QUARTERLY INVESTMENT OUTLOOK

2024 Q2

Calle 72 Bis # 5-83, Oficina 1301

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

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

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Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

A final stab for a dying health care system

Just when we thought that the country had been able to avoid the debacle the government calls "health reform," the president, the Ministry of Health and the Superintendency drew an ace from their sleeves that caught everyone off guard. Indeed, the very next day, when the reform sank in the Senate's 7th Commission, the Ministry of Health, along with the superintendency, produced a document, surprisingly signed by the major EPS (the insurers) and the two business associations that represent them (ACEMI and Gestarsalud), which basically stated they are going to re-present the reform plan to Congress come August, but this time with the full support of the EPS. To show it, they all signed the document.
What? How was this even possible?

Let us backtrack a little bit to understand how this came to be. The government, when confronted with the real possibility that its reform was not going to be approved in Congress, at the beginning of 2023, when very harsh and well-founded criticism started to arise, even from its own ministers, started to devise a plan to accomplish its objectives via another route. This is the famous plan B. Remember that the main objective of the reform is for the government to gain absolute control over the monies that today fund the health system, which stand at almost 7% of GDP, and come from a variety of sources: formal workers' payroll contributions; general taxation; taxes on liquor, cigarettes and gambling; and insurance against extreme calamities paid by motorists, among the most important sources. To do this, they had to remove the EPS from the system, since they were the ones who received the resources to provide services to affiliates, mostly contracting those services with private and public hospitals, a few of them belonging to the same EPS.

So, the government started to make things hard for the EPS by (i) severely tightening regulations; and, importantly (ii) squeezing the monies due to the EPS, which have to be deposited for the most part in their accounts on a monthly basis. Regarding the latter, the government took several very effective measures, which can be summarized as follows:

(i) Did not increase the per-affiliate payment due to each EPS in the required amount. The most conservative calculations show that the increase, which was equal to the inflation rate of 2022, was, at least, 5 real pps below the increase of health costs;
(ii) Did not make the payments for the so-called "presupuestos máximos (PM)" until the Constitutional Court gave the government a taxative order to do so in October 2023. But even then, the government did not pay the full owed amount (the PM are an extra small per-affiliate given to the EPS to cover services not covered by the main benefit-plan -- see below);
(iii) The government retained owed monies (to the EPS), especially for payments and services provided during the COVID emergency;
(iv) Reassigned many patients suffering from chronic illnesses to the best EPS (Salud Total, Sánitas, Sura), increasing their cost substantially, with no increase in resources.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
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These facts, combined with a sudden stop of attention to systemic problems coming from the past such as (i) repressed surgeries, procedures and high-cost treatments coming from the COVID emergency; (ii) the secular aging of the Colombian population, which has been much faster than anticipated, as the 2018 Census showed; (iii) the increasing cost of medications for chronic and high-cost illnesses, especially cancer, diabetes and lung disease; (iv) an unprecedented increase in per-capita demand for services, which shows that people value highly the services offered; and (v) a secular increase, induced by the Courts, in the services that have to be paid by the system, outside the benefits plan (known as PBS), to the point that today it is well accepted that the Colombian health system is practically limitless in the benefits it provides.

All of these facts, not surprisingly, led to a complete deterioration of the EPS's finances, to the point that they lost almost three trillion COP (Table 1). The government closed the circle by taking control of the largest EPS, under the figure of intervention, included in Colombian regulations, not only for health firms. Under this figure, they took over Nueva EPS, Sanitas and many other key EPS.

With these results, most of the EPS accepted the government's deal: they will leave their role as insurers and managers of health and financial risks within the system, but will remain with another name, the pompous "Gestoras de Vida" ("Life Purveyors" might be a reasonable translation), and also will begin to carry out their new activities, which nobody knows exactly what they are.

Table 1: Financial Results, EPS 2023

	Trillions of current colombian pesos			
	Health Promotion Agencies operating in:			
	Contributory Regime	Subsidized Regime	Both Regimes	Total health system
Equity	-1.3	-4.2	0.5	**-5.0**
Operating result	-2.1	-1.7	-0.7	**-4.5**
Net result	-0.9	-1.1	-0.5	**-2.5**
	(%)			
$\frac{(Medical\ Costs)}{Operating\ income}$	99.1	101.6	98.5	**99.4**
$\frac{(Medical\ Costs + Expenses)}{Operating\ income}$	105.5	111.6	102.5	**105.5**

Results of 2023

Source: Así Vamos en Salud, EConcept

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

We understand that they will be a kind of book-keepers, and will try to make sure that the service providers (mostly public hospitals) and patients stay in contact, and appointments are not missed. They will receive a hefty 5% of total health resources for doing that. That's not a bad deal at all, especially given that they are losing money today.

However, this new arrangement entails many and profound problems. First and most importantly, nobody will be responsible for the actual health of the patients. The responsibilities, today clearly falling on the EPS, will be diluted between a cobweb of public agencies and employees, with nobody responding, while people's health deteriorates, medications are not available (which for the first time in 30 years is now happening in Colombia) or treatments are not provided.

Secondly, the fiscal risk of this reform in the next five to 10 years is, without exaggerating, practically impossible to define and estimate. Let's look at the main reasons this is so. First, there is no agency that can (or would even want to) impose cost control. Today, that key activity is carried out by the EPS, and in the future it will be done by…. the mayors? The governors? The minister? Just think that in Colombia, at the end of 2023, around 1.1 billion health services were provided during the year (around 3 million per day). Who is going to audit those? To check if those services were actually provided?

In fact, the government already said that the ADRES (institution in charge of managing the huge amount of resources devoted to healthcare, coming from all sources) cannot do the job and, therefore, they are going to audit between 10%-15% of all services, and the remaining 85%-90% is going to be paid in advance and, maybe, glossed over afterward. We do not have any doubt that this will only lead to more corruption, and a higher fiscal burden coming from health, which will only compound the problems already mentioned of rising longevity, increasing demand, higher prices and limitless benefits.

Add to this that nearly 2,500 "Centers for Primary Attention" will have to be built, staffed and put into service in the next five years, and the fiscal receipt from the reform can be humongous. Even the Ministry of Finance declined providing fiscal consent to this part of the reform, arguing, correctly, that they do not know how much this would cost and that the Ministry of Health has not provided the information either, which is not surprising: the just don't have it.

