QUARTERLY INVESTMENT OUTLOOK
2024 Q1

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This report is prepared by EConcept Análisis Económico Independiente SAS, exclusively for Posse Herrera Ruiz, its clients and friends.

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A “golpe blando”

The expression “golpe blando” has been used by President Gustavo Petro for a sort of soft “coup-d’état” that doesn’t entail the use of force, the participation of generals and the Armed Forces or massive street demonstrations and dethroning of a sitting president. By contrast, the soft coup would occur in a subtle way, via legal procedures involving the Attorney General, investigations for wrongdoings and allegations of rogue financing of the presidential campaign that, sooner or later, would make the presidential office untenable.

This sort of conspiracy theory is cherished by Petro above almost anything else. It seems to be a centerpiece of his administration. It is a mixture of paranoia and worst-case-scenario type of analysis. Petro says that ousted Peruvian president Pedro Castillo was victim of a “golpe blando.”

Petro fancies that his political stance has become so unbearable for Colombian elites and political right-wingers that, at some point during 2023, they started plotting to oust him. Indeed, early in 2023 Petro’s son and brother were subject of allegations related to suspected involvement of hot money in presidential campaign financing. Something similar happened with Laura Sarabia and Armando Benedetti, back then chief of staff and ambassador to Venezuela, respectively. Their interviews with the press and Attorney General were the original sources of such allegations.

Following that, Attorney General Francisco Barbosa formally initiated investigations. Petro interpreted this move as the smoking gun of a “golpe blando” conspiracy. Those searches could lead directly to his campaign, and an eventual impeachment. In response, Petro initiated a media campaign against Barbosa and his deputy, Martha Mancera. As Barbosa’s tenure had already ended on February 14th, Petro only needed to wait.

The Supreme Court of Justice (CSJ) must choose the new Attorney General from the three-name slate proposed by the president. Figure 1 shows how long it has taken the CSJ in the past to appoint the new AG. Anything is possible, from few weeks to eight or 16 months, but apparently not for Petro, who sees the Attorney General and his deputy as harbingers from the evil “golpe blando” threat (Mordor, so to speak).

Hence, when the CSJ could not reach an immediate agreement for Barbosa’s replacement, and his deputy Martha Mancera was to become temporary Attorney General, Petro thought enough was enough. He called for demonstrators to show up at the Justice Palace to pressure the CSJ justices, although later on he denied having done that. For some, this episode brought back some of the worst memories of recent Colombian history, linked to the 1985-armed attack of then M19 guerrilla group against the Justice Palace. Petro used to belong to M19. This was a painful déjà vu for Colombians.

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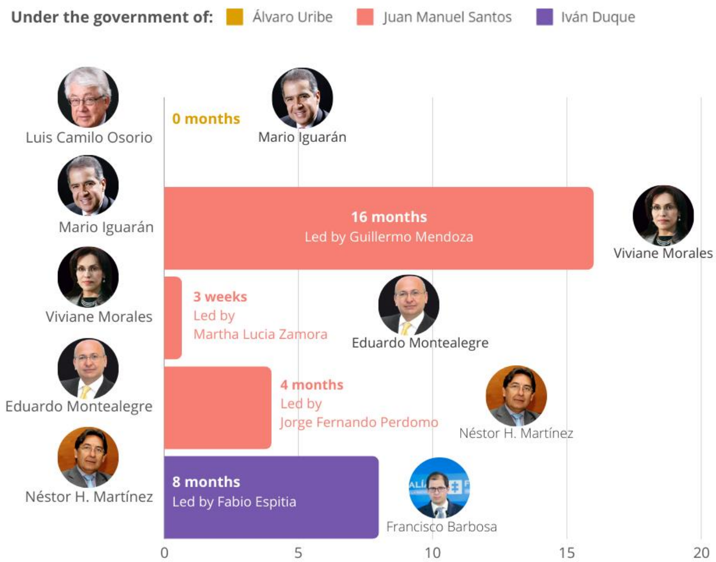
Figure 1. Time taken by the Supreme Court of Justice to appoint a new Attorney General from the three candidates submitted by the president



Source: La Silla Vacía.

Finally, Deputy Mancera resigned, to allow Petro to chill his temper and his hordes, and a third person, Hernando Toro, could be appointed to fill the position until the new Attorney General is chosen by the Supreme Court.

This a revealing episode, since it shows a backbone of the Petro administration. If worse comes to worst, contentious issues are to be decided in the streets, that according to Petro are a monopoly of his followers, as has been the case since the Q2 2021 demonstrations. The CSJ will take its time to decide among the three candidates shown in Figure 2. Any of them would give Petro assurance that a “golpe blando” would not form a criminal investigation under the Attorney General. That is not very reassuring. But this is politics.

Finally, on March 12th, the CSJ appointed Luz Adriana Camargo as the new Attorney General. She was not the government’s favorite candidate, but her appointment was well received. Even though she has worked with current Defense Minister Velásquez, she is perceived as independent from the government.

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Figure 2. Candidates to Attorney General

Ángela María Buitrago

Holding a law degree from Universidad Externado de Colombia, she further specialized in Criminal and Criminological Sciences, followed by a PhD in the same field, all at the same institution.

Buitrago served as a delegate prosecutor before the Supreme Court of Justice in 2008. Handled high-profile cases during her tenure, including the Justice Palace incident. She led the prosecution of several politicians involved in assassinations, illicit enrichment, and ties to paramilitaries. Buitrago actively participates in various academic endeavors, such as her membership in the Colombian and Pan-American Institute of Procedural Criminal Law.

Amélia Pérez

Pérez earned her law degree from Universidad Libre de Colombia and later pursued postgraduate studies in Criminology and Penal Law at Universidad Externado de Colombia.

She held diverse roles within the judiciary, including investigating judge and criminal prosecutor. Notably, she served as both delegate prosecutor in the National Human Rights Unit and prosecutor of the Anti-Terrorism Special Unit. During her tenure, confronted significant cases arising from the armed conflict. Leading her to prosecute narcotraffickers and paramilitary leaders. Finally, she took on the Club El Nogal bombing case. Due to various circumstances, she was forced to seek exile in Canada in 2003.

Luz Adriana Camargo

Camargo began her legal journey at Universidad de la Sabana, later specializing in Criminology and Penal Law at Universidad Libre de Colombia.

She has fostered a close working relationship with Defense Minister Iván Velásquez. She served as an auxiliary magistrate in the Colombian Supreme Court, where she actively investigated the parapolitical and corruption phenomenons within Colombia. Camargo acted as head of Investigation and Litigation in the International Commission against Impunity in Guatemala. During her tenure, she tackled complex cases related to corruption and parapolitical.

Source: Supreme Court of Justice, La Silla Vacía.

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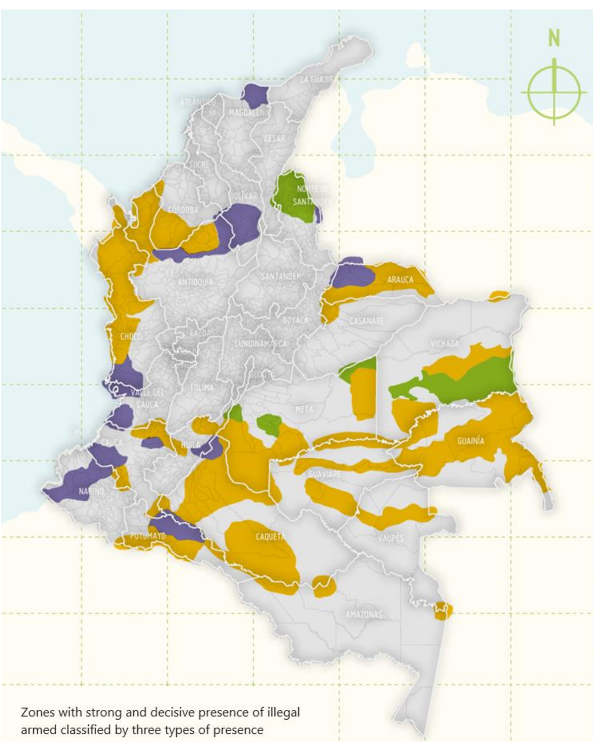
Whose peace is this?

There are many versions of what is happening with Petro’s Total Peace. A recent analysis by Fundación Ideas para la Paz (FIP), called “La paz total, Los grupos armados ganan con cara y con sello,” presents a bleak picture. Figure 3 indicates that more than half of Colombian territory is nowadays dominated by thugs and their gangs.

Their FIP line of argument is as follows:

- The illegal armed groups have grown stronger in many areas of Colombia (see Figure 3), and in key territories, disputes for control have increased in 54% versus 2022.
- In such contested areas, actions against the legal Armed Forces grew 32%, and attacks against infrastructure and assets rose 27%, compared to 2022.
- In peaceful areas dominated by one actor or where several coexist peacefully, actions decreased 43%.
- Where conflicts are settled, attacks against infrastructure and civilian property remained stable; and attacks to legal Armed Forces fell 2%. 2023 also witnessed a decrease in humanitarian impact indicators (displacements of populations, massacres, and killings of social leaders).

Figure 3. Zones with strong and decisive presence of illegal armed groups, classified by three types of presence: zone in dispute, coexistence, prevalence of one group



Source: Fundación Ideas para la Paz.

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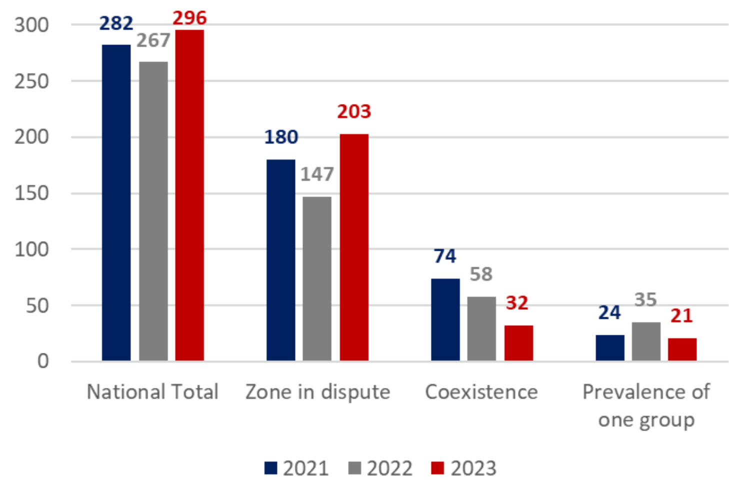
Figure 4. Violent attacks by illegal groups, discriminated by type of presence: zone in dispute, coexistence, prevalence of one group



Source: Fundación Ideas para la Paz, EConcept.

The strategy adopted by illegal armed groups seems to be to dialogue and negotiate with the government in search of benefits, and meanwhile to strengthen militarily and expand and consolidate their territorial control.

FIP concludes that 2023 events call into question the viability of the multiple Total Peace negotiation tables. There is a clear deterioration of territorial control by the legal Armed Forces and its capacity to prevent the advance of criminals.

We could add that the equilibrium sought by Paz Total could be depicted as ending the “zones in dispute” and migrating them towards coexistence, and finally to prevalence of one group. The map of Figure 3 shows that “prevalence of one group” has gained most the regions; yet critical areas for cocaine exports like the Pacific shore and for petroleum exploitation and transport, like Arauca, in the Venezuelan border remain as zones in dispute.

A different, more benevolent view of Paz Total would consider that since land ownership is a significant part of the peace agreement, the government has made some progress. For instance, as of January 2024, the Petro government has purchased approximately 119 thousand hectares and formalized more than 807 lots to communities and victims.

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Are these the dog days of fiscal consolidation?

The Finance Ministry held its usual Financial Plan press conference on February 1st. This is an assiduously awaited-for date, year after year, for two reasons. On the one hand, it provides a first look at how fiscal numbers closed the previous year (in this case, 2023). Second, the FinMin explains how it intends to navigate the budget approved by Congress for the new year (i.e. 2024), as the latter approves spending ceilings below which the former has room to maneuver.

Table 1 shows the (almost definitive) version of how fiscal numbers closed last year for the central government (CG). The good news is a slight overcompliance vis-à-vis the 2023 deficit announced in the Medium-Term Fiscal Framework (MTFF) published last June: instead of a 4.3% of GDP deficit, the end number is now expected to have been 4.2%.

A look at revenues and expenditures, however, shows a more complicated picture. When comparing the preliminary 2023 numbers with the ones published in the 2023 MTFF, spending came in 0.6% of GDP below expectations (23% v. 23.6%); 0.4 pp of GDP were explained by lower interest payments (due to a stronger COP and lower interest rates than initially expected), while primary spending came 0.2 pp below (due to lower budget execution).

