

2023 Colombian Perspectives

Political, Economic and Social Outlook

INTRODUCTION

2023 will be a challenging year for the world and Colombia will be no exception. In addition to the great economic and political challenges that will come from the international context, the country will find itself in a determining year. The first major milestone will be the definition of the National Development Plan (NDP), a roadmap that will guide the presidential term of Gustavo Petro, and that must be presented in the first days of February and debated and approved before May 5.

Although the NDP will define the broad lines of public policy with which Petro will seek to consolidate his legacy as "the first left-wing president of Colombia," the reforms that the Government considers necessary to accomplish campaign promises and implement social changes in matters of health, pensions, education and work, among other major issues, will share the stage in Congress during the first semester. Likewise, they will be simultaneous with the NDP and with legislative initiatives that come from the last legislature and that have given rise to great controversies, even within the Government bench, such as political reform or reform of the electoral code. On the other hand, during the second semester, projects will coincide with the campaigns of mayors and governors.

The strength of the Government bench will be tested. First, it will be tested ideologically when the parties that are not part of its core, such as the Conservative, the Liberal or the Unidad por la Gente (Unity for People), find themselves in need of finding balance between their own ideological program, their commitments to voters, and the left-leaning Government platform, which is committed to deeper changes. Second, it will be tested in the electoral scenario when it is necessary to reach agreements or compete openly with candidates closest to the President.

But the most important bets of the Government will not only be political. Advances in the prompt implementation of the Total Peace policy will be of the utmost importance in an environment where public order is deteriorating and threatens to return to the violence and crime prior to the Peace Agreement with the FARC. Progress will depend, to a large extent, on promptly overcoming the obstacles derived from the end-of-year announcements, both in terms of the ceasefire with the ELN and the lifting of the arrest warrants for members of the Clan del Golfo and the Conqueror Self-Defense Forces of the Sierra Nevada.

In the economic sphere, the main projections speak of a year with low growth – close to 2% – and high inflation, though it's lower than that of 2022. The main economic challenge seems to be ensuring that the increase in minimum wage stimulates the domestic market without disproportionately affecting the country's productivity. It is noteworthy that the Government will have fresh resources derived from the tax reform, among other sources, and that, with them, it hopes to deepen social policy.

Given this dynamic context, Edelman Global Advisory's 2023 Colombian Perspectives lays out our analysis of the economic, political and social outlook for the year with emphasis on certain social and productive sectors and implications of the NDP for the rest of President Gustavo Petro's term. We hope you find this document useful.



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Colombia in 2023

01



Overview

ECONOMIC OUTLOOK

Colombia's economic management has been characterized by prudent macroeconomic and fiscal administration. As indicated by the [World Bank](#), it has been anchored to a target inflation, a flexible exchange rate, and a structured fiscal framework, which have enabled it to be stable during the two decades of the 21st century, including during the financial crisis of 2008 and COVID-19.

These measures are shown in the behavior of the Gross Domestic Product (GDP) during the last three years. In 2020, economic growth dropped to -3.6% amidst the pandemic; then, in 2021, with the economic recovery, it reached 10.7%; and in the third quarter of 2022, it went to 7%. The activities that contributed to the growth in 2022 were wholesale and retail trade (1.6%); arts, entertainment, and recreation activities (1.1%); and manufacturing industries (0.9%). These fluctuations in GDP all occurred in the context of Russia's invasion of Ukraine, interest rate increases, and dynamic regional politics

While the Colombian economy shows a recovery in this scenario, multilateral organizations, such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD), estimate that the country's economy will grow between 2.2% (IMF) and 1.2% (OECD) this year. These projections reflect the consequences of the *cost-of-living crisis* that the IMF anticipates as an effect of four variables: Russia's invasion of Ukraine, inflation increase, the Chinese economic downturn, and the dollar's appreciation.

This increase in the cost of living is reflected in the behavior of inflation, which at the end of 2022 was 12.2%, showing a decrease in consumer confidence and a slowdown in the economy. In this sense, there was a high domestic demand, a depreciation of the Colombian peso, the indexation of salaries and regulated prices, and international price pressures, which led the Central Bank to set the interest rate at 10% at the end of September.

The outlook from 2022 generates uncertainty. However, according to the Bank of the Republic, inflation is expected to decrease in the first quarter of 2023 and be 7% by the end of the year. Likewise, the OECD suggests that into 2024 the economy will stabilize once inflation begins to decrease, and economic policy begins to relax. Finally, the World Bank foresees that the Colombian economy will have a strict monetary policy, a reduction in the fiscal deficit with the entry into force of the tax reform, and a decrease in spending related to the pandemic. In this way, the economy will benefit from rising oil, coal, and metal prices.

POLITICAL OUTLOOK

Presidential elections in Colombia were held in June 2022 amid high polarization. Gustavo Petro won for the Historical Pact Coalition under the narrative of the "Government of Change," being the most recent arrival of a progressive leftist government. By December 2022, President Petro ended the year with a 48% approval rating by the Colombian population. However, the latest [INVAMER survey](#) showed an increase in the negative perception of how the country is doing, reaching 66% of the population who consider that the situation is worsening mainly in terms of the economy, unemployment and security. Nevertheless, the perception of the citizens has improved in terms of foreign and environmental policies.

Criticisms of the Government include: the delay in the appointment of the members of the cabinet; the processes for the purchase of military aircraft; and the lack of coordination within the cabinet to speak to the public opinion – which is why the Minister of Interior, Alfonso Prada, was appointed as the only spokesman of the Cabinet. The most criticized Ministries have been those of Mines and Energy, Health, and Environment; indeed, different public hearings and motions of censure have been held by the opposition in Congress. On the other hand, people have shown through the surveys that they support the most the performance of the Ministry of Finance and the Ministry of Interior.



Governance stability

The Historic Pact party was supported by citizen participation, securing 16 senators and 27 representatives in Congress. Although these are not substantial majorities, they have allowed the president to ensure governability. The priorities for this four-year term focus on the consolidation of peace, social justice, and environmental justice. Since the beginning of the presidential term, reforms based on these priorities were announced in different priority sectors. Thus, during the last semester of 2022, 25 projects were presented in Congress from the executive branch, achieving the approval of:

1. Tax reform
2. Amendment to the Public Order Law (Total Peace)
3. Creation of the Ministry of Equality
4. Ratification of the Escazú Agreement
5. The General National Budget for 2023
6. The Biannual Royalties Budget Law.

The legislative bills to be discussed in the second round during the next ordinary period starting on March 16, 2023 will be:

1. The Political reform
2. Agrarian and rural jurisdiction
3. Regulation of adult-use cannabis
4. The United Nations Declaration on the Rights of Peasants and Other People Working in Rural Areas.

Although the lack of a consolidated opposition in the legislature has been criticized in the political field, the Democratic Center party, an important number of Cambio Radical party members and Marelén Castillo, former vice-presidential candidate of the Anti-Corruption League, have been the main opponents of the Government's proposals. Considering this scenario, for the next period of sessions, - while Congress is in recess - the priority will be the discussion of the National Development Plan and the filing of the health reform. Then, once back in session in March, the pension, labor, and education reforms will be discussed. For all reforms, the cohesion of the Government coalition will be necessary.

In 2023, elections for governors, mayors, deputies, councilors, and members of local administrative boards will be held. This will coincide with changes in the dynamics of Congress and political parties. Some legislators, such as former presidential candidate Rodolfo Hernández, Gustavo Bolívar (Historic Pact party) and Yamil Arana (Conservative party), resigned in 2022 to probably run for regional elected positions. Additionally, in July 2023 there will be a new election of the Boards of Directors of each chamber in Congress, which could change the current processes that have been favorable for the governance of the Historic Pact party.

