

PRESIDENT GUSTAVO PETRO'S FIRST YEAR IN OFFICE



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INTRODUCTION

On August 7th, 2022, Gustavo Petro was sworn in as president of Colombia for the four-year term 2022 - 2026. The presidential election took place in a context where institutional discontent, corruption, security, unemployment, and lack of access to basic opportunities were the main concerns of the Colombian electorate. For this reason, one year after his election, it is pertinent to analyze the political dynamics that characterized his first year in office, considering his campaign promises and his programmatic agenda.

Since his inauguration, Petro proposed a transformation agenda focused on reforming relevant sectors of society related to social justice, energy transition, the effort to take urgent action on climate change, and peace-building. To achieve this agenda, the government set itself the task of consolidating a coalition in Congress to approve its major reforms and execute its public policies from the executive entities.

Nonetheless, during his first year in office, the President was faced with a divided political environment, which generated the establishment of new negotiation scenarios with traditional parties to advance his government plans. As a result, progress in sectoral policies was hindered and was not executed as expected. All these events affected the favorability of President Gustavo Petro, who began his term with a 56% approval rating, while by June 2023 he had a 33% approval rating (Invamer-Gallup, 2023).

Petro culminates his first year in office with the need to promptly implement his programmatic agenda and improve his favorability while facing a divided political landscape without clear majorities for the approval of his structural reforms and an economic scenario under reconstruction due to his tax and monetary policy. In this context, Vali Consultores, a government, and Public Affairs consulting firm has prepared a report that analyzes the balance of the first year of Gustavo Petro's administration as President regarding the political, economic, social, and international dynamics. In the second section of the paper, we review the government legislative agenda as well as its main challenges regarding key economic sectors. Finally, we look at the implications of the regional elections (to be held on October 29th, 2023) on Gustavo Petro's popularity and governance capacity.

PART I

ANALYSIS AND GOVERNANCE DYNAMICS OF PRESIDENT GUSTAVO PETRO'S FIRST YEAR IN OFFICE

The agenda for the first year of Gustavo Petro's government focused on three major issues: social justice, energy transition and climate change, and peacebuilding. Regarding the social justice component, the president presented four major reforms (pension, health, labor, and tax) as well as the National Development Plan 2022-2026 (public policy roadmap). To consolidate his government plan, Gustavo Petro tried to build a coalition in Congress, which worked for the passage of the Tax Reform and the National Development Plan, while for the other three major reforms, he required greater consensus and the reconfiguration of his government.

On the other hand, both the energy transition and peacebuilding were used as instruments to generate a foreign policy of cooperation with other countries in their search for international positioning. In this context, its policies had an effect both in the economic sphere, reflected in the country's macroeconomy, and the social sphere, reflected in the different mobilizations of the last year. The following are the main points in political, economic, social, and international terms that marked the dynamics of President Petro's first.



POLITICAL DYNAMICS

-President Petro had the challenge of consolidating a representative majority in Congress to execute his government agenda oriented towards structural reforms in sectors of interest for the country such as tax regulations, the pension, labor, and health systems, among others. Thus, from the very beginning, the National Government entered direct negotiations with the traditional parties (Partido de la U, Partido Conservador, and Partido Liberal) considering that these seats guaranteed it the necessary majorities for the passage of its legislative initiatives. With this coalition built, the government was able to approve the tax reform (which would guarantee resources for its other reforms) and the National Development Plan, the public policy roadmap for the next 4 years.

-The political dynamics of Petro's government changed when the discussions on Health Reform began. The relationship between Gustavo Petro, his ministerial cabinet, and the Congress of the Republic would continue to become more complex once the articles of the Reform were presented; the legislative dynamics and the negotiations that arose with the Partido Conservador, Partido Liberal y Partido de la U, resulted in the breakdown of the government coalition that had been consolidated 8 months earlier. Faced with this scenario, both the Partido de la U and the Conservador announced that they would not be part of the government coalition. For this reason, the political system would enter a deadlock as the legislative and executive branches came into conflict, slowing down the passage of the Government agenda in Congress.

-This was reflected in the subsequent discussions of the Health Reform, which although approved in the first debate was not able to continue with its discussion due to lack of quorum on the floor; the Labor Reform, which was shelved for not complying with the legislative processing times, mainly due to lack of quorum in the Committee discussion; and the Pension Reform, which was approved in the first debate but not before being widely discussed by the government coalition and the independent parties. This new scenario reflects the need for the National Government to change its strategy before Congress if it seeks the approval of its structural reforms during this second year. In this new year, the President may seek individual negotiations with the legislators of these parties to consolidate support rather than direct contact with the parties' leadership.