The cherry on the cake came on May 28th, when EPS Sura, with 5.5 million affiliates and probably the best of them all, announced that it would not continue in the system -- not even as Gestoras de Vida -- because they consider the system already collapsed, and that there are no effective proposals to restore it. They argued that the reform is going to generate more problems, especially for chronic patients, which we believe is true. Additionally, they lost around \$90 million between 2022 and 2023, and expect to have losses of almost \$130 million this year. Such numbers make it simply impossible to go on working. And, importantly, note that those numbers are an omen of what is to come for the whole system, once the new and improvised model is put into place.

This was the final stab for a dying system. A system that worked well, that people both in the contributory and subsidized regimes valued (90% of the affiliates of BOTH regimes thought that the services were good or very good), that required 31 years of arduous work of many Colombians, that created 25 of the 500 best hospitals in the

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
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Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

Americas, that attracted foreign investment, that weathered the COVID emergency with remarkable success (and with nobody paying a dime for attention in ICU or for vaccination) and that fulfilled the promise of affordable health for all, something that many developed countries have not been able to attain. That system is now gone, almost 35 million Colombians are already under public provision of services (in intervened or publicly owned EPS). Dark times await us in healthcare. It is a really sad week for Colombia, and an even sadder one for Colombians.

A disappointing Medium-Term Fiscal Framework

The publication of the Medium-Term Fiscal Framework (MTFF) is always an eagerly awaited event. However, anticipation was running higher than ever this time around, as Finance Minister Ricardo Bonilla kept making announcements on all things fiscal, and Luis Carlos Reyes had been finally removed as head of Dian (even though he "fell upwards," as he has been appointed Minister of Trade, Industry and Tourism). Speculation over the announcements contained in the 2024 MTFF and its implications for the Fiscal Rule reached an unheard-of level of rumor.

It turns out most of the negative rumors were true. Even though no intention to renege on the Fiscal Rule was part of the announcements (that would have been taking things one decisive step into the unknown), the nuts and bolts of the 2024 MTFF have little to do with the much-required process of fiscal consolidation anyone concerned with fiscal issues keeps asking from the Colombian government.

Let us start with one of the root problems behind all this mess: over-optimistic initial revenue estimations. As Table 2 shows, in October 2023, when the 2024 budget was approved by Congress, the Finance Ministry (together with Dian) expected central government tax revenues of around $78.7 billion[1]; total revenues were expected at $ 88.1 billion. Time and again we criticized some of the assumptions behind these government estimates and anticipated substantial shortfalls, but the situation is even worse: according to the new MTFF, taxes collected by Dian are now estimated at $64.4 billion, and total revenues should now close the year at $72.2 billion. These new estimates represent a shocking downward revision of $15.9 in total revenues ($14.3 billion in tax revenues). To put this disaster in perspective, recall that the Petro administration estimates the yearly revenue of the 2022 tax reform to be around $5 billion; this means the total revenue shortfall expected for this year is equivalent to slightly more than three tax reforms.

[1] All the numbers presented in Table 1 assume an average exchange rate of COP 4,000 per dollar.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
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http://www.econceptaei.com

No wonder the recently-sacked head of Dian, Mr. Reyes, is no longer referred to as “Mr. Taxes.” His new nickname is “Mr. Deficit”.

Table 2. Central Government 2024 balance: budgeted v. latest update – USD billions

	2024 budget (Oct. '23)	2024 MTFF (Jun. '24)	MTFF v. budget
Total revenues	**88.1**	**72.2**	**-15.9**
Tax revenues	79.0	64.7	-14.3
Dian	78.7	64.4	-14.3
Ex-Dian	0.2	0.3	0.0
Non-tax revenues	0.4	0.3	-0.1
Special funds	1.0	1.0	0.0
Capital resources	7.7	6.2	-1.5
Interest earned	0.4	0.0	-0.4
SOE's profits	7.4	6.2	-1.2
out of which, Ecopetrol	3.8		
out of which, BanRep	2.4		
Other	1.1		
Total expenditures	**106.6**	**95.9**	**-10.7**
Interest payments	19.2	19.9	0.7
Primary spending	87.4	76.0	-11.4
Primary balance	**1.7**	**-2.8**	**-4.5**
Total balance	**-17.5**	**-23.7**	**-6.2**

Source: Finance Ministry, EConcept

Even though the deficit allowed under the Fiscal Rule this year is now 5.6% of GDP, substantially higher than the 4.4% initially announced when the budget was approved, the collapse in revenues nevertheless requires a substantial cut in primary spending. As Table 2 shows, $11.4 billion must be shaved off the initial amount approved by Congress, in order to meet the Fiscal Rule target. The government recently announced its decision to freeze spending, and has publicized the importance of this fiscally responsible move. But the hard truth is that the effort is far from what is required: the freeze, totaling COP 20 trillion, or $5 billion, is less than half of the $11.4 billion needed to make ends meet. In other words, on top of the spending cut announced by the government, an additional spending reduction worth $6.4 billion will have to be produced. Achieving this feat is far removed from the realm of certitude.

Figure 1 allows us to focus on the fiscal adjustment path announced in this new version of the MTFF, and to compare it to the path revealed in last year’s MTFF. Before doing this, however, recall that the Fiscal Rule starts from (i) a net structural primary balance target (NSPB), allows (ii) deviations coming from, among others, the business cycle and oil prices, adds (iii) interest payments, and ends up with (iv) the total balance allowed under the Rule. Figure 1 compares the 2023 and 2024 MTFFs in these four dimensions.