Total Peace

President Petro's Government has emphasized that his main objective is to fully implement the Peace Agreement¹ with the Colombian Revolutionary Armed Forces (FARC) and to promote the pursuit of peace as a state policy. Hence, one of the main commitments since the presidential campaign was the negotiation with the armed groups that continue causing violence in the country. One of the achievements of the administration after its first semester is the resumption of peace talks with the National Liberation Army (ELN), regulating the Dialogue Table and agreeing on the agenda. However, several sectors have been critical of the process for its slowness, the increase in offensive actions, the lack of inclusion of some sectors and the lack of clarity on how justice will be applied. On January 20, 2023, the second round of talks began in Mexico, initially focusing on civil society participation and humanitarian relief. The agenda established for the following cycles covers the following topics:

¹ Final Agreement to End the Armed Conflict and Build a Stable and Lasting Peace. Signed with the FARC-EP (Fuerzas Armadas Revolucionarias de Colombia - Ejército del Pueblo) in 2016.



1. Participation of society in peace building
2. Democracy for peace (Guarantees for political demonstration and mobilization)
3. Transformations for peace and overcoming poverty
4. Recognition of victims and their right to truth, justice, reparation, and non-repetition
5. End of the armed conflict
6. Implementation

Although the end of 2022 was marked by a difficulty in achieving the ceasefire, and the Government made unilateral statements denied by the ELN, the objective with the next round of negotiations will be to overcome this challenge. Total peace implies a multilateral ceasefire. For this reason, parallel peace negotiations are not only envisaged with the ELN, but also with groups that did not participate in the Peace Agreement with the FARC and structures linked to illegal mining and drug trafficking. Additionally, during the first five months, progress has been seen in urban peace discussions in Cali, Medellín and Buenaventura. However, there has been criticism for promoting ceasefires with illegal groups without having an established dialogue table.

Social and environmental justice

The current Government prioritizes the development of a new Social Pact that guarantees democracy and peace. This pact is based on social and environmental justice. Thus, actions in 2023 will continue to focus on combating inequality, mainly regarding poverty, women and migrants. The fight against inequality is linked to environmental justice, as the Government has been emphatic in recognizing the climate crisis and its impacts on the country. It has been clear in rejecting the intensive use of coal and oil and hopes that climate justice will allow the transition to renewable energies. Environmental justice has been seen from an internal and external perspective, especially in relation to drug trafficking and crop restitution, as well as the protection and conservation of the Amazon.

The strengthening of the judicial branch will be important during 2023 and President Petro announced that he will seek to allocate more resources from the General Budget of the Nation so that there are more and better judges, greater independence, and a boost to restorative justice.

SOCIAL OUTLOOK

Social protection and development are closely related to the growth and performance of the country's economy, as evidenced by the employability situation and the overcoming of poverty. In the first decade of the 21st century, unemployment, informality, and poverty indicators were reduced. However, the COVID-19 pandemic and the increase in the cost of living have shown the importance of strengthening policies in these areas, which require joint work between the public and private sectors.

Employability

Regarding employability, unemployment in the country has decreased after the pandemic, according to the results of the National Administrative Department of Statistics (DANE) [Integrated Household Survey](#), which reviews the state of the Colombian labor market. According to the Survey, national unemployment in November 2020 was 13.9%; and in the same period of 2021 there was a decrease of 2.4%, placing the unemployment rate at 11.5%. On the other hand, for the year 2022 it was 9.5%, returning to the same value that was reached in 2019.

The employment outlook in Colombia is encouraging and shows some recovery from the worst moments of the COVID-19 pandemic, but the gender gap in unemployment remains. As of 2020, this gap was 8.3%, with unemployed women representing 20% and men 11.7%. Then, in 2021, when the economic recovery began, the gap decreased to 5.8%, with unemployed women representing 15.4% and men 9.6%. Finally, in 2022 the gap went to 4.7%, with the unemployment rate being 12.7% for women and 8.0% for men. On the other hand, according to DANE, the informality rate in the labor market in 2020 was 48.1%; in 2021 it increased 10%, reaching 58.1%; and in 2022 it reached 58.8% with an increase of 0.8%.

This panorama of unemployment and informality shows that the Colombian labor market presents two relevant problems: high and persistent unemployment rates, close to 10% of the economically active population; and persistently high rates of informality, close to 64% of the total employed ([Fedesarrollo, 2022](#)).



In addition to these problems, Fedesarrollo suggests that there are two labor markets in Colombia: a formal one with inflexibilities and entry and exit barriers (e.g., employee qualifications and non-wage costs); and an informal one that is flexible and without worker protection. These issues will be discussed in 2023, following the increase in the minimum wage, labor and pension reforms, and the National Development Plan.

Poverty

Overcoming poverty continues to be one of the most challenging elements for the country. The COVID-19 pandemic brought this issue back to the public agenda with greater relevance, since the gap that had been closed in the last decade was reopened and showed that inequality persists in the country. This is evidenced in the Social Panorama of Latin America and the Caribbean 2022, the most recent report by the Economic Commission for Latin America and the Caribbean (ECLAC)-, which places Colombia as one of the countries in the region in which the Gini Index remains the same as in 2019, though there was an impact on people with lower incomes.

The report also shows that the extreme poverty gap increased by 3% from 2014 (12%) to 2021 (15%), as did poverty by 4.3% between 2014 (31.1%) and 2021 (35.4%). Although the different governments took measures, such as replacing the loss of labor income with monetary transfers from the State, it is expected that these actions will not contribute to closing the social gaps and, on the contrary, governments must develop adjustments in their fiscal policies to look for social programs that strengthen these aspects. This will occur in the country, where in order to reduce poverty, the coverage and benefits of the monetary transfer programs must be increased and recommendations such as those provided by the OECD will be assumed, including improving the design of the tax and social protection system, and reducing labor costs in the formal sector and replacing them with general tax revenues to reduce informality.

FOREIGN POLICY

Agenda for 2023

From the beginning, President Gustavo Petro has shared his vision for Colombia, being his main objective to position the country as a "World Power of Life," responding to the needs of the citizens and the interests of his electorate. This focus is based on:

1. Reactivation of the peace process
2. International cooperation
3. Regional integration
4. Responsible and eco-sustainable tourism
5. International peace
6. Relations with the United States: war on drugs, international security, climate change and FTA renegotiation.

Foreign policy for 2023 will focus on reactivating the peace process, strengthening the country at the regional level, and working with neighboring countries. Approaches to the United Nations (UN), the Organization of American States (OAS), and other international integration organizations will be seen in the following months, as they will be the platforms where cooperation for peace, Latin American integration and the globalization/regionalization process will be promoted.

Gustavo Petro has a very important leadership opportunity in the region and the successes during his administration will depend on the approach, the measure and the respect for diplomatic agreements and protocols. His proposals would bring benefits to Latin America, which is still searching for growth and structural change in its governments. Finally, one of the most visible challenges will be to moderate the President's positions, since his criteria is not "exclusively political and personal," but in his role he may compromise the credibility and the stability of a State that is respectful of the international affairs of other countries.



United States and Colombia's bilateral relations

Recently, U.S. President Joe Biden announced the nomination of Elizabeth Manes to serve as U.S. Ambassador to Colombia. Manes is a Foreign Policy professional from Liberty University with a master's degree in Public Administration from American University. Throughout her professional life, she has held various positions in the U.S. embassies in Argentina, Uruguay and Brazil, which has allowed her to be close to Latin America. If her nomination is accepted by the U.S. Congress, it is expected that the relationship between the two countries will continue to consolidate and work more closely on issues such as peace and the fight against drugs.

Although it is not explicitly included in the National Development Plan, President Gustavo Petro has been emphatic in the importance of maintaining and strengthening bilateral relations with the United States based on several lines of work:

1. Promoting bi-national trade and U.S. investment in Colombia with a focus on respect for the environment and individuals.
2. Working on a process of de-narcotization, based on a new drug policy that has regularization as its pillar over criminalization and includes an approach to consumption as a public health issue. In addition, point four of the Peace Agreement focuses on substitution of illicit crops.
3. Review and renegotiate the Free Trade Agreement to stimulate productivity, the transfer of knowledge, and the creation of new job opportunities between both countries, as well as rethink other aspects, such as intellectual property agreements.
4. Implement the energy transition to mitigate the impact on the environment. This will require joint efforts, considering that the United States is one of the most polluting countries.
5. Continue to support the implementation of the Peace Agreement signed with FARC in 2016, which has had the support of the U.S. Government since its inception.

