

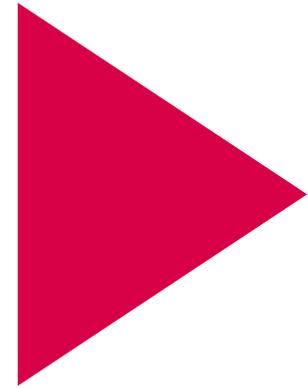


COLOMBIA
RISK
ANALYSIS

SPECIAL REPORT

SEPTEMBER 2023

REGIONAL RISK INDEX: PACIFIC





CENTER FOR INTERNATIONAL
PRIVATE ENTERPRISE

This report was written thanks to the sponsorship by the Center for International Private Enterprise (CIPE) within the framework of the Empowering the Private Sector in the Andean Region for the Consolidation of Democratic Institutions project.

TABLE OF CONTENTS

INTRODUCTION

1. ABOUT COLOMBIA RISK ANALYSIS.....	4
2. COLOMBIA RISK ANALYSIS SUBNATIONAL RISK INDEX	4
3. THE PACIFIC REGION RISK INDEX.....	5
4. CONTENTS OF THE PACIFIC REGION RISK INDEX.....	6
5. METHODOLOGY AND SOURCES.....	9

GENERAL ANALYSIS

1. THE IMPORTANCE OF FOREIGN DIRECT INVESTMENT	15
2. THE PACIFIC REGION.....	15

DEPARTAMENTAL ANALYSIS

1. CHOCÓ.....	21
INVESTMENT OUTLOOK IN CHOCÓ.....	30
MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN CHOCÓ.....	34
2. VALLE DEL CAUCA.....	37
INVESTMENT OUTLOOK IN VALLE DEL CAUCA.....	46
MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN VALLE DEL CAUCA.....	53
3. CAUCA.....	57
INVESTMENT OUTLOOK IN CAUCA.....	66
MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN CAUCA.....	71
4. NARIÑO.....	75
INVESTMENT OUTLOOK IN NARIÑO.....	85
MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN NARIÑO.....	90

CONCLUSIONS

1. CHALLENGES AND OPPORTUNITIES.....93

BIBLIOGRAPHY

.....96

ANNEX

2. ANNEX 1 – MUNICIPAL RISK INDEX OF THE PACIFIC REGION.....97

INTRODUCTION

ABOUT COLOMBIA RISK ANALYSIS:

The current situation highlights the need for national and international companies to have a better understanding of the political, economic, social, and security landscape in the country. To this end, [Colombia Risk Analysis](#) has created a variety of unique products aimed at helping its clients comprehend the changing landscape and obtain up-to-date and timely information, in both English and Spanish, to inform their investment decisions.

COLOMBIA RISK ANALYSIS SUBNATIONAL RISK INDEX:

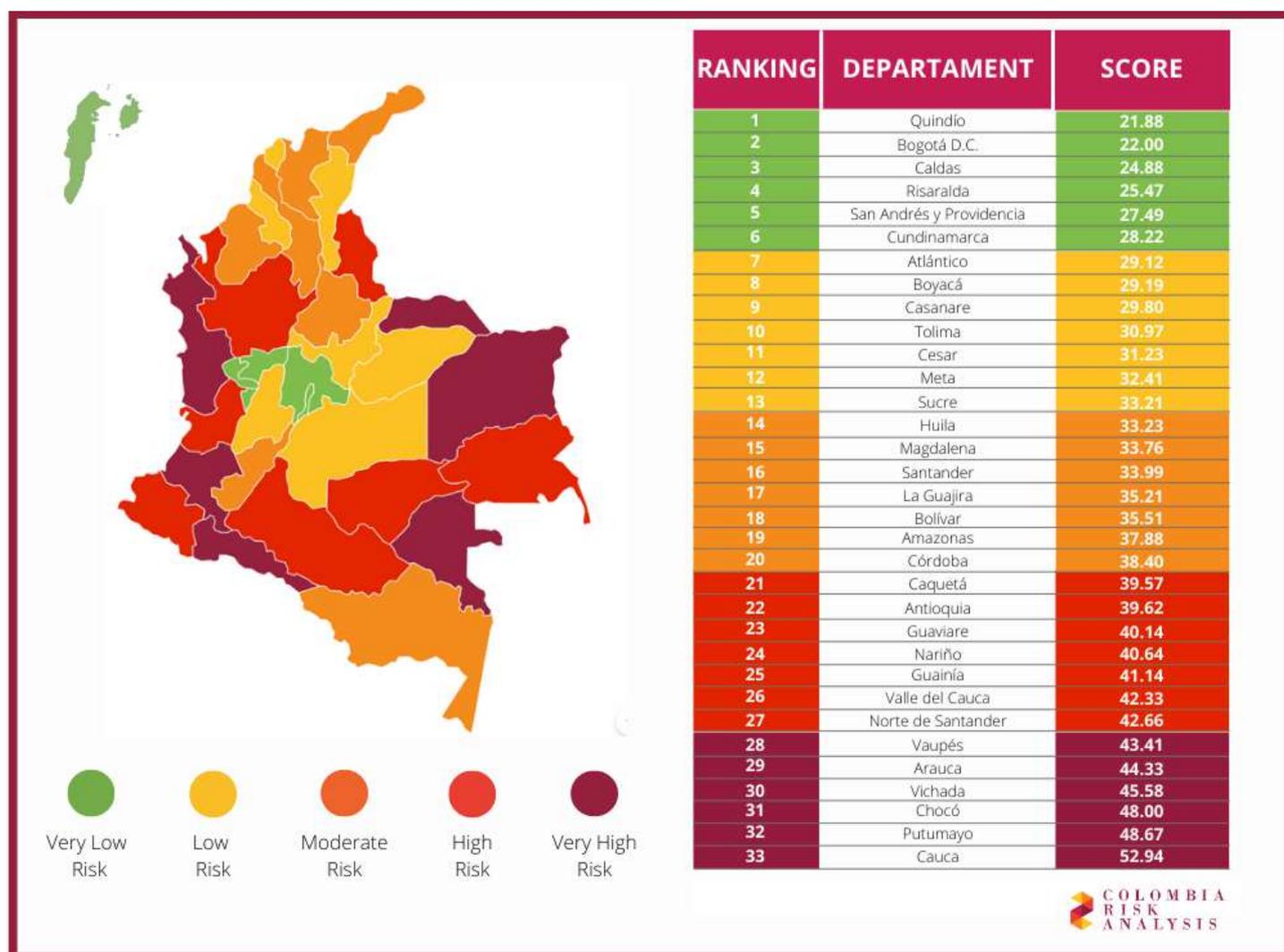
The Subnational Risk Index (IRS) built by Colombia Risk Analysis arises as a response to the information asymmetries that domestic and foreign companies encounter when trying to enter the Colombian market. In that sense, the Index highlights departmental differences based on six major categories (Security, Politics, Economy, Institutional, Society, and Environment) to simplify the decision-making process of companies. The objective of the Index is to account for existing and potential risks for companies in the different departments of the country, according to the productive sector in which they are interested in investing.