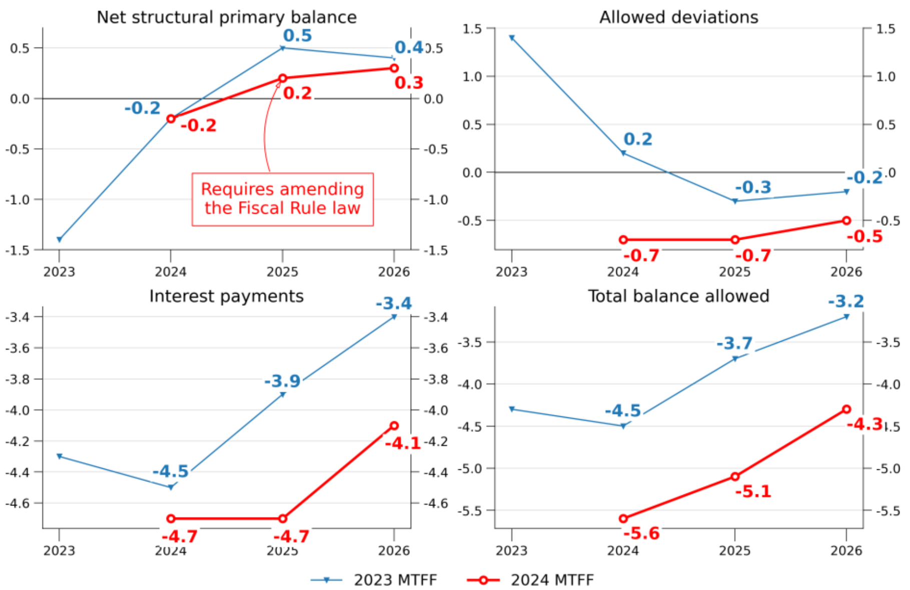
The upper left-hand panel shows that the net structural primary balance goes down by 0.3 pp of GDP this year and 0.1 pp of GDP for next year. The latter comes from applying the parametric methodology adopted in the 2021 amendment made to the Fiscal Rule, whereas the former would be the result of eliminating the point target currently written in the law and moving instead to applying the parametric methodology in 2025 also. This is what opens up the 0.3 pp of GDP space mentioned above, so make no mistake about it: going to Congress to amend the Fiscal is required in order to make this space a reality.

The upper right-hand panel in Figure 1 shows the change in the allowed deviations from the NPSB. Here is where the largest departure from last year's MTFF takes place: 1.1 pp of GDP in additional deviations are now possible for this year, followed by 0.4 pp of GDP in 2025 and 0.3 pp of GDP in the last year of the Petro administration.

Interest payments, not subject to any specific restriction under the Fiscal Rule, have also made a turn for the worse. Compared to last year's MTFF, the 2024 numbers show 0.2 pp of GDP in additional interest payments, followed 0.8 pp of GDP next year and, finally, 0.7 pp of GDP in 2026.

The combination of all these deviations results in a deficit for 2024 that is 1.1% of GDP higher than the one proposed for this year in the 2023 MTFF. The deficit for 2025 is 1.4% of GDP higher; the additional total deficit for 2026 adds up to 1.1% of GDP. In other words, this year and the next the deficit will remain above 5% of GDP, an unheard-of level of fiscal deterioration during "normal" (i.e. no-crisis) times. Then, moving on to 2026 at the close of the Petro administration, we still won't see a central government fiscal deficit below 4% of GDP.

Figure 1. Breaking down the change in the fiscal balance allowed under the Fiscal Rule - 2023 MTFF v. 2024 MTFF (% of GDP)



Source: Finance Ministry, EConcept

In order to make this bleak scenario look a bit better, Bonilla announced during the MTFF press conference that, after months of sitting at the negotiating table with truck drivers, steps will be taken to reduce the huge subsidies paid by the government to Ecopetrol resulting from the misalignment between international and domestic diesel

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

prices. The concrete measure announced is the elimination of this subsidy for "big consumers" (i.e., consumers demanding more than 20,000 gallons per month). This announcement barks more than it bites: as big consumers represent only 5% of total demand for diesel, the savings that will accrue are equivalent, using Finance Ministry numbers, to a very meager 0.04% of GDP per year.

As was mentioned at the beginning of this section, this is nothing short of a terrible fiscal outlook, far worse than what our most acid scenarios ventured to project. Figure 1 depicts a scenario that could very well prompt a new downgrade for Colombia's sovereign debt by rating agencies. That probably won't happen this year, but we consider this is a plausible scenario for 2025.

Exchange rate a sponge, absorbing all available information

Between mid-May and mid-June 2024, the COP nominal exchange rate depreciated from nearly 3,800 to nearly 4,170, or approximately 9%-10%. From our point of view, there was little surprise on the direction, and even the amount, of the depreciation, expected to happen at some point, given the government's policymaking path on many fronts. The surprising thing that may have been the trigger is the election of Claudia Scheinbaum to the presidency in Mexico. We were expecting, after conversing with market participants, that the trigger would be Banco de la República crossing some threshold in reducing its nominal intervention interest rate, which for some could be 9%.

During the Gustavo Petro administration the nominal exchange rate seemingly overshot both 1) when it reached 5,000 back in November 2022, at the peak of Petro's influence in Congress, after the approval of then-finance minister José Antonio Ocampo's tax reform, and 2) when it reached almost 3,800 upon the weakening of the congressional coalition, and the stalemate of the government's legislative initiatives.

The COP exchange rate and the prices of sovereign debt proved that domestic and international markets were confused and terrified with the potential reach of the Petro administration, and the proven capability of enacting the government's will. Who would have squandered such a political capital? To achieve what?

The mystery at the beginning of 2023 was the unraveling of such power. We are not Petrologists, and therefore we are unable to disentangle the inner workings of the man's psychology. However, we are interpreters of his observable behavior. As Congress, the high courts and the press expressed misgivings over many Petro initiatives, he radicalized, instead of seeking a common ground, and politicking his way out of criticisms and reform paralysis.

Then came the revolt within his cabinet, when the most technical and less ideological ministers distanced themselves from the healthcare reform initiative. Again, in a question of few months the rebel ministers were ousted, and a visible chasm opened between Petro and the traditional Colombian way of doing politics, policymaking and congressional reform approval. Radical transformations hit the wall of Colombian gradualism. Congress started dragging its feet, and Petro's power grew increasingly shaken. Interestingly, the exchange rate moved with sound and fury.

Figure 2 shows how the nominal exchange rate behaved as a sponge, absorbing all information available. One clear feature of exchange rate behavior is the fact that it overshoots either towards undervaluation or overvaluation, as a reaction to policy or external shocks.