Lower spending did not produce a substantial overperformance in the deficit because revenues also came 0.5% of GDP short of expectations. Tax revenues explain a non-negligible 0.4 pp of this difference, while other revenues came 0.1 pp below what was announced in the 2023 MTFF. The tax shortfall had to do mainly with lower economic growth, while other revenues were mainly explained by lower dividends from Ecopetrol (or, in this case, higher payments to the Fuel Price Stabilization Fund FEPC, although they should be compensated in a later date).

As the spending shortfall (0.6 % of GDP) was slightly larger than the drop in revenues (0.5%), the resulting deficit was 0.1 pp of GDP better than expected.

Table 1. Central government 2023 fiscal balance (% of GDP)

	2023 MTFF	2023 observed (preliminary)	Observed v. MTFF
Total revenues	**19.3**	**18.7**	**-0.5**
Tax revenues	17.0	16.6	-0.4
Other	2.3	2.1	-0.1
Total spending	**23.6**	**23.0**	**-0.6**
Interest payments	4.3	3.9	-0.4
Primary spending	19.3	19.1	-0.2
Total balance	**-4.3**	**-4.2**	**0.1**
Primary balance	0.0	-0.3	-0.3

Source: Finance Ministry, EConcept.

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The good news for 2023 does not translate into positive announcements for 2024. Back in June 2023, when the 2023 MTFF was released, the expected deficit for 2024 was set at 4.4% of GDP, a slight deterioration vis-à-vis the expected 2023 deficit of 4.3%; this was not good news back then (no fiscal consolidation for 2024), but the deterioration was marginal. Incidentally, when the 2024 budget went to Congress last year, the number for 2024 was still 4.4%.

But on February 1st, Finance Minister Ricardo Bonilla announced that the new 2024 deficit target is not 4.4% but 5.3% of GDP, a drastic 0.9% of GDP deterioration. This higher CG deficit is, according to the FinMin, in full compliance with the fiscal rule limits, as macro variables, especially related to CG oil revenues, increase the so-called cyclical space, allowing for a larger deficit (more on this below).

We look at the 2024 numbers presented by the FinMin from two angles. First, we focus on how things changed between the 2023 MTFF budget version (which was, again, the same info used to discuss and approve the 2024 budget) and the numbers just announced at the beginning of this month. Then, we move on to how fiscal numbers have changed since 2019, before the pandemic kicked in in 2020.

Table 2 breaks down how the deficit goes from the initially announced 4.4% of GDP for 2024 to the now standing 5.3%. Revenues are a whopping 1.7% of GDP lower, of which 1.3 pp are explained by lower tax revenues and the remaining 0.4 pp by other revenues. The tax shortfall is due to (i) lower-than-expected tax collection in 2023, (i) the effect of adverse rulings by the Constitutional Court and the State Council on tax issues (e.g., after the Constitutional Court ruling, royalty payments are again deductible for income tax purposes, thereby hurting expected revenues), and (iii) more moderate expectations about how much will be collected this year from arbitrations between Dian and taxpayers (which is contingent on Congress approving the bill already summited by FinMin).

Table 2. Central government 2024 fiscal balance (% of GDP)

	2024 budget	2024 Financial Plan (FP)	2024 FP v. 2024 budget
Total revenues	**20.8**	**19.1**	**-1.7**
Tax revenues	18.6	17.3	-1.3
Other	2.2	1.8	-0.4
memo: Ecopetrol dividends	*0.9*	*0.7*	*-0.2*
memo: Central Bank profits	*0.6*	*0.5*	*-0.1*
Total spending	**25.1**	**24.4**	**-0.7**
Interest payments	4.5	4.5	0.0
Primary spending	20.6	19.9	-0.7
Total balance	**-4.4**	**-5.3**	**-0.9**
Primary balance	0.2	-0.9	-1.1

Source: Finance Ministry, EConcept.

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Regarding (iii), the FinMin initially estimated COP 15 trillion (0.9% of GDP) in overdue taxes coming from these (more expedite) arbitration proceedings but has now revised it to COP 10 trillion (0.6% of GDP). The reason is that the bill submitted last December to Congress to allow for these tax disputes to be handled through arbitration panels will take longer than initially expected to be approved, if approved at all. The difficulty arises from the fact that the State Council vocally criticized the bill when submitted to Congress because it takes these processes away from the ordinary justice system. Congress has said that if the FinMin is able to persuade the State Council that the initiative is a good idea, they will vote for it; if not, the bill will sink.

Spending in 2024, in turn, has also been revised downwards; all the revision is now concentrated in primary spending, as opposed to what happened last year, when the big reduction came on the interest payments' side. The spending revision, however, is smaller than the expected drop in revenues (0.7 pp of GDP v. 1.7 pp), which results, as we already mentioned, in a CG deficit way higher than initially expected (0.9 pp of GDP).

The reason for having a required cut in spending of smaller magnitude than the revenue shortfall is that the fiscal rule now gives additional space for a larger deficit, as Table 3 shows. The net structural primary balance allowed under the rule for 2024 (-0.2% of GDP) cannot change, as this number is explicitly written in the 2021 fiscal rule law. This means that all the additional fiscal space comes from cyclical components. When comparing the 2024 budget numbers (consistent with the 2023 MTFF) with the newer numbers announced by the FinMin, a deterioration in the business cycle gives 0.2 pp of GDP of additional space, while the oil cycle gives a substantial extra room equivalent to 0.5 pp; these effects, coupled with 0.3 pp in other areas, yield more than one full percentage point of GDP of additional space.

Not surprisingly, the FinMin has opted to use this additional space, in order to make fiscal policy "as countercyclical as possible," according to Bonilla.

Table 3. Central government fiscal space in 2024 (% of GDP)

	2024 budget	2024 Financial Plan	Financial Plan v. Budget
Net Structural Primary Balance	**-0.2**	**-0.2**	**0.0**
Business cycle	0.1	-0.1	-0.2
Oil cycle	0.3	-0.2	-0.5
One-off transactions	-0.1	-0.3	-0.2
Financial revenues	0.1	0.0	-0.1
Additional effort/space	0.4	-0.6	-1.0
Primary balance	**0.2**	**-0.9**	**-1.1**
Interest payments	4.5	4.5	0.0
Total balance	**-4.4**	**-5.3**	**-0.9**

Source: Finance Ministry, EConcept.

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Now let us look, with the new version of fiscal numbers for this year, at how things have changed since 2019, before COVID-19 kicked in in 2020. One can safely say that the effects of the emergency attention required to face the pandemic are all but gone in 2024 (except for debt amortizations and interest payments, of course). In other words, 2019 and 2024 can be considered as comparable "normal" years. On top of that, every single item in this year's CG budget has been decided by the Petro administration.

Table 4 summarizes the main aggregates of the CG's fiscal balance, showing the situation year by year between 2019 and 2024, and computing the differences between the latter and the former in the last column.

Let's focus first on spending, specifically interest payments, which in 2024 are 1.6 pp of GDP higher than in 2019 as a result, as we just mentioned, of the higher deficits and debts generated by the pandemic; back in 2019 interest payments added up to 2.9 pp of GDP, while this year they are expected to hover around 4.5 pp. Primary spending, on the other hand, now devoid of Covid-related pressures, is expected to be almost 20% of GDP, more than 4 pp higher than in 2019. This is a substantial increase in public spending, not far below the 20.3% of GDP registered back in 2020 when public finances had to stomach the bulk of pandemic-related spending, and above total spending registered in 2021, when the pandemic was still very much present.

Table 4. Central government balance 2019-2024 (% of GDP)

	2019	2020	2021	2022	2023 (prel.)	2024 Financial Plan (FP)	2024 FP v. 2019
Total revenues	**16.2**	**15.3**	**16.1**	**16.3**	**18.7**	**19.1**	**2.9**
Tax revenues	14.0	13.1	13.6	14.5	16.6	17.3	3.3
Other	2.2	2.2	2.5	1.8	2.1	1.8	-0.4
memo: Ecopetrol dividends	*1.1*	*0.7*	*0.1*	*1.1*	*1.4*	*0.7*	*-0.4*
memo: Central Bank profits	*0.2*	*0.7*	*0.5*	*0.0*	*0.1*	*0.5*	*0.3*
Total spending	**18.7**	**23.1**	**23.1**	**21.6**	**23.0**	**24.4**	**5.7**
Interest payments	2.9	2.8	3.3	4.3	3.9	4.5	1.6
Primary spending	15.8	20.3	19.8	17.3	19.1	19.9	4.1
Total balance	**-2.5**	**-7.8**	**-7.0**	**-5.3**	**-4.2**	**-5.3**	**-2.8**
Primary balance	0.4	-4.9	-3.6	-1.0	-0.3	-0.9	-1.3

Source: Finance Ministry, EConcept.

On the revenue side, three tax reforms have taken place during the last six years: 2019, 2021 and 2022. The net result of these efforts, coupled with clear progress on tackling tax evasion, have resulted in a 3.3 pp of GDP increase in tax revenues between 2019 and 2024. However, other revenues have suffered, especially Ecopetrol dividends, which have fallen by 0.4 pp of GDP during the above-mentioned period.

Since total revenues have gone up by 2.9% of GDP between 2019 and 2024, while spending has gone up by 5.7% of GDP, this year's CG deficit should more than double the one registered back in 2019. The primary balance deterioration totals 1.3% of GDP.

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Table 4 also shows that the expected CG deficit for this year, 5.3% of GDP, is of equal magnitude of the one registered in 2022. Fiscal numbers are clearly moving in the wrong direction, and there is little room to cushion an unexpected shock.

If the COP 10 trillion the FinMin is expecting from arbitration (see above) do not materialize, Bonilla will have to cut beyond the announcements contained in Table 2 (i.e. he will be forced to cut more than 0.7 pp of GDP). Should he manage to get away with this unheard-of feat of fiscal discipline, the deficit will still stand at 5.3% of GDP, after cutting everything that is not crucial for the Petro administration. We all know the additional layers of primary spending that will remain in the budget after this hypothetical heroic cut will prove extremely hard to bring down in the future.

The numbers are clear: we might be entering the dog days of fiscal consolidation.

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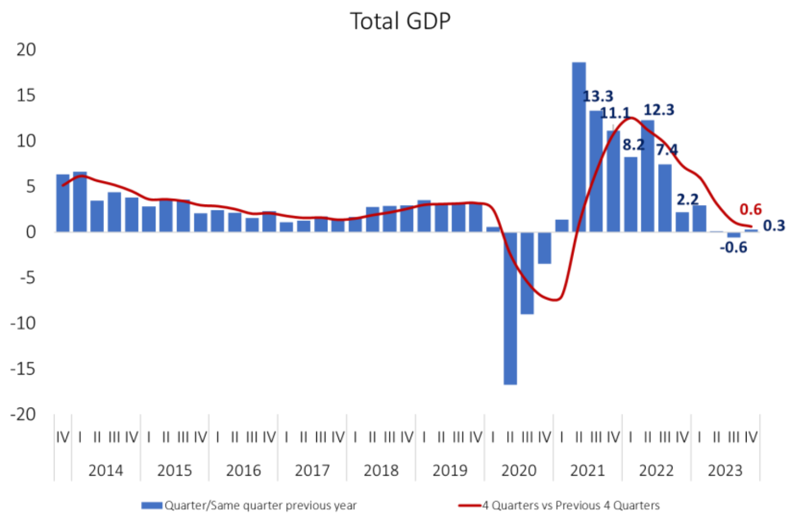
Economic growth in 2023 was mostly bad news

No matter how you look at it, or how many different explanations you can find to justify the number revealed by DANE this week, the truth is that economic growth in Colombia was very poor, at best, in 2023. And it was a poor result when looked at from different perspectives. First and importantly, the 0.6% observed in 2023 was poor when compared to population growth in the country, which was close to 1% in 2023, meaning that, for the first time since 1999 (excluding the COVID year 2020), Colombians became poorer, on average, as measured by GDP per capita. It was poor, as well, if one notes that it was several basis points below all the predictions, even from those made by the most pessimistic analysts.