Having a product such as the Subnational Risk Index will allow national and international companies interested in investing to understand the risks that their operations may face. In that sense, these companies will have the advantage of planning, designing, and implementing prevention and mitigation measures even before the potential risks arise.

The categories that make up the Index were selected in a precise manner. These consider theoretical propositions and empirical analyses to understand, in aggregate, the position of each department in terms of investment risk. Thus, the index, and the analysis that follows from it, has a territorial approach from a business perspective.

This document is in its second version and has been subject to methodological improvements that allow us to affirm that this product, unique in its category, is a national and international reference on investment risks in Colombia. The modifications also stem from suggestions and recommendations from our clients, subscribers, and the general public.

MAP AND RANKING OF THE 2022 SUBNATIONAL RISK INDEX



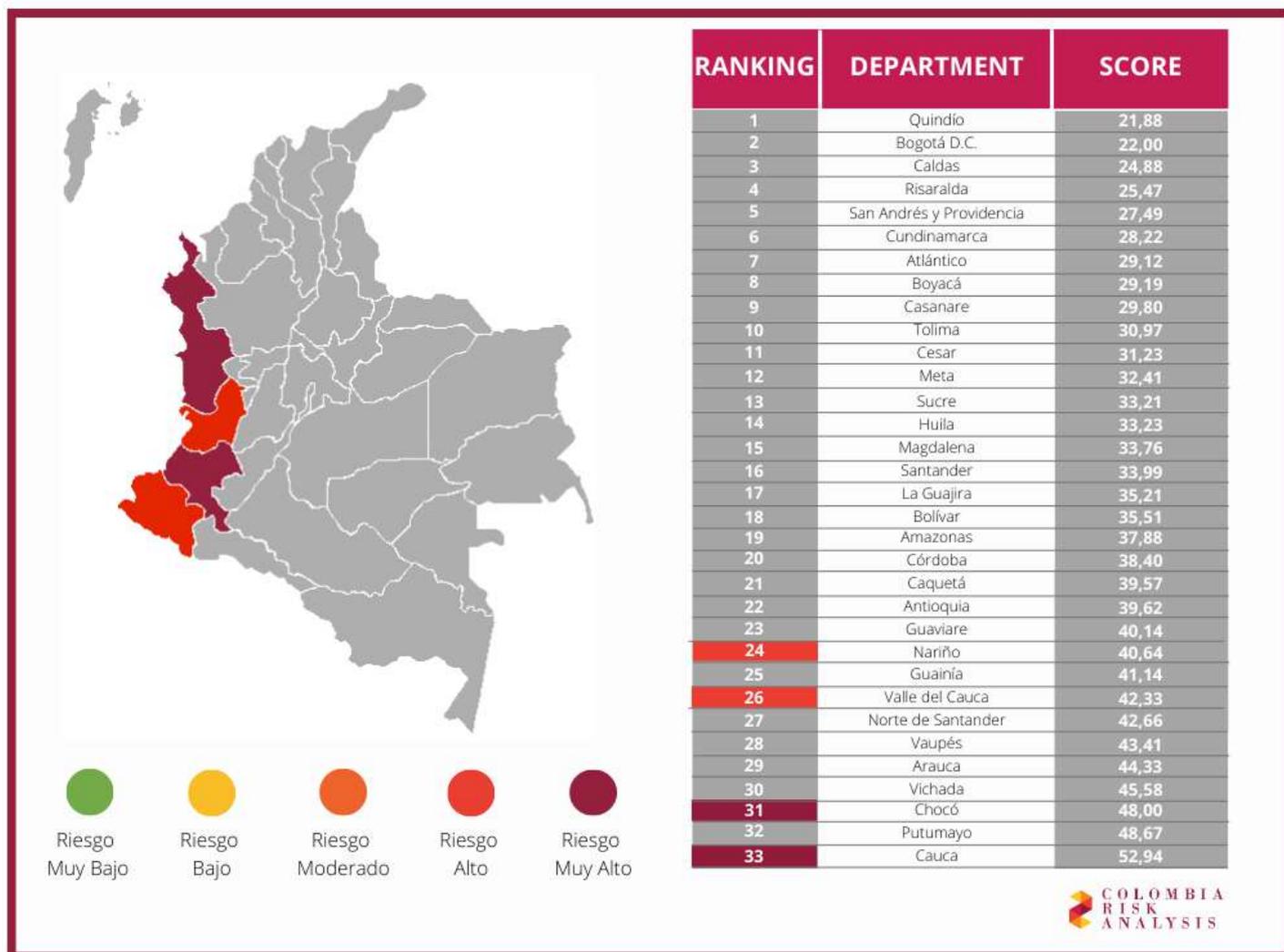
THE PACIFIC REGION RISK INDEX:

The Pacific Region Risk Index built by Colombia Risk Analysis is based on the findings on the center-periphery dynamics present in the country, that have contributed to the lack of information about the departments and municipalities distant from the political and geographic center of the country. Thus, the Pacific Index is elaborated with a business approach, based on the six categories of our 2022 [Subnational Risk Index](#) (IRS 2022). The difference is that the data in this Index corresponds to each of the municipalities within the four departments that make up the Pacific region (Chocó, Valle del Cauca, Cauca and Nariño).

