Finance Minister Central Bank Governor Debt Manager

Global Markets Latin America 2020 Awards

Finance Minister of the Year
Richard Martínez,
Ecuador

Central Bank Governor of the Year
Mario Marcel Cullell, Chile

This year's winners in other regions

South Asia
Nirmala Sitharaman, India
Fazle Kabir, Bangladesh

East Asia Pacific
Sri Mulyani Indrawati, Indonesia
Yi Gang, China
Luky Alfirman, Indonesia

MENA
Mohammed al Jadaan, Saudi Arabia
Ziad Fariz, Jordan
Fahad Al-Saif, Saudi Arabia

SUB-SAHARA
Tito Mboweni, South Africa
Ernest Kwamina Yedu Addison, Ghana

CEE
Tadeusz Kościński, Poland
Elvira Nabiullina, Russia
Yuriy Butsa, Ukraine

Debt Manager of the Year
Herman Kamil, Uruguay

Photo of Cullell courtesy Banco Central de Chile/ IMF Photograph/Ryan Rayburn

Latin America Finance Minister of the year

RICHARD MARTÍNEZ, ECUADOR

Against all the odds, a debt restructuring and IMF programme in record time

Richard Martínez faced a painful decision in March.

With Covid-19 and plunging oil prices crippling a desperately tight public purse, Ecuador's dollarised economy was running out of options as a $325m bond maturity loomed. Facing down extreme political pressure, Martínez paid up.

By avoiding default, Ecuador ensured the arrival of billions of dollars from multilaterals to keep the country going during the crisis. It also laid the way for a remarkably swift debt restructuring.

First, Ecuador received overwhelming bondholder approval to delay coupons, buying time for more comprehensive negotiations on its $17.4bn bond stock.

"It was a difficult and painful decision in the middle of a pandemic, but we paid, achieved the coupon waiver, and clinched multilateral funding," Martínez tells *GlobalMarkets*. "We knew the importance of a positive relationship with the market."

Jan Dehn, head of research at Ashmore, an important Ecuador bondholder, says that this administration had always been very credible.

"Rather than pretend it didn't have a problem, Ecuador contacted bondholders to show them the numbers," says Dehn. "The message was: we simply cannot pay, but can we reach an agreement that's in our mutual interests?"

Bondholders told *GlobalMarkets* that Ecuador under Martínez was a tough but fair negotiator, and — in record time — Ecuador had a deal with a majority of bondholders that promises more than $10bn of payment relief in the next four years.

Photo of Martínez courtesy Ministry of Economics and Finance Ecuador

"Richard Martínez did not have many policy options when the Covid-19 shock hit, but Ecuador restructured its debt while preserving the goodwill of the markets," says Alberto Ramos, head of Latin America economics at Goldman Sachs.

Moreover, Ecuador "maintained a very constructive relationship with the IMF, despite very difficult governability conditions", says Ramos.

This allowed Ecuador to clinch an IMF deal that surpassed all expectations in August, with the Fund — unusually — granting exceptional access despite looming presidential elections.

Martínez managed all this under acute political pressure, but analysts say that whoever wins February's vote will under no circumstances be able to claim that external debt payments are a burden. Ecuador has a good chance of pulling through.

"We achieved enough fiscal space for Ecuador to grow and continue with reforms," says Martínez. "By not falling into default, we sent a message to society that a good payer can go places in life, and we believe we can break the cycle [of Ecuador being a serial defaulter]." — *Oliver West*

Central Bank Governor of the Year, Latin America

MARIO MARCEL CULLELL, CHILE

Well-earned credibility allows bank to broaden policy toolbox amid series of shocks

As the crisis management capabilities of central banks everywhere are tested, Chile has had a particularly challenging ride.

When Covid-19 battered financial markets in March 2019, Banco Central de Chile had already earned plaudits for calming markets amid unprecedented social unrest in October and November 2019.

This scenario "was particularly challenging because it was so unexpected, and arrived with such speed and violence", says the bank's governor, Mario Marcel Cullell.

Then came Covid-19, but this was not the end of the volatility: in July a bill was passed to allow Chileans to withdraw 10% of their pension savings.

"Chile's central bank has faced three different crises in the past year and had no way to foresee any of them," says lvaro Vivanco, Latin America strategist at NatWest Markets. "Yet ever since November, it has shown the ability to intervene at the right time, using spot and forward intervention and providing liquidity for local institutions."

Amid the crises, the bank has cut interest rates to a record low of 0.5%, announced an FX intervention programme, and carried out bank bond purchases.

"Chile's central bank was quick off the mark in recognising the nature and severity of the shock and using the monetary policy lever as much as possible," says Alberto Ramos, head of Latin America economics at Goldman Sachs.

William Jackson, chief EM economist at Capital Economics, notes that — while many LatAm central banks have acted "admirably" — "the speed with which Chile's acted and the clarity of its communications put it above the rest".

As it dealt with a series of shocks, governor Marcel Cullell says, the central bank needed to ensure it would "not find itself walking into a dead end", so the bank adopted measures to "broaden policy space".

Most notably, Congress passed constitutional reform to allow the central bank to undertake government bond purchases for the first time ever.

So far, Chile has not had to use its newfound ability to buy government debt. Shelly Shetty, head of Latin American sovereign ratings at Fitch, notes that — just as with the FX intervention — the bank has not needed to use QE because "the signalling worked".

But the move shows that the bank is planning ahead.

"QE programmes are largely untested in EM countries," says Shetty, "but Chile — with very significant financial penetration and strong institutions — has the credibility required to implement these instruments if the need arises." — *Oliver West*

Debt Management Office of the Year,
Latin America

Herman Kamil

Uruguay

Uruguay picks the right moment to issue debt — and keeps a local focus

When Covid-19 hit emerging markets in March, Uruguay was not spared, and bond yields shot 150bp wider. Yet in several ways, Uruguay has been the exception in Latin America in 2020.

"Uruguay was proactive with multilaterals and bided its time in bond markets," says one DCM banker. "It was the right choice."

By June, when Uruguay did issue, it was the last LatAm investment grade sovereign to do so this year. And it took an unusual path: $1.6bn-equivalent of its $2bn deal was in local currency — via a rare global inflation-linked bond.

"It is never easy to do pesos," says one LatAm syndicate banker. "They timed it brilliantly."

While the rest of the region fails to control Covid-19, Uruguay had — as of October 7 — suffered just 49 deaths, and without a mandatory lockdown. Herman Kamil, director of the debt management office, credits "Uruguayan policymakers' deft management of the pandemic" for "building resilience under extreme uncertainty, helping Uruguay become the first LatAm sovereign to issue in its own currency since the onset of the pandemic".

The deal required "active, broad engagement with investors" in the run-up to the trade, "with close coordination between ministry of finance and central bank staff", says Kamil.

Uruguay now "plans to continue de-risking its sovereign debt portfolio" by increasing the local currency share.

"One way is to fund in local currency, with a focus on increasing liquidity and developing the international yield curve," says Kamil. "We are also carrying out currency conversions of our dollar debt with multilaterals at fiscally-sustainable rates." — *OW*