In our case, the result was close to 300 bp below. Of course, the mismatch with the government´s expectation was much wider, almost a full percentage point. Finally, it was poor as well when compared to Colombia's history of growth. Only back in the 1930s (when the world was hit by one of the harshest recessions in history, almost 100 years ago), in 1999 (when Colombia faced its worst and only economic recession due to severe macroeconomic imbalances combined with a difficult international environment) and 2020 (when the COVID pandemic hit) Colombia had displayed results similar or worse in terms of growth. Not in the 1980s, when most of the LATAM large countries were struggling with negative growth and high inflation, not in the mid-1990s with the worst political scandal in the history of the country (until then), not in 2008-2010 period with the "sub-prime" global crisis and not in 2014-2016 with the slump of oil prices, had the country experienced such a slow and disappointing growth.

The veracity of the last statement can be confirmed, for the recent period, just by inspecting Figure 5, below. It is clear there that during the last four to five quarters growth has been unusually low, while the annual figure (depicted in the red line) began to fall in the first semester of 2022, reaching its lowest value (0.6%) for 2023 as a whole (of course, all of these excluding from the analysis the COVID year, 2020).

Figure 5. Economic Growth, 2013-2023



Source: DANE, EConcept.

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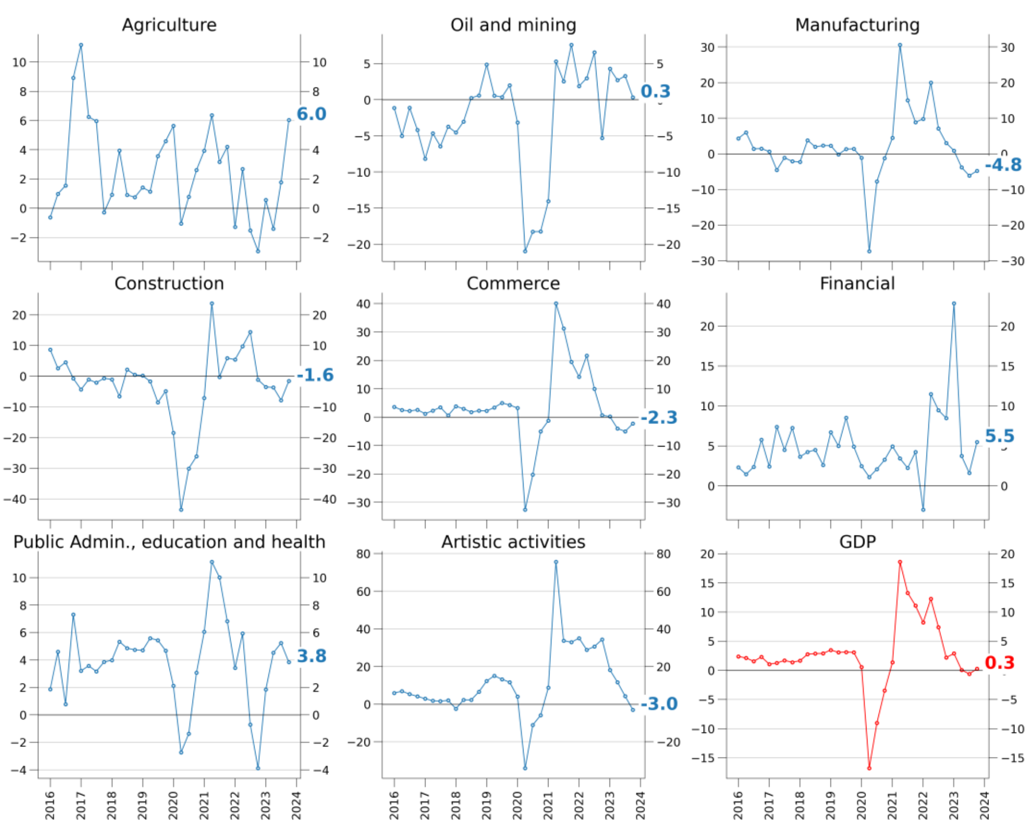
The bad news, unfortunately, does not stop there. When analyzing growth form the supply and demand sides, several negative facts immediately arise. First, and looking at the supply side, all the important sectors of the economy, meaning manufacturing, construction, most services, and retail, show very disappointing numbers and, importantly, trends. (Figure 6). The only exception to this rule is Public Administration, Education and Health, which mostly depends on public spending and ended the year growing at a rate close to 3.8% (although with a negative trend, probably resulting from the low execution of the government, especially on infrastructure related sectors).

It is striking to note that in the afore mentioned large sectors the trends are severely negative for the last one and a half to two years and at the final point of the data, most of them show large negative numbers (this comment applies also for oil and mining, especially during the last three quarters, which is not surprising due to the hostility that the government has shown towards it). A bit of somewhat consoling good news comes from the fact that in some of these large sectors the trend seems to be reverting at the very end of the data, although more observations are needed to confirm this trend.

Figure 6. Growth by Economic Sector (Supply Side)



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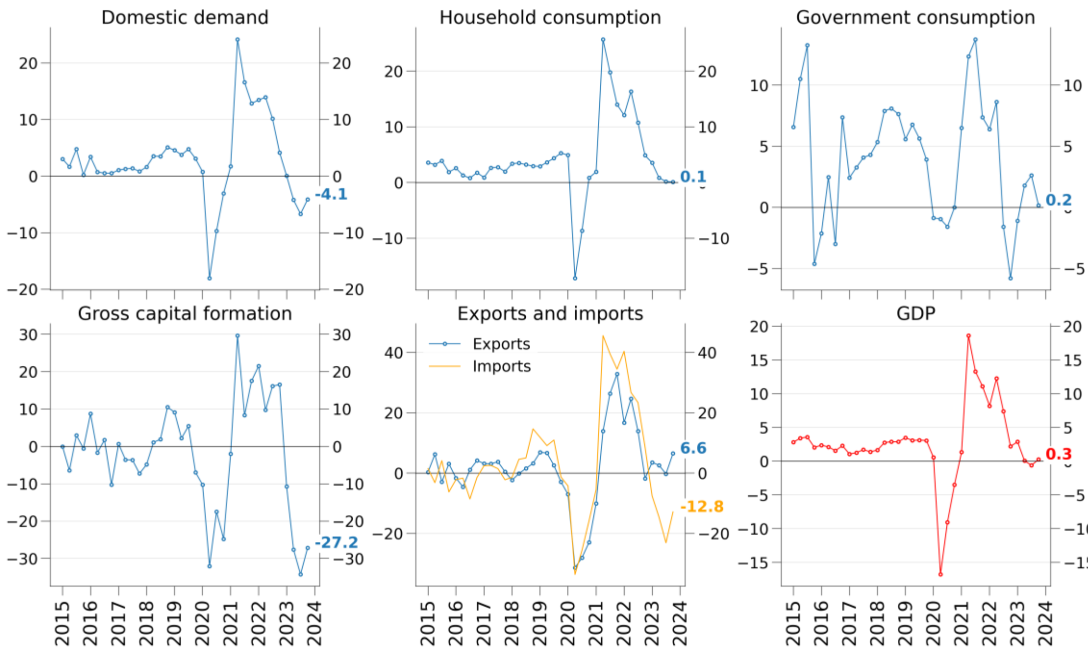
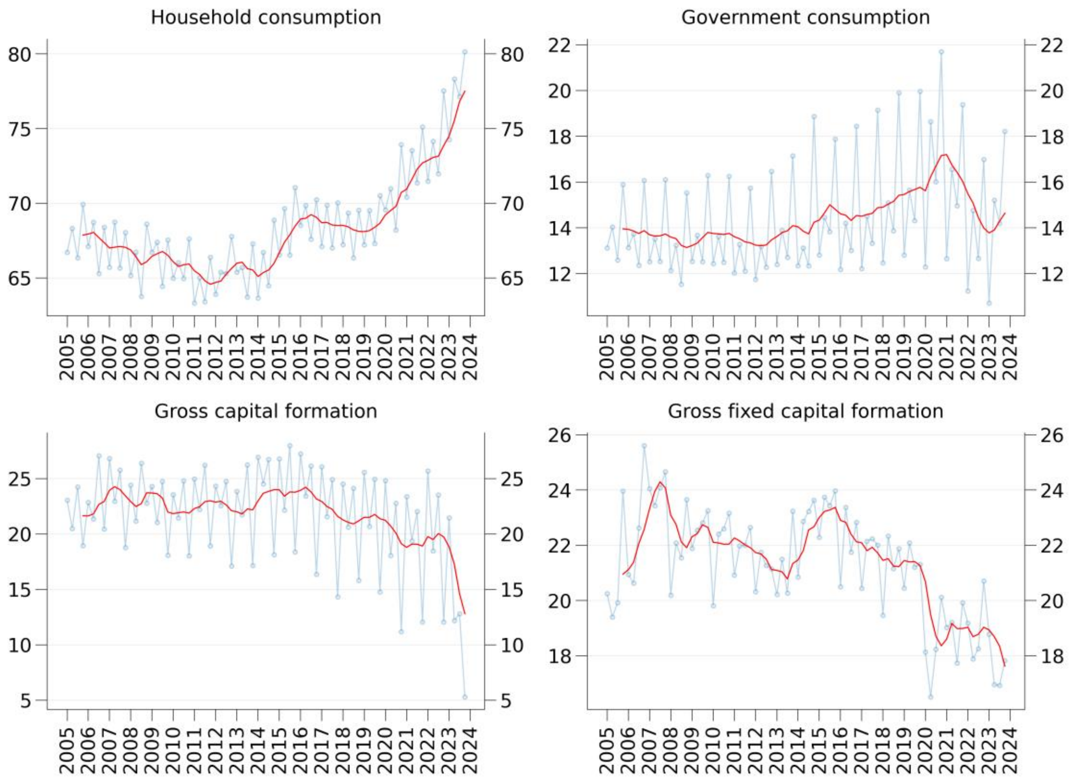
But the news seems to be more dire when analyzing the demand side (spending), depicted in Figure 7, below. Domestic demand, as expected, fell sharply and rapidly, with household consumption and in investment displaying severe drops. However, the fall in the growth rate of investment is, simply put, extremely large. This fact does not augur good things for the Colombian economy in the months to come. The fall of the growth rate of investment (gross capital formation) since mid-2022 until the end of 2023 is from almost 20% back in 2022, to negative 28%, which can be interpreted almost as a tragedy. But the real magnitude of the tragedy can better be gauged by looking at Figure 8, which shows the evolution over time of the main demand aggregates, as a percentage of total GDP. The graph shows that the share of investment in GDP, which has been falling slowly since 2017, accelerated is rate of decline on the final quarters of 2022, and reached an astonishing 12% at the end of 2023.

Figure 7. Growth by Spending Category (Demand Side)



Source: DANE, EConcept.

Figure 8. Demand Aggregates as a Percentage of GDP



Source: DANE, EConcept.

Orders of magnitude this low were not observed in Colombia since the 1999 crisis (note that the maximum value was around 25% of GDP in 2017, falling to 20% by mid-2022, i.e. five pp over 5 years and then 8 pp over 1.5 years. Of course, and since international trade has not grown much, the counterpart of this is a huge increase of household consumption over the last five or six years, which, by the way, helps in showing that inflation was indeed partially fueled by internal factors, contrary to what many an analyst, plus the government, were arguing during the worst months of 2022-23. Suffices to say that household consumption increased from around 67% of GDP to a whooping 78%, with an especially steep slope over the last two years.

In the realm of positive news, there is little to be said. Firstly, and as mentioned, some of the sectors may be starting to reverse their negative trends, but it is too early to say. Second, agriculture has been consistently showing for some time a good performance and, in fact, the sector grew by around 6% at the end of 2023, which undoubtably is a good result, and avoided a worse result for total economic growth. Third, there is a small rebound of exports, which is early to say if it will persistent or not, but there is no doubt that exports could contribute very effectively to regain thrust in the economy.

To conclude, things don't look promising. The sharp and unprecedented fall of investment is a bad omen, especially if the government keeps introducing inordinate amounts of uncertainty into the economy. It is apparent that this decline, apart to be a logical response to deteriorating economic conditions (inflation, higher interest rates) is hugely related to an overall sentiment of uncertainty, as reflected on the expectations surveys carried out by the government itself (DANE). A proof of this is the fact that the oil and mining sector had an incipient recovery after the crash caused by the pandemics, but it was completely cut by the absurd insistence of the government on suspending oil and gas exploration and forcefully attacking coal production, even if it is to be used for power generation. The mining sector went back to sluggish growth rates and the recovery was only an illusion. Note that this fact will not help the recovery of exports either.

