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## FEATURED Q&A

# Will AMLO's Plan Bring Better Health Services to Mexico?



Mexican President Andrés Manuel López Obrador is proposing a new national health institute to replace the Seguro Popular program. // File Photo: Mexican Government.

**Q** Mexican President Andrés Manuel López Obrador said July 12 that his government would seek to create a new Health Institute for Well-Being. The new system would replace the Seguro Popular public health insurance program, which offers free health care services to people who have no other form of health insurance. Some \$4.2 billion would reportedly be diverted toward the new agency. What's wrong with Seguro Popular, and does it need to be replaced? Is López Obrador's proposed new health institute a good idea, and what would it accomplish? How big a step would López Obrador's new health system be toward fulfilling his campaign promise of providing free and universal health care, and is that goal attainable for Mexico?

**A** Andrew Rudman, managing director at Monarch Global Strategies: "President López Obrador's diagnosis of the problems facing Mexico's health care system is accurate. Years of inadequate and inefficient spending have created stove-piped institutions that have neither emphasized prevention nor spent resources wisely. For instance, type two diabetes, which demands an increasing share of health care spending, is largely preventable with proper nutrition and exercise. AMLO has appropriately called out corruption and mismanagement in the current health care system, including the state-level management of Seguro Popular funds. However, it is not clear how the proposed institute will address the legitimate concerns that AMLO raised when announcing the initiative. For instance, though he promised the consolidated purchase of medication and devices, the recent effort to do so

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## TODAY'S NEWS

### POLITICAL

## Macri Trowned in Argentina Primary Election

Opposition presidential candidate Alberto Fernández delivered a crushing defeat to incumbent President Mauricio Macri in Argentina's nationwide primary election.

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### BUSINESS

## AFP Habitat Buys Colombia- Based Colfondos

AFP Habitat, Chile's largest pension fund manager, has acquired Colombia's Colfondos following a deal with Scotiabank and Mercantil Colpatría.

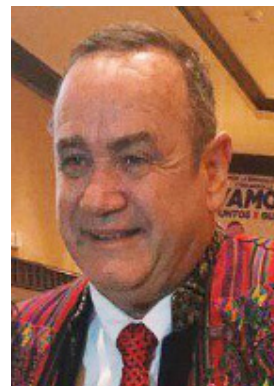
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### POLITICAL

## Giammattei Wins Guatemala Runoff

Conservative Alejandro Giammattei won Sunday's second round of Guatemala's presidential election, defeating former First Lady Sandra Torres. Voter turnout was the lowest for a presidential election in Guatemala since 1999. Giammattei is to take office in January.

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Giammattei // File Photo: Giammattei Campaign.

## POLITICAL NEWS

## Giammattei Elected President in Guatemala Runoff

Conservative candidate Alejandro Giammattei won the second round of Guatemala's presidential election, defeating former First Lady Sandra Torres, Prensa Libre reported. With 99.73 percent of the ballots counted, Giammattei received 57.95 percent of the votes, and Torres garnered 42.05 percent, according to the country's Supreme Electoral Tribunal, or TSE. The turnout was 42.71 percent, the lowest voter participation rate in a presidential election since 1999, The Wall Street Journal reported. Giammattei's victory on Sunday came in his fourth run for the Central American country's presidency. "With a lump in my throat 12 years later, I come to tell you, for me, this humble servant, this humble citizen of Guatemala, it will be an immense honor to be the president of the country," Giammattei said in declaring victory, Prensa Libre reported. Giammattei, of the Vamos party, thanked his supporters, saying voters backed his candidacy "so that Guatemala could win the possibility of moving forward." Just before being declared the winner on Sunday, Giammattei told Reuters that he hoped to change a controversial migration deal that current President Jimmy Morales' government made with the United States. The "safe third country" agreement requires migrants passing through Guatemala to seek asylum there instead of continuing and doing so in the United States. "I hope that during this transition the doors will open to get more information so we can see what, from a diplomatic point of view, we can do to remove from this deal the things that are not right for us, or how we can come to an agreement with the United States," Giammattei told the wire service. "It's not right for the country ... If we don't have the capacity to look after our own people, imagine what it will be like for foreigners." U.S. President Donald Trump threatened to impose tariffs and other penalties against Guatemala if its government did not sign the deal. A recent poll published

in Prensa Libre showed that more than 80 percent of respondents rejected the idea of foreign migrants seeking asylum in Guatemala. The agreement has not yet come into effect, and Guatemala's Constitutional Court is soon expected to rule on two injunctions that were filed to stop its implementation, The Wall Street Journal reported. Giammattei has pledged to boost prosperity in the Central American nation by fostering economic growth through a lower level of government regulation. He wants to build an \$8 billion high-speed train through the country, which Giammattei says could generate as many as one million jobs. Giammattei, who is to take office in January, has proposed establishing a national commission, instead of continuing international cooperation, to fight corruption. That has disappointed many Guatemalans who see a need for international help on the issue. The United Nations-backed International Commission Against Impunity in Guatemala, or CICIG, is leaving the country in September following a bitter dispute with Morales, who ended the panel's mandate and accused it of violating Guatemala's sovereignty and suspects' rights. Polls have shown that some 70 percent of Guatemalans support CICIG, The Wall Street Journal reported.

