

GUSTAVO *petro's* GOVERNMENT

An analysis of his first days in office.

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The President of Colombia, Gustavo Petro, has completed his first 3 months in the National Government, after consolidating his victory at the voting booths and generating a change to the status quo. The arrival of the government, with a progressive tendency, has built its banners on issues such as social justice, sustainable environmental agenda, and peace. This has allowed him to reach the presidency with a robust political capital, which favored the consolidation of majorities in Congress, and also important support in the public opinion, generating a favorable governance scenario.

The appointment of his ministerial cabinet and other public officials, the development of the legislative agenda, and the consolidation of the support of parties declared as government, have been a constant challenge for the President. Moreover, the implementation of regional dialogues for the construction of the National Development Plan, which outlines a roadmap of the goals established by the government within its term of office (2022-2026) by presenting a series of programs, investments, and objectives to achieve the government's agenda, has shown signs of a more consolidated social participation, intending to take the State to remote regions.

For this reason, from Vali Consultores, a government and public affairs firm, we present an analysis of the progress of the agenda proposed by the National Government during its first months in office.

Firstly, we do a brief economic overview of the country. Furthermore, the second part focuses on the analysis of the three fundamental axes of its government plan: peace, social justice, and sustainable environmental agenda, in such a way that the advances, challenges, and guidelines as well as the National Development Plan key points that have been outlined for the different sectors can be made visible. The third part focuses on the composition and profile of high-level public officials in charge of the development of the public policies proposed. Finally, we make a series of statements regarding Colombia's economic and political landscape that the national government would have to take into consideration.

1 *part* GENERAL OVERVIEW

MACROECONOMIC CONTEXT

The situation in global markets, the high price of fuels, a possible drop in the export of extractive industries, and the increase in the prices of agricultural inputs have had an impact on macroeconomic indicators. The Federal Reserve's efforts to reduce inflation in the US, by raising interest rates to 4%, have subtracted investment in other countries, generating effects on other currencies, especially the Colombian peso. This has translated into the following scenario:

- Devaluation of the Colombian Peso and an appreciation of the dollar that has reached historic highs in recent days (COP 5,107).
- Unemployment of 10.7% as of September 2022 (National Administrative Department of Statistics).
- Consumer Price Index increase of 12.2%, which last year was 5.6% (National Administrative Department of Statistics).
- Increase in food prices of 27.32% (BBVA Research for Colombia).
- Increase in interest rates of Banco de la República (National Bank), reaching 11%.
- Expectations of decelerated growth of 3.6% (IMF).

TAX REFORM AND GENERAL BUDGET

José Antonio Ocampo's work as Minister of Finance has consisted of securing resources to fund the proposals the government is trying to consolidate. The "tax reform for equality and social justice", approved in Congress, seeks to respond to these needs of the government based on greater tax collection for citizens and enterprises and mechanisms to fight against tax evasion.

Nonetheless, the tax reform underwent modifications in the collection value because of the negotiations with the different parties. Although in the campaign it was proposed to collect COP 50 billion, the legislative initiative presented by the government projected a sum of COP 25 billion, however, the amount approved in Congress is estimated at 20 billion pesos.

Despite the tax reform negotiations outcome, the General Budget of the Nation for 2023, expands public spending. The expenditure of COP 405 billion, prioritizes the commitments already mentioned within the government's agenda and the scope of objectives such as the Sustainable Development Goals, the Paris Agreement, and the Peace Agreement. Thus, it is expected that these resources will be oriented to implement public policies related to social justice, sustainable environmental agenda, and peace initiatives. Furthermore, these efforts are included in the National Development Plan (NDP) as it is going to be the main roadmap to implement public policy for the next four years in each sector. In general terms, the NDP is based on five thematic axes: 1) Territorial Planning; 2) Human and Social Security; 3) Human Right to Food; 4) Productive Economy for Life; and 5) Regional Convergence which is reflected in each of the government's main goals (social justice, sustainable environmental agenda, and peace initiatives).

2

part

GOVERNMENT PLAN BASED ON ITS THREE MAIN PILLARS: SOCIAL JUSTICE, SUSTAINABLE ENVIRONMENTAL AGENDA, AND PEACE INITIATIVES.

Social Justice

Gustavo Petro has presented his government plan with the central aim of responding to the social demands that have arisen since the protests that took place in the country between 2019 - 2021. In that period different social organizations, student movements, workers, and ethnic groups, demanded a change in the direction of the State's social policy, around issues such as education, health, the hard conditions of the countryside population, and employment. Hence, the Petro administration's approach to social justice implies the execution of a policy that works on the elimination of social gaps while it reduces inequality rates. Thus, the Colombian Government has focused its efforts on issues such as Education, Labor, Rural Development, and other related topics.