The fiscal situation will not help growth in 2024, and the poor record of the government on effectively managing key sectors, such as infrastructure and housing, are factors that combine to create even more uncertainty. And, to close the circle, unemployment has already started to increase, which will keep demand low. Combine this with the poor results shown by government consumption (growth of 0.2% in the last quarter of 2023) and it is clear that we do not have a pretty scenario for growth this year, or the next. The time has come for the government to take the business of administering and managing a country seriously. The time for constant announcements and confrontational but empty speeches seems to have ended.

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Against the rules

There were many reactions to President Gustavo Petro's idea of convening a Constitutional Assembly (CA). Maybe the most synthetic one came from constitutional lawyer Juan Manuel Charry, who wrote that Petro doesn't know whether his role is to subvert the institutional order or to govern ("no sabe si subvertir o gobernar"). Another analyst maintains that the president has basically notified Colombians that he is not willing to use the established rules for changing the Constitution.

According to a group of political analysts, Petro would rather choose a new route for the CA. Namely, since he does not have majorities in Congress, the president has announced that would not depend on them.

According to Petro, "Colombian institutions are failing the Constitution and the people"; therefore, the Constitution must be changed. "It is not a problem of majorities; it is a problem of popular strength. The constituent is always the people. They could decide, and the [delegated] power (Congress) would have to accept; they cannot ignore that."

Petro's novel procedure would be then to convene "open town hall meetings [for] mobilizing people" in order to "purify our institutions … convoking the people, and not the mafias."

A direct consequence of advancing in this unprecedented and off-off Broadway procedure of writing a new Constitution would be that current reforms passing through Congress would not be pursued via Acts presented to Congress, but rather included in the CA deliberations. Relations between the Executive and Congress would be further strained.

This is the reason why the president of Congress, Iván Name, reacted angrily against this proposal. He demanded that the Petro must use Congress if he wants to change the Constitution. At the end, he warned the president that the Armed Forces would align with the defense of the Colombian institutions, and are not for Petro to manipulate.

Also, many people fear that a key item on the constitutional agenda would be extending the presidential term, and allowing for a president's immediate reelection, à la Cuba, Venezuela and Nicaragua. Additionally, the illegal armed groups would be included in the "Total Peace." In sum, this could fast track the whole petrista agenda.

Another group of analysts considers that Petro could use the so-called "Primera Línea," i.e. aggressive groups of street activists ready to destroy and burn everything in their path, and could gather thousands of protesters in Plaza de Bolívar in Bogotá to intimidate Congress and the High Courts.

A surprising reaction was the approval of a CA by former vice president and would-be 2026 presidential candidate Germán Vargas Lleras. He considers that the CA proposal is a great opportunity to show that Petro has lost favorability among voters. The opposition would strike several defeats to the president, since an eventual CA would imply immediately dismantling Congress, and would therefore kill Petro's reform agenda.

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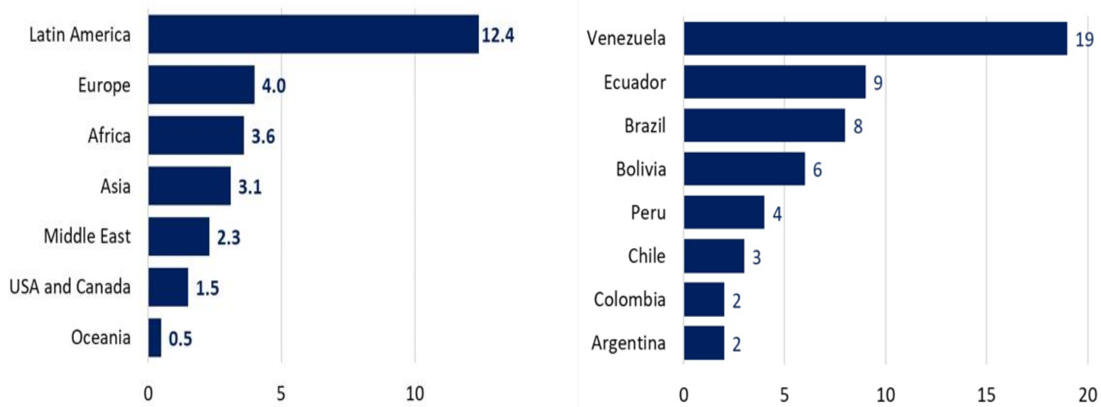
Further, Petro could hardly surpass the threshold of more than 13 million votes (one third of the electoral census), necessary for convening a CA. If it did, Vargas Lleras thinks that Petro would not be able to elect a substantial part of the CA members, and hence it would cede the writing of the constitution to the opposition, à la Chile's second Constitution.

A final reaction came from former president Ernesto Samper, a close ally of Petro and a progressive political leader, who said that a CA is a mistake under current political circumstances. A question of realism pertains. Would the Petro administration, famous for its incompetence in anything needing performance, be able to gather such open townhall councils across the 1,120 municipalities? Hardly. That is why many people are thinking of calling Petro's bluff.

In order to assess current events, we compare them with Colombia's political trajectory. Three figures summarize Colombia's idiosyncratic political behavior over the last 150 years. Figures 9 and 10 show that Latin America is an outlier in the world in the number of constitutions; yet Colombia is an outlier in Latin America in terms of number of constitutions and dictatorships.

Figure 9. Number of constitutions per continent, and in Latin America since 1880

A. number of constitutions around the world B. number of constitutions in Latin America



(*) Simple national average for each per continent or region.
Source: Codeiro (2008), Constitutions around the world: a view from Latin America; Howard Wiarda and Harvey Kline (1996), DNP, EConcept.

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Figure 10. Number and duration of military dictatorships in Latin America (since 1900)

Source: Howard Wiarda and Harvey Kline (1996), DNP-DJS calculations.

In sum, as sad and weird as these events are, we should stick to Colombia's historical trajectory, and deem this Petro CA proposal as a big charade. Things will not return to normal soon, since Petro most likely would do everything possible not to lose face. However, Colombian institutions would hardly accommodate the disruptive procedures of this CA.

Petro and his administration would try to inflict as much pain as possible on the institutional and economic actors constraining his maneuverability. Hence, this won't get better until it gets worse. We don't want to risk imagining the end equilibrium or set of equilibria of how this situation could eventually settle. We are in unchartered waters.

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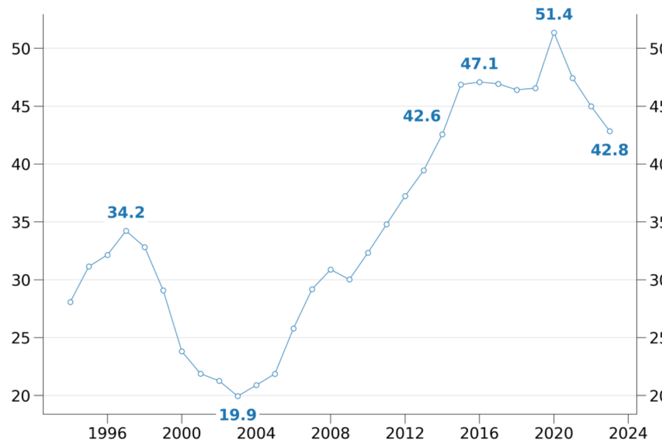
Financial deepening growing shallower

Financial deepening in general, and financial inclusion in particular, are metrics closely followed by governments and the markets, as access to credit is considered a key to unlocking growth potential. Frequently, governments in developing countries set targets for both financial deepening and financial inclusion. Colombia is no exception; Banca de las Oportunidades, a government program created almost two decades ago, can be counted among a handful of initiatives that have survived the ever-swinging political pendulum.

The economic, housing and financial crisis Colombia experienced at the end of the 1990's prompted a massive across the board de-leveraging, as Figure 11 shows. Outstanding loans relative to GDP fell from 34.2% in 1997 to 19.9% in 2003; in other words, credit almost halved relative to the size of the economy. Starting in 2004, as the adjustment process ended and the balance sheets of households, companies and banks were purged, financial deepening resumed uninterrupted until 2016, except for a brief hiatus when the international financial crisis hit Colombian shores. This process was supported by the fact that Colombia regained international credibility (and investment grade status); real average interest rates fell; and the maturity of lending lengthened on many fronts.

Figure 11. Outstanding loans (% of GDP)



Source: Superintendencia Financiera, EConcept.

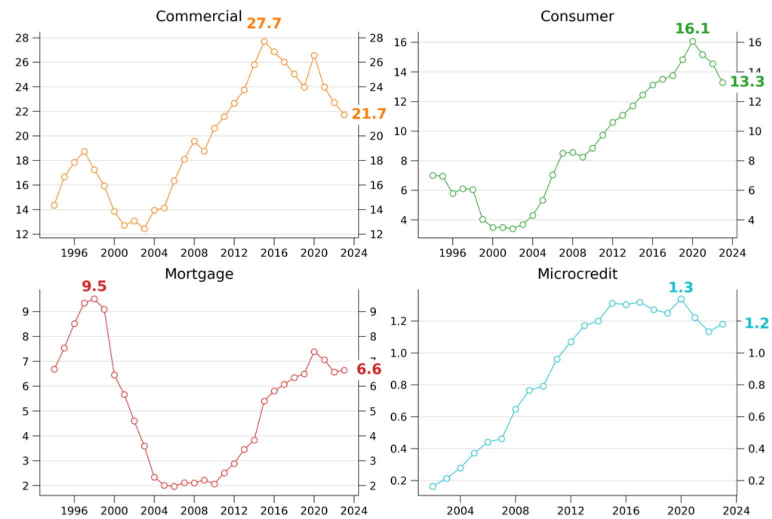
However, the financial deepening process came to a halt in 2016, against the backdrop of the sharp economic downturn prompted by the 2014-2015 collapse in oil prices. Between 2017 and 2019, credit grew for the most part in line with the economy, and financial deepening, measured as outstanding loans to GDP, flattened out.

In 2020, the pandemic generated a spike in outstanding loans relative to GDP, mostly due to a drastic economic contraction that outpaced shrinking credit. Then in 2021, when GDP growth resumed, the aforementioned spike became a thing of the past, putting lending (relative to GDP) slightly above the 2017 peak.

The 2022-2023 period has seen a continued retreat of credit relative to GDP. In other words, financial deepening is becoming shallower. At the close of 2023, outstanding loans relative to GDP, at 42.8%, have gone back to 2014 levels. This is clearly a bad development both for economic growth and for financial inclusion. Breaking down credit numbers further gives a clearer and more worrisome picture, as Figure 12 shows. Commercial credit, i.e. lending to businesses, peaked in 2015 at 27.7% of GDP and then started to go down (except for 2020); at the close of 2023, at 21.7% of GDP, it is a full 6 pp of GDP lower than the 2015 peak. This is the kind of shallowing no one would like to see happening. Consumer credit, that peaked in 2019 (if one excludes 2020) at around 15% of GDP, is now 13.3%.

Mortgage credit has undergone a different process. The peak in mortgage lending relative to GDP was actually reached back in 1998, at 9.5%, before the 1990's crisis took over. The massive de-leveraging in this case, of around 7 ppts of GDP, lasted until 2013; after that, mortgage lending started to rise, reaching slightly more than 7% of GDP, and is now at around 6.6%. Finally, microcredit peaked at 1.3% of GDP and then fell afterward (except for 2020); it now stands at 1.2% of GDP.

Figure 12. Outstanding loans by type (% of GDP)



Source: Superintendencia Financiera, EConcept.

In sum, the recent financial shallowing has been concentrated, for the most part, in commercial credit and, to a lesser extent, in consumer credit. In other words, credit to businesses is waning relative to GDP, and so is lending to households, other than for mortgage credit. As this shallowing has not been compensated by a rapid development of capital markets providing new sources of funding, Colombia's growth potential has lost a key ally and input.