Like our [Orinoquia Region Index](#) the Pacific Region Risk Index has two main objectives. First, it seeks to account for existing and potential risks for companies and investors in each of the departments of the Pacific region so they can make informed investment decisions. This Index gives them an advantage to plan, design and implement prevention and mitigation measures even before the risks arise. Second, at Colombia Risk Analysis we seek to contribute to ending the idea that the great investment and development opportunities in Colombia are only located only in the center of the country. With this Index, we aim to shed light on the opportunities offered by the most remote municipalities and departments of Colombia to contribute to their socioeconomic development.

This document is the continuation of our risk mapping exercise in the regions of the country, a unique Index of its kind. As such, we are aware that it will most likely need improvements and considerations for future publications. Finally, we would like to thank the [International Center for Private Enterprise](#) (CIPE), as without their support, funding and interest in promoting tools for the private sector in post-conflict zones, this report would not have been possible.

MAP AND RANKING OF THE PACIFIC REGION IN THE IRS 2022



CONTENTS OF THE PACIFIC REGION RISK INDEX:

The Pacific Region Risk Index is composed of six categories: Security, Politics, Economy, Institutionalism, Society, and Environment. This chapter explains each of these categories, as well as their corresponding variables. Each category evaluates a particular aspect of each of the municipalities in each department of the region. Thus, each category's variables were included according to their reliability to evaluate their corresponding category. The variables were selected based on the most relevant aspects of each category and on how accessible public information about them was, as of 2021. It is important to mention that this Region Index excluded some variables taken into account in the IRS 2022 due to the lack of available information at the municipal level.

SECURITY:

The Security category seeks to determine the risk to the physical integrity of investors and workers supporting the operations, derived from the presence of illegal activities and groups. Therefore, it is considered one of the most important categories for companies. This category is made up of six variables that account for the security risks directly associated with armed conflict. The variables included in this category have a direct and positive correlation with municipal risk; meaning, an increase in these variables generates increases in municipal security risk.

The **Homicides per 100,000 inhabitants** variable determines the murder rate adjusted to the population of each municipality by department, which helps analyze the risk of being murdered in the municipality. The **Kidnappings per 100,000 inhabitants** variable presents the kidnapping rate adjusted to the population of the municipality, which helps inform the risk to the physical integrity of investors and workers. The **Extortion per 100,000 inhabitants** variable shows the rate of extortion according to the population of each municipality, and shows the risk to the integrity of a company's assets, as this practice is associated with the illegal collection of money in exchange for not attacking the company infrastructure, and implies higher costs related to security.

On the other hand, the variables **Massacres**, **Social leaders murdered**, and **Hectares of coca planted** show the presence of security risks related to the conflict and the presence of armed groups more directly. The **Massacres** variable shows the number of massacres that occurred per municipality in each department. The **Social leaders murdered** variable takes into account the number of social, community, and environmental leaders killed in each municipality for exercising their activities. Finally, the variable **Hectares of coca planted** shows the total number of hectares of coca per municipality, which is a proxy for the presence of illegal groups and activities associated with drug trafficking.

The Security category seeks to determine the risk to the physical integrity of investors and workers supporting operations, derived from the presence of illegal activities and groups. Therefore, it is considered one of the most important categories for companies. This category is made up of six variables that account for the security risks directly associated with the armed conflict. The variables included in this category have a direct and positive relationship with subnational risk; therefore, an increase in these variables generates increases in municipal security risk.

POLITICS:

The Political category allows us to infer whether or not there is political stability within each municipality. For this, five variables were taken into account that indicate the incidence of crimes linked to the public sector that may affect the perception of political stability. Unlike the IRS 2022, which has six variables in this category, in this Index, the variable that presents the rotation of governors was discarded as it is a variable that only evaluates departmental behavior. It is worth mentioning that these variables have a positive correlation with municipal political risk.

The **Electoral Crimes** variable evaluates the susceptibility of each municipality to local election violations, such as the disruption of the democratic process, voter disincentives, fraud, and vote trafficking, among others. It also demonstrates the inefficiencies and irregularities of the municipal electoral system and its officials, which generates less confidence for companies when establishing their operations in the municipality.

The variable **Crimes against the constitutional and legal regime** measures the total number of crimes such as rebellion, sedition, and insurrection, among others. For the business sector, these crimes suggest the presence of political violence and social instability, which could affect productive activities and workers. The variable

Threats against human rights defenders and public servants measures the vulnerability of leaders and officials to potential acts of violence. These types of actions limit communication between the private sector, local government, and society, and impede social and political coordination to carry out investment projects.

The variable **Crimes of improper contracting execution** indicates, by municipality, the number of irregularities in public contracting processes, benefiting officials or third parties. For companies, this indicates a higher risk for acts of corruption. Finally, the variable **Crimes of abuse of authority by arbitrary or unjust act** measures the number of punishable conducts by public servants in the execution of their functions. These irregularities could affect company workers and even hinder operations.

ECONOMICS:

The Economics category is focused on analyzing the state of the economy of each municipality and its integration into the departmental economy. Unlike the IRS 2022, which has variables aimed at analyzing four different axes of the departmental economy, this Regional Index focuses on only two due to the lack of disaggregated information at the municipal level. The two variables are the characterization of the labor market and the participation of each municipality in the departmental economy. In this sense, the two variables that make up the category have a negative correlation with municipal economic risk; meaning, the higher the value of the variables, the lower the economic risk of the municipality.

The **Human Capital** variable is used in this Index to evaluate the labor market. This variable measures the percentage of the population with higher education in each municipality. A higher percentage indicates a more specialized labor supply. The variable **Value added municipal share of the department** indicates the share of each municipality's annual production in that of the department, as well as the share of each municipality in the departmental economy.

