidate and Venezuela never had a chance."

The vote in Moreno's favor was a win for the US, a contrast to Washington's recent failure to successfully push through any of its favorites in the contest to head the Organization of American States (OAS). The moderate Chilean socialist Jose Miguel Insulza won that race after the two candidates the US would have preferred failed to gain adequate hemispheric support (see NotiCen, 2005-04-14, NotiSur, 2005-05-06).

Managing billions in debt and loans "It is a great honor for me," said Moreno after his election. "It is a very great honor for Colombia, and I am immensely grateful to President Alvaro Uribe and all his government." Moreno said that the IDB "has some very important challenges before it around the issues of social cohesion and poverty" and that it should help fulfill the Millennium Development Goals (MDG) set by the UN to reduce poverty in developing nations.

In October, Moreno will take charge of the IDB, the region's main source of multilateral financing for economic, social, and institutional development projects, as well as for regional trade and integration programs. Resources for the bank come from member-nation contributions, loans obtained on financial markets, funds the institution administers, and money from the repayment of loans.

Moreno's home government, Colombia, currently has a US$5 billion debt with the IDB. The Bogota government announced in April that it expected to pay off an emergency credit of US$1.25 billion to the IDB, thereby saving the country US$115 million in interest during the next three years and reducing its debt by 25%. But the outlook for other countries' portfolios may not be as sanguine.

Among the challenges Moreno will face will be managing problematic loan packages with countries like Guatemala, where a recent IDB oversight report found that the Central American country has the bank's worst portfolio and is a morass of failed projects (see NotiCen, 2005-07-28). Guatemala currently holds US$876.4 million in outstanding loans to the IDB, an average of 64% of all multilateral loans to the country between 1993-2003. The loans were mainly for projects related to economic growth in the energy and financial sectors and in foreign-trade promotion.
Some critics, including a former chief economist at the International Monetary Fund (IMF), have questioned lending banks' current economic-development models. Kenneth Rogoff, retired chief economist for the IMF, has called for multilateral institutions to abandon loans in favor of grants, since loans create a debt cycle that keeps developing countries like Colombia, Ecuador, and Guatemala cyclically dependent on international funding and creditors (see NotiSur, 2004-09-03, NotiCen, 2005-06-23).

**Ex-President Pastrana takes over US embassy**

After Moreno's win at the IDB, President Uribe offered the US ambassadorship to ex-President Andres Pastrana, who accepted the position. Uribe is preparing to run for re-election and needs support from Pastrana's Partido Conservador to consolidate his electoral status. But Pastrana has said he will continue to oppose Uribe's push to change the Constitution so he can seek a second consecutive term, even as he works for the Uribe administration. Colombia's Congress has approved the change (see NotiSur, 2005-02-11) but Uribe is still waiting for final court approval so he can announce his 2006 candidacy.

Pastrana was a major architect of Plan Colombia, the package of mostly military and herbicidal-fumigation assistance to Colombia from the US Congress. Since Pastrana and US President Bill Clinton (1993-2001) implemented the plan in 1998, the US has sent about US$4 billion to Colombia, although the success of coca eradication is dubious at best (see NotiSur, 2005-04-08).

Moreno, as ambassador throughout the Plan Colombia period, quietly gathered support for the program that makes Colombia the largest recipient of US military aid in the hemisphere and third-largest worldwide.

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