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FEATURED Q&A

How Does Boric's Budget Address Chile's Needs?



Chilean President Gabriel Boric last month proposed a budget that increases spending just shy of 3 percent for the coming year. // File Photo: Chilean Government.

Q Chilean President Gabriel Boric on Sept. 29 proposed a new public budget for 2025, a 2.7 percent overall increase in government spending relative to the budget for 2024.

The spending increase is largely due to increased outlays for security—Chile's government will spend an additional \$1.5 billion to raise police salaries and invest in prisons—as well as public pensions and the health sector. What are the most notable inclusions—and exclusions—from Boric's budget proposal? What does the 2025 budget proposal suggest about the state of Chile's macroeconomic profile? To what extent does the budget reflect the wishes of Chile's electorate?

A Jennifer Pribble, professor of political science and global studies at the University of Richmond: "President Boric's 2025 budget proposal is characterized by fiscal responsibility and spending priorities that reflect public opinion trends. The 2.7 percent increase is larger than last year's increase, but smaller than the budget growth of previous administrations. The 2025 budget upholds the government's stated fiscal priorities, reducing the deficit to 1 percent of GDP. This signals Boric's continued commitment to fiscal restraint and orthodox macroeconomic management, even as the country heads into an election cycle. The 2025 budget priorities mirror trends in public opinion. The budget increases funding to the Ministry of the Interior and Public Security by 2.4 percent. If approved, spending on public security will have increased 15 percent since the beginning of Boric's government. In an August/September poll from the Centro de Estudios Públicos (CEP), 57 percent of Chileans identified crime as one of the top three issues of con-

Continued on page 3

TODAY'S NEWS

POLITICAL

Uruguay's Presidential Race Heads to Runoff

Center-left candidate Yamandú Orsi and conservative Álvaro Delgado emerged as the top vote-getters in Sunday's presidential election in Uruguay. However, no candidate received the 50 percent support necessary to avoid a second round.

Page 2

BUSINESS

Brazil, Mining Group Agree to \$23 Bn Settlement

The Samarco mining joint venture agreed to a \$23 billion settlement with the Brazilian government following a deadly 2015 dam disaster in Minas Gerais state.

Page 3

POLITICAL

Nunes Re-elected São Paulo's Mayor in Runoff Vote

Incumbent center-right São Paulo Mayor Ricardo Nunes was re-elected in Sunday's runoff, defeating democratic socialist Guilherme Boulos.

Page 2



Nunes // File Photo: Facebook Page of Ricardo Nunes.

POLITICAL NEWS

Orsi, Delgado to Face Off in Uruguay Presidential Runoff

Uruguay's presidential election headed to a runoff after center-left candidate Yamandú Orsi of the Broad Front and conservative Álvaro Delgado of the National Party emerged as the top vote-getters, but with no candidate receiving the majority required to avoid a second round, the Associated Press reported. With more than 90 percent of the ballots counted, Orsi garnered just over 41 percent, while Delgado received slightly more than 27 percent. Conservative Andrés Ojeda of the Colorado Party came in third, with nearly 17 percent of the vote, failing to win a spot in the Nov. 24 runoff. Before Sunday's vote, Ojeda vowed to support Delgado if he did not advance to the runoff, Reuters reported. "We are going in for these 27 days," Orsi told supporters Sunday night in Montevideo, referring to the stretch of his campaign until the runoff, the AP reported. "The Broad Front is once again the most voted party in Uruguay," he added. Delgado, who has promised to continue the business-friendly policies of outgoing President Luis Lacalle Pou, also vowed to push his campaign ahead to the runoff. "People placed their trust in us," Delgado told supporters after midnight, the AP reported. "Tomorrow, we'll be meeting to plan the campaign for the runoff," he added. Ojeda joined Delgado at his election night rally in a sign of his intention to back his candidacy. "The government cannot be won without us," said Ojeda, the AP reported. Also on Sunday, Uruguayans voted for vice president and legislators, as well as in two binding referendums, both of which appeared to have been rejected. One of the questions was a pension reform that asked voters whether to lower the retirement age, increase minimum payouts and transfer the country's privately managed pension savings to a trust run by the government, the AP reported. The other plebiscite that voters appeared to reject would have strengthened police powers to fight drug-related crimes, Reuters reported. The

pension reform would have "instantly" created "a black hole in the government's budget" and damaged "Uruguay's high creditworthiness," Arturo C. Porzecanski, a research fellow at the Center for Latin American & Latino Studies at American University, told the Advisor in a [Q&A](#) published Oct. 10. "It would also undermine the budget in the longer run because there aren't any spare funds to provide pensions to those who would be retiring five years ahead of schedule," he added.