Although the governments of Gustavo Petro and Joe Biden have had close and diplomatic relations in the last six months focused on dialogue and negotiation, the United States will elect a new President in 2024. Therefore, there could be changes in the agenda considered between both countries and the expectations of the Colombian Government.

Colombia's position in the region

Regarding the Latin American region, President Gustavo Petro has been emphatic in expressing his intention to consolidate, in the coming months, the pillars to position Colombia as a relevant player for the priority issues for the region. Thus, based on the National Development Plan 2022-2026, he has set out the most urgent foreign policy issues for Latin America.

First, it mentions **the foreign policy strategy for changing the paradigm of the drug phenomenon**, which will formulate a new short- and medium-term drug agenda aimed at leading the change of the global approach based on the war on drugs. This will be operationalized through inter-institutional articulation at the national, regional, and international levels for the effective dismantling and prosecution of multi-crime, as well as through the support of multilateral cooperation and coordination mechanisms that allow the improvement and transformation of economic conditions in border areas and the welfare of their populations. The objective is to encourage the region to continue working on the global drug problem from a public health, gender, and human rights perspective.

Second, it seeks to promote, through regional and international dialogues, **the establishment of a policy to fight climate change and biodiversity loss**. The aim is to preserve regional ecosystems and intensify the search for resources from international cooperation with an emphasis on the preservation of the Amazon and the Darien regions. Within the framework of this objective, it is sought to work regionally in electrical interconnection based on clean energy, this pillar being the focus of a discussion between President Petro and the recently inaugurated President of Brazil, Lula da Silva.

Additionally, the Government of President Gustavo Petro seeks to continue promoting the trade and cooperation relationship with Asia-Pacific through the **Pacific Alliance**, to strengthen this mechanism and position it more decisively as a platform for political articulation and socioeconomic integration between the two regions.



Likewise, in cooperation with Mexico, it is sought to work in the promotion of a sustainable and comprehensive development plan that influences regional integration and promotes development projects within the **Mesoamerica Project**. All this taking into consideration that Colombia will assume the Pro Tempore Presidency in the second half of 2023, and together with Mexico will form the Joint Presidency of this mechanism.

Finally, it is imperative to mention two events that marked the end of 2022 and the beginning of 2023 and that had an impact on President Gustavo Petro's foreign policy toward the region. The first one was related to the criticism that he faced after **his reaction to the situation of the former president of Peru, Pedro Castillo**, following his attempt to carry out a self-coup. This issue also led to, after 61 votes, the Peruvian Congress approving a motion to reject the alleged "acts of interference" by the President of Mexico, Manuel López Obrador, and President Gustavo Petro.

Secondly, after more than seven years of a closed border between Colombia and Venezuela, on January 1, 2023, **the Atanasio Girardot bridge was opened**, a scenario that marks the beginning of the reestablishment of social and commercial dynamics between the two countries. However, there are still cross-cutting issues that require decisive inter-institutional coordination, such as those associated with security, the migration process, and the reestablishment of bilateral trade, among others.

It should be noted that in 2023 several countries in the region will have elections, including Guatemala, Paraguay, and Argentina, while Chile will have a new constituent convention, which could have an impact on the regional agenda that Gustavo Petro has planned.



Sector Overview

02





Health

New leadership in the health portfolio and preventive and predictive model

August 7, 2022 marked the change of leadership in one of the most important ministries of the Colombian State – the Ministry of Health and Social Protection – especially because the country was in a post-pandemic scenario, facing a new national epidemiological panorama caused by the monkeypox virus, and with the announcement of a future reform to the health system. As announced by the media, President Gustavo Petro appointed Carolina Corcho Mejía as the new Minister of Health and Social Protection, a psychiatrist with a master's in Political Studies from National University of Colombia. Before her appointment, she had served as Vice President of the Colombian Medical Federation and as President of the Corporación Latinoamericana Sur.

During 2022, relevant situations developed within the health sector and generated the participation of multiple actors. One of them was the **national drug shortage** that mobilized the attention of public opinion and civil society, given the difficulties faced by health service providers and patients in promptly obtaining medicines – a situation that also led the recently appointed minister to attend multiple public hearings in the Congress of the Republic to clarify the context and define strategies to overcome it.

Secondly, the attention was focused on the **new preventive and predictive health** model presentation, which will set the roadmap for the sector in the coming years and whose objective is to guarantee the fundamental right to health through a public, universal, preventive, participatory, decentralized, and intercultural system focused on Primary Health Care. Its implementation would be the responsibility of territorial interdisciplinary medical teams (EMIT) that would broaden the supply base of promotional and preventive services.

Similarly, the Ministry of Health would seek to advance both the implementation of Comprehensive and Integrated Health Services Networks and Primary Health Care Centers as well as the development of national capacities to produce quality drugs and technologies leveraged by a Health Science and Technology Policy. According to the announcement by the ministry, this model will be financed with resources from the General Participation System, the National General Budget, the System's Benefit Plan, and the Capitation Payment Unit (UPC) contracted by the Benefit Plan Administration Entities (EAPB) resources.

Another announcement that caused concern and uncertainty among the health sector actors was mentioned by the director in charge of the National Institute for the Surveillance of Medicines and Food (INVIMA), Francisco Rossi, on the need to **restructure the institution**. Among the proposals mentioned were (I) the reduction of the relative weight of sanitary registrations; (II) the simplification, streamlining, and modernization of the registry; and (III) the definition of a user-friendly, interoperable information system articulated with the information systems of the sector. However, the proposal that caused the most criticism in the sector was the reduction of international sanitary standards to allow the national industry to have more opportunities.

Because of this announcement, several voices spoke out against it, since it would go against the nature of the entity as a worldwide referential Health Agency, not to mention the concerns about the quality and efficacy of the drugs approved under this reduction of standards.

Regarding **health system reform**, Minister Carolina Corcho recently assured that the bill has been designed in a participatory manner with civil society and that the text is undergoing a legal review to be presented to President Gustavo Petro. According to the information provided, the reform bill would be structured around five fundamental pillars: (I) primary health care; (II) the creation of a public, interoperable and transparent information system; (III) overcoming the financial intermediation of the system, so that there is a direct flow in the payment to health care providers; (IV) the formulation of the science, technology and innovation policy; and (V) the regulation of drug prices. The bill is expected to be filed at the beginning of February.



National Development Plan 2022-2026 on Health

According to the base document for the construction of the National Development Plan (NDP) submitted in 2022 to the Planning National Department (PND), the bill is expected to focus on the Promotional, Preventive and Predictive Health Model based on Primary Health Care (PHC). This bill will have an emphasis in the creation and development of healthy territories and the consolidation of basic teams for extra-mural care related to promotion and prevention, with Public Hospitals at the center of the operation and as a point of reference. To this end, the Government will seek to guarantee investment in infrastructure and equipment interventions in the public hospital network and the development of a comprehensive public policy for human talent in health that guarantees hiring conditions even in dispersed areas.

On the other hand, the Government has been emphatic in the need to create a National Council of Social Security in Health and to decentralize decision making regarding the management of the system, modifying the national and territorial institutional architecture for the definition of public policy in the intersectoral intervention of social determinants. According to the document presented by the Government, such interventions will be prioritized following the results of the predictive model.

It is expected that another key point of the bill will be related to the development of an interoperable Single Health Information System to articulate the actors in the sector. This information system would be a data center that manages to articulate the information systems at the territorial level in such a way that robust information is available to verify the payment of unified health resources with real-time follow-up and allowing the Administrator of the Resources of the General System of Social Security in Health (ADRES) to clean-up the health accounts. In this sense, the ADRES would be authorized to request the necessary information from the different Government agencies to avoid undue payments, under the conditions previously established by the entity. Hence, ADRES' purpose would be to guarantee the adequate flow of resources and request information on the payments made by the Health Promoting Entities (EPS) – or whoever takes their place – to the Healthcare Providing Entities (IPS), using the resources drawn and the balance of debts to the network of providers and suppliers of health services and technologies.