Determining the equilibrium levels or the real exchange rate (ERER) is a tricky issue about which there is abundant academic literature that surpasses the scope of this discussion. Our aim here is more modest and aims only to pin down a range that could be, from our point of view, a reasonable zone for the ERER. Figure 2 shows two periods for the equilibrium of RER[2]. We consider that 2010.1-2014.12 belongs to a different regime of external shocks, oil prices and fiscal and monetary reaction functions. Indeed, those are the boom years for the oil business before the 2014-H2 price shock, when Colombia had an abundant supply of dollars. The main macroeconomic problem then was overvaluation.

Post 2015, oil price swings were substantial and more frequent, and novelties like COVID and political shocks determined serious differences vis-à-vis the first half of the decade. Hence, the average RER jumped from 83 in the ITCR index to 108, namely a real depreciation of 30%.

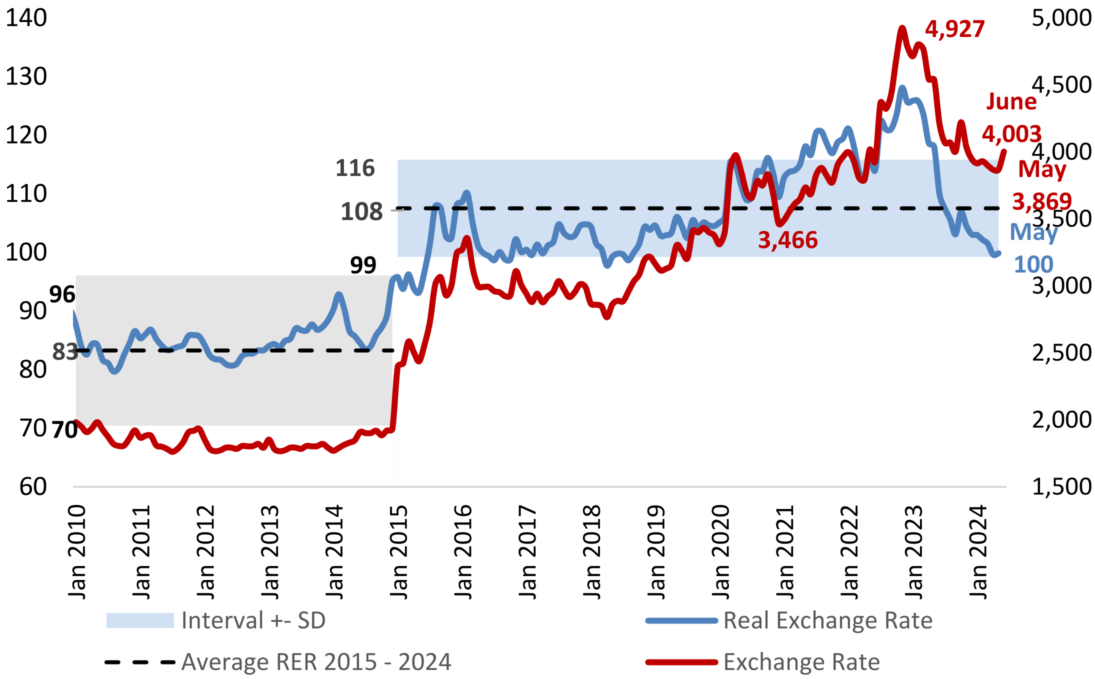
The question now is whether the current correction would move the nominal ER so that the RER comes closer to a new equilibrium level (i.e. from 100 to 108 in the ITCR)?

We don't expect the current nominal ER correction to be transitory. However, as the overshooting model shows, there could be a tendency to move either to the upper bound of the one-standard-deviation range, in which case there could be additional depreciation up to 8-10 pps.

[2] The RER is computed and published monthly by the Central Bank as an index, called ITCR, since December 1986

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

Figure 2. Nominal COP/USD and real exchange rate index (RER) (Base 2015 average = 100), under two policy and external shocks regimes: 2010-2014 and 2015-2024



Source: Banco de la República, EConcept.

If this interpretation obtains, monetary and fiscal policy authorities could face several challenges. Namely, whether:

1. This depreciation could push inflation, and hence make it more difficult to cut interest rates, or 2. the government would feel compelled to have a more expansionary fiscal policy, risking complying with the fiscal rule, something that could further weaken the COP. International and domestic market participants are already anticipating both potential challenges, and hence would push government bonds valuations into junk territory. Rumors of a new tax reform, a new fiscal rule, prolonging diesel subsidies, new healthcare and public utilities reforms would prolong the stalemate with Congress, validating Petro's lack of governability, and uncertainty about the macroeconomic equilibria. An eventual Donald Trump victory would present new and more severe foreign policy dilemmas to the Colombian government.

In sum, all these dilemmas would be absorbed by the exchange rate, given its character of sponge, absorbing all available information. It will always be the most interesting macroeconomic variable to analyze.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

The pension jugadita may backfire

With merry celebrations both by the government and Congress, it was announced last month that the pension reform had been approved in its final (fourth) debate in the plenary of the Lower Chamber (LC). The announcement caught many people off guard, because the bill had just entered the plenary, coming from the LC's 7th committee. However, most of the surprise emanated from the fact that the government had decided to avoid the need for an eventual reconciliation of the texts from the Senate and the Lower Chamber. Why? How could it be possible that both texts were identical, especially after what Petro had said to his loyal congressional compatriots regarding the changes that had to be made to the text approved in the Senate on matters as important as the threshold to contribute to the pay-as you-go system? Well, the answer to this puzzle was simpler than anyone thought: the government became extremely worried that the reform had a high probability of sinking during the reconciliation process and, also, since this process cannot take place in extra sessions, the probability of the reform sinking increased a lot, because clearly there was no time to reconcile big differences before June 20th. So, confronted with the real possibility of the reform falling apart, the government pushed hard to avoid reconciliation, by resorting to an old formula, used at least twice in the past, with negative results in the end (more on this later).

This old formula consists of a member of Congress (or many members) presenting at the end of the discussion, when everyone is distracted and there are not many cameras around, a proposition saying that the plenary of the Lower Chamber should approve the exact same text approved by the Senate. The proposition is then submitted for voting and, if approved, voilà, almost by magic the transit of the reform in Congress is over, as no reconciliation is required. In effect, the discussion is over, no reconciliation is necessary and, thereby, the bill is approved and sent to the Nariño Palace for presidential signing and that is it. Exactly that was the MO used by the government coalition this time, and it was extremely successful: no more discussions or back-and-forth movements were required, and the government had its longed-for reform in its pocket.