INSTITUTIONALITY:

The Institutional category seeks to determine the quality of institutions at the municipal level. Unlike the IRS 2022, which evaluates three variables, this Index only uses two of these to analyze the degree of efficiency of local institutions, due to the lack of information at the municipal level. This category is important for companies as it evaluates institutional capacity. Because having stronger local institutions is better for companies' investments as there are stronger protections for these, and in terms of contract enforcement, the variables in this category have a negative correlation to risk; the higher the value of the variables, the lower the municipality's institutional risk.

The category evaluates the institutions' efficiency based on each municipality's score in the **Municipal Performance Measurement** variable and the **Digital Government Index** variable. The first is an indicator developed by the National Planning Department (DNP) that measures how far the municipalities of the department have progressed in the execution of the Land Management Plans (POT) and the goals related to execution and investment. The second shows how integrated Information and Communication Technologies (ICTs) are by the institutions in each municipality.

SOCIETY:

The Society category seeks to evaluate the quality of well-being of the population within each municipality by department. This is a crucial aspect as it allows us to understand the social conditions differentiated by municipalities, indicating each municipality's social integrity. This is often a category that is little evaluated by companies, which limits their perspective on local socioeconomic conditions. The category is composed of four

variables that evaluate social well-being from multidimensional poverty, health insurance, and access to and completion of education. Unlike the IRS 2022, this Index does not include the variable that measures the housing deficit, due to lack of information at the municipal level.

The **Multidimensional Poverty Measurement** variable shows the share of the population living in poverty in each municipality. Poverty is understood as the sum of various deficiencies. Thus, a higher value in this variable means a higher level of multidimensional poverty in the municipality. The variable **Health system insurance** indicates the share of the municipality's population insured by the contributory and subsidized systems. It should be noted that this variable was adjusted to have the same directionality as the other variables. Therefore, the lower the value of the variable, the higher the level of insurance.

The variable **Access to education** shows the share of the population with access to this service. This variable was also adjusted to coincide with the directionality of the other variables so that a low value indicates greater access. Finally, the variable **Intra-year dropout rate** indicates the share of students who did not finish the school year and did not enroll in the following year. This variable shows the business sector the level of unskilled human capital in each municipality.

ENVIRONMENT:

Finally, the Environment category evaluates the environmental impacts in each municipality. This category aims to inform companies about the municipal incidence of crimes and actions that affect ecosystems, natural resources, and health. Thus, this category is made up of four variables that identify the irregular use of resources and environmental damage in each municipality. The Environment category is fundamental for private sector actors to have an informed record of the sustainability of the economic activities developed in the region's municipalities.

The variable **Illegal exploitation of renewable natural resources** presents the number of crimes related to the illegal exploitation of Colombian biodiversity, such as fauna and flora, among others, in each municipality. The variable **Illegal exploitation of mining deposits and other materials** was included to identify the presence of irregularities or non-compliance in mining activities that cause damage to natural resources or the environment.

The variable **Damage to natural resources and ecocide** specifies crimes related to non-compliance with environmental regulations that result in massive and generalized damage to natural resources and ecosystems. Finally, the variable **Environmental pollution** indicates the number of acts that directly or indirectly generated harmful effects on the environment, natural resources, and health through emissions, dumping, and radiation, among other factors.

METHODOLOGY AND SOURCES:

This section describes the procedure used to calculate the Pacific Region Risk Index. It presents the sources used for the measurement of each category and explains the limitations that arose at the time of data collection, given the municipal focus of this Index. The information compiled is of public domain. However, in some cases, the right of petition was used to access updated data. Data collection took place between December 2022 and January 2023. It is important to note that internal consistency tests were carried out for the composition of the Index's corresponding categories. In addition, a normalization of data between 0 and 100 was carried out to standardize the variables, and, when necessary, a process was carried out to invert data values for consistency and associate it with risk. That said, the methodological details of the calculations are presented below.

THE PACIFIC REGION RIX INDEX (IRR):

The Pacific Region Risk Index is an extension of the Colombia Risk Analysis Subnational Risk Index, which is composed of six categories. The evaluation of internal consistency to form each category was carried out using theoretically related variables and the calculation of Cronbach's Alpha (Methodological Annex 2 of the IRS 2022). For the measurement of the Index, a different weight is given to each category, according to business interests.

In this sense, the formula used to measure the *IRR_i* OF Colombia Risk Analysis is as follows:

$$IRR_i = (Security_i * 0.2) + (Politics_i * 0.2) + (Economy_i * 0.2) + (Institutionality_i * 0.15) + (Society_i * 0.15) + (Environment_i * 0.1)$$

This formula is a weighted average, where the categories *Security_i*, *Politics_i* y *Economy_i* have the highest weight assigned (0.2), as their conception and corresponding variables represent a greater interest for the business sector. These are followed by the variables *Institutionality_i* y *Society_i* with a weight of 0.15 each. Finally, there is the *Environment_i* variable with a weight of 0.1. It is important to mention that *i* refers to the year evaluated, and that the IRS result is between 0 and 100.

This IRR ranks the municipalities through a ranking by department according to the number of municipalities in each. Thus, the department of Chocó is evaluated in a ranking from 1 to 30, Valle del Cauca in one from 1 to 42, Cauca in one from 1 to 42 and Nariño from 1 to 64. The IRR establishes five levels of risk: very high risk, high risk, moderate risk, low risk, and very low risk. The municipalities are then ranked in order, according to their level of risk, from lowest to highest. This means that the lower the score, the lower the risk, and the higher the ranking. On the other hand, the higher the score, the higher the risk, and the lower the ranking.