São Paulo Mayor Nunes Re-elected, Defeats Boulos

São Paulo's incumbent center-right mayor, Ricardo Nunes, comfortably won re-election on Sunday in Brazil's highest-profile electoral contest ahead of the next presidential election in 2026, Bloomberg News reported. Nunes received 59 percent of the vote in the mayor-

Nunes defeated Boulos, who had the backing of President Luiz Inácio Lula da Silva, by 18 percentage points.

al runoff election in Brazil's biggest city, 18 percentage points higher than democratic socialist Guilherme Boulos, who had the endorsement of President Luiz Inácio Lula da Silva and finished with 41 percent of the vote. Sunday's municipal runoff elections provided a boost to Brazil's centrist and right-leaning political factions—centrists will now control 51 percent of Brazil's mayorships, with conservatives governing 35 percent, leaving just 14 percent of total municipalities under left-leaning administrations, according to Bloomberg News. The outcome of the first round of Brazil's municipal elections on Oct. 6 "sent a key message to Lula: If he wants to be competitive in 2026, he will need to shift toward the center," Mariano Machado, Americas principal analyst at Verisk

NEWS BRIEFS

Bolivia's Morales Says He Was Targeted in Assassination Attempt

Former Bolivian President Evo Morales said Sunday that he was the target of an assassination attempt, the Associated Press reported. In a video posted to the website of Morales' radio channel, the former president appeared to be fleeing the scene of an ambush in a vehicle; he claimed that his driver was grazed by a bullet, and more than a dozen other rounds hit the vehicle in the attack. Morales claimed that the government of President Luis Arce, his chief political rival, coordinated the attack. Bolivia's deputy security minister said the state had no part in Sunday's attack, and insinuated that Morales may have staged "a possible self-attack," according to the AP.

Prominent Venezuelan Journalist Reportedly Detained by Gov't Agents

A prominent Venezuelan journalist has been missing since Friday, Reuters reported on Sunday. Venezuela's National College of Journalists said in a social media post on Sunday that military intelligence officers had abducted Nelin Escalante, a freelance economic reporter, in Caracas. Venezuelan state authorities have detained at least eight journalists since the July 28 presidential election, according to the country's press workers' union, Reuters reported.

MidOcean Energy Raises Stake in Peru LNG to 35%

Houston-based MidOcean Energy has raised its stake in South America's only liquefied natural gas export facility to 35 percent, Rig Zone reported today. MidOcean had initially acquired a 20 percent stake in the facility, Peru LNG, about seven months ago. Peru LNG has a processing capacity of 4.56 million metric tons annually.

Maplecroft, told the Advisor in a [Q&A](#) published on Oct. 11. São Paulo Governor Tarcísio de Freitas, who may ultimately lead the Brazilian right in the next presidential election, won a political victory with Nunes' re-election on Sunday. "I thank the greatest leader without whom this victory would not be possible, my friend, who gave me his hand at the most difficult time, Governor Tarcísio de Freitas," Nunes said Sunday night, Bloomberg News reported.

BUSINESS NEWS

Brazil, Mining Group Agree to \$23 Billion Settlement

A Brazilian mining consortium has agreed to pay the country's government more than \$23 billion over the next 20 years to cover damages stemming from a 2015 tailings dam failure, Brazilian government officials announced on Friday, the Associated Press reported. Samarco, a joint venture of Brazilian mining conglomerate Vale and U.K.- and Australian-owned BHP, operated the dam that held waste from iron ore mining in Minas Gerais state; the dam failed in November 2015, killing more than a dozen people nearby and contaminating drinking water in multiple states. "We are fixing a disaster that could have been avoided, but wasn't," President Luiz Inácio Lula da Silva told reporters at a press conference on Friday. Lula criticized the mining company on Friday, saying it prioritized profit over safety, the AP reported. The agreement finalized last week ensures "the continuation of full and definitive repair and compensation for the damages," said Rodrigo Vilela, Samarco's president. The settlement arranges compensation for more than 300,000 victims, according to the AP, but as many as twice that number may have been affected by the 2015 environmental incident. Earlier last week, an environmental law firm in the United Kingdom filed a class action lawsuit related to the 2015 incident against Samarco's parent company, BHP, on behalf of more than 600,000 victims in Brazil, Reuters reported.

FEATURED Q&A / Continued from page 1

cern. This was followed by international drug trafficking, with 33 percent of respondents including that in their top-three list. Boric's budget also includes significant spending increases on health and childcare. In the area of health care, the budget increases outlays to ensure that all infants and the elderly have access to the RSV vaccine. The proposal would also increase spending by 60 percent to reduce waitlists for care in public clinics and hospitals. Health is an area where a large share of Chileans—roughly 28 percent in the recent CEP poll—support government intervention to address bottlenecks."