However, as always, things are not what they seem, especially when they come so easily. In what follows, we expound the main problems that have arisen for the government for having taken this route:

(i) probably the most important issue is that all the discussions and actual changes that were made in the Lower Chamber's seventh commission were lost. The bill stayed for more than a month in that commission, and public fora were held, ample discussions with relevant actors took place and many a debate unfolded within the commission. Importantly, all of those ended up in significant changes to the text, compared to the one approved by the Senate. In plain words, all the commission's work went directly to the trash can when the infamous proposition was approved, as if it never existed;

(ii) it is obvious, but important, that with the proposition the Lower Chamber's plenary did not have either the time or the opportunity to discuss, in any detail, the contents of the reform approved by the Senate; it just simply approved what the Senate had already endorsed, ignoring, on top of that fact, what its own seventh commission had introduced, erased or changed. This means, in the words of the Constitutional Court (CC), not ours, that "the Representatives of the LC were in actuality silenced by the pressure of approving fast to avoid failure of the reform in the reconciliation (…) and (…) the will of the LC was replaced by the will of the Senate". The CC said this when exactly the same trick was used during former president Iván Duque's

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

government to approve a tax reform. Many say, however, that then was not equal to now, because back then the bill saw no discussion at all in the LC, because it arrived from the Senate at the eleventh hour. However, our opinion is that this argument may in fact work against the government also this time around, taking into account that the LC indeed had time to discuss it, but the discussion was completely overthrown by the proposition, as stated in point (i) above, a fact that may turn the irregularity into an even more prominent one.

Therefore, as is clear from these two points, there is a very real danger that the CC will rule against this law, because this little play by the government and its coalition ("la jugadita," as we say in Colombia) may render the reform unconstitutional for reasons of deep substance. In fact, many well-respected constitutional analysts have already said the process is plagued of by such reasoning. We will see what happens in the CC.

Remember, however, that this high court has already delivered many negative rulings on important matters for the government (royalties, La Guajira, Equality Ministry), and this may make the justices more cautious in the future. Also, we will have four new justices next year, and although only one of them will be proposed by the president, it is unclear how the new balance within the CC will affect decisions.

We end this section with an additional important point, which combined with (i) and (ii) above, make the situation very complex for the government:

(iii) the government and its coalition had used the discussions that took place within the 7th commission before "la jugadita" to correct many points that came out from the Senate with clear and, in many cases, grave and profound mistakes. Examples are 1) the special pension regimes created for afro-descendants, peasants and other groups that, besides being unconstitutional, the cost is unknown (we know that it may cost a lot, but there is no certainty about how much); 2) some important aspects regarding the functioning of the savings fund; and 3) other discussions that have arisen recently related to several aspects of the system. This situation, particularly regarding the first of these points, which had been fixed in the commission, seems so dire for the government, that the Ministry of the Interior said that they intend to present a "mini" pension reform in August to "adjust" some important things that were approved with many "irregularities" (all the quotes are his own words). Is this a joke? It seems that no, it isn't. It is, once more, an improvised move by the government, this time on an issue that is crucial for the country, its fiscal position, the welfare of the population and for the savings and investment aggregates. It is really discouraging confirming, time and again, the lack of rigor and seriousness of the government on matters of such importance.

So, was the reform approved? Yes, it was. Will it be in force a year from now, as it is stated in the text? We really don't know. It confronts many challenges on several fronts: the courts and the many demands that are coming, the approval of the "mini" reform that may open a whole new discussion for the government for which it is surely not prepared, and the implementation of the changes, which are huge, for a poorly and unprofessionally managed Colpensiones (the administrator of the pay-as-you-go system). These challenges do not look good today. In any case, if the reform ends up being reversed or sunk, it will be better for Colombia. Let's see what happens.

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	**82.6% advance**
Autopista Conexión Norte (2012)	145	2.29	1.96	1.99	**99.6% advance**
Autopista Conexión Pacífico 1 (2012)	50	3.68	3.40	1.37	**96.5% 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	**Operation**
APP Mulaló – Loboguerrero (2012)	32	2.80	2.56	0.92	**Suspended**
Total	**1,110**	**25.95**	**22.48**	**15.69**	

Source: National Planning Department, National Infrastructure Agency

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

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	2.53	2.07	98.2% advance
Santana-Mocoa-Neiva (2013)	456	5.14	2.20	3.75	34.9% 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	27.7% advance
Transversal del Sisga (2013)	137	1.67	0.87	1.23	Operation
Villavicencio-Yopal (2013)	266	5.09	3.41	2.59	91.4% 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	97.7% advance
IP Autopistas del Caribe, corredor de carga Cartagena - Barranquilla (2015)	253	6.75	2.33	4.42	Suspended
Total	**2,061**	**40.92**	**22.80**	**21.85**	

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	Operation
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

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

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	**8.2% advance**
IP ALO Sur - Avenida longitudinal de Occidente (2019)	25	1.48	1.13	0.74	**Pre-construction**
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	**Suspended**
APP Nueva Malla Vial del Valle del Cauca, Buga - Buenaventura (2020)	128	5.30	2.89	2.41	**Pre-construction**
Total	**1,012**	**22.96**	**12.98**	**11.03**	

Source: National Planning Department, National Infrastructure Agency.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