Regarding the transfer of resources, and in accordance with the Government's proposals, the bill will include the direct transfer of the UPC in a generalized manner for both the contributory and subsidized regimes. In the event that the National Health Superintendence identifies a breach of the regulatory obligations determined by the Ministry of Health for such purpose, that threatens the flow of resources from an EPS, group of EPSs or whoever takes its place in the configuration of the system, the latter may request the ADRES the extraordinary direct transfer of resources. In relation to maximum budgets, and according to the Government's statements regarding this mechanism, it is expected that it will be eliminated and replaced by the traditional mechanism of reimbursements, which would be effective after an audit of the accounts by ADRES.

With respect to medicines, science, technology, and innovation, what is projected by the Government includes expanding the framework of negotiations for the acquisition of biological products and vaccines in exceptional and emergency cases that allow greater room for maneuver at the time of acquisition through direct purchase mechanisms. Likewise, it considers establishing a clearer framework of definitions and competences for pharmaceutical managers and logistics operators from the articles of the NDP; laying the foundations for the complete restructuring of INVIMA and the National Institute of Health (INS); as well as strengthening the financing of the Institute for Health Technology Assessment (IETS), maintaining the rules of operation, and contracting. On the other hand, the draft proposes to keep the "Gateway" mechanism - related to article 72 of Law 1753 of 2015 and the regulatory framework to advance on centralized purchasing.

Finally, it is expected that, as part of the NDP and through the formulation of the science, technology and innovation policy in health, the rules for the development of local industrial production strategies for vaccines, medicines, supplies, medical devices, and strategic technologies for the country will be set, giving way to the formulation of a new National Pharmaceutical Policy. This policy will be directed, among other objectives, toward pharmaceutical autonomy, the use of generics, the development of biosimilar and biotechnological alternatives, the development and expansion of existing flexibilities on intellectual property, and the regulation of good practices throughout the commercialization chain.



Healthcare System Reform

The National Government has announced that one of the main points on its legislative agenda for 2023 is the highly anticipated health reform. In accordance with the Government Plan of President Gustavo Petro and the bases of the NDP, the main objective of the reform is to guarantee the right to health for the population through a change in the health model toward a single, public, universal, preventive, predictive and decentralized system that considers all the social determinants of health.

During the first months of the Government, the Minister of Health, Carolina Corcho, and President Gustavo Petro have been vocal about the need to reform the system, a message reinforced during the launch of the Preventive and Predictive program. However, an official text of the reform prepared by the Ministry of Health is not yet known. Likewise, approaches have been made with some actors in the system to talk about its current situation. Nevertheless, discussion spaces have not been established to listen to all the stakeholders involved and seek consensus – an important step that would facilitate the discussion once the text is issued before the Congress of the Republic. Different stakeholders in the health system who have felt excluded and separated from the building process of the text have decided to present their own reform, as is the case of the organization Pacientes Colombia.

According to the latest statements by the National Government, the formal text of the reform will be presented in February during the start of extraordinary sessions to begin the discussion, especially of the NDP. The health reform would be presented and processed in the Constitutional Commission VII, in charge of discussing issues related to social security, including healthcare.

Science, Technology, and Innovation Project

Within the priorities of the National Government, following what is expressed in the bases of the NDP, there is the strengthening of the science, technology, and innovation policy in health. This policy aims to encourage the development of research associated with technological development and health research. To achieve this ambitious project, the National Government proposes: (I) the creation of the knowledge management network in health and good practices in the entire chain of the pharmaceutical sector; (II) the development of self-regulation mechanisms for the prescription of medicines and health technologies by scientific, academic, and professional organizations of the different health professions and disciplines; (III) the strengthening of INVIMA's operating capacities, both in terms of competencies and budgeting; (IV) the transformation of the IETS into a public institution, independent and with autonomy in the evaluation of technologies that enter the country; (V) the implementation of the CTI mission in knowledge for health sovereignty and social well-being to guarantee the availability of innovative knowledge, technologies, and services; and (VI) the local industrial production of vaccines, medicines, and strategic technologies for the country.



Energy Sector

The Government has presented multiple projects aimed at materializing the proposal for change in its electoral campaign. Among these is the energy transition plan, which calls for a gradual transition from the extractive economic model to a diversified economic model, based on renewable energies, to address climate change.

The commercialization and distribution of fuels, in its different stages, constitutes a fundamental component of the Colombian economy, given that it represents one of the most important sources of financing for the Government. According to data reported by the National Hydrocarbons Agency (ANH), during June 2022, production was 752,294 barrels of oil per day, which represented an increase of 8.38% compared to the same month of 2021. Colombia's external sales from January to September 2022, including oil and derivatives, were US\$43.829 million Free onboard (FOB) and translates into a 51.7% increase in the country's exports.

The transformation of Colombia's energy matrix, according to the guidelines of the NDP, will be carried out progressively, considering that hydrocarbons and minerals continue to have a significant place in the country's economy. In this sense, the Government seeks to establish a policy that allows for the gradual modification of exploitation and consumption patterns.

Exploration, exploitation, and fuel price policy

The Government's policy on the exploration and exploitation of hydrocarbons will be one of the central points in the energy sector agenda. This will be accompanied by the decisions to be made regarding the price of fuels. In the first place, the Ministry of Mines and Energy and the Ministry of Finance will continue the review of the current exploration and production contracts, to establish a balance between the supply and demand of gas and crude oil necessary to ensure the stock at national level. According to the report published by the Ministry of Energy in December 2022, the country has signed 381 contracts, of which 273 are under execution, 35 are suspended, 63 are in the process of termination, and 9 are for unconventional fields. It is expected that in the contracts in termination status, enhanced recovery projects will be developed to extend the useful life of the fields. The Ministry of Finance expects that in 2023 there will be a downward correction in oil production levels due to the moderation in international prices.

After the evaluation of the contracts signed, it is expected that the Ministry of Finance will give indications on the development of new hydrocarbon exploration and exploitation projects. Following the guidelines of the NDP, a process will be implemented aiming to progressively reduce dependence on oil in economic matters, while the energy transformation will allow oil and coal surpluses to contribute to the financing of alternative economies.

In 2023, the Government will also **continue to adjust the price of fuels to close the deficit generated by the Fuel Price Stabilization Fund (FEPC)**. For this matter, the Government provides in the 2023 Financial Plan that it will maintain the commitment to meet the obligations generated by the Fund in the immediately following fiscal year. Likewise, an adjustment scheme will be implemented that involves gradual and progressive increases in fuel prices to reduce the expenditure needs associated with the FEPC.

In 2022, the operation of the FEPC represented a fiscal deficit for the State by 1.3% of the GDP, equivalent to approximately COP\$37 billion. For this reason, the Government may maintain the policy of fuel price adjustments, which has generated disagreement in the cargo and public transportation sectors. The adjustments should result, at the end of the year, in a deficit of less than 1.2% of the GDP. It is important to mention that the adoption of these measures will imply a political cost for the Government, mainly due to the inflationary pressures that could be generated.

The National Government will reinforce the message about the importance of adjusting the FEPC due to the challenge it represents for the sustainability of the State's finances and the implementation of Government policies,



including ensuring consistency with the energy transition. This scenario will imply the adoption of corrective measures to close the fuel price differential and ensure more responsible finances in the medium term.

Mining, energy, and energy transition

One of the main lines of work of Gustavo Petro's Government will be to advance the reform of mining regulations to create instruments for the management and restoration of environmental liabilities, understood as those environmental damages that pollute and affect the environment after the completion of mining projects. Likewise, small-scale mining will be promoted with high safety requirements to reduce the accident rate of workers in the sector and a roadmap will be adopted to digitalize the mining and energy sector. According to the NDP, an economic incentive will be given for the national production of coke, gem cutting, metal refining and construction materials. Likewise, priority will be given to the extraction of gold, copper, nickel, cobalt, and lithium, among others. The above will be accompanied by the creation of the National Company of Minerals to commercialize them in the national territory.