With data as of March 1st, lending by financial institutions is still contracting at 5.6% in real terms, as Figure 13 shows. Commercial credit is shrinking by almost 5% in real terms, while consumer credit is contracting by more

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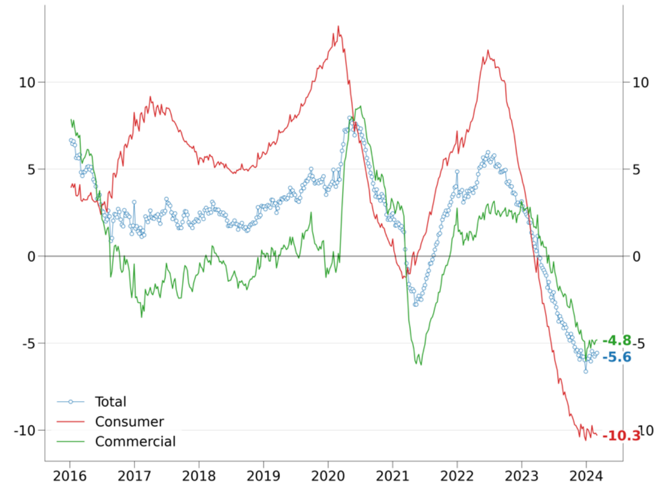
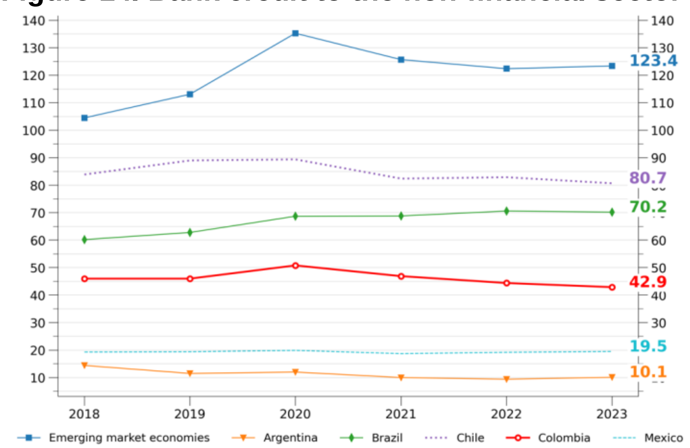
than 10% after factoring out inflation[1]. These negative growth rates seem to be bottoming out, meaning that the credit crunch is fortunately starting to lose momentum, but 2024 will be yet another year of financial shallowing in Colombia.

Figure 13. Outstanding loans by type – annual real growth (%)



Source: Superintendencia Financiera, EConcept.

Figure 14. Bank credit to the non-financial sector (% of GDP)



Note: 2023 data as of Q3
Source: BIS, EConcept.

According to BIS data for Q3 2023, bank credit to the private sector was slightly above 120% of GDP in the "emerging markets" category. Latin America has lower financial depth gauges, but bank credit to the private sector was 70% in Brazil and 80% in Chile. Colombia is, unfortunately, moving away from these regional champions, as Figure 14 shows.

[1] As of March 1st, mortgage credit is back in black but with a meager 0.3% annual real growth rate. Microcredit is performing better, with a 5.3% real growth rate. However, mortgage and microcredit represent less than 20% of outstanding loans.

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The health reform plan is failing – but isn't dead yet

Colombia started March 14th with a happy surprise. Seven of the 14 senators on the seventh commission presented a motion to halt discussions on the health reform proposal ("ponencia de archivo"). A few hours later, an eighth senator joined them, creating a majority. This development clearly left the government flat-footed. Immediately, opponents of the reform, who comprise the vast majority of Colombians (us among them), concluded that "this awful reform has sunk, finally" and went out to celebrate. Messages pinged back and forth on social media, applauding this move, and saying the reform was dead.

But it's not dead. It is clearly on life support in the ICU, but won't be truly dead until the ponencia de archivo is put to a vote in the commission, and indeed wins eight or more votes. One could think that this is sure to happen, as the motion has already been signed by eight senators, but in Congress you never know. It suffices to remember 2005, when the infamous senator Teodolindo Avendaño, on the very day of the vote, supported the motion to stop discussions on the re-election constitutional reform, and four hours later voted to sink the motion. This explains why the government has formally asked the presidency of the commission to postpone the debate and voting until at least the first week of April – that is, after Easter. We think that they are "trying to combine all forms of fighting" (a well-known FARC motto) to get at least two of the signers to back out. We also think that, although this is a possible outcome, it has a low probability of occurring, of around 10%-15%, which is not negligible in any case.

Moving to the substance, the motion presented by these senators was well supported, well written and well researched, making the job for the government even harder. They based their motion basically on four main points:

(i) The process followed by the project during the first two debates in the lower chamber was plagued by formal and informal mistakes and deliberate omissions that make the reform unconstitutional.

(ii) As health is a fundamental right in the Colombian Constitution, it should be regulated by a special type of law, or at least the articles that directly impact on this fundamental right (Ley Estatutaria), which requires a larger number of votes to be approved and, thus, the Constitutional Court (which reviews and rewrites all Leyes Estatutarias) will rule it unconstitutional.

(iii) The reform is "regressive" in the sense that it may take health services to levels of provision and quality that the country used to have back in the 1980s and 90s.

(iv) At the moment in which they presented the motion, the reform did not have fiscal approval from the Finance Ministry, legally required for voting.

We generally agree with all of these points, especially the third and fourth, as legal things tend to bring many surprises, and the Court may or may not agree with the government on the issue of the reform requiring to be approved as a Ley Estatutaria. The government has fiercely insisted that it does not and has provided legal concepts and previous rulings of the court to back up its point. And regarding the first point, we have seen countless times that the Court ends up ruling on the constitutionality of reforms allegedly plagued by mistakes (or that it deems unconstitutional only parts of the reform).

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But the third and fourth of the above points are an undeniable truth: regarding the regresiveness in terms of health services, the reform returns the country to the dark times of the public sector managing all health services through the infamous ISS, which was characterized by high levels of corruption, extremely low-quality services and practically no services provided for the poorer segments of the population, aside from those given by public hospitals almost as charity. Note that this argument also may be interpreted as a way of completely ignoring the many achievements of the current health system, introduced in 1993 by Law 100.

But on March 20th, a new and very important issue arose regarding the fourth point, namely the fiscal approval (aval fiscal) of the Finance Ministry to the reform. In effect, the Finance Ministry sent to Congress (7th commission) a short document, supposedly giving a green light to the project. Let us start at the end and forcefully say that the Finance Ministry, in our opinion, does exactly the opposite: it does not provide any kind of fiscal support to the project and, on the contrary, seems to politely say that the project is not consistent with the Medium-Term Fiscal Framework (MTFF). Literally, at the end of the document it says: "according to this document, the fiscal expenditures associated with the health reform could be allocated and made consistent with the MTFF only if the CONFIS approves (...) a cut on functioning and investment expenditures in other sectors that precisely match the fiscal expenditures of the reform."

In plain language, the money is not there right now, but if the CONFIS approves several cuts on current and investment expenditures (plus vigencias futuras) it may become consistent with the MTFF. That is a very poor fiscal support for the reform, to say the least, as this is true for any kind of expenditure. That is, anything can be made consistent with the MTFF if you reduce expenditure elsewhere to accommodate the new expenditure. What is expected from a fiscal OK document from the Finance Minister is a yes, the money is there, or a no, is not there. Or alternatively, saying what new sources can be used to finance the expenditures. Not this type of obvious conclusion.

In fact, as we very well know, the big trouble in Colombia is always to cut expenditure, both current and investment but especially the former, which means that investment ends up always being the victim, with very negative impacts on growth and employment for the country. To be candid, this is not a serious and balanced conclusion on the part of the Finance Ministry in such an important matter.

Besides this very disappointing fact, the document has other problems worth briefly mentioning. First, many of its assumptions are way off. Probably, the most important among these is the assumption that the minimum wage will grow 1% in real terms in the period under analysis. Such a low growth has not been observed ever in the last 15 years. This severely affects the calculations related to expenditure on staff, although it affects the income projections as well, as an important part comes from payroll taxes.

Second, the document says, repeatedly, that in many of the cost calculations they did not include such and such thing because they are waiting on the Ministry of Health to provide the relevant information to be able to do the complete calculation. So, one thing that is sure is that expenditures are undervalued in the document. Third, the sources of income are overestimated due to the assumptions related to economic growth, formality and territorial tax collection. Finally and unbelievable, the document says that the primary care centers, which are at the center of the reform, are not inherent expenditures of the reform.

Now, we proceed to briefly summarize the document for informational and completeness purposes.

Sources of Income:

i) Payroll contributions: start from the projected item of the initial budget execution of ADRES, for 2024. The assumptions correspond to the same real growth presented in 2024 Financial Plan and other macroeconomic assumptions used in the preliminary draft of the 2025 budget.

ii) General System of Participations (SGP): 87% for the insurance of the subsidized regime, 10% for public health, and 3% to subsidize public hospital. The forecast of this source comes from the estimates made in the MTFF. It depends entirely on the performance of tax revenues.

iii) Contribution of the central government to the closing of insurance expenditures. The ADRES forecasts an initial amount of $32.3 trillion. Additionally, $2.5 trillion, owed to the EPS, will be added to this item. This corresponds to a $5 trillion transfer that the Ministry of Health must do in order to guarantee the closing of the Capitation Payment Unit (UPC) for both regimes in 2024.

iv) Other sources, which gather together the revenues coming from territorial entities, contributions from compensation funds, Coljuegos, FONSAT premium and SOAT, taxes on weapons, USPEC, fines and sanctions and the contributions directed at the National System of Medical Residences.

Table 5. Estimated Revenue in the Health Sector, 2024-2033 (billions in 2024)

Item	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Contributions	32,437	33,422	34,505	35,623	36,777	37,969	39,199	40,469	41,780	43,134
SGP	16,394	18,898	22,202	24,670	25,920	26,589	27,213	27,977	28,873	29,796
National	34,864	42,455	45,732	49,062	50,651	52,292	53,987	55,736	57,542	59,406
Other sources	8,279	8,099	8,374	8,659	8,955	9,262	9,580	9,912	10,255	10,612
Total	91,974	102,874	110,813	118,014	122,303	126,111	129,979	134,094	138,450	142,948
% GDP*	5.51%	5.98%	6.24%	6.44%	6.46%	6.45%	6.44%	6.44%	6.44%	6.44%

*GDP submitted by the MHCP's General Directorate of Macroeconomic Policy.
Source: Ministry of Finance and Public Credit (MHCP), EConcept.

Importantly, the Ministry notes that revenue for 2024 is lower to the initial amount forecasted by the ADRES. Although there have been additions of $2.8 trillion (as of February 2024) to pay liabilities and obligations not included in the calculation.

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Costs: cost estimates are made starting in 2025, date in which the reform would start.

Direct Costs:

Primary Health Care:

- **Direct labor:** expenses related to staff (wages and benefits). This item includes the creation and operation of the Territorial Health Teams (Equipos de Salud Territoriales).
- **Indirect Labor:** administrative personnel expenses.
- **Operating expenses and services:** expenses incurred by institutions in order to acquire goods and services involved in the provision of Health services.
- **General expenses:** other expenses related to daily operations.

According to information of the Health ministry, costs projections include the formalization cost of the human talent that will be working in the CAPS (for the public providers).

Medium and high complexity hospitals: the Finance Ministry asked the Health Ministry for the assumptions used in the behavior of the projected path.

Strengthening of the public network: the reform creates a specific destination account called the Account for Strengthening the Public Hospital Network, which allows the funding for the operation and sustainability of State Health Institutions (ISE), the reorganization of Public Health Companies (ESE) that turn into ISE, other expenses related to infrastructure and equipment, the operation of emergency care network, and incentives paid to institutions providing health services for medium and high complexity.

Infrastructure-CAPS: according to the Health Ministry for 2024 there is an estimated budget of $1.4 trillion for the construction or expansion of 220 Centros de Atención Primaria en Salud (CAPS), and the expansion or construction of 5 complementary hospitals and mobile- fluvial infrastructure. The Health Ministry has informed that CAPS and the infrastructure they need are not inherent to the costs of the reforms for the future periods.

Others direct costs are not included as their cost is either small or not clear, hence the projected values are all made by the Health Ministry and not revised by the Finance Ministry.

Migrant population: $300 billion (historic mean) with an increase of 1% for the forecasted period.

Outstanding Liabilities: $3.7 trillion (zero from 2027 onward).

Reorganization of public hospitals: the claims left from liquidated EPS to the ESE will be paid gradually with budgetary appropriations from the General Budget. $3.6 trillion provision.

Incentives to quality: the reform establishes a quality incentive for the Entidades Gestoras de Salud y Vida (the new name for the EPS), which can't be higher than 3% of the total resources. This will be additional to the 5% already received for administrative expenses.