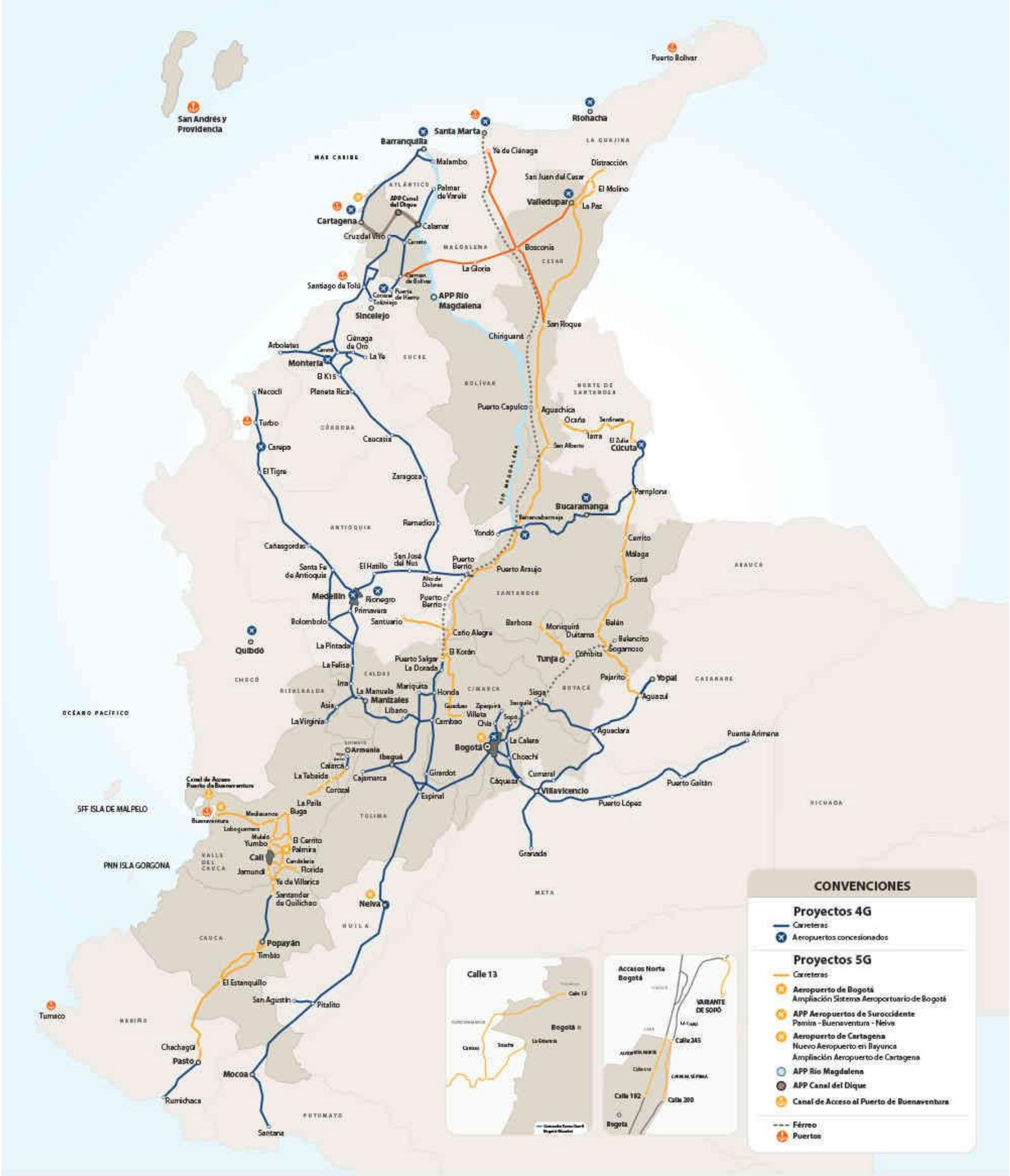
Fifth Generation (5G) Road Concessions Projects
Second Wave Projects

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	6.30	**Feasibility under evaluation**
APP Pasto - Popayán	270	13.34	**Feasibility under evaluation**
APP Sogamoso - Aguazul - Maní	240	2.68	**Feasibility under evaluation**
Total	**1,352**	**38.74**	

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

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

Map of 4G and 5G Road Concessions Projects



Source: ANI.

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Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

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	Operation
IP Tercer Carril Bogotá Girardot (2014)	145	7.01	2.92	2.80	52.5% 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	Operation
IP Malla Vial del Meta (2013)	268	2.55	0.85	1.88	17.9% advance
IP GICA Girardot - Ibagué - Cajamarca (2012)	144	3.19	1.94	1.26	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	Operation
IP Antioquia – Bolívar (2014)	498	4.74	2.00	5.79	94.1% advance
Total	**1,819**	**38.02**	**16.02**	**25.83**	

Source: National Planning Department, National Infrastructure Agency.

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.
  - **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.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

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.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

- **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	Jun-26
Central outage in diameter one (1) of the Chinú 220 kW substation.	Nov-24
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.	Nov-25

Source: CREG, Resolución 40477 de 2023

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

Projects considered in building phase

Project	Capacity (MW)	Type	Operation Start Date
Solar La Loma	150	Solar	Nov-24
Parque Solar Urrá	19.9	Solar	Aug-24
Parque Solar Caracolí	50	Solar	Nov-24
Tepuy	83	Solar	May-24
El Paso Solar	70	Solar	Dec-23
La Mata	80	Solar	Jul-24
Escobal 6	99	Solar	Aug-26
Parque Solar la Unión	100	Solar	Jul-24
Nabusimake	100	Solar	Jan-24
Guayepo	400	Solar	Apr-24
Planta Solar SUN-NORTE	35	Solar	Jan-24
Windpeshi	200	Wind	Nov-24
Parque Eólico Beta	280	Wind	Nov-25
Parque Eólico Alpha	212	Wind	Nov-25
Generación Eólica Camelias	250	Wind	Nov-24
Parque eólico Casa Eléctrica	180	Wind	Jan-27
Parque eólico Apoto-lorru	75	Wind	Jan-27
Central Térmica Termo-caribe 3	42	Thermal	Jun-24

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

Oil Exploration Projects for Colombia in 2024 (Q1)

Exploration Projects	Status	Participants
Milonga-1	Dry	Hocol 100% (Operator)
Machin-1ST1	Dry	Ecopetrol 51% (Operator)

Source: Ecopetrol

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

Ecopetrol's Investment plan for 2024 (COP trillion)

Projects	Investment 2024
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

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.