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ECONOMIC BALANCE

-Gustavo Petro's government received an economy marked by uncertainty due to the increase in prices of different inputs due to the Russian-Ukrainian war as well as the economic reactivation after the COVID-19 pandemic, while the American continent was entering a period of economic recession.

-In the specific case of Colombia, the president received an economy with an inflation rate of 9.67%; by June 2023 inflation was at 12.63%, which means that for one year inflation has increased by 3 percentage points (DANE, 2023). However, according to Banco de la República experts, inflation may enter a period of deceleration. Due to this situation, the interest rate determined by the Banco de la República continues to increase, considering that last year, at the beginning of Gustavo Petro's term, it was at 9%, and by June 2023 it was at 13.25% (Banrep, 2023). President Petro has been against this measure highlighting that this could put the country's productive economy at risk.

-Likewise, the macroeconomic state in the country was reflected by the increase in Foreign Direct Investment in the first quarter. According to the Banco de la República, the investment amounted to US\$1,728 million, bringing the cumulative figure for the first six months of the year to US\$7,519 million. This figure is relevant since for the same month of last year an investment of US\$1,016 million was recorded, which increased by US\$712 million (Portafolio, 2023).

C

SOCIAL DYNAMICS

-Since the beginning of his campaign, President Gustavo Petro assured that his government would have a strong commitment to the social grassroots and sought to respond specifically with the filing of the labor, pension, and health reforms. While these reforms are being processed by Congress, the President has called for the support of the citizens through demonstrations in support of the Government.

-Once the passage of these reforms was stalled due to the dissolution of the majorities that the Government coalition in Congress was counting on, the President requested the support of the social bases in the streets through demonstrations. So far there have been two large marches, the first on February 14 and the second on June 7.

-In response to the President's call, opposition sectors and parties also used social mobilization to show their dissatisfaction with the current Government. On June 20, the opposition sectors to the Government called "La Marcha de la Mayoría" (The Majority March), to show their disagreement with the Government of Gustavo Petro on issues related to the structural reforms (health, labor, and pension), which were filed in Congress, as well as the negotiations with the ELN (Guerrilla group).

-In this Government, the marches have demonstrated the difficulty of the Government to connect with its social base and summon support through the call to take to the streets, considering that the opposition marches mobilized more people. At the same time, they have shown that the social base does not necessarily support the Government and that there is dissatisfaction with the reforms and how the first year of its mandate has been carried out.

D

INTERNATIONAL SCENARIO

-The foreign policy of the current Colombian president was a relevant issue in his government program. Among his campaign proposals, some related to the renegotiation of the Free Trade Agreements, the strengthening of Colombia's position regarding regional integration processes, and the positioning of the country in global discussions related to anti-drug policy and climate change.

-In the development of international political and economic dynamics, Colombia is installed as an actor susceptible to the movements and decisions of the world's major powers. As a result, the Government of Gustavo Petro has been establishing Colombia's position on issues that affect its interests in scenarios such as the United Nations and at the regional level in the Andean Community of Nations and the Community of Latin American and Caribbean States (CELAC). Likewise, these scenarios have become a propitious place to consolidate his government agenda, given that he has deployed a series of strategies that have allowed him to make progress on issues of interest.

-Thus, the management of foreign policy has been a key tool to give viability to projects that are a priority for the National Government. An example of this was the meetings held by the Colombian President during the World Economic Forum held in Davos, Switzerland. In this space, President Petro held some strategic meetings with leaders of multinationals, heads of state, and some representatives of NGOs, to attract foreign direct investment.

-President Petro's proposed redirection of the country's foreign policy, considering his predilection for multilateralism and regional integration, as well as his proposal to promote issues of regional and international interest, has also played a key role in the country's foreign policy.

-Finally, during the first year of government, foreign policy management has been aimed at diversifying relations beyond the Western Hemisphere and integration with African and Asian countries. Concerning regional integration, it is important to note that Latin America has become the starting point for initiatives on climate change, peace issues, and clean energy through a combination of efforts focused on regional integration.



PART II

¿WHAT IS NEXT ON THE GOVERNMENT AGENDA?

On July 20, for the installation of the new legislature, President Gustavo Petro made a speech that focused mainly on the energy transition, Total Peace, and the social reforms of his government. The President's speech included two main axes: Environmental Justice and Social Justice. In this speech, the President acknowledged that the Government has not advanced as expected in all the priority issues of its agenda.

LEGISLATIVE AGENDA

During his speech, he mentioned his government's reforms. Regarding the Labor Reform, he refuted the theory of the opponents of the project, about the decrease of labor supply due to the increase of salaries, arguing that this depends on the productive capacity of the country. Likewise, he was invited to empower the popular economy with privileges for women and encouraged private banks to increase credit rates for informal workers. Additionally, regarding the Health Reform, he mentioned that it is the largest budget increase in the health sector in history with 57 billion pesos per year.