## Fernández Trounces Macri in Argentina's Nationwide Primary

Argentine President Mauricio Macri suffered a crushing defeat in the country's primary ballot on Sunday, losing by a wider-than-expected 15 percentage points to Peronist and opposition candidate Alberto Fernández, whose running mate is former President Cristina Fernández de Kirchner, La Nación reported. With more than 80 percent of the ballot counted, Macri received 32 percent of support, while Fernández garnered 47 percent of the vote, the government said. Argentina's primaries, known as the PASO, don't have a practical effect, since there was no internal competition within political parties, but they are seen as a sort of mock election ahead of the October presidential vote. "We had a bad election," Macri told supporters

## NEWS BRIEFS

## Former Panamanian President Martinelli Cleared of Espionage

Former Panamanian President Ricardo Martinelli was acquitted Friday of political espionage after being accused of spying on 150 politicians, journalists and union leaders, The New York Times reported. The court ordered Martinelli's release from prison, saying prosecutors had "failed to prove" their case. Martinelli had been living in the United States when he was extradited to Panama in 2018.

## Mexican Banks Report Problems With Card Payment Processing

Several of Mexico's largest banks, including Banorte, HSBC and Santander, on Saturday reported experiencing problems processing debit and credit card payments, and stores in Mexico City were only accepting cash payments, Puerto Vallarta Daily News reported. The PROSA system, a leading electronic banking system, was reportedly presenting problems in Latin America, including with ATM transactions, point of sale terminals, recurring charges and Payware, among others. PROSA said Saturday night that the issues had been repaired.

## Advent International to Drop Walmart Brand From its Brazil Supermarkets

Private equity firm Advent International by 2020 will drop the Walmart brand from supermarkets it bought in Brazil last year, the Brazilian retailer said in a statement on Monday, Reuters reported. Walmart Brasil will also be renamed to Grupo BIG, it said. The rebranding will probably bring operating savings to the retailer, as the Brazilian supermarket chain currently has to pay royalties to Walmart for use of its brands, according to the report. Advent acquired 80 percent of Walmart's Brazilian operations last year.

late on Sunday, The Wall Street Journal reported. "This is something that nobody expected. Nobody had these numbers. All the pollsters have failed," Macri said, Reuters reported. Most polls had put Fernández ahead by 5 percentage points at the most, and virtually no one expected Fernández to surpass the 45 percent threshold needed to win in the first round of voting in October, The Wall Street Journal reported. Argentina's 2028-maturing, euro-denominated bond was down in London trading by almost 9 cents following Macri's defeat, the wire service reported. By early Monday morning, the peso had plunged 6.1 percent to 49 per U.S. dollar, according to digital brokerage firm Balanz.

## BUSINESS NEWS

### Chile's AFP Habitat Buys Colombia-Based Colfondos

AFP Habitat, Chile's largest pension fund manager, has acquired Colombia's Colfondos after reaching a deal with Scotiabank and Mercantil Colpatria, the Canadian bank said in a statement on Friday, Reuters reported. Scotiabank, which owned 51 percent of Colfondos, said the sale would allow it to focus on its banking operations in the Andean country. Colpatria owned the remaining 49 percent of Colfondos, Colombia's third-largest pension fund manager. AFP Habitat manages \$60 billion worth of private pension funds, mostly in Chile and Peru. The acquisition of Colfondos would mark AFP Habitat's first entry into the Colombian pension market, Citywire reported. The sale process could take between four to six months, according to Colfondos' chief investment officer, Andrés Lozano Umaña, who told Citywire Americas that Colfondos' investment strategy would not change following the sale and that there were currently no plans to make any personnel changes. AFP Habitat's main shareholders are Inversiones La Construcción and Prudential Financial, both of which indirectly own 40.3 percent of its shares, according to the report.