EDUCATION

During the presidential campaign, Gustavo Petro acquired a commitment with different civil society groups in the field of education; this implies an agenda to reform the operation of the national education system based on various ideas. Firstly, is the increased funding for the sector within the National Budget for 2023. Secondly, the strengthening of human capital through the improvement of the quality of education for addressing the gaps in the country's education. In third place, is the restructuring of the School Meals Feeding Plan (PAE). Fourthly, the creation of a national Undergraduate Education system, complementary to the current institution SENA – National Service of Learning. In Fifth place, the cancellation of college loans of thousands of students and the change in the nature of the college

credit institution (ICETEX). Finally, the National Development Plan 2022-226 envisages the expansion of educational coverage, viewing it as a fundamental right, with special emphasis on early childhood and undergraduate education, and strengthening the sustainable and technological educational infrastructure.

HEALTH

One of President Petro's campaign promises, was health reform. Considering this, the government has emphasized on the strengthening of the public sector for the health services provision, the elimination of the EPS-Health Promoting Entities (private health institutions) and the bolstering of the national production of medicines. However, the official presentation of this reform to Congress will take place in 2023.

For these purposes, Carolina Corcho, as Minister of Health was appointed to spearhead government goals to transform the social protection policy. Corcho, a defender of the public health system, has managed to obtain the second-highest budget allocation for 2023 and has also put in place mechanisms for health care that will gradually reducing the Health Promoting Entities role. Considering this scenario, the following have been announced: First, the Predictive and Preventive Health Program, which seeks to make health services more accessible to people through medical brigades. In second place, is the integration of Drogas La Rebaja (pharmacy company) into the Ministry of Health and its restructuring to become a primary health care center.

The bases of the National Development Plan present the formulation of a new national pharmaceutical policy focused on the use of generic medicines, development of biosimilars and biotechnological alternatives, centralized purchases, and use of digital platforms for the purchase of technologies. The reform of the social protection system and the improvement of Primary Health Care (PHC) programs is also emphasized.

LABOR

The proposals for this sector are an important banner for President Gustavo Petro, considering its perspective of defending workers, strengthening unions, and evaluating contracting modalities. The appointment of the Minister of Labor, Gloria Inés Ramírez, and the Vice Minister of Labor, Edwin Palma, two ex-union leaders, is an example of the transformation of the labor policy and the intention to strengthen the labor force protection.

Likewise, the Minister of Labor, as president of the Permanent Commission for the Agreement of Wage and Labor Policies, begins an important role in the negotiation of the minimum wage for 2023. This is framed within the vision of productive inclusion with decent work and support for entrepreneurship.

Furthermore, from the Ministry of Labor, these commissions were installed:

Sub-commission for the construction of the labor reform, which aims to address amendments to Article 53 of the Constitution and the review of compliance with the agreements signed with the International Labor Force (ILO); rethinking of service contracts, the perspective of labor and trade union rights, as well as implementation of work models such as teleworking and digital platforms. This reform will be submitted to Congress in early 2023.

Pension Reform Subcommittee, whose objective is to reach a consensus on the text of a bill to be submitted in April, which would strengthen the public pension system by establishing that those who contribute below four minimum wages must do so in the public fund.

Finally, it is important to specify that for the National Development Plan, a focus has been generated on the need to build a public policy that recognizes and promotes the popular and community economy, as well as strengthening education and training for work, based on the National System of Qualifications for labor insertion, reinsertion, and reconversion.

DIGITAL TRANSFORMATION

The Ministry of Information Technologies and Communications within Petro's government has been consolidating work within remote territories for the implementation of projects that seek to improve connectivity and digital literacy in the country. As a result, the government's priorities, and goals for 2025 have been put on the table, such as the expansion of Internet coverage from 70% to 85%, as well as the implementation of 5G. This 5G spectrum auction in Colombia has been one of the most relevant points, for which the national government presented its 'strategy for the democratization of ICTs'. On the other hand, the renewal of 70% of the radio spectrum will be consolidated in the coming years, opening a window of opportunity for the government to improve connectivity and digital literacy.

In terms of the National Development Plan, the ICT sector has projected the need to strengthen connectivity infrastructure and digital education, to expand coverage in various remote areas of the country and include ethnic communities, disability, and children.

Sustainable agenda

The green agenda has been a banner for Petro's government for decision-making on natural resources and environmental protection. Gustavo Petro has consolidated a position on the need for an energy transition, environmental protection, rural development, and promotion of a green foreign policy. Therefore, in the first days of Petro's administration, he promoted, within the country and abroad, what he defines as the "Política de la Vida (Policy of life)". Also, he has been close to environmental organizations and has set out the need to establish new elements for a regional dialogue within Latin America.