Regarding the energy sector, according to the NDP, the Government will seek the security and reliability of the sector, prioritizing local resources and the necessary infrastructure to guarantee the service. Along with this, a policy will be defined to determine the conditions for providing the service and there will be permanent monitoring of energy generation contracts and their subsequent distribution. The Government's priority is to universalize the electric energy service by implementing energization plans, and regulating the model of energy communities around cultural, ethnic, territorial, and productive characteristics – all with the objective that they take part in the electricity value chain as consumers and generators, through associative, cooperative, or other schemes, promoting the entry of distributed energy resources.

According to the document "Construction of principles, methodology and launching of the Social Dialogue to define the Roadmap for the Just Energy Transition in Colombia," presented by the Minister of Mines and Energy in the context of the United Nations Conference on Climate Change (COP27) in Egypt, the plan to elaborate the Energy Transition Roadmap will be developed in a total period of 24 weeks from the date of publication of the document.

The document is divided into four phases which are structured as follows: Phase I (4 weeks duration) to plan and prepare the process; interact with different stakeholders and experts; define participation mechanisms; and gather the necessary information for analysis. Phase II (8 weeks duration) for the quantified establishment of goals and deadlines, as well as the elaboration of a general analysis of the energy system. Phase III (12 weeks duration) to design a roadmap to achieve the established goals; define the required regulatory enablers; and analyze existing risks and gaps. The conclusion of Phase III will result in the Roadmap for a Just Energy Transition in Colombia. Finally, Phase IV will include the implementation of the Roadmap as well as eventual updates.

Under a productive diversification strategy, the Government is expected to carry out a labor reconversion with a territorial and differential approach to the hydrocarbon sector jobs impacted by the energy transition plan. Furthermore, a regional mining-energy integration is also expected, based on bilateral agreements, and the creation of a regional energy market will be promoted, allowing the country to obtain economic resources from the commercialization of surpluses.

President Gustavo Petro has made energy transition a priority, which includes the review and update of the Energy Transition Policy, to integrate renewable energies such as hydrogen, wind energy, biomass (organic matter used as an energy source), biogas, geothermal, ocean energy, and advanced biofuels including, among others, sustainable aviation fuels. This implementation will require advanced infrastructure and technology that responds to environmental needs and commitments and greater affordability of service. Likewise, the use of clean and renewable energies will be furthered, as well as the development of productive processes with a lower environmental impact, the promotion of the circular economy, the conservation of water sources and the adequate management of solid waste.

Acquisition of Monómeros

During the last few months, the Government has shown its intention to evaluate the possibility of acquiring the fertilizer and inputs company Monómeros, which belongs to the state-owned company Petr6leos de Venezuela.



Official statements by the Minister of Finance, José Antonio Ocampo, have shown that a possible acquisition of the company would necessarily be accompanied by increased gas production to develop the company's potential and maintain its significant role in the national fertilizer industry. It is important to mention that this discussion will have to take place within the framework of the bi-national relationship between Colombia and Venezuela and that the transaction could take place in the medium to long term.

The transaction will be important for the industry at a time when discussions are being held on the importance of maintaining hydrocarbon exploitation and exploration projects to find more resources.



Technology

Regulation of digital platforms

The country has been waiting approximately eight years for a regulation that gives a clear answer to the operation of digital platforms. After the rejection of several bills that have sought to establish a regulation from different approaches, the main discussions are focusing on giving freedom for the use of digital platforms and the opportunity that they represent for some people in obtaining income. For example, during the COVID-19 pandemic, approximately 250,000 people turned to digital platforms as a livelihood mechanism, showing the need to regulate them without limiting the possibility of using them and accessing them.

The concerns from previous administrations have focused on the fact that the hiring schemes are not regulated, or do not meet the requirements of labor contracts (working hours, labor subordination and a fixed salary as remuneration for the work). In the same line, the lack of regulation of these platforms makes it impossible to fully identify the employer, considering that the employer is the platform and, consequently, the person providing the service is unprotected in the event of any issue.

From the current administration's perspective, the main concern revolves around taxation of the profits generated by these companies. The Government has stated that these companies are illegal and that there should be a consensus between the Ministry of Information and Communication Technologies (ICT), the Ministry of Labor, and the Ministry of Transportation to generate a regulatory framework. Digital platforms provide a service to society and offer an economic alternative to many households. However, the activities developed through them cannot remain without a legal and juridical framework that benefits all the actors involved, guaranteeing free economic competition, and protecting both users and service providers in their rights to income, schedules, and social security. In this sense, the guidelines of the NDP 2022-2026 have already advanced that actions will be taken for the formalization, regularization and normalization of digital platforms, and that the Labor and Pension System bills will address these issues.

Another frequent argument is that these platforms are not of national origin and, consequently, the income generated by their use does not remain in the country, thus they do not generate added value. However, José Daniel López, director of Alianza In, has stated that approximately between 80% and 90% of the total cost of providing the service are profits for the provider.

The use of these platforms has revealed the need to regulate different aspects, among which are: (I) creating a regulation on the apps that provide services; (II) determining what are the conditions and requirements to operate exclusively in the apps; (III) establishing a limit of hours for people who provide the service; (IV) establishing quality and safety conditions in the provision of services; (V) setting geographic limitations in the provision of the service, limited to the cities where it is registered; (VI) establishing a criterion for setting rates that do not discourage competition with public services; (VII) creating a fund for the development of mobility and infrastructure; and (VIII) establishing the criteria for taxation of said platforms. The creation of a public policy that regulates digital platforms must involve all stakeholders, since they currently represent 0.23% of the country's GDP. Additionally, according to the Inter-American Development Bank (IDB), 71% of the people who carry out their economic activity through digital platforms are professionals, which reveals the need to obtain resources from workers.

It is important to emphasize that Colombia is not the only country in which the controversy over the regulation trend of digital platforms has arisen. In Europe, the United States and Latin America, this discussion has been presented, opening the possibility of regulating them from different perspectives and with different approaches. For example, in the case of Brazil, a regulation was presented, establishing very general guidelines.

Telecommunications spectrum bidding



The Ministry of ICT has been structuring the auction process for the assignment of the 5G frequency in Colombia for the last two years. In 2022, the institution shared the Action Plan for Objective Selection Process that established the parameters to be followed to select the companies that will deploy this connectivity infrastructure in Colombia. This process will be key for the sector and for the Government, as it has the purpose of improving the country's digital connectivity, which implies that more regions, especially rural ones, will have constant access to internet for the development of daily activities. The Ministry of ICT mentions that the goal is to reach the areas not yet connected and improve the quality of service where it already exists to boost the productivity of the regions, through geographically adaptable technologies.

Nine companies have shown interest in the bidding process. It is expected that in the first quarter of the year, the selection process will be structured; in the second, the draft resolution will be published for comments; and in the third, the selection process of the bidding companies will be conducted.

On the other hand, the Ministry will have the challenge of renewing, during the next two years, more than 66% of the spectrum assigned for the next 20 years, this being a key process in connectivity issues for the country. Likewise, the assignment of these spectrums will be key due to the economic and strategic implications that the results of this auction process will have for the country.

Connectivity infrastructure

During 2023, the Ministry will also work on the development of the Unified National Connectivity Map that will allow for visualizing the coverage footprint of the mobile signal, as well as the submarine cables that connect Colombia; the fiber optic laying of the Telecommunications Network and Service Providers that deploy these types of networks; and other projects that will be developed in the future within the framework of the Connectivity Plan. The development of this initiative will allow the country to have better estimates of its connectivity status.

