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THEDIALOGUE

FEATURED Q&A

How Will Petro's Budget Address Colombia's Needs?

Colombian lawmakers last week approved a $93 billion budget that includes funding for social programs that President Gustavo Petro has proposed. // File Photo: Colombian Government.

Q Colombia's Congress on Oct. 18 approved a record 406-trillion-peso ($93.3 billion) budget for next year, including an increase in expenditures intended to pay for social programs that President Gustavo Petro had promised. Funds needed for the budget will come from tax revenues as well as credits from multilateral banks, said Finance Minister José Antonio Ocampo. What are the most significant expenditure increases in the new budget, and who will they benefit? What will be the overall economic impact of the government's plan? To what extent could inflation and other economic headwinds stifle the government's spending?

A Andrés Martínez-Fernández, senior analyst for Latin America at FrontierView: "Colombia's 2023 budget reveals not only President Petro's spending priorities but the reality of what his government will pursue amid fiscal limitations and a fragmented Congress. Petro's platform centers on a more robust role for government in the Colombian economy, particularly through expanded public spending. The president's tax reform, which seeks to bolster government revenue, continues to be debated in Congress. However, the government's 2023 budget already moves toward more expansionary public spending with a 4 percent increase from the budget that former President Iván Duque left in place. The Petro administration's budget also shifts funds toward a series of policy priorities under this government. At the ministry level, the Finance Ministry saw a substantial increase in funding, doubling the funds it received in 2022. This increase centers on a major pillar of Petro's platform, namely, social assistance programs, in-

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POLITICAL

Foreign Help for Haiti 'a Work in Progress': Blinken

The United States and Canada will work together to help stabilize Haiti, said U.S. Secretary of State Antony Blinken, who called international involvement in the country "a work in progress."

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Crews Bring Fire Under Control at Refinery in Venezuela

Emergency crews have brought a fire under control at Venezuela's El Palito refinery.

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POLITICAL

Venezuela's Guaidó Demands Date for Vote

Venezuelan opposition leader Juan Guaidó demanded Thursday that the country's government set a date for the next presidential election. President Nicolás Maduro's government has said only that it plans for the vote in late 2023 or 2024.

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Guaidó // File Photo: @jguaido via Twitter.

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POLITICAL NEWS

Foreign Help for Haiti 'a Work in Progress': U.S. Sec'y of State

The United States and Canada will work together in an effort to improve security in Haiti, where gang activity has led to a humanitarian crisis, U.S. Secretary of State Antony Blinken said Thursday in Ottawa alongside Canadian Foreign Minister Mélanie Joly, the Associated Press reported. However, neither Blinken nor Joly committed to sending troops to Haiti. "This is a work in progress, and we are continuing to pursue it," Blinken told reporters in the Canadian capital, the AP reported. Blinken added that the United States and Canada agree that "more likely needs to be done" to support Haiti's National Police and strengthen security in the Caribbean nation. "We've been talking about what that might look like," said Blinken. "We have both been talking to a variety of countries to gauge their interest in and willingness to participate in that," he added. Joly said Canada has sent an "assessment mission" to Haiti in order to gather information and find solutions that have the support of Haitians. The delegation will "consult with stakeholders on options to support Haitian people in resolving the humanitarian and security crises and how Canada can contribute to the international response," the Canadian government said Thursday in a statement, Reuters reported. Haiti's government has been mired in chaos since the July 2021 assassination of then-President Jovenel Moïse. Since September, gangs have blocked a key fuel terminal, which has led to shortages of fuel and basic goods, clean water and medical services, all as the country is facing a cholera outbreak, the AP reported. The United States and Canada have sent tanks to Haiti, and the United Nations is considering whether to send troops to restore order. This month, Haiti's government called for a foreign armed intervention to stabilize the country. Intervention by foreign troops "would be to buttress the National Police and buy time to beef up security around the country," Bocchit Edmond, Haiti's ambassador to the United States, told the Advisor in a Q&A published Tuesday. "Also, it would help to restore security to enable the government to organize democratic, free and fair elections within a reasonable time," Edmond added.