SECURITY:

The calculation of the Security category of the Pacific Region Risk Index was made using six variables that were given equal importance. In this sense, each variable maintained the same weight for the measurement. The formula used to detect the risk in each municipality is as follows:

$$Security_i = \frac{H_i + S_i + E_i + M_i + LA_i + HC_i}{6}$$

The six variables taken into account for the calculation of this category are: Homicides (*H_i*), Kidnappings (*S_i*), Extortions (*E_i*), Massacres (*M_i*), Murdered Social Leaders (*LA_i*) and Coca Hectares (*HC_i*). The first three (Homicides, Kidnappings, and Extortions) present the rate per 100,000 inhabitants and as mentioned above, a normalization process was carried out for them as for the rest of the variables. In other words, the municipality with the fewest homicides per 100,000 inhabitants receives a value of 0 and the municipality with the highest number of homicides per 100,000 inhabitants receives a value of 100. These three variables were obtained from the [national police crime statistics database](#).

The variable of [Massacres](#) and [Murdered Social Leaders](#) presents the number of these events in each municipality. Likewise, a normalization process from 0 to 100 was applied to these variables. These data were extracted from the public information available by Indepaz, due to the recognized work done by this NGO and the scope of its data, as opposed to the data provided by public entities. The Coca Hectares variable refers to the

number of hectares of coca cultivated per municipality, with a normalization process and compiled from the [Colombian Drug Observatory](#).

Finally, it should be noted that this data refers to information for 2021. However, they may be updated over time. Therefore, it is emphasized that the data collection period for the measurement of this RRI was between December 2022 and January 2023.

POLITICS:

In the case of the Politics category, five variables were evaluated with the same weight. The formula for determining the category by municipality is a simple average:

$$\mathbf{Politics}_i = \frac{DE_i + DR_i + DAD_i + DC_i + DA_i}{5}$$

The variables for Electoral Crimes (DE_i), for Constitutional and Legal Regime (DR_i), for Threats against Human Rights Defenders and Public Servants (DAD_i), of the Undue Conclusion of Contracts (DC_i) and Abuse of Authority by Arbitrary or Unjust Act (DA_i) refer to the number of victims according to the criminal news entries for each crime in the Oral Accusatory Criminal System of the Attorney General's Office, available in the [Open Data Portal of the Colombian State](#). These crimes are found in the Colombian Criminal Code. According to the implications contained in these crimes, the more victims there are, the more political instability within the municipality may be affected. As with the other variables, these were also normalized between 0 and 100.

It should be noted that this data refers to information on complaints filed in the Oral Accusatory Criminal System of the Attorney General's Office in the year 2021. Therefore, they may be updated over time. It is emphasized that the data collection period for the measurement of this RRI was between December 2022 and January 2023.

ECONOMY:

In this category, the first and greatest limitation in data collection is evident, since it was only possible to create the category with two variables due to factors such as old data, lack of availability or non-existence of data. This category is evaluated with a simple average:

$$\mathbf{Economy}_i = \frac{CH_i + PP_i}{2}$$

The Human Capital variable (CH_i) presents the composition of the labor market supply given by the percentage of the population with higher education by municipality. This variable was extracted from the [Departmental Higher Education Profiles](#) generated by the Ministry of Education.

The variable that intends to measure municipal integration in the departmental economy in this case is the Participation of Municipal Value Added in the Department (PP_i). These data are obtained from [TerriData](#), a tool of the National Planning Department. And the data used are from 2020 due to availability of information.

These variables underwent a process to interpret the true level of risk, given that they are inverse to it. This process consists of subtracting the original value of the variable from 100 and then normalizing it. It is worth mentioning that these data are information available in public entities that may be updated over time and, in

some cases, are statistics and preliminary figures calculated by the entity. Therefore, we clarify that the period of collection of this data for the measurement of this RRI was between December 2022 and January 2023.

INSTITUTIONALITY:

Regarding the Institutional category, two variables were considered, leaving aside the National Anti-Corruption Index due to lack of data at the municipal level. In this sense, the institutional category is composed of a simple average as shown below:

$$\mathbf{Institutionality}_i = 100 - \frac{MDM_i + IGA_i}{2}$$

The Municipal Performance Measurement variable (MDM_i) measures the aggregate efficiency of local institutions in each municipality and is generated by the [National Planning Department](#). The Digital Government Index variable (IGA_i) shows the integration of ICTs in the institutions of each municipality and was obtained from information produced by the [Ministry of ICTs](#). A normalization process was performed on these variables to measure Cronbach's Alpha rigorously. Since all the variables are inverse to risk, to calculate this category, the result of the weighted average is subtracted from 100, as shown in the formula, in order to express the level of risk with a higher score, as in the other categories.

SOCIETY:

The Pacific Risk Index presents four variables in this category as shown in the following formula:

$$\mathbf{Society}_i = \frac{MPM_i + AS_i + AE_i + DE_i}{4}$$

The variables evaluated are the Multidimensional Poverty Measure (MPM_i), Health System Insurance (AS_i), Access to Education (AE_i) and the Intra-annual Dropout Rate (TDI_i). The MPM is from the [National Administrative Department of Statistics](#) and addresses additional categories to monetary poverty. Therefore, it is a good indicator to understand social welfare in a generalized manner by municipality. The Health System Insurance variable presents the percentage of people insured in the contributory and subsidized systems by municipality. The Access to Education variable shows the percentage of people with access to education by municipality. The Intra-annual Dropout Rate shows the percentage of students who do not finish the school year and do not enroll in the following year. These variables are available in [TerriData](#) from the National Planning Department.

In the case of this category, the variables were normalized from 0 to 100. Additionally, for the variables of Health Insurance and Access to Education, since they are inverse variables to risk, the result of each variable is subtracted from 100 to interpret the associated risk level. The Access to Education variable is the only one within the category with data from 2020, due to availability at the time of collecting the data to calculate the Index. The others have data from 2021. It is recalled that the information was collected between December 2022 and January 2023.

ENVIRONMENT:

The Environment category is made up of four variables that respond to crimes registered as affecting the environment. The category is expressed with the following formula:

$$\mathbf{Environment}_i = \frac{AI_i + EI_i + DR_i + CA_i}{4}$$

Illegal Exploitation of Renewable Natural Resources (AI_i), Illegal Exploitation of Mineral Deposits and Other Materials (EI_i), Damage to Natural Resources and Ecocide (DR_i) and Environmental Contamination (CA_i) are crimes made available to the public in the [observatory of Human Rights and National Defense of the Ministry of Defense](#) registered in 2021. These variables, like the others, presented a normalization from 0 to 100.