ENERGY TRANSITION

The National Government has taken positions about stopping the mining and exploration of hydrocarbons as a change of route within the country's energy policy. This has generated concern and an economic impact. Furthermore, the Government has strengthened its presence in the private-state oil owned company, Ecopetrol, which is responsible for 60% of the country's oil production. Also, it has had changes in the board of directors, as a result, their agenda could now be articulated within the government's proposals on the mining-energy sector, prioritizing energy transition projects.

Additionally, one of the first tasks that the government had to assume was to adopt progressive measures to increase the price of gas and reduce the GDP deficit, due to the high oil prices in the international market. With this scenario, the government will have to consolidate alternatives to balance the price of gas, the trade balance, and the fiscal deficit.

Finally, the National Development Plan 2022 - 2026 is projected to strengthen the regional infrastructure in energy security in areas outside the national interconnected system, and, to strengthen mineral extraction processes, based on a decarbonization policy to reduce emissions in the country's productive systems, and to invest in offshore projects, green hydrogen, and biomass.



ENVIRONMENTAL PROTECTION

Environmental Justice is one of the cross-cutting themes of the agenda of Gustavo Petro's Government. Besides, the Minister of Environment, Susana Muhammad, has made progress in the development of the environmental strategy making decisions on issues such as fracking pilots, the structuring of the strategy for the defense of environmental and community leaders, and the ratification of the "Acuerdo de Escazú" (Escazú Agreement). In this sense, Muhammad now has the challenge of regulating and implementing this Agreement.

The Government has excelled in the projection of environmental justice in spaces such as the United Nations General Assembly and COP 27, where it has shown Colombia's commitment to the adoption and promotion of an environmental policy that provides solutions to the climate crisis. President Petro has taken these scenarios to seek support for the protection of the Amazon at the national and international level with other Amazonian countries, and to stop hydrocarbon extraction. Petro's interventions has generated different reactions, on the one hand, the statements of the Colombian president were described as general and simplifying of the climate crisis, and on the other hand, some experts considered that it was an important call to the different governments to take real actions.

The government's environmental policy achieved to attract investment and cooperation resources from the governments of the United Kingdom (USD 71 million), Germany, and Norway (USD 25 million) and signed an agreement with the European Investment Bank. In this way, the Colombian Government has directed its resources to fund its programs. With the National Development Plan 2022 - 2026, the environment sector envisages the need to protect water sources, implement the Escazú Agreement, strengthen the National Environmental System, and expand the agroecological roundtables.



RURAL DEVELOPMENT

Achieving the development of the countryside as a productive source for the country and strengthening food security is one of the Government's goals. The proposal to implement a comprehensive agrarian reform to solve structural problems of the countryside has become a priority that is already outlined in the construction of the National Development Plan. The Ministry of Agriculture and Rural Development, headed by Cecilia López, has initiated the titling of 680,000 hectares to peasants and has highlighted the joint work with FEDEGAN (Cattle Ranchers Guild), which has indicated the availability of three million hectares to redistribute for agrarian reform. The Ministry of Agriculture now has COP 4.1 billion to move forward with agrarian reform and the commitments made to the agricultural sector.

On the other hand, the Ministry has adopted measures to subsidize farmers for the acquisition of agricultural inputs, to mitigate the impact of the rise in food prices. López announced the creation of the Fund for Access to Agricultural Inputs, which seeks to subsidize 20% of the costs of inputs such as fertilizers and animal feed for small producers. The fund came into effect on November 17th and will operate until December 31st, 2022.

Finally, for the National Development Plan, the agricultural and rural development sector focuses its efforts on technification and digital transformation of the countryside to strengthen production and value chains; it also proposes mechanisms to strengthen domestic trade in products without designation of origin, and proposing a transition from chemical to biological inputs.

Peace

The 'total peace' project is the main objective of Petro's administration. This idea supposes an agreement between the Government and the different armed groups of Colombia. For this purpose, Alfonso Prada, Minister of the Interior, has been entrusted by the Petro's government to resume the implementation of the agreements with the demobilized members of the guerrilla FARC-EP (Armed Revolutionary Forces of Colombia) and actors of the armed conflict under Prada's direction. The current government has made progress in accelerating points that have lagged in the signed commitments, such as the installation of unified command posts to help adopt shock measures and activating early alerts in social and environmental leaders strive for protection.