Venezuela's Guaidó Demands That Gov't Set Date for Election

Venezuelan opposition leader Juan Guaidó on Thursday called on officials in the Andean nation to set a date for the country's next presidential election, Reuters reported. "We are demanding a date for a presidential election that means change for Venezuela," Guaidó told reporters as he led a march in Caracas, the wire service reported. President Nicolás Maduro's government has committed to holding a presidential vote in late 2023 or 2024, though it has not set a specific date for the balloting. Venezuela's opposition has been considering holding primaries in hopes of fielding a single candidate to oppose Maduro, Reuters reported. Members of Venezuela's opposition coalition have warned that they might withdraw backing for Guaidó, who since 2019 has had international recognition from several countries, including the United States, as Venezuela's legitimate interim president. "Support for Juan Guaidó has waned internationally in the face of frustration with regime change," Víctor M. Mijares, associate professor in the Department of Political Science and Global Studies at the Universidad de los Andes, told the Advisor in a Q&A published Oct. 21. "The only one who openly wanted to force such a change was the Trump administration, which even offered

> **"We are demanding a date for a presidential election that means change for Venezuela."**
>
> **— Juan Guaidó**

NEWS BRIEFS

Lula Maintains Lead Over Bolsonaro as Brazilians Prepare to Vote Sunday

Former Brazilian President Luiz Inácio Lula da Silva is maintaining his lead against his rival, incumbent President Jair Bolsonaro ahead of Sunday's presidential runoff election, according to two polls released Thursday, Reuters reported. An AtlasIntel poll showed Lula with a lead of 52.4 percent to Bolsonaro's 46 percent support, while a Datafolha poll showed Lula leading with 49 percent as compared to Bolsonaro's 44 percent.

Colombian Government May Reverse Ban on New Oil Contracts: Official

Colombia may reverse its ban on new contracts for oil exploration, José Roberto Acosta, the country's director of public credit, said Thursday, Reuters reported. The shift in the government's position would represent a U-turn for leftist President Gustavo Petro, who had pledged to move the country away from hydrocarbons and toward green energy. The decision to halt new oil exploration contracts came during challenging economic conditions, a "very stressful reality in terms of international liquidity, the debt market, foreign exchange," Acosta said in a statement.

E.U. Hoping to Sign Energy Deal With Argentina: Borrell

The European Union is hoping to soon sign an energy agreement with Argentina, Reuters reported on Thursday. The bloc is struggling to meet its energy demands amid the war in Ukraine and Russia cutting off its supplies. Josep Borrell, the European Union's foreign policy chief, told journalists during a visit to the South American country that Argentina is a "budding energy power." It has one of the world's largest reserves of unconventional gas.

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guarantees to the Venezuelan military willing to overthrow Nicolás Maduro. The problem is that it was based on a poor political diagnosis of the role and power of the military in Venezuela," he added.

BUSINESS NEWS

Crews Bring Fire Under Control at Venezuela Refinery

Crews have brought a fire caused by a thunderstorm at a PDVSA refinery in Venezuela under control, the interior minister said, Reuters reported Thursday. "It has already been dealt with by firefighters and has been brought under control without further incident," Interior Minister Remigio Ceballos said without providing further detail about the fire at the El Palito facility, Venezuela's smallest refinery with a 146,000 barrel-per-day capacity. The fire began Wednesday, when a fuel tank was struck by lightning, Ceballos said that day in a statement. State-owned oil company PDVSA is responsible for Venezuela's entire refinery system. Power outages and equipment failures occur frequently in the country, whose refining network needs updating, repairing and new equipment, according to experts. Last week, a power blackout in 955,000 barrel-per-day Paraguana Refinery Center interrupted the country's largest facilities: the Amuay and Cardon refineries. A previous fire in September at the Puerto La Cruz refinery was also sparked by lightning. [Editor's note: See related **Q&A** in the Sept. 9 issue of the Dialogue's weekly Energy Advisor.]

The facility is Venezuela's smallest refinery and has a capacity of 146,000 barrels per day.

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cluding transfers to low-income households and subsidies to combat inflation. While expanded spending will support consumers, it is also likely to have some inflationary effects. The Agriculture Ministry also saw a substantial 50 percent increase in funding from Duque's original budget. The funds here highlight the Petro administration's focus on rural development with new resources for rural infrastructure and formalization. By reducing funding for defense by 8 percent from Duque's 2023 budget, the Petro administration also enacts its pivot away from an aggressive counternarcotics strategy. Ultimately, despite the general budget increase, the full level of impact of Petro's spending expansion will hinge on new resources from the approval of a tax reform."