Finally, it should be noted that these data are available to the public and were obtained in a rigorous manner. Information from 2021, 2020 and only one variable uses information from the 2018 census. The possible updates that some sources of information may have been acknowledged. However, in order to calculate the RRI, it is emphasized that the collection period for all data was between December 2022 and January 2023. It is also clarified that the normalizations and the processes of inverting the data to associate them to the risk were used only for the calculation. For the analysis in the document, reference is made to the original figures for each variable. Finally, each variable and each category were given a position according to the number of municipalities per department, taking into account the results in order to position each municipality.

MAP AND MUNICIPAL INDEX OF THE PACIFIC REGION:

The classification of the municipal ranking was developed by recalculating the Risk Index for the 178 municipalities (excluding Belén de Bajirá in Chocó). The reason for this method is explained in the analysis of the least and most risky municipality in the department) as independent entities, which make up the Pacific Region, leaving aside the department to which they belong. The formulas and variables used in each category are those mentioned above.

It should be clarified that, while the map and the municipal index of the Pacific Region is a comparison between all the municipalities of the Region as a single entity, the maps and indexes of each department are the result of a comparison only between the municipalities of each department. The maps and indexes of each department are the result of the comparison only between the municipalities of each department. Therefore, in some cases the risk level of certain municipalities on the regional map will be different from the risk level they have on the map of the department to which they belong.

INTERVIEWS:

To carry out this Index, in addition to the information collected through open media, 28 interviews (face-to-face and virtual) were conducted with people from Congress (9), local and departmental authorities (4), Chambers of Commerce (3), the private sector (8) and experts in the Region (4). To respect their wishes, we will keep them anonymous. But to each of them, thank you very much. Without their perspectives and knowledge, this exercise would not have been the same.

GENERAL ANALYSIS

Colombia is a country of regions attractive for foreign investment. The Pacific Region is characterized by its rich biodiversity in ecosystems, fauna, flora and culture, which makes it a great tourist destination. In addition, its soils are rich in minerals (such as gold, copper, silver, among others) and for the agricultural sector's development. The region extends along the Pacific Ocean. It shares a border to the south with Ecuador (in Nariño), which opens the door to binational trade for different sectors, and to the north with Panama (in Chocó). Also, its port access connects it with national and international markets. Nevertheless, the region is vulnerable to: domestic political changes, the polarization of society, the complex conditions of the armed conflict, the weight of structural social inequalities, economic shocks within and outside the country, and the lack of land and air connectivity that hinders access to Chocó, Cauca and Nariño.

Gustavo Petro's government has given much to talk about for its ambitious proposals regarding possible investments in the country's most remote departments and territories, which have been hardest hit by the armed conflict. Likewise, Vice President Francia Márquez, originally from Suárez (Cauca), generated expectations for the agenda she could have regarding her department's problems. However, 11 months after taking office, no substantial changes have occurred in the Pacific and the region continues to be affected by the dynamics of violence.

The government's ability to implement is inversely proportional to the ambition of its proposals, given the shaky national and international context, characterized by a potential global economic recession, a regional election year, and a serious security outlook. Thus, it will be important for decision-makers to understand the huge gap between what the government says and what it can actually implement during its administration, and they will need to understand the subtle and not-so-subtle differences between the different country regions when it comes to investing, as each department has particular conditions -each municipality may even be diametrically different from another-.

2022 was marked by legislative and presidential elections that shifted to the left for the first time in Colombia, favoring alternative parties promoting "a change. On the other hand, 2023 will be shaped, among other things, by the Government's ambitious legislative agenda and the regional elections in October. These elections will define the political map and whether alternative and independent parties will consolidate in the country. Or if the main cities will return to the control of the traditional parties that had lost space given the dissatisfaction with the incumbents.

As the regional elections approach, we also hope that this Index will serve as a tool for candidates, authorities, and businessmen to consider issues such as the future of the mining industry, the diversification of local economies, connectivity problems, port strengthening, and security. Issues discussed in the document that we believe are fundamental when making investment decisions and that will determine the level of attractiveness of the Pacific Region in the short term.

This Index brings together not only data from official sources we consider most important when making investment decisions. It is also composed of an analysis, based on an open media business approach, on the regional investment landscape and interviews with key actors in politics, the private sector, civil society and local authorities. It is noteworthy that the lack of information at the municipal level for some of the variables considered for this Index limits the analysis and scope of this exercise. However, this is also a finding in itself, as the absence of data has an impact on public policy execution and territory attractiveness for investment. However, this report remains a unique tool of its kind, which provides investors and the business sector with an advantage by allowing them to understand and analyze each department's characteristics.

THE IMPORTANCE OF FOREIGN DIRECT INVESTMENT:

Foreign Direct Investment (FDI) is fundamental for the development of emerging economies such as Colombia, as it positively stimulates the performance of productive activities, job creation, innovation, technology transfer and productivity. During 2022, Colombia registered the highest FDI figure since 1994, reaching [USD 17,048 million](#) (up 81.7%). This increase was mostly supported by investments in financial and business services and the extractive sector (USD 5,530 million and USD 4,367 million respectively). The fourth-largest sector was trade, restaurants and hotels (USD 1,466 million), followed by manufacturing industries (USD 1,239 million). All of these activities operate in the Pacific, reflecting the importance of the business sector not only for the regional economy, but also for the national economy and the balance of trade.

In the Pacific, FDI has produced huge industrial projects that contribute to the Region's economic activities. These projects not only generate income in the departments but have also increased employment opportunities in various industries. In order to attract more investment, agencies such as [Invest Pacific](#) or [Invest in Nariño](#) seek national and international investors interested in the different productive sectors of the departments to promote the socioeconomic development of the territories. However, neither Chocó nor Cauca have such agencies, which also limits the attraction of investment and interest in these departments and highlights the need for their creation to change this situation in the short term.