A Robert Funk, associate professor of political science at the University of Chile's Faculty of Government and partner at Andes Risk Group:

"The overall increase is a sign that, although Chile heads into an election year, the Boric government continues its commitment to fiscal responsibility. The budget assumes that the economy will grow by 2.8 percent, which seems optimistic. In terms of priorities, the government has said that its spending increases are aimed specifically at the public's concerns, especially in the areas of policing and security and health, with a 68 percent increase in spending aimed at reducing hospital waiting lists (although the overall increase for health is only 4.2 percent). In both of these areas, one might ask whether past problems were the result of lack of funding, or whether they arise from administrative and technical handicaps. Policing, in particular, is an area where spending has increased consistently over the years, with not much to show for it, as conditions on the ground evolve in the face of the changing nature of national and international crime. Other increases have also raised eyebrows. The Ministry of the Environment gets a 12.7 percent raise at a time when many point to it as being responsible for delays in approving investment projects which have become a major bottleneck in the Chilean economy. By the same token,

the 45 percent increase for the Ministry of Culture seems almost inexplicable. In both cases, it appears that the government is speaking to its electoral base, rather than the electorate at large."

A Kathleen C. Barclay, director of AmCham Chile: "While Chile's fiscal accounts remain solid, the country has had an extended period of fiscal stress with structural deficits for almost all the period of 2009 to 2024. This has led to an increase in public debt as a percentage of GDP from 5.8 percent to 41.2 percent and a reduction in the treasury's financial assets from 8.6 percent to 3.7 percent of GDP. The 2025 budget

“The 2025 budget growth of 2.7 percent exceeds growth expectations for next year, indicating a further structural deficit.”

— Kathleen C. Barclay

growth of 2.7 percent exceeds growth expectations for next year, indicating a further structural deficit. The focus of the proposal is on security and social needs, in line with public priorities, but there are doubts regarding whether proposed expenditures are sufficient to adequately address certain social issues. Two additional questions surround the calculation. The base utilized for calculating budget growth is the budget that was originally approved in 2024. However, if actual 2024 budget execution is used as the base, the budget growth would be closer to 4 percent. Another issue arises with respect to estimated revenues for 2025, which include \$1.2 billion in additional tax revenues related to recently approved legislation to reduce tax evasion. Reductions in actual spending during 2025 may be necessary to compensate for possible overestimation

Continued on page 4

FEATURED Q&A / Continued from page 3

of revenues. Overall, at best, there will be continued, although marginal, deterioration in the country's fiscal accounts which are still projected to remain at reasonable levels. Further stress can be expected for the period 2026-2029, limiting future flexibility. Emphasis will need to be placed on policies to promote growth or to reduce fiscal spending in the medium term to change the current trajectory."

A **Mariano Machado, Americas principal analyst at Verisk Maplecroft:** "Boric's fiscal year 2025 budget proposal reflects a struggle to balance social needs and fiscal responsibility, yet the challenge remains to ensure long-term sustainability amid existing economic pressures. With an eye on the 2025 general elections, the budget aligns with key public concerns. Chief among them is the prominent proposal for a boost to security budgets, reaching an overall 15 percent increase since Boric's first budget. Substantial increases for the Carabineros militarized police (12.5 percent) and Investigations Police (4.4 percent) stand out. The proposal also commits to a 68 percent increase in health care funding and a reduction in waiting lists. Conversely, it notably lacks a robust strategy to combat corruption, a major concern among respondents to opinion polls, raising questions about effective

resource allocation. However, the fiscal year 2025 budget bill fuels existing unease about fiscal sobriety, due to growing fiscal slippage and overly optimistic revenue forecasts. The baseline for concern is a steady decline in public finances: national savings dropped from 17.2 percent of GDP in 2008 to 4 per-

Boric's fiscal year 2025 budget proposal reflects a struggle to balance social needs and fiscal responsibility..."

— Mariano Machado

cent by 2024, while public debt has surged from 4.9 percent to 41.2 percent of GDP. Against this, the 2025 budget bill claims that public spending will increase by 2.7 percent—the lowest since 2019. But fiscal pressure is likely to be higher, as adjusted comparisons to 2024 actual expenditures suggest the figure could reach 5.4 percent. Overestimated public revenue is the other vulnerability. Chile's Autonomous Fiscal Council has consistently advised against relying on uncertain revenue estimates, particularly due to commodity price volatility, and we expect this to become a key point during legislative negotiations."

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