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

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 287 PPP projects in the RUAPP, 194 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	2	36	41
Education			10	10
Justice		1	3	4
Mining and Energy		1	8	9
Health Care	1		8	9
Information and Communication Technologies			3	3
Transport	36	6	107	151
Housing			2	2
Total	**40**	**14**	**231**	**287**

Source: National Planning Department- RUAPP (July 2024)

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

Forecasts

Figure 3. Real GDP annual growth by year

Real GDP annual growth by year (%)

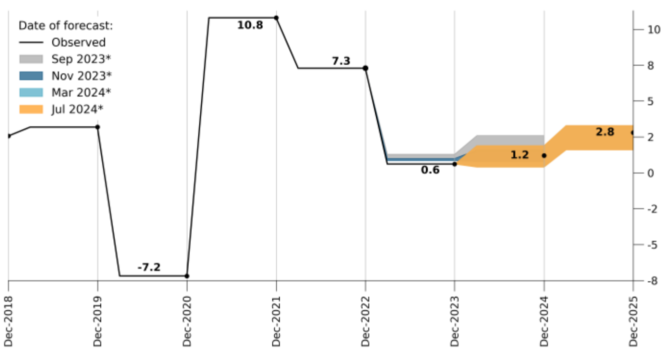


Figure 4. Central Bank intervention rate (%)

Central Bank intervention rate (%)

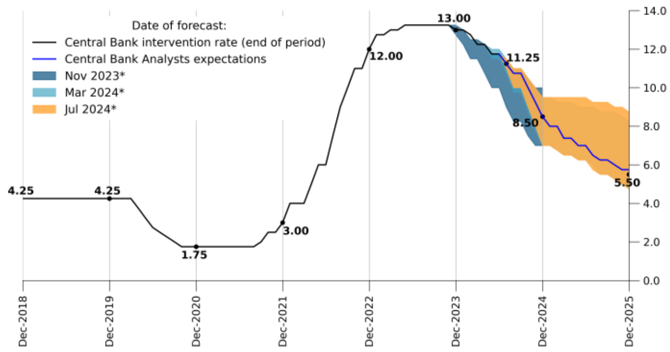


Figure 5. Households consumption annual growth by quarters (%)

Household consumption annual growth by quarters (%)

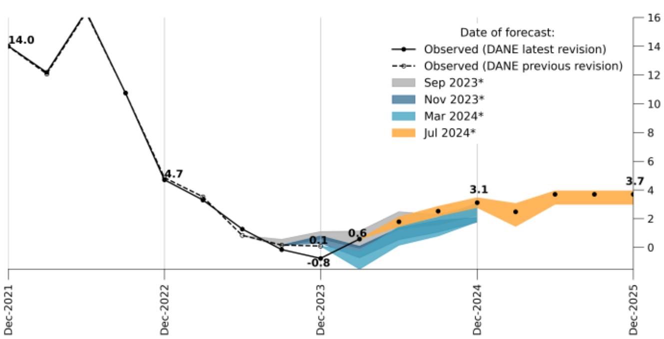


Figure 6. Nominal Interest Rate (%)

Nominal interest rate (%)

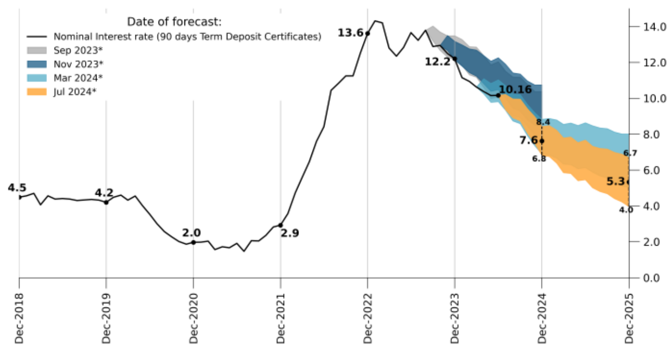


Figure 7. Annual inflation CPI (%)

Annual variation CPI (%)

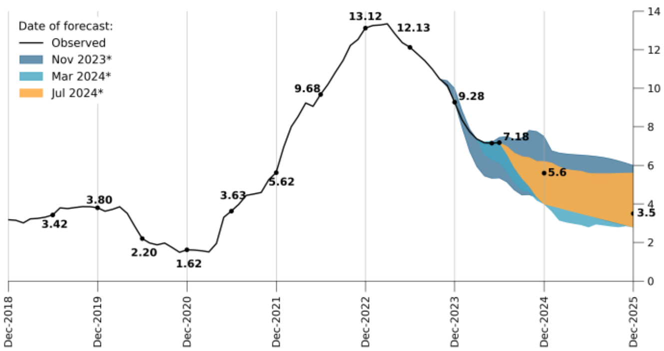
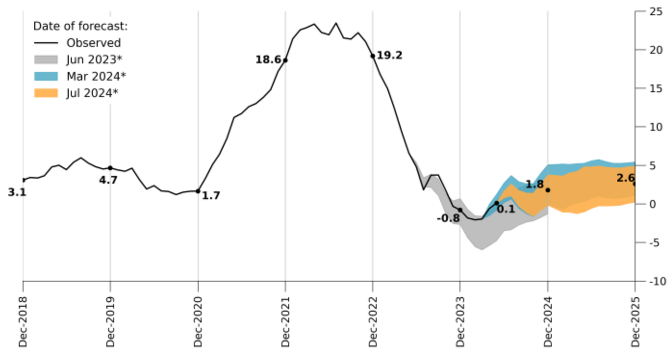


Figure 8. Annual inflation – Domestic Supply PPI (%)

Annual variation - Domestic Supply PPI (%)



Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
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Figure 9. Exchange Rate Yearly Average (COP/USD)

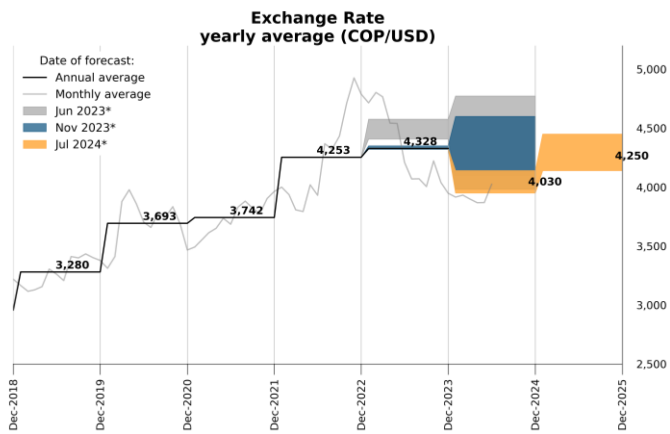


Figure 10. Current Account (GDP %)