The tax reform's increase in contribution for several productive sectors (for example, [the "healthy tax"](#) on some ultra-processed foods) has been a source of concern for companies, particularly with regard to their competitiveness and sustainability in the short and medium term. Similarly, the reinstatement of taxes suspended by the pandemic, although contrary to President Petro's goal of [boosting tourism to replace the extractive sector](#), have a significant impact on the Pacific region. Tourism, and its entire value chain, is one of the main productive sectors in the four departments. Finally, the Petro government's reforms to the social security system (health, pension and labor) have created uncertainty that has negatively affected the arrival of new investment in key Pacific sectors, such as BPO or health services. Thus, without greater conciliation with the private sector, pessimism about the socio-political conditions for investment will persist, reducing the country's competitiveness and the ability to create jobs and income.

In this context, Colombia is frequently compared with its regional and global counterparts. However, at Colombia Risk Analysis, we believe that many investment decisions are made considering the country's risk, without accounting the subnational conditions. This approach can overlook local realities and potentially lead to missed opportunities for the country. Hence, it's crucial to have current information on each department's specificities to evaluate its stability in terms of security, politics, economy, institutions, social welfare, and environment. This is done to provide a comprehensive perspective to both domestic and foreign firms, thereby contributing to informed decisions related to local investment.

THE PACIFIC REGION:

The Pacific Region, located in the western part of the country, comprises the departments of Chocó, Valle del Cauca, Cauca, and Nariño. In 2022, the four departments accounted for [13.2% of the national GDP](#) and [16.2% of the national population](#). The region holds significant investment potential, thanks to its plentiful natural resources, strategic geographical position, and diverse cultural heritage. Its rich marine and terrestrial biodiversity offers opportunities in sectors such as fisheries, agribusiness, manufacturing industries, responsible mining, sustainable tourism, and renewable energy development. In addition, its access to the Pacific Ocean facilitates international trade and links to other markets.

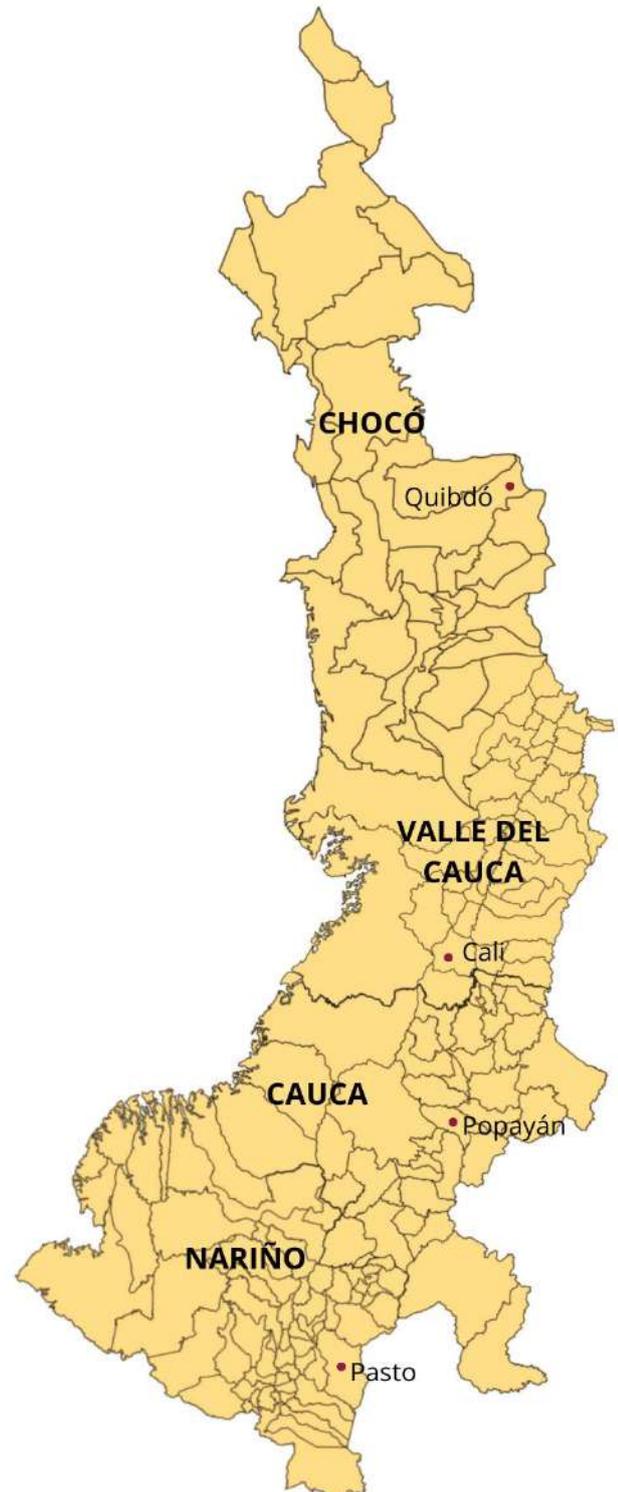
The Pacific also has a young and dynamic labor force, as well as a rich cultural heritage that can be leveraged in the tourism sector. With the right support in infrastructure, education, and business development, the region has the potential to consolidate [initiatives already underway](#) and strengthen value-added industries, becoming a

pole of economic and social growth, generating employment and improving the quality of life of its inhabitants.