Through the Integral Plan for the Expansion of Digital Connectivity, the Government will seek to bring connectivity to areas where no service is provided or where the quality of service is insufficient. Likewise, it will work together with the private sector, in the deployment of neutral telecommunications networks and the elimination of barriers for the deployment of connectivity infrastructure. The purpose of these initiatives is to develop a policy and regulatory framework that promotes the adoption and deployment of connectivity technologies, mainly in rural regions of Colombia.



Agriculture & Food

The Government of President Gustavo Petro received a sector that managed to stay afloat during the crisis generated by the COVID-19 pandemic. The final report of the Ministry of Agriculture was published with the departure of the Duque Government in 2022. The report highlighted that the agricultural and livestock sector continued operating during the pandemic to ensure the food security of Colombians, registering an increase of 5.2% between 2019 and 2021, compared to the growth in the country's GDP, which was 2.9%. The sector was also responsible for nearly 4.7 million jobs. Nevertheless, the sector has several challenges that should be addressed in the next four years, such as the implementation of an agrarian reform; rural monetary poverty, which went from 42.9% in 2020 to 44.6% in 2021; and the increase in food prices, among others.

Guaranteeing the right to food is one of the priorities of the Government of Gustavo Petro, as expressed in his Government Program and in the guidelines of the NDP 2022-2026. With the aim of achieving this goal, the National Government is committed to improving the productivity and competitiveness of the agricultural sector through the transformation of agri-food systems by developing value-added chains intensive in innovation and knowledge. According to the guidelines of the NPD 2022-2026, the National Government will allocate resources amounting to \$26.6 billion for the implementation of actions aimed at guaranteeing the right to adequate, healthy, and safe food.

Transforming the agricultural and livestock sector to produce more and better food.

By the end of 2022, the National Government made progress on several points for the transformation of the sector, such as the titling of 681,000 hectares in 19 departments; the announcement of the purchase of hectares of land from the Colombian Federation of Cattlemen (Fedegán); the approval of the first four debates of the law that creates a new Agrarian and Rural Jurisdiction; and the activation of the Fund for Access to Agricultural Inputs that will benefit 120,000 small agricultural producers with an investment of COP\$80 billion. The Fund will grant reimbursement of up to 20% of the purchases of inputs for fertilizers or concentrated animal feed.

Moreover, there was progress with the regulation of Law 2183 of 2022 for the adoption of the National Policy on agricultural inputs and fertilizers, with emphasis on producers of farming, family, and community agriculture. Additionally, the National Government advanced in the initiative to adopt, and implement the Declaration of the Rights of the Peasants.

1. **Comprehensive agrarian reform:** During her administration, Minister of Agriculture Cecilia López has made agrarian reform the central axis for overcoming most of the sector's challenges. The main objective of the reform is to overcome the historical inequality in access to land in Colombia through the democratization of this resource. To achieve this, the Government of Gustavo Petro took important steps with the signing of an agreement with the president of Fedegán, José Félix Lafaurie, which enables the direct sale of land by the National Government to landowners who voluntarily wish to sell it. During 2023, these purchases will be executed, and the respective procedures will be carried out so that the land will effectively benefit the farmers who are subjects of the agrarian reform. To make the purchase effective, the Ministry of Agriculture will evaluate certain requirements that were set for the purchase, among which are that it is land acquired in a transparent manner, that there is no doubt about its ownership, and that it is highly productive land, among other requirements.

In addition to the agreement with Fedegán, the National Government started the use of land of drug trafficking origin seized by the Special Assets Society (SAE). Currently, there are thousands of hectares of land in the country under forfeiture of ownership and vacant lots. The SAE will allocate these lands to what the Government has called "popular public alliances" for farmer organizations to put them into production.

With the implementation of the reform, the Government also seeks to increase rural productivity; to combat hunger resulting from low food production and the consequent inflation that this generates; to strengthen



Colombia's participation in the value chains of goods and services, mainly to reduce production costs; and to recognize the fundamental role of peasants in rural areas; among others.

2. **Food sovereignty and security:** The National Government has proposed to strengthen food sovereignty to make Colombia a "World Power of Life." The commitment is to purchase local farm products to combat hunger and food insecurity, significantly reducing imports of basic foodstuffs and generating more exports. In this regard, the Ministry of Agriculture is working with 24 production chains such as rice, cocoa, poultry, livestock, and others, to have productive inclusion of small producers and increase food supply to meet domestic and international demand.

On the other hand, to address food insecurity in the country, President Gustavo Petro and the Department of Social Prosperity launched a national plan to combat hunger with the extraordinary monetary transfer of COP\$500,000 to households in extreme poverty, mostly headed by women. In addition, Social Prosperity, together with the Ministry of Agriculture, launched accompanying actions to promote food sovereignty, such as community kitchens, farmers' markets, service fairs and an educational campaign on the nutritional basket in the regions.

3. **Incentives for behavior modification toward healthy eating:** One of the objectives of the National Government is the generation of cost-effective tools and strategies that have an impact on eating patterns in families and communities toward healthier ones, as per the guidelines of the NPD 2022-2026. A clear example of these incentives was seen during the discussion of the tax reform in which the so-called "healthy taxes" were approved. These taxes, which will come into effect as of September 2023, are aimed at discouraging the consumption of ultra-processed foods and sugary beverages. According to a recent survey conducted by Mobimetrics, 71% of respondents indicate that they will decrease consumption due to the price increase, while only 25% say they will do so for health reasons. This would imply that healthy taxes would meet the goal proposed by the National Government and would curb the consumption of this type of food.

Another measure that will come into force during 2023 that seeks to modify behavior toward a healthier diet is the front labeling with octagonal seals. The Ministry of Health and Social Protection issued the Resolution 2492 of December 13, 2022, which modifies Resolution 810 of 2021 by changing the circular seals for octagons in accordance with the Constitutional Court ruling. This change in labeling would mean an additional expense for the food and beverage sector that will have to change the packaging of their products again to comply with the new regulations.

4. **Restructuring of the National Institute for the Surveillance of Medicines and Food (INVIMA) and sanitary regulations:** A restructuring of INVIMA is expected by 2023 and will be regulated through the NDP, according to statements made by its director, Francisco Rossi. The change will focus on reducing the weight of the entity's sanitary registration activities so that it can concentrate on its surveillance functions. In addition, this restructuring goes hand in hand with the re-industrialization policy in the pharmaceutical, food, medical devices, cosmetics, and beverages sectors proposed by the National Government.

A key point in the restructuring will be the relaxation of some procedures for obtaining food sanitary registrations. For the National Government, sanitary regulations in Colombia obey more to the requirements necessary to export food products to other countries than to the needs of domestic consumption. Therefore, it is necessary to have a regulation that is adjusted to the country's needs and not to global manufacturing requirements. This position is consistent with the approach of Gustavo Petro's Government to focus on satisfying domestic consumption with local products.

5. **National production of inputs and transition from chemical to biological inputs:** To reduce dependence on international markets to acquire agricultural inputs, the National Government aims to strengthen the strategy of national production of fertilizers such as potassium salts, ammonium phosphate salts, green ammonia, and urea. One of the first actions in this sense is the intention of purchase expressed by the National Government of the Venezuelan company Monómeros to respond to the increase in the price of fertilizers, which has pressured the price of foodstuffs.



6. **Reopening of municipal slaughterhouses:** For Gustavo Petro's Government, the reopening of municipal slaughterhouses is the way to put an end to the "monopoly of slaughterhouses," which transforms meat and sets prices for sale to the public. That is why it urges INVIMA to play a democratizing role in the economy, thus avoiding market concentrations. In this sense, Fedegán carried out a study that concludes that there is an inverse relationship between what is paid to the cattle producer and what is sold to the consumer, since when there are price drops in live cattle, the consumer does not see a reduction in the retail price, in line with what was stated by the National Government. However, according to statements made by Álvaro Urrea, president of the Colombian Cold Storage Association, the fact that meat prices are rising is due to the massive increase in live cattle exports.