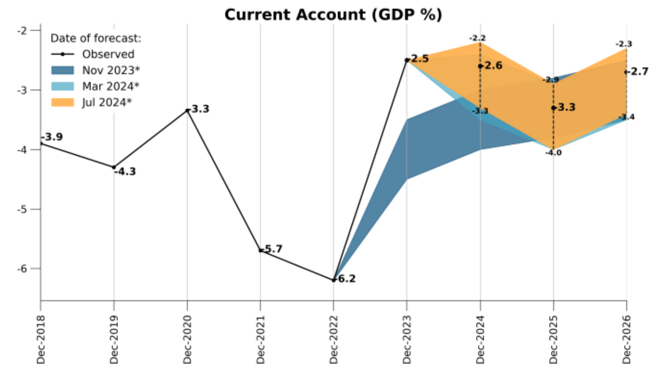


Figure 11. Unemployment (%)

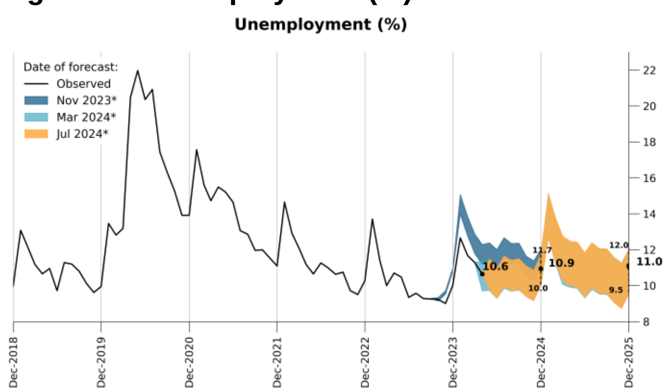
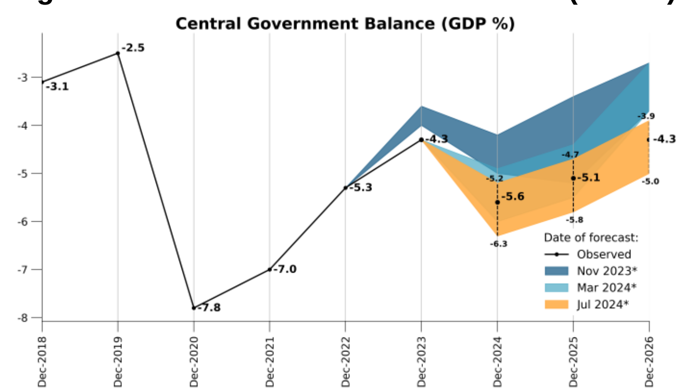


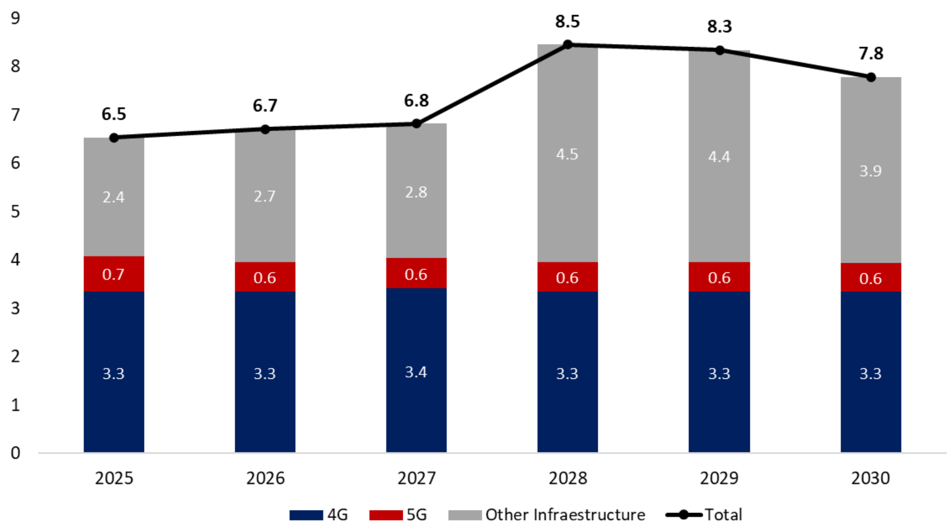
Figure 12. Central Government Balance (GDP%)



Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com

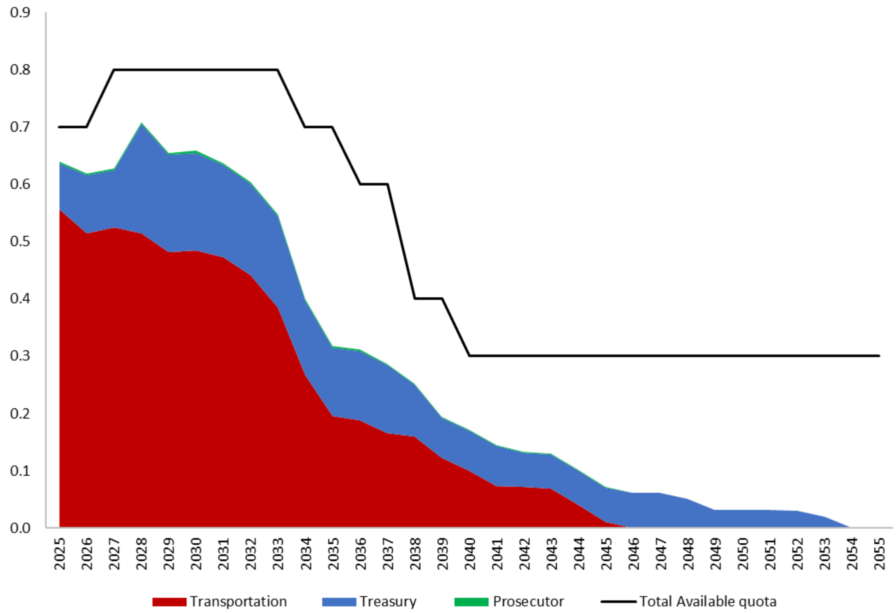
Future Appropriations

Figure 13. Future Appropriations in Infrastructure (COP Trillion, 2025-2030)



Source: MFMP 2024

Figure 14. Future Appropriations Quota for Public-Private Association (GDP %)



Source: MFMP 2024

Andrés Escobar – President EConcept – andres.escobar@econceptaei.com
Juan Carlos Echeverry – Partner EConcept – jcecheverry@econceptaei.com
Mauricio Santa María – Partner EConcept – msantamaria@econceptaei.com
http://www.econceptaei.com