Theodore Kahn, senior analyst in the Global Risk Analysis team at Control Risks in Bogotá: "The distribution of the 2023 budget speaks to the Petro's administration's domestic policy and political priorities. The agriculture sector will see its resources more than double from 2022, reflecting the government's commitment to agrarian reform, which includes purchasing private land to redistribute among small farmers. Sectors that lose out include defense, which will see its resources cut as Petro reduces the role of the armed forces in combating drug trafficking and emphasizes peace negotiations with organized armed groups. Despite the overall budget increase, resources for Petro's key priorities will likely be scarce in 2023 amid a deteriorating economic outlook and political challenges. The government's flagship tax reform—which is awaiting debate by the full Senate and Chamber of Representatives—has already been watered down by Congress, slashing expected new revenue by nearly $1 billion. Decelerating economic growth—the IMF projects GDP to expand by only 2.2 percent next year, down from 7.6 percent in 2022—will further reduce revenue. This will make it difficult for the government to deliver on its main promises. The government's agrarian reform, for example, will require more than $6 billion over the next four years, according to Agriculture Minister Cecilia López. Limited fiscal resources will generate tensions within Petro's coalition, as some sectors and programs will inevitably be scaled down. It also means that Colombia will continue to lean on external financing and international cooperation. Maintaining the confidence of markets and relations with external partners will therefore be critical to securing resources."

Sergio Guzmán, director at Colombia Risk Analysis: "In addition to dealing with geopolitical flux and uncertain monetary circumstances, Colombia's economy faces self-inflicted wounds. The government must appease the markets and restore investor confidence, something it appears reticent to do. The general budget for 2023 was approved for more than 400 trillion pesos, 27.7 percent of the national GDP, and represents an increase of 15.1 percent compared to the 2022 budget. It looks increasingly unlikely that the new tax reform will be able to meet its 22-trillion peso target. The government's apparent inability to reduce the deficit will generate greater concern in the markets about the government's ability to pay its future debts, which will influence bond interest rates. To mitigate economic uncertainty, the government must work on three fundamental variables: investments, exports and market confidence. It appears that the campaign rhetoric that Petro and his ministers have employed runs against the grain of the global economy, which Colombia is in no position to influence. Petro needs to play a smarter game and can no longer rely on Finance Minister José Antonio Ocampo to soothe market concerns. Messages from the government and its ministers, in particular from Mines and Energy Minister Irene Vélez, harm market perceptions and generate distrust among investors. The

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market has heard the government's rhetoric, the U.S. dollar was recently priced at 5,000 Colombian pesos, the highest rate ever. It is unlikely the government will be able to soothe the market unless it reduces its fiscal and public spending ambitions or moderates its most controversial proposals regarding the extractive sector."

Igor Galo, director of communications for Latin America IE University in Madrid: "Petro has already faced his first major protests over his tax reform plan. Despite the fact that the objective of the new fiscal model has been lowered from the 50 billion pesos announced in the campaign, to 21 billion pesos ($5 billion) in its latest version, a large part of the middle class and the business community estimate that the new scheme will excessively harm their interests. Petro's fiscal package will fall mainly on companies. They will have to shoulder two-thirds of the tax increase, especially through higher levies on energy and mining, the most important export sectors for Colombia. It makes sense coming from an avowedly environmentalist president, but one who may raise doubts among new investors, domestic and foreign, if he ends up stifling profitability. The other third of the increase will be borne by citizens, including pensioners, with incomes of more than approximately $2,000 a month. It would be interesting if the president explained whether this effort will result in new infrastructure projects for citizens or if it will simply fatten an inefficient state. These broad reforms are adorned with taxes on junk food or single-use plastics, something in line with trends in other countries. They are 'green' and 'healthy' taxes, which in Europe would be seen as normal, but they raise little revenue and also introduce state intervention in private life. From a macro point of view, this is not a radical reform. But it introduces some substantive elements about a possible greater state interventionism in addition to lacking clear plans on the destination and effectiveness of the extra revenues, something that worries Colombians."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

Advisor Video

Haiti's Frustration With International Aid

An Inter-American Dialogue Discussion with
Jacky Lumarque, Université Quisqueya
Michèle Oriol, Université d'État d'Haïti
Joël Boutroue, UNHCR Representative in Uganda
Kesner Pharel, Groupe Croissance
Michèle Duvivier Pierre-Louis, Fondation Connaissance et Liberté

View the Oct. 25 webcast of the discussion

PLAY

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