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was widely panned due to a lack of distribution infrastructure caused by the exclusion of the major distributors from the tender process. AMLO's plan to draw from the Fund for Catastrophic Expenses to cover the cost of the new institution is extremely troubling. Liquidating this fund may place the very people upon whom AMLO has focused his attention in a precarious position should they need access to treatment for cancers and other serious illnesses for which Seguro Popular was established. Instead of immediately creating a new institution (even one with a promised staff of only 10) via his legislative majority, AMLO might draw from the U.S. health reform experience, and his own preference for citizen participation, to convene a national discussion on how to reform the health care system, as was recently proposed by six former secretaries of health. There is no question that Mexico's health care system is sick, but a solution to solve one symptom (corruption) may wind up offering palliative care rather than identifying a cure."

**A** **Núria Homedes, executive director of Salud y Fármacos:** "Seguro Popular in Mexico did not achieve its ambitious goals, but it increased the allocation of resources to health care, expanded insurance coverage, instilled in Mexicans a sense of entitlement to health care and increased the demand for services. It failed to tackle two important issues: 1.) administrative expenditures, which were already very high and kept increasing, and 2.) the performance of health care providers, especially in terms of productivity. Evaluation reports attribute the shortcomings to limited institutional capacity at the federal and state levels, difficulties in managing unionized workers and pharmaceutical procurement, political interference, financial mismanagement and diversion of health funds. The details on how the new Health Institute for Well-Being will be organized and staffed have not been re-

leased, but it aims to recentralize resources and decision-making power at the federal level, which will generate a backlash from state governments. Leaving political issues aside, I wonder if the federal government has the capacity to concentrate in recre-

“ Unless the new institute tackles the issues that have undermined all Mexican health care reforms, my outlook is not optimistic.”

— Núria Homedes

ating a centralized system of care for 50 million Mexicans, in a context of increased violence, threats of economic recession, drug wars and an immigration crisis. How will the institute integrate the existing work force, especially the unionized? Could the Ministry of Health encourage the social security institutes to gradually broaden their coverage as Costa Rica did decades ago? Is it wise to engage in a comprehensive reform, or would it be best to gradually resolve the prevailing issues? Unless the new institute tackles the issues that have undermined all Mexican health care reforms, my outlook is not optimistic."

**A** **Cristian Morales, Pan American Health Organization representative in Mexico:** "In Mexico, around half of the population is covered by a social security scheme (IMSS, ISSSTE, etc). Seguro Popular (SP), created in 2003 to cover those without social security, represented an important step toward improving coverage. Since then, there have been clear improvements in public health; including a 51 percent reduction in maternal mortality between 2000 and 2015. However, many challenges still remain. Fifteen years later, the Mexican authorities estimate that around 20 million people are not yet covered

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by SP. SP is also restrictive, financing only a limited number of health problems, interventions and medicines. The program has also received criticism due to challenges preventing waste and corruption. Finally, as 41 percent of health expenditure in Mexico is out-of-pocket, SP has thus failed to ensure financial protection. In order to address these issues, the government is proposing the creation of a new institute that will not only absorb SP to provide universal access to health to those without social security, but it will also reduce fragmentation by centralizing the country's 32 state-level health systems. The new institute will also implement a people-family-and-community centered model of care with integrated networks of health service delivery based on primary health care, with defined territorial responsibility. To sum up, Mexico's health reform seeks to expand universal access to health and universal health coverage in order to advance the right to health as recommended by PAHO/WHO. However, changes are complex and challenging. The next few years will reveal whether Mexico is able to achieve universal access to health services for all Mexicans, leaving no one behind."

**A** **Pascale Siegel, managing director, and Rachel Wine, geopolitical research assistant, at Ankura Consulting:** "Seguro Popular was established in 2004 to extend health insurance coverage to informal-sector workers and the poor. While there have been notable successes with this program, there are several significant challenges: there are disconnects between federal and local services, medical facilities are often understaffed and underfunded, 80 hospitals were left unfinished, and during the previous administration's six years in office, the gov-

ernment spent 90 billion pesos on medicines that failed to reach public health centers. To address these issues, President López Obrador introduced the Health Institute for Well-Being. AMLO is focusing the institute on transparency, claiming that if the \$4.2 billion in the budget is correctly managed, there will be enough to deliver free medicine to everyone. Most notably, the institute is

“**There are no significant differences between the two systems, other than the centralization of health care responsibility to the federal government.”**

— Pascale Siegel & Rachel Wine

centralizing the whole health system by moving state funds to the federal government, regulating all workers in the health sector and managing construction and maintenance of the infrastructure for health. The institute is promising and addresses many problems that plagued Seguro Popular. However, there are no significant differences between the two systems, other than the centralization of health care responsibility to the federal government. The Seguro Popular simply needs proper funding, staffing and political support to overcome the current challenges. Unfortunately, the new program is likely another broken campaign promise given the current economic climate and competing priorities for scarce resources."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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