Table 6. Itemized expected expenditure, income and balance of healthcare under the reform Act proposed

Item	2025	2026	2027	2028	2029	2030	2031	2032	2033
Primary health care	18,563	21,142	24,506	28,432	29,177	30,068	30,783	31,425	32,332
Medium and high complexity	71,980	74,196	76,463	78,779	81,155	83,602	86,120	88,698	91,335
Economic benefits	2,755	2,866	2,982	3,102	3,227	3,358	3,493	3,634	3,781
Strengthening of the public network	1,000	2,800	3,000	3,200	3,500	3,600	3,800	3,900	4,000
Others	1,249	1,290	1,332	1,375	1,419	1,465	1,513	1,562	1,613
Information system	148	182	73	73	73	73	73	73	73
Scolarships	120	120	120	120	120	120	120	120	120
Maternity licenses (Non-contributing)	800	1,220	1,240	1,260	1,279	1,299	1,319	1,338	1,358
Institutional strengthening ADRES	100	100	100	100	100	100	100	100	100
Disaster fund	50	50	50	50	50	50	50	50	50
SGP - E.T.	1,890	2,220	2,467	2,592	2,659	2,721	2,798	2,887	2,980
Direct costs	98,655	106,186	112,333	119,083	122,759	126,456	130,169	133,787	137,741
Current obligations	2,006	2,006	0	0	0	0	0	0	0
SOAT	217	266	327	394	468	546	628	713	800
Irregular migrants	306	309	312	315	318	322	325	328	331
Sanitation	1,000	1,000	1,600	0	0	0	0	0	0
Indirect costs	3,529	3,581	2,239	709	786	868	953	1,041	1,131
Administration costs (to be defined)	-	-	-	-	-	-	-	-	-
Quality incentives	2,716	2,860	3,029	3,216	3,310	3,410	3,507	3,604	3,710
Zonal planning units	905	953	1,010	1,072	1,103	1,137	1,169	1,201	1,237
Administration costs	3,622	3,813	4,039	4,288	4,413	4,547	4,676	4,805	4,947
Total expenditure	105,806	113,580	118,611	124,081	127,959	131,871	135,798	139,633	143,819
Total income	102,874	110,813	118,014	122,303	126,111	129,979	134,094	138,450	142,948
Balance	- 2,932	- 2,767	- 597	- 1,778	- 1,847	- 1,892	- 1,704	- 11,883	- 872
% GDP	-0.18%	-0.17%	-0.04%	-0.11%	-0.11%	-0.11%	-0.10%	-0.07%	-0.05%

Source: Minsalud, ADRES, DNP and MHCP.

The fiscal costs in this reform could be incorporated in the Medium-Term Fiscal Framework of 2024-MFMP, "if the Superior Council of Fiscal Policy-CONFIS approves a cut in operating and investment expenses of the Central National Government in other items", which would have to serve as a source of financing for the fiscal costs referred to in the bill.

This cut should be part of the Medium-Term Expenditure Framework and the Financial Plan for the 2025 General Budget Bill. This means that the bill does not fit within the current fiscal limits.

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Investment Opportunities in Colombia

Transportation Sector

1. Roads

Fourth Generation (4G) Road Concessions Projects – First Wave Projects

Road	Length (km)	Contract Value (COP trillion, 2023)	Capex (COP trillion, 2023)	Opex (COP trillion, 2023)	Status
Honda - Puerto Salgar – Girardot (2012)	191	2.59	1.82	1.74	**Operation**
Perimetral de Oriente de Cundinamarca (2012)	152	2.91	3.53	1.54	**43.2% advance. Suspended**
Cartagena – Barranquilla y Circunvalar de la Prosperidad (2012)	154	3.02	2.21	2.17	**Operation**
Autopista al Río Magdalena 2 (2012)	144	3.07	2.32	1.49	**77.6% advance**
Autopista Conexión Norte (2012)	145	2.94	1.96	1.99	**99.7% advance**
Autopista Conexión Pacífico 1 (2012)	50	3.68	3.40	1.37	**96.4% advance**
Autopista Conexión Pacífico 2 (2012)	97	2.29	1.97	1.91	**Operation**
Autopista Conexión Pacífico 3 (2012)	146	3.30	2.71	2.56	**99.9% advance**
APP Mulaló – Loboguerrero (2012)	32	2.80	2.56	0.92	**Suspended**
Total	**1,110**	**26.60**	**22.48**	**15.69**	

Source: National Planning Department, National Infrastructure Agency

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Fourth Generation (4G) Road Concessions Projects – Second Wave Projects

Road	Length (km)	Contract Value (COP trillion, 2023)	Capex (COP trillion, 2023)	Opex (COP trillion, 2023)	Status
Autopista al Mar 1 (2012)	181	3.96	2.43	2.65	Operation
Autopista al Mar 2 (2012)	254	4.54	2.57	2.27	97.7% advance
Santana-Mocoa-Neiva (2013)	456	5.14	2.20	3.75	26.5% advance
Rumichaca-Pasto (2013)	83	4.01	3.16	1.39	Operation
Popayán-S/der de Quilichao (2013)	77	2.95	2.06	1.10	23.2% advance
Transversal del Sisga (2013)	137	1.67	0.87	1.23	99.5% advance
Villavicencio-Yopal (2013)	266	5.09	3.41	2.59	90.2% advance
P/ta de Hierro -Palmar (2013)	203	2.15	0.98	0.97	Operation
Bucaramanga - Barrancabermeja - Yondó (2013)	152	4.66	2.84	1.68	96.8% advance
IP Autopistas del Caribe, corredor de carga Cartagena - Barranquilla (2015)	253	6.75	2.33	4.42	Suspended
Total	**2,061**	**40.92**	**22.84**	**22.04**	

Source: National Planning Department, National Infrastructure Agency

Fourth Generation (4G) Road Concessions Projects – Third Wave Projects

Road	Length (km)	Contract Value (COP trillion, 2023)	Capex (COP trillion, 2023)	Opex (COP trillion, 2023)	Status
Pamplona - Cúcuta (2015)	63	3.24	2.45	1.28	98.9% advance
Bucaramanga – Pamplona (2013)	134	2.45	1.55	1.87	11.2% advance. Suspended
Total	**197**	**5.69**	**4.00**	**3.15**	

Source: National Planning Department, National Infrastructure Agency

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Fifth Generation (5G) Road Concessions Projects
First Wave Projects

Road	Length (km)	Contract Value (COP trillion 2023)	Capex (COP trillion, 2023)	Opex (COP trillion, 2023)	Status
APP Nueva Malla Vial del Valle del Cauca, accessos Cali y Palmira (2018)	310	4.13	2.28	2.51	**6.1% advance**
IP ALO Sur - Avenida longitudinal de Occidente (2019)	25	1.48	1.13	0.74	**Suspended**
APP Troncal del Magdalena C1, Puerto Salgar - Barrancabermeja (2020)	260	4.91	2.71	2.21	**Pre-construction**
APP Troncal del Magdalena C2, Sabana de Torres - Curumaní (2022)	272	4.75	2.22	2.53	**Pre-construction**
APP Accesos Norte Fase II (2019)	18	2.38	1.74	0.64	**Pre-construction**
APP Nueva Malla Vial del Valle del Cauca, Buga - Buenaventura (2020)	128	5.29	2.89	2.41	**Pre-construction**
Total	**1,012**	**22.96**	**12.98**	**11.03**	

Source: National Planning Department, National Infrastructure Agency.

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Fifth Generation (5G) Road Concessions Projects
Second Wave Projects

Road	Length (km)	CAPEX + OPEX (COP trillion) - Estimated value	Status
IP Ruta del agua, Santuario - Caño Alegre	136	7.64	**Feasibility studies**
IP Conexión Centro, Manizales - La Paila	164	3.76	**Feasibility under evaluation**
IP Autovía Córdoba - Sucre	460	5.02	**Feasibility studies**
APP Villeta - Guaduas	82	4.70	**Feasibility under evaluation**
APP Pasto - Popayán	270	13.50	**Feasibility under evaluation**
APP Sogamoso - Aguazul - Maní	240	2.22	**Feasibility under evaluation**
Total	**1,352**	**36.84**	

Source: National Planning Department, National Infrastructure Agency.
Order: 1) Project Terms of Reference, 2) Feasibility under evaluation, 3) Feasibility studies, 4) Awarded

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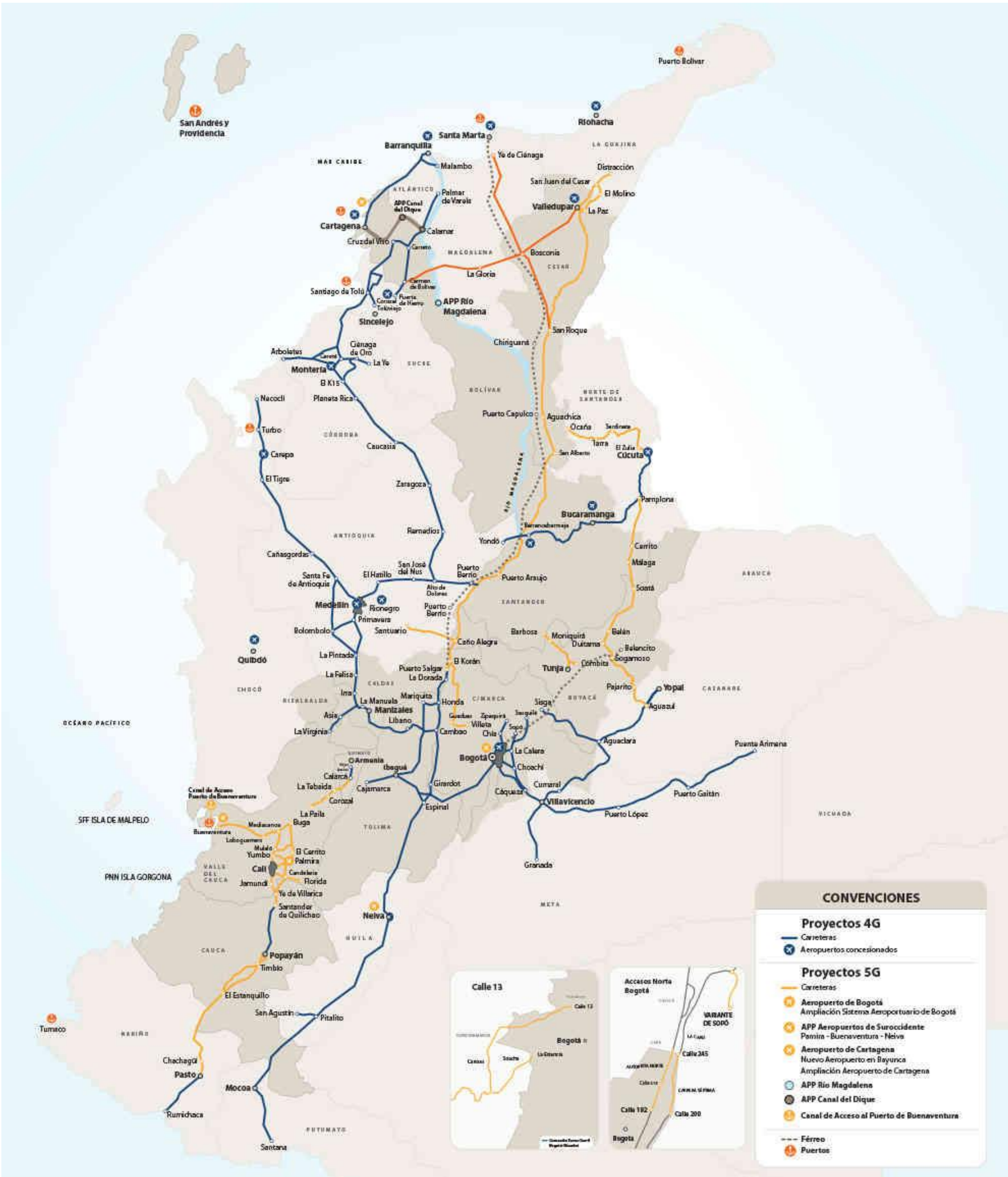
Map of 4G and 5G Road Concessions Projects



Source: ANI.

Other Road Projects: Other infrastructure road projects, involving the building, rehabilitation, and maintenance of roads. Primarily private initiative.

Project	Length (km)	Contract Value (COP trillion, 2023)	Capex (COP trillion, 2023)	Opex (COP trillion, 2023)	Status
IP Cambao – Manizales (2015)	256	1.99	0.68	1.31	**97.2% advance**
IP Tercer Carril Bogotá Girardot (2014)	145	7.01	2.92	2.80	**47.2% advance**
IP Accesos norte a Bogotá D.C. (2014)	66	2.05	0.80	1.84	**85.6% advance**
IP Chirajará – Fundadores / Bogotá Villavicencio (2013)	86	8.81	3.97	5.70	**100% advance**
IP Malla Vial del Meta (2013)	268	2.55	0.85	1.88	**15.2% advance**
IP GICA Girardot - Ibagué - Cajamarca (2012)	180	3.19	1.94	1.56	**52% advance**
IP Vías del NUS (2014)	157	4.31	1.67	3.10	**Operation**
IP Neiva – Girardot (2014)	198	3.37	1.21	2.15	**99.9% advance**
IP Antioquia – Bolívar (2014)	504	4.74	2.00	5.79	**94.1% advance**
Total	**1,860**	**38.02**	**16.03**	**26.14**	

Source: National Planning Department, National Infrastructure Agency.