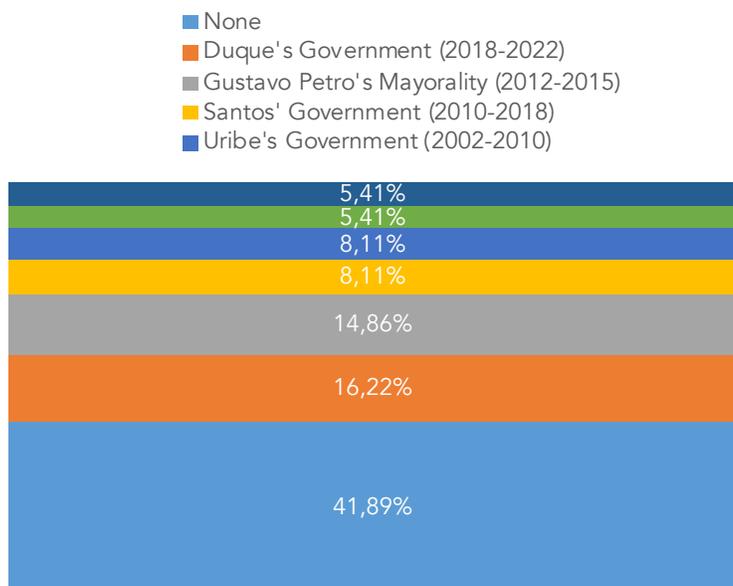
Thus, Alfonso Prada, from the ministry, has built a platform that provides the necessary conditions for the government to sit down to dialogue and negotiate with these armed actors from the Total Peace law, which also includes a change in the anti-drug policy. Likewise, the legislature gave the president the power to establish spaces to curb drug trafficking and armed violence in the country.

The law also contemplates the possibility of creating a peace fund to guarantee social investment in areas affected by the presence of armed actors to eliminate historical factors that produce violence, details of which are still unknown. The implementation of the Social Service for Peace, as a substitute for compulsory military service, has been central to the government's progressive commitment to a transformation of the country's security policy.

3 part GOVERNMENT OFFICIAL PROFILES

In general terms, to understand how Gustavo Petro intends to implement all these elements as the government's core objectives it is important to recognize how the government officials and civil servants' positions are composed as they are the ones who end up drafting the public policy.

PERCENTAGE OF OFFICIALS ACCORDING TO THE GOVERNMENT IN WHICH THEY SERVED:



In the current government, the trend in the trajectory of some officials who have worked in previous governments is evident. 16.22% served in Duque's Government (2018-2022). Likewise, 8.11% were officials of the Santos' government (2010-2018) and 5.41% of the Samper's government (1994-1998). The majority of people appointed are experts in issues such as land, peace, foreign relations, and information and communication technologies. Likewise, 41.8% belong to a group of career civil servants who, due to their experience, have been linked to high positions, as well as a group who belong to grassroots, social organizations and academia.

Similarly, there is 14.86% who were officials during Petro's tenure. They have been close to the President and held positions in the secretariats and sub-secretariats. In the current government, these officials have contributed to the construction of policies in areas such as health, labor, environmental protection, and culture.

Likewise, the robustness that the current ministries have consolidated in the technical field at the directive level also responds to the coalition formed by the government with parties such as Partido de la U, Partido Conservador, and Partido Liberal. These parties have taken advantage of the negotiating attitude adopted by the government to favor their participation in senior positions.

4 part

POINTS TO CONSIDER

Petro's government plan can be considered ambitious as he wants to shift the way public policies have been executed in the country. In his first 100 days in office, President Petro achieved important support from traditional parties which allowed him to approve the tax reform and the national budget. These two elements are of massive importance considering his government plan, as he needs funds to achieve his goals. Considering the above, for the coming months, the government should consider the following points:

01 The Government will have to maintain a constant negotiation with the political parties: Liberal, Conservador, and partido de la U, to maintain the consolidation of the majorities necessary for the approval of projects of great interest.

02 The government should establish macroeconomic strategies to counteract the effects of rising food prices, inflation, and unemployment.

03 The government has focused on productive transformation and the consolidation of food sovereignty in the country. To this end, it still needs to deepen the implementation of several measures it has already announced.

04 Regarding the energy sector, the government must continue to respond to the growing financial needs of the country. Currently, the greater element within the oil industry and the electricity market is with the implementation of the "Pacto por la Justicia Tarifaria" (Pact for Tariff Justice) which projects a greater interference of the State in this sector to lower energy prices.

05 The government has aimed at achieving a more proactive role for the State in the provision of health services. Therefore, it has projected a short-term road map for the implementation of new healthcare programs and a strategy to address the shortage of medicines in the country.

06 The ICT transformation policy proposed by the government has focused on the democratization of technologies, improving connectivity coverage and digital literacy. Therefore, there is a window of opportunity for the government in the auction for the 5G spectrum and the renewal of the radio-electric spectrum, for the expansion of the digital transformation.



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