Regarding the installation of the new legislature, the President announced that progress will be made in the Government's agenda in Congress through the filing of the mining code; the Labor Reform; the Agrarian Reform; the decrease in the value of Public Services, and the Reform to Law 30 on Higher Education. Likewise, the reform to the health system and the pension reform will continue to be processed. The reconfiguration of Congress with the election of the new boards of directors will allow the Government to make new negotiations and generate new strategies to prioritize its bills.

ECONOMIC AGENDA

According to the most recent figures presented by ANIF regarding macroeconomic growth, the Government has goals that are feasible in the short term. Therefore, it is expected that this year the Gross Domestic Product (GDP) will reach 1.4% and by 2024 it would show a slight increase of 1.6%. In the case of inflation, the agency forecasts that this year it will be at 9% and by 2024 at 5.5%, which represents a significant decrease compared to the figures at the beginning of the four-year term. Regarding the exchange rate of the dollar, the outlook indicates that it will close this year at \$4.449 and by 2024 at \$4.413 (ANIF, 2023). Now, regarding the fiscal rule, it is important to highlight that this Government has increased inflexible expenses, and these will continue to increase with the processing of the social reforms in Congress; therefore, experts recommend keeping a close eye on compliance with the fiscal rule.

FOREIGN POLICY

Regarding the international agenda, President Gustavo Petro is expected to participate in the 78th General Assembly of the United Nations to be held in September of this year. Among the possible topics to be addressed are: energy transition, peace, and protection of the Amazon. It is also possible that the President will refer to the progress of the commitments made at the previous assembly and the importance of Latin American integration. After this, he will participate in November in the COP28, where he is expected to refer to the progress made by his government in terms of energy transition for a period of four years. The current fiscal ends his term in February 2024

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PART III

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WHAT ARE THE CHALLENGES FOR THE MAIN PRODUCTIVE SECTORS?

During his first year in office, President Gustavo Petro had the challenge of starting to implement his sectoral public policies, which in most cases implied a paradigm shift in the execution of initiatives and projects. Thus, the fundamental axes of the policy were related to social justice, climate action, and energy transition, as well as security and peacebuilding. In this way, budget increases were proposed in areas such as health, education, ICT, and agriculture.

Additionally, from a productive perspective, the government of Gustavo Petro proposed the possibility of diversifying the economy to reduce dependence on the country's extractive sectors. In this context, under the command of the Minister of Commerce, Industry and Tourism, Germán Umaña, the content of the country's Reindustrialization Policy was published, proposing the strengthening of the agricultural sector, health, military industry, and the mining-energy sector focused on energy transition. However, during its first year, the road map and the budget necessary to execute this policy were not published, so the public policy agenda for this new year should be focused on its execution.

Likewise, the government of President Gustavo Petro must continue with the execution of his government plan, embodied in the National Development Plan, considering that the budget executed for the first year by sector has been lower (27%) compared to other presidential administrations (average 31%) (Corficolombiana, 2023).

SECTORAL AGENDA

Agricultural sector

The agricultural sector is projected as a sector with major challenges in the areas of rural development, agricultural extension, agrarian reform, and sustainable livestock raising. To this end, the Ministry of Agriculture's priorities will be the articulation of the national agrarian reform system, which seeks to coordinate and articulate the institutional capacities of the Ministry of Agriculture to advance the formalization, titling, and productive development of underutilized land. The sector also faces the challenge of expanding and diversifying export products, in addition to the challenge of improving production conditions, the transfer of new production technologies, and the welfare of farmers to achieve food security.

ICT sector:

The challenges for the ICT sector in Colombia are mainly related to reaching the connectivity goal of 65% of the country, to advance in the digital transformation goal. This goal requires a correct execution of the 5G auction in December 2023, which will allow for improving connectivity in the country, not only for the citizens but also at an industrial level. Additionally, it will be essential to consolidate the cybersecurity strategy through the creation of the Digital Security and Spatial Affairs Agency and the progress in regulation and creation of Artificial Intelligence.

Environment:

The challenges that Gustavo Petro will have in environmental matters will be mainly focused on continuing to position Colombia as a leader at regional and global levels in the preservation and protection of the environment and energy transition. The government has to advance in the development of clean energies such as green hydrogen and present concrete and measurable results regarding the decarbonization of the Colombian economy. Furthermore, it will focus on materializing its proposal before the different multilateral organizations so that Latin America swaps its foreign debt for the implementation of actions to combat climate change.