From a public health point of view, the picture is ambiguous. On one hand, there is data showing that the Plan for the Rationalization of Processing Plants, in which municipal slaughterhouses were closed, has not had the expected effect on illegal slaughter. Part of the meat production continues to take place in unauthorized and clandestine sites. The reopening of municipal processing plants that comply with INVIMA regulations, according to their size, could be a good response, especially in the more remote municipalities where transporting animals to slaughterhouses can be a barrier for small farmers. On the other hand, there is concern about the safety of meat if municipal slaughterhouses are reopened, especially because of foodborne diseases (FBD) that could occur if operators do not handle the meat properly or because of inadequate infrastructure, equipment, and tools.



Environment

The protection of the environment has been one of the priorities of the Government Program of President Gustavo Petro. It cuts across all productive sectors and projects Colombia as a "World Power of Life." Internally, economic stability has been understood from bioeconomy, under the pillar of promoting a productive and sustainable country that generates wealth for the well-being of people, communities, and regions, in harmony with the environment. At the same time, Colombia has promoted a foreign policy that exposes the country's risk of being on the front line of the climate disaster. Therefore, the approach has transcended the search for international cooperation resources, linking climate action to the cancellation or exchange of the country's foreign debt. As established in the Constitution, the public policy guidelines are led by the Ministry of Environment and Sustainable Development, headed by Minister Susana Muhamad. Recently, this institution has been subject to criticism, especially regarding the protection of the environment against the exploitation of hydrocarbons. During 2023, agreements and new regulations on this matter will be implemented.

Guidelines for 2023 after the administration in 2022

At the end of 2022, the Government included among its greatest achievements the ratification of the Escazú Agreement and highlighted the Law 2169 of 2022 as a normative milestone in the fight against climate change, by which the ranks of the Nationally Determined Contribution of Greenhouse Gases (GHG) (pillar of the Paris Agreement) became the norm. Thus, the country's climate goal is to reduce GHG emissions by 51%, through 196 measures of mitigation, adaptation and means of implementation. On the other hand, with the aim of strengthening climate change management, the Government began the National Climate Action Tour "Territories and Visible Actors" in the four Regional Climate Change Nodes. It also launched the "Save the jungle" campaign, with the purpose of summoning the farmer and indigenous communities of the Amazon Arc to protect the territory. Likewise, the Government will continue to support the legislative discussion to prohibit fracking and exploitation in unconventional deposits, although it has not agreed with the modifications that were proposed in the first debate held in 2022.

After the tax reform approved in 2022, starting this year, 80% of the National Carbon Tax will be allocated to environmental protection, creating schemes of Payment for Environmental Services, prioritizing the municipalities of the Development Programs with a Territorial Focus (PDET). In addition, the Fund for Sustainability and Climate Resilience (FONSUREC) will be created. Likewise, the document portrays the Government's interest in promoting the circular economy. Finally, the causation of the national tax on single-use plastic products was also celebrated by the administration of Gustavo Petro, but its exoneration was established if the Ministry of Environment certifies that it is part of the circular economy.

From the international standpoint, the Government will continue to position the country as a leader in the defense of the environment. In 2022, Colombia participated in the COP27 Convention on Climate Change and in the COP15 Convention on Biological Diversity. At COP27, the country led the creation of an independent and specific fund so that developing countries, specifically those most vulnerable to climate change, can face the losses and damages caused by this phenomenon. Meanwhile, at COP15, the country defended the protection of life and environmental justice, and invited the other participants to listen to the voice of the communities for all decisions.

It should be noted that for 2023, the budget of the Ministry of Environment and Sustainable Development is COP\$1,407,601,587,008, which represents an increase of 3% compared to 2022. 40.6% will be used for the operation of the Ministry; 6.4% for the Institute of Hydrology, Meteorology and Environmental Studies; 43.7% for the National Environmental Fund; and 9.7% for the Regional Autonomous Corporations.

The main environmental challenges for 2023 include preventing the assassination of environmental leaders, deforestation, the protection of biodiversity and the energy transition. Therefore, within the interests of the Ministry is the creation of the Agency for Ecological Restoration and Biodiversity, the territorialization of the National Environmental System, and the implementation of the Defense Route of Environmental Leaders and the Escazú



Agreement. In this sense, the Government has established ten strategic territorial programs in the country in accordance with the proposed NDP.

National Development Plan

The National Development Plan 2022-2026, to be approved in 2023, includes two pillars directly related to the environment:

1. Land use planning, based on water and environmental justice

- Given that environmental justice is a priority for the development of the country, this pillar aims to make water resources the fundamental priority of the process. To that end, rural reform is being considered to avoid the indiscriminate expansion of the agricultural and urban frontiers, to protect strategic ecosystems and cultural and archaeological heritage, and to consider environmental zoning plans that harmonize environmental justice with access to land by the population settled in rural areas and ethnic and indigenous territories.

2. Internationalization, productive transformation for life and climate action

- One of the priorities is the convergence between the country's economic development and social and environmental sustainability. Therefore, this pillar seeks a transformation toward diversified productive activities that use natural resources responsibly and are intensive in knowledge and innovation to reduce carbon emissions and be more resilient to climate change.
- To achieve this, work will focus on transformation composed of five pillars: (I) accomplish an effective revitalization of nature with social inclusion, which includes conservation and ecological restoration interventions, as well as stopping deforestation and transformation of other ecosystems; (II) move toward a productive economy based on respect for nature, democratize the use of clean energy and electricity generation, and accelerate a Fair Energy Transition, with the binding participation of all stakeholders; (III) diversify the economy through reindustrialization with economic activities that promote the sustainable use of biodiversity, incorporating circular economy criteria; (IV) have the settings and resources as enabling mechanisms to achieve a productive economy; (V) carry out the progressive energy transformation, in such a way that the oil and coal surpluses contribute to the financing of alternative economies.
- The country is expected to lead the alliance for the protection and recovery of the Amazon and the planning of a Latin American energy market, based on the development of renewable energy sources. This as part of the Energy Transition Coalition, in which the goal of reaching 70% penetration of renewable energies in the region was established – currently the rate is 58.5%.



Social Security

According to the panorama described in the first section of the document, in terms of social protection, in 2023, the National Government will work on four fronts: the National Development Plan (NDP), labor reform, pension reform, and the operation of the Ministry of Equality.

As mentioned before, the Colombian labor market presents two lasting unresolved: unemployment and informality. In this sense, the component of human security and social justice of the NDP considers the importance of "providing sufficient opportunities for work and income [...] the majority of the employed have low-quality jobs, generating wide social inequality [...]. The country must have the necessary instruments and policies to respond to the transformation of the productive economy in terms of human capital, and to gain access to income generation opportunities" (NDP, p.40).

To achieve this goal, it is proposed a universal and adaptive protection system that provides a timely response to social and economic risks and those associated with natural phenomena that affect the well-being and quality of life of the population. Within this proposal, the program to be developed will be the design and implementation of the unemployment protection scheme, which will consist of redesigning the Unemployment Protection Mechanism (MPC) that will respond to the needs of the unemployed population. This includes formal and informal workers and considers vulnerable populations and the exploration of new mechanisms for those who cannot access the offer of the Family Subsidy System (NDP, p.48). Likewise, it is sought to provide tools for insertion into the labor market, focused on the territories where this indicator is higher. In summary, a true productive inclusion of workers, particularly of the groups that present the greatest barriers to labor insertion, in such a way that they can access productive opportunities under conditions of equity. The workers must have sufficient income to develop the life plan that they consider valuable.

To achieve inclusion, the Government proposes to recognize and promote the Popular and Community Economy (EPC). In this sense, the public policy for the EPC will be created, which will carry out training and recognition of the activities belonging to this type of economy and will provide access to salaried jobs, as well as social security to employees. This package will seek to create spaces for training for work, competency qualification, access to education and joint work with the private sector through employment pacts.