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1. Airports

- **Aeropuerto de Cartagena**
  Design and construction of: New international terminal, apron expansion, remodeling of current terminal, infrastructure maintenance Rafael Núñez Airport.
  - **Capex:** COP 0.49 Trillion.
  - **Opex:** COP 0.44 Trillion.
  - **Status:** Contract signed.

- **APP Aeropuertos de Suroccidente**
  Administration, adaptation, modernization, construction, expansion, operation, economic exploitation, maintenance and reversion of the airport infrastructure of the Alfonso Bonilla Aragón airport in Palmira, Valle del Cauca and Benito Salas airport in Neiva, Huila.
  - **Capex:** COP 1.4 Trillion.
  - **Opex:** COP 2.8 Trillion.
  - **Status:** Feasibility study process.

- **IP Ciudad aeroportuaria Cartagena de Indias (Bayunca)**
  Construction of a new airport for Cartagena.
  - **Capex:** COP 3.08 Trillion.
  - **Opex:** COP 4.20 Trillion.
  - **Status:** Viability study process.

- **IP Aeropuerto de San Andrés**
  Design, construction, modernization, operation and maintenance of the airport infrastructure on both the air and land sides of the Gustavo Rojas Pinilla Airport in San Andres.
  - **Capex:** COP 0.35 Trillion.
  - **Opex:** COP 0.67 Trillion.
  - **Status:** Contract committee.

- **IP "Campo de Vuelo"**
  Construction of infrastructure improvements at El Dorado Airport, mainly in its outdoor spaces.
  - **Capex:** COP 0.8 Trillion
  - **Opex:** COP 0.9 Trillion
  - **Status:** Feasibility study process.

- **APP "El Dorado Máximo Desarrollo – EDMAX"**
  The design, financing, construction, operation and maintenance of the works to achieve the maximum development of El Dorado Airport.
  - **Capex:** COP 6.9 Trillion
  - **Opex:** COP 5.2 Trillion
  - **Status:** Development of feasibility studies and designs.

Source: National Planning Department, National Infrastructure Agency.

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Map of Airport Infrastructure Projects

Source: Ministry of Transport

2. Massive urban transit systems and Strategic Transport

- **Dorada – Chiriguaná**
  Track rehabilitation activities, upgrade to Cooper E40 type track, change of rails to 90 lb/Yd. Construction of long welded bars, train traffic control system, bridge intervention, upgrade and overhaul of rolling equipment.
  - **Capex:** COP 2.3 Trillion.
  - **Opex:** COP 0.3 Trillion.
  - **Status:** Under review of financial, legal and technical aspects for entity approval.

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- **Canal del Dique**
  Maintain control of sediment transit between the channel and the bays of Cartagena and Barbacoas.
  - **Capex:** COP 2.78 Trillion.
  - **Status:** Awarded

II. Energy and Mining Sectors

Ministry of Mines and Energy – National Development Plan:

Projects recommended for the National Transmission System

Project	Operation Start Date
Córdoba Sucre – Second Circuit Cerromatoso – Sahagún – Chinú 500 kW	Dec-25
Central outage in diameter one (1) of the Chinú 220 kW substation.	Nov-23
Compensation bay, central cutout for the new diameter, transformer bay in diameter two (2), differential protection for the busbar at the San Marcos 500 kW substation.	Dec-24
Third Transformer at Bolivar substation 500/220 kW	Jun-26
Installation of a second transformer at the La Virginia 500/230 kW substation by relocating the existing transformer.	Dec-24
HVDC Transmission Line at 600 kW, VSC type, two-pole with metallic return, from La Guajira.	December 2028 – December 2032
Reconfiguration of Banadía 230 kW substation from Single Bus to Main Blus plus Transfer Bus. Arauca.	Nov-25

Source: UPME, Plan de Expansión Preliminar de Transmisión 2022-2036

Projects considered in building phase

Project	Capacity (MW)	Type	Operation Start Date
Ituango	600	Hydroelectric	October 2023
Solar La Loma	150	Solar	December 2023
CSF Continua San Felipe S.A.S.	90	Solar	April 2023
Parque Solar el Campano	99,9	Solar	June 2023
Parque Solar Urrá	19,9	Solar	July 2023
Parque Solar Caracolí	50	Solar	October 2023
Tepuy	83	Solar	October 2023
Parque Solar la Unión	100	Solar	December 2023
Planta Solar SUNNORTE	35	Solar	December 2023
Pubenza PSR2	50	Solar	December 2023
Bosques Solares de los Llanos 6	79,6	Solar	December 2023
Escobal 6	99	Solar	December 2023
Manglares	99,9	Solar	December 2024
La Mata	80	Solar	December 2023
Nabusimake	100	Solar	December 2023
Guayepo	400	Solar	January 2024
El Paso Solar	70	Solar	January 2024
Windpeshi	200	Wind	January 2024
Parque Eólico Beta	280	Wind	December 2024
Parque Eólico Alpha	212	Wind	December 2024
Acacia 2	80	Wind	August 2024
Generación Eólica Camelias	250	Wind	December 2024
Parque eólico Casa Eléctrica	180	Wind	October 2025
Parque eólico Apotolorru	75	Wind	October 2025
Ampliación Termocandelaria	252,2	Thermal	June 2023
Central Térmica Termocaribe S.A.S.	42	Thermal	November 2023

Source: UPME, Plan Indicativo de Expansión de la Generación 2023-2037

Project	Capacity (MW)	Type	Operation Start Date
Ituango	600	Hydroelectric	October 2023
Solar La Loma	150	Solar	December 2023
CSF Continua San Felipe S.A.S.	90	Solar	April 2023

Source: UPME, Plan Indicativo de Expansión de la Generación 2023-2037

Oil Exploration Projects for Colombia in 2023 (Q4)

Exploration Projects	Status	Participants
Cupiagua XD 45	Dry	Ecopetrol 100% (Operator)
Picabuey-1	Dry	Hocol 50% Geopark 50% (Operator)
Magnus-1	Successful	Ecopetrol 55% (Operator) Repsol 45%
Turupe-1 ST	Dry	Ecopetrol 100% (Operator)
Zorzal-1	Successful	Hocol 50% Geopark 50% (Operator)
Koala-1	Dry	Hocol 50% Geopark 50% (Operator)
Leyenda-1	Under evaluation	Ecopetrol 55% (Operator) Repsol 45%
Cusiana V 31	Dry	Ecopetrol 100% (Operator)
Kimera-1	Successful	Ecopetrol 55% (Operator) Repsol 45%
Pollera N	Under evaluation	Lewis 50% (Operator) Hocol 50%
Saltador-1	Successful	Geopark 50% (Operator) Hocol 50%
Cucarachero- 1	Dry	Geopark 50% (Operator) Hocol 50%
Glaucus-1	Successful	Shell 50% (Operator) Ecopetrol 50%
Toritos-1	Successful	Geopark 50% (Operator) Hocol 50%
Sabanales-1	Under evaluation	Hocol 100% (Operator)

Exploration Projects	Status	Participants
Aquila-1	Under evaluation	Ecopetrol 100% (Operator)
Arauca-15-ST2	Under evaluation	Parex 50% (Operator) Ecopetrol 50%
Infantas Oriente Norte-1	Dry	Ecopetrol 48% (Operator) Sierracol 52%
Zorzal Este-1	Successful	Geopark 50% (Operator) Hocol 50%
Bisbita Centro-1	Successful	Geopark 50% (Operator) Hocol 50%
Arauca-8	Under evaluation	Parex 50% (Operator) Ecopetrol 50%
Zorzal Este-2	Under evaluation	Geopark 50% (Operator) Hocol 50%
Orca Norte-1	Under evaluation	Ecopetrol 100% (Operator)
San Benedicto-1A	Failure	Petrosantander 100% (Operator)
San Benedicto-1A-ST	Failure	Petrosantander 100% (Operator)
Rex NE N01	Under evaluation	Sierracol 100% (Operator)

Source: Ecopetrol

Ecopetrol's Investment plan for 2024 (COP trillion)

Projects	Investment 2023
Upstream	14.2 – 16.7
Midstream	1.2 – 1.4
Downstream	1.6 – 1.9
Energy Transition	9.2 – 10.8
Social Investment	0.6
Total	23 – 27

Source: Ecopetrol.

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III. Other

- **Education:** Design, construction, financing, operation, and maintenance of accommodation for university students, and provision of complementary services such as cleaning, surveillance, restaurant, among others, for the Universidad Nacional de Colombia in Manizales.
    - ***Capex:*** COP 88 Billion (2019).
    - ***Status:*** Structured.

  Construction, operation, and maintenance of student housing in Medellín.
    - ***Capex***: COP 80 Billion (2017).
    - ***Status:*** Phase I completed.

- **Sports**: structuring of a project that contemplates the design, modernization, adaptation, construction, provision, operation, maintenance and economic exploitation of the infrastructure that is required within the Center of High-Performance Sports (CAR).
    - ***Capex*****:** COP 168 Billion (2022).
    - ***Status*****:** Structured.

- **Water and sewage:**
  Design, construction, operation, and maintenance of Wastewater Treatment System (STAR), located within the jurisdiction of the Municipality of Neiva, Huila.
    - ***Capex:*** COP 215 Billion (2019).
    - ***Status:*** Phase II.

  Design, construction, operation and maintenance of Wastewater Treatment System (STAR) located in the jurisdiction of the Municipality of Duitama, Boyacá.
    - ***Capex:*** COP 70 Billion (2019).
    - ***Status:*** Phase II.

  Carry out the decontamination of the Bogotá River through the provision of Phase II design and construction, operation, and maintenance of Phases I and II of the Wastewater Treatment Plant – PTAR Canoas.
    - ***Capex:*** COP 4.5 Trillion (2018).
    - ***Status:*** Structured.

- **Electricity:** Rehabilitation, operation and maintenance of the infrastructure of an electric energy generation system, in Military Air Units – MAU of Colombian Force – CAF.
    - ***Capex:*** COP 36 Billion (2018).
    - ***Status:*** Structured.

- **Health:** To conceive the Great Hospital Park of Engativá, which is a hospital infrastructure of international reference with the highest specialized technology for patient care, laboratories, as well as study and innovation that allow it to be researched.
    - ***Capex*:** COP 517 Billion (2020).
    - ***Status*:** Beginning of phase II.

  Design, financing, construction, equipment, endowment, operation, maintenance and reversal of a new high complexity hospital in Fusagasugá.
    - ***Capex*:** To define.
    - ***Status*:** Structuration in course.

- **Urban Renewal and Public Buildings:** Design, construction, operation and maintenance of National Attorney General office in Cali.
    - ***Capex:*** COP 175 Billion (2018).
    - ***Status:*** Awarded.

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IV. Public – Private Partnerships Projects without public funds

The purpose of these projects is to facilitate private sector participation in infrastructure projects, to the extent that private entities are now entitled to propose projects of this nature to either National or Regional Governments, as well as to invest in economic sectors in which private involvement has traditionally been scarce. This is the case of education, health, justice, defense and public building construction, among others. There are 289 PPP projects in the RUAPP, 195 without public resources.