Infrastructure and transportation sector:

The government's success in strengthening the infrastructure and transportation sector will depend mainly on materializing the proposals focused on

improving connectivity and accessibility in the national territory. All of this, with the correct construction of an intermodal transportation system that allows reducing the inclination of the last decades to allocate the greatest investment to land transportation using highways. In this sense, there should be significant progress in infrastructure to strengthen river, rail, and air transportation to connect populations living in areas of difficult access and to facilitate and promote national and international trade.

Health sector:

Among the challenges for the health sector are the implementation of the policies outlined in the National Development Plan concerning the formulation of a new national pharmaceutical policy, focused on the use of generics, development of biosimilar and biotechnology alternatives, centralized purchases and use, in addition to this, the Government has proposed the strengthening of the national production of vaccines and medicines, to increase competitiveness in the health sector and guarantee health safety. To achieve the above, a roadmap was proposed within the reindustrialization policy, which oversees the Ministry of Commerce, Industry, and Tourism. On the other hand, another of the priority issues for the health portfolio is the passage of the Health Reform Bill, which must be approved in its entirety before June 20, 2024.

Mining-energy sector

Mining-energy sector policies will be focused on mitigating the negative effects of the drought season. Thus, the reform to the Public Utilities, which seeks to reconfigure the regulations regarding the provision of energy, will become a priority for the government. Likewise, the national government will have to implement measures related to the strengthening of the transmission infrastructure to guarantee the country's energy efficiency. Additionally, it will seek to implement policies related to the energy transition (Energy Transition Roadmap) seeking to reduce dependence on fossil fuels and coal. In this context, the government will promote the Mining Code Reform, which seeks to change the country's regulation of mineral exploration and exploitation licenses.

REGIONAL ELECTIONS: NATIONAL-LOCAL GOVERNMENT RELATIONSHIP

Finally, it is important to mention that the regional elections will be held on October 29, 2023. These elections represent a window of opportunity for the different political parties and social movements, since by winning mayors' and governors' offices, they can articulate or counterbalance the National Government.

President Petro's governability depends not only on his relationship with the legislature but also on local and regional dynamics, since due to the principle of decentralization, territorial entities play a fundamental role in the execution of plans, programs, and policies. Although central sector entities such as Ministries and Agencies are the ones that design public policies, mayors' and governors' offices are part of the implementation chain. Consequently, President Petro's government will not only be evaluated by his constituents in terms of national achievements but also for its execution and development at the territorial level.

CONCLUSIONS

-GOVERNANCE REGARDING CONGRESS:

With the reconfiguration of the coalition, the Government must change its strategy regarding the negotiation with traditional parties. While the first legislative year was marked by direct negotiation with the leadership of the parties, in the second year the government will have to seek individual negotiations with each legislator to consolidate the necessary majority.

-PRIORITIZATION OF ISSUES IN THE LEGISLATIVE AGENDA:

The National Government has the challenge of processing the three major structural reforms (health-pension-labor) plus those announced during the speech of July 20 (Agrarian Reform, Public Services Reform, and Education Reform), in this way the government must seek consensus within the Congress, prioritizing the parties declared as independent.

-SECTORAL PROGRAMMATIC EXECUTION:

Although the National Government has made progress in sectoral public policy, it is necessary to have clear roadmaps to execute pending initiatives. In general terms, according to information published by the Ministry of Finance, the Petro government's sectoral policies have advanced by 27%; this figure is below the average since the sectoral execution of other governments during the first year was 31% (Corficolombiana, 2023).

-IMPLEMENTATION OF THE NATIONAL DEVELOPMENT PLAN:

Although President Petro has been in office for one year, in this second year he has the opportunity to implement the National Development Plan built by his administration. Thus, his main objective will be to execute the main policies to advance relevant indicators in terms of Social Justice, Energy Transition, and strengthening of the national industry.

-FOREIGN POLICY:

It is expected that the Government's international agenda will continue to be active and that it will participate in different multilateral scenarios such as the United Nations General Assembly and COP28. It is also expected to strengthen dialogues with China to attract foreign investment.

-ECONOMIC OUTLOOK:

According to ANIF's projections, the macroeconomic outlook in Colombia is favorable in terms of inflation and economic growth for this second year of government and for the following year. However, a warning is raised regarding the fiscal burden represented by the Government's reforms and how these may modify the fiscal rule.

-DYNAMICS VIS-À-VIS REGIONAL ELECTIONS:

The configuration of the new map of mayors and governors will be relevant to understand the dynamics of the national government vis-à-vis local governments. The relationship between the President and local leaders in terms of the articulation of budgets and infrastructure projects in the territories.

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