Likewise, insertion, reinsertion, labor retraining and productive transformation are proposed, which will be focused on the productive sectors related to green growth, renewable energies, agribusiness, art and heritage, recreation and sports and care. To this end, programs, projects, and policies will be launched in conjunction with entities such as the National Learning Service (SENA), the Ministry of Education, and the Ministry of Labor, which promote education, training, and qualification to respond to productive change and the strengthening of the National Qualifications System.

Another element that is on the public policy agenda of the National Government is the labor reform, which has a subcommittee from the Ministry of Labor made up of representatives of workers, employers, and the Government, in which the components of the project will be discussed. Although a draft reform has not been presented, so far, some issues are known that could be addressed in the articles:

1. Reduce daytime hours, which are from 6 a.m. to 9 p.m. and would now be from 6 a.m. to 6 p.m.
2. Increase the Sunday surcharge by 25%, from 75% to 100%.
3. Increase the nightly surcharge, which would have an impact on the payroll of the companies since it currently represents 1.75% of the annual payroll and, with the increase in hours, it would become 2.94%.
4. Completion of the contract for the provision of services.

The purpose of the reform is to create decent jobs and promote decent wages for workers in the country. This reform, in addition to seeking to solve the problem that the country has in the labor market, must consider the



economic outlook facing the country, the impact that economic variables such as inflation will have, and the importance of encouraging demand to maintain an active economy.

Inclusion, equity, poverty: Ministry of Equality

Since his presidential campaign, Gustavo Petro announced his intention to create a Ministry of Equality, focused on achieving salary equity, granting a minimum vital income to mothers who are heads of household, and providing land and credits to rural women. He also assured that the portfolio of this ministry would be headed by his vice-president, Francia Marquez. On December 13, this project was approved in the plenary of the Senate (with 61 votes in favor) and the House of Representatives (with 139 votes in favor) making the Ministry a reality. It will oversee 11 main functions, including: executing plans to target social programs, promoting tools for citizen organization; elaborating diagnoses of discrimination patterns; and promoting social innovation. In addition, it will create the National Care System, in charge of vindicating caregivers as subjects of special rights.

Among the main arguments against the project, put forward by opposition congressmen, was the lack of knowledge of the Ministry's operation and the source of the budget that would be assigned to it. Therefore, one of the representatives who sponsored the bill, Luz María Múnera, from the Pacto Histórico party, assured that around 11 entities or dependencies would be merged or eliminated (such as the Councils of Youth, Women and People in condition of Disability). Likewise, she mentioned that the investment that the state allocates to vulnerable populations and that is distributed in these entities would be concentrated in the new Ministry. Now, the Government has six months to define the minimum budget base of the portfolio, applying an austerity strategy. In the text of the project, it is estimated around COP\$18 billion per year for operating expenses, through the specific amount will only be known once the presidential regulation is issued.

Pension reform

During the presidential campaign, Gustavo Petro raised the need to promote a pension reform to guarantee a minimum income to all those older adults who are not in a productive stage and have been informal workers or have not contributed enough weeks to the system. Taking the above into account, the President has set a goal within the guidelines of the NDP to increase the percentage of people who are employed and contribute to the system from 41.6% to 45%. The Government also intends to improve the Periodic Economic Benefits mechanism (BEPS); reform the monetary transfer programs (Colombia Mayor) and pension contribution subsidies; and increase the coverage of the pension system, both in the stage of accumulation of rights, as well as in the stage of de-accumulation or enjoyment of benefits. For this, territorial and gender contexts will be considered, particularly the situation of women and caregivers.

Another key point of the pension reform is to pay special attention to the barriers that women face in accumulating rights, through a system of social and labor protection that responds to their particularities, with emphasis on rural women. In addition, it is intended to improve the habits of workers to improve their lifestyles during the productive stage and the retirement stage.

The Government already presented a pension reform proposal on November 16, 2022, and installed the pension reform subcommittee, led by the Deputy Minister in charge of Employment and Pensions, Juan Carlos Hernández. In this first meeting, the comprehensive reform of the protection system for the elderly was discussed, which is based on the proposal of President Gustavo Petro, and which complies with the priorities of the Government, including social justice. The proposed reform will be based on three pillars: (I) the solidarity pillar with a basic income corresponding to half the current legal minimum wage, which will cover people who cannot obtain a pension; (II) the contributory, for people who earn up to four minimum wages and make their mandatory contributions to the average premium regime administered by Colpensiones; and (III) the third, for people who have income above four minimum wages and make additional contributions to the Individual Savings Regime of the Pension and Severance Fund Administrators. The vice minister highlighted that the reform is designed to strengthen the bonds of solidarity in society, with a focus on rights and not on economic profitability, so that the dignity of the elderly is protected by the system, giving a solidary and universal income to the population. This pension reform draft has been discussed with representatives of labor unions and, considering the pronouncements of various members of the Government, the reform will be presented to the Congress of the Republic and will be processed in the VII Commissions of the Senate and House at the beginning of 2023.

Conclusion

03



Main Topics

- **The management of the economy in 2023 will be key to comply with the proposals made by the Government in the National Development Plan and the different social programs it expects to implement.** Economic growth will be between 2.2% and 1.2%, according to the scenarios presented by the IMF and OECD, and inflation will begin to decrease in the middle of the year, closing 2023 at 7%. In this context, it would be prudent to have a strict monetary policy, a decrease in the fiscal deficit with the entry into force of the tax reform, and a reduction in spending related to the pandemic. Finally, the economy will benefit from the increase in oil, coal, and metals prices.
- Health is one of the priority issues on the National Government's agenda. Key commitments include the **implementation of a preventive and predictive model without intermediaries, based on territorial governance and the design and implementation of a single interoperable health information system** that assures transparency in the management of the sector's financial resources. **Another major commitment of the Government in the National Development Plan is to achieve pharmaceutical sovereignty**, through the Science, Technology and Innovation policy and the national pharmaceutical policy, stimulating the production and consumption of generic drugs, exploring and expanding flexibilities in intellectual property, proposing new mechanisms for the acquisition of health technologies aimed at impacting health spending, and restructuring key agencies in the technology evaluation process, such as the IETS and INVIMA.
- **This year, the Government will prioritize the progress and execution of the Just Energy Transition Roadmap**, while seeking to define a policy for the exploration and exploitation of hydrocarbons in the country. The decisions adopted for these two processes will be of utmost importance for the country due to the potential macroeconomic repercussions. On the other hand, the Government will have to define the operation of the Fuel Price Stabilization Fund and mitigate the inflationary pressures that could result from an increase in the price of gasoline.
- **During 2023, the Government will advance processes of great interest in the field of Technology and Information.** The bidding process for the 5G telecommunications frequency in Colombia will take place, which will be key for the deployment of this technology. In addition, progress will be made in increasing the levels of internet connectivity in rural areas, which is key to successfully complete projects such as the Centros Poblados.
- The Government's objective in agriculture and food is to guarantee the right to food. To that end, **it is betting on improving the productivity and competitiveness of the agricultural sector to produce more and better food**, ensure food sovereignty and agricultural inputs, and promote incentives for the modification of behaviors toward healthy eating. During 2023, the Government will carry out large-scale projects for the sector, such as the comprehensive agrarian reform.
- The protection of the environment has been one of the priorities in President Gustavo Petro's Government Program. It cuts across all productive sectors and projects Colombia as a "World Power of Life." During 2023 the Government seeks to continue environmental management from two foundations proposed in the National Development Plan: **Land use planning based on water and environmental justice**, which considers rural reform to protect strategic ecological areas; and **internationalization, productive transformation for life and climate action**, which projects a convergence between the country's economic development and social and environmental sustainability.
- In terms of social security, Colombia faces several challenges, **including reducing unemployment and labor informality, as well as poverty, and ensuring resources for the elderly.** To address these, in 2023, the National Government will promote labor and pension reforms, which will focus on guaranteeing Colombians a minimum income so they can improve their quality of life. On the other hand, the National



Development Plan will seek to strengthen social programs, such as the recognition of the popular economy as a source of formal employment and the strengthening of small and medium-sized enterprises.

¡THANK YOU!