Number of Public-Private Partnerships by Sector

Sector	Hired	Feasibility Studies	Pre-Feasibility Studies	Total
Agriculture			7	7
Water and Sewage		3	31	34
Environment and tourism			5	5
Science, tech and innovation				
Commerce, Industry and tourism			4	4
Culture and sports		1	7	8
Public Buildings and Urban Renewal	3	1	36	41
Education			10	10
Justice		1	3	4
Mining and Energy		1	9	10
Health Care	1		8	9
Information and Communication Technologies			3	3
Transport	38	6	109	153
Housing			2	2
Total	**42**	**13**	**234**	**289**

Source: National Planning Department- RUAPP (April 2024)

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Forecasts

Figure 15. Real GDP annual growth by year

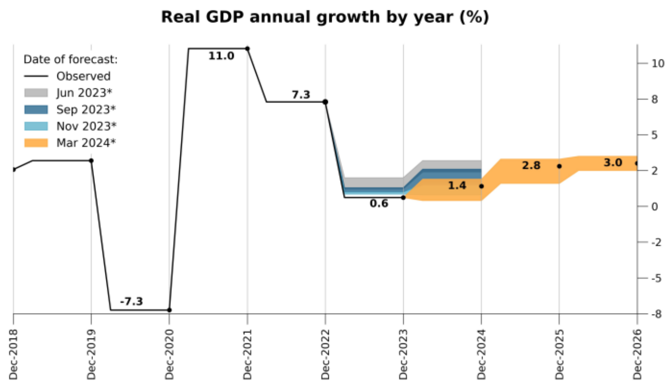

Figure 18. Central Bank intervention rate (%)

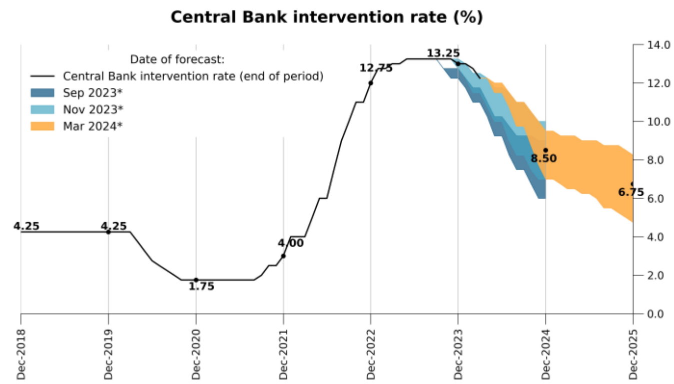

Figure 16. Households consumption annual growth by quarters (%)

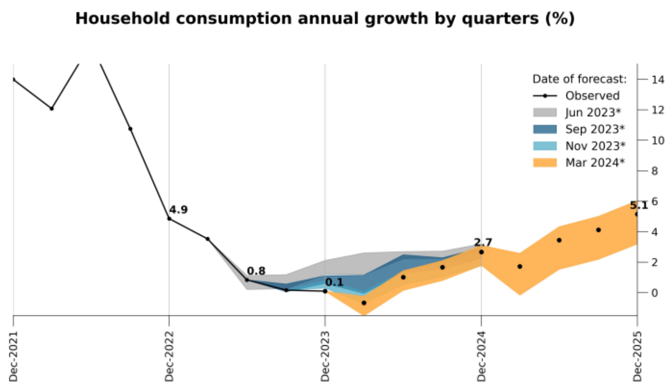

Figure 19. Nominal Interest Rate (%)

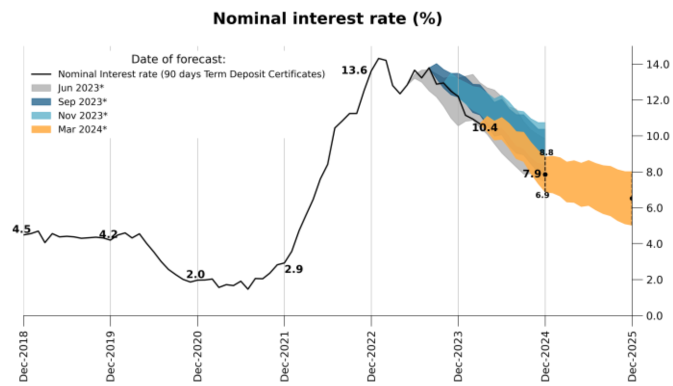

Figure 17. Annual inflation CPI (%)

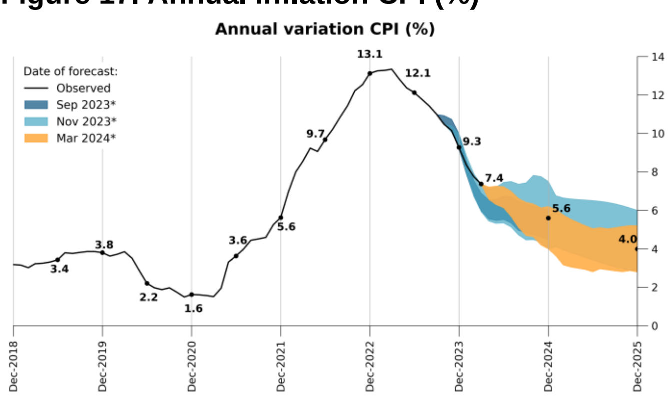

Figure 20. Annual inflation – Domestic Supply PPI (%)

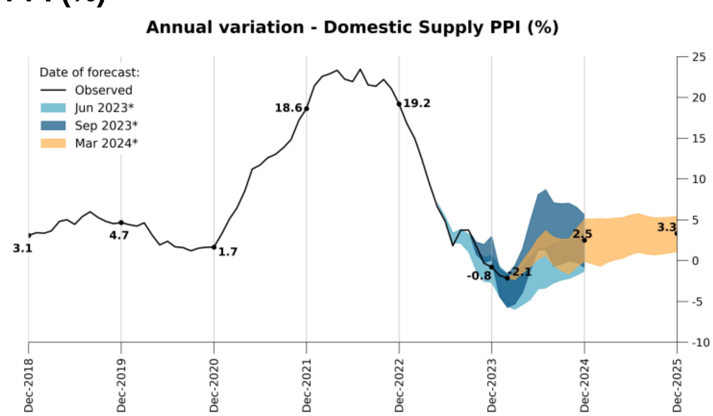

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Figure 21. Exchange Rate Yearly Average (COP/USD)

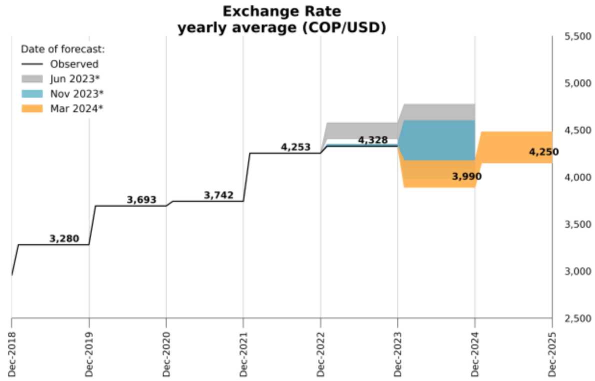


Figure 23. Current Account (GDP %)

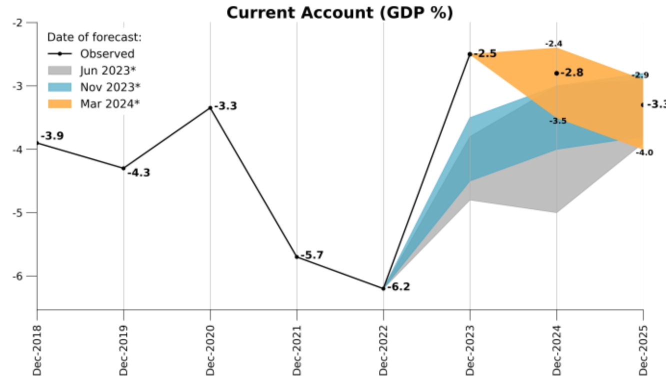


Figure 22. Unemployment (%)

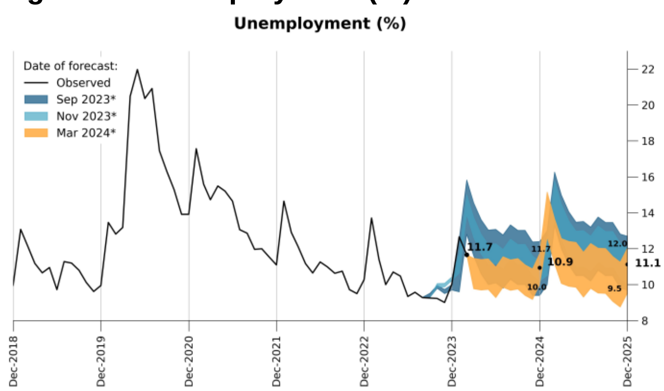
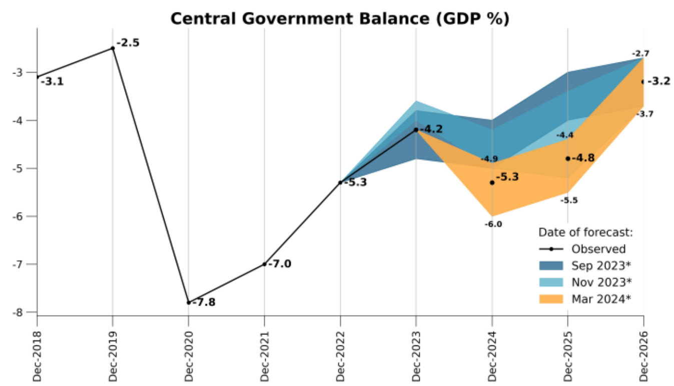
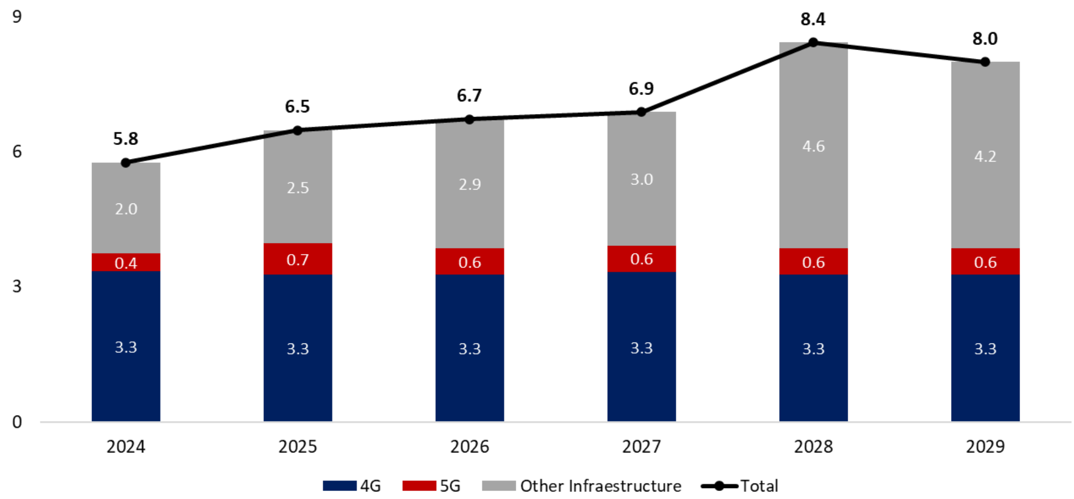


Figure 24. Central Government Balance (GDP%)



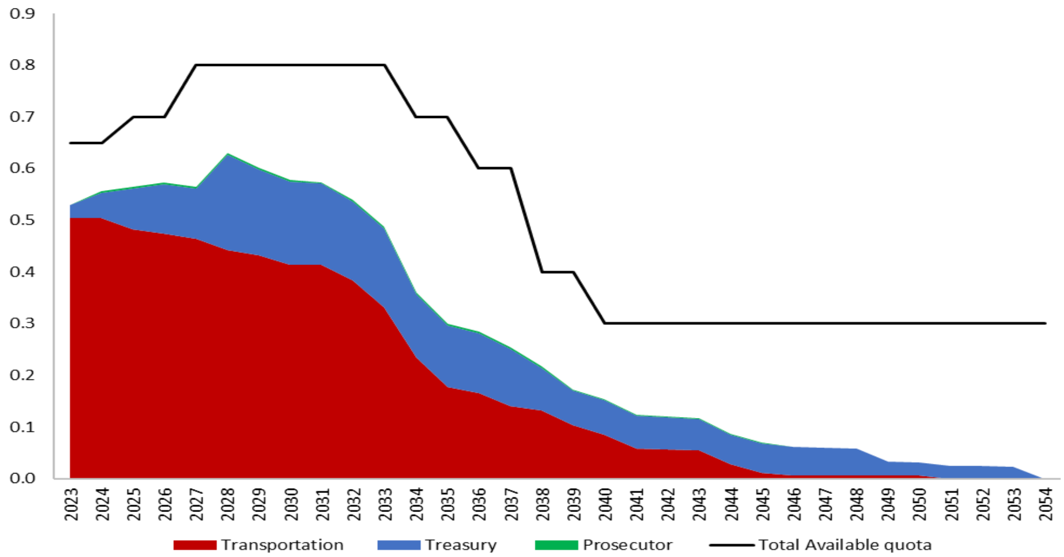
Future Appropriations

Figure 27. Future Appropriations in Infrastructure (COP Trillion, 2024-2029)



Source: MFMP 2023

Figure 28. Future Appropriations Quota for Public-Private Association (GDP %)



Source: MFMP 2023