This region is characterized by the richness of its soils for agribusiness, the agricultural sector and mineral extraction, the development of value-added industries, and the beauty of its landscapes and its gastronomic and cultural diversity as tourist attractions. Despite these features, resolving certain challenges that impact the Pacific Region's competitiveness is necessary for it to become an attractive investment destination. Some of these challenges include:

1. **LACK OF ROAD AND AIR CONNECTIVITY.** Valle del Cauca is well connected to the rest of the country. However, access to Chocó, Cauca and Nariño is much more challenging due to the lack of roads and airports to these areas and within the Pacific. This restricts trade and investment opportunities in the departments by limiting the movement of people and goods. As a result, the business community prefers to settle more in northern Cauca and Valle. Limited access roads, landslides and blockages on the Panamerican Highway, the main access road to the region, can render transit impossible. This isolates the region from the rest of the country, leading to economic losses and escalating the cost of transporting goods and passengers. This situation was evident with the Panamerican as we saw at the beginning of 2023 with the Panamerican Highway. The poor condition of the road network within the departments severely limits communication between urban centers and the most remote villages. It also hinders access to basic services, health and education, impacting the socioeconomic development of the communities. In addition, the lack of road connections separates the entire southern part of the country from the Pacific coast, increasing travel times and, thus transportation and logistics costs.
2. **THE SHORTCOMINGS IN THE PORT SYSTEM.** Its geographical position gives the region an unparalleled advantage, as it opens doors to markets in Asia and the entire Pacific coast of the American continent. Investments in dredging capacity, technology and operational efficiency are necessary for the ports of Tumaco and Buenaventura. These improvements will enhance their ability to receive vessels and compete with other Pacific ports. Similarly, improving land access to and from the ports is essential to facilitate the transport of goods more quickly and reduce logistics costs. Therefore, to respond to the growing demand for foreign trade, a long-term strategy should involve enhancing the existing port infrastructure and developing new ports. This would generate opportunities for convergence between the public and private sectors, stimulate

PACIFIC REGION



employment, promote the socioeconomic development of Colombia's Pacific coast and bolster Colombia's integration into the global economy.

3. **THE COMPLEX SECURITY PANORAMA.** The region has a presence of the ELN, the Clan del Golfo and FARC dissidents, as it's a strategic point for controlling drug trafficking routes and illegal mining, among other illicit economies. In addition, clashes between criminal gangs, such as Los Shottas and Los Espartanos, further exacerbate the situation of insecurity and violence in Buenaventura. This situation increases the risks for the development of business activity and limits the socioeconomic development of these departments, as populations are caught up in cycles of violence and forced displacement. The security situation in the Colombian Pacific is deteriorating, according to sources consulted by Colombia Risk Analysis. The risk to businessmen, citizens and tourists increases with the presence of all these illegal organizations. Armed strikes in Chocó hinder all activities in the department and deter potential investors. This extends the lack of development within the department. In addition, extortion remains one of the main security problems throughout the region, affecting ordinary citizens and small, medium and large businessmen. This impedes productive activities, likely deterring the establishment of businesses and the inflow of investment in the region.
4. **NON-GENERALIZED INDUSTRIALIZATION.** Despite the Pacific's wealth of natural resources and strategic geographical position, underdevelopment infrastructure (such as roads, ports and basic services) has limited access to markets and hindered the development of industrial activities, especially in Chocó and southern Cauca. This has led to the geographic and economic isolation of these territories, impeding their economic development and job creation. In addition, there is a lack of specialized education. According to sources, a major challenge in the region is the misalignment between educational offerings and labor demands. This mismatch limits access to jobs or to undertake higher value-added activities.
5. **ECONOMIC DEPENDENCE ON THE PRIMARY SECTOR.** Due to the lack of industrialization in the region, particularly in Chocó and southern Cauca, there is a reliance on primary sectors such as agriculture, livestock, and mining. This makes the departments vulnerable to external shocks (such as the fluctuation of the dollar, which affects the price of fertilizers and gasoline). Despite the current National Government's emphasis on strengthening rural areas, the lack of tertiary roads and markets to sell their products leads to subsistence developments instead of generating substantial incomes for producers. Thus, the technification of the countryside becomes an investment opportunity that would allow not only to improve the countryside in these territories, but also to generate agroindustry that would lead to the arrival of other industries with higher added value.
6. **LITTORAL PACIFIC VS. ANDEAN PACIFIC.** From the various interviews conducted with representatives from the four departments, we gathered that the notion and sense of belonging to a "Pacific Region" is more connected to geographical location than a shared worldview among the departments. As a result of the different conversations with authorities, citizens and businessmen, we saw that there is a differential analysis of the behavior and future of the municipalities of each department located on the Pacific coast compared to those located in the Andean Pacific. This is largely because the coastal municipalities are less developed than those in the interior of the departments. The lack of connectivity and business fabric, security problems and education issues are among the main causes of this comparison. As a result, inequality gaps persist, as the business sector and investors settle in the Andean zone of the Region, especially in Valle del Cauca and northern Cauca. This represents a missed opportunity for the departments. Collaborating on initiatives in the agricultural or manufacturing sectors could enable each department to utilize their best products to meet domestic demand and for export. Moreover, by showcasing a shared culture and culinary offerings, regional tourism could be bolstered.

Addressing these six challenges will attract investment, enhance the region's competitiveness, diversify and fortify its economies, improve quality of life, and aid in the growth of the country's domestic production. It's crucial for the government, society and private sector to build a joint strategy that tackles obstacles to widespread development in the Pacific. This should occur alongside existing initiatives such as [Todos Somos PAZcífico](#), with cooperation from multilateral banks, and [the support programs for the Colombian Pacific region](#) from the Development Bank of Latin America (CAF). This strategy will enhance the impact of these projects.

Knowing the main opportunities and risks of each department is also fundamental to understand the realities faced by each territory and plan accordingly. Therefore, the following is a general characterization of the investment outlook for each department:

CHOCÓ:

Chocó is a department rich in natural resources with great potential for the development of sustainable projects to diversify its economy. Ecotourism, research, agribusiness, mining, fishing, and sustainable practices initiatives are some of the opportunities that Chocó offers. These activities can attract investment, draw in skilled personnel, create jobs, and ensure food security for the department. Although the department has many resources to utilize for economic, cultural and social growth, it also faces several challenges that limit its progress. The challenges include: the presence of armed groups battling for control of criminal revenues, migration through the Darién jungle, lack of infrastructure, problems with road, air and internet connectivity; and a weak economic articulation with the rest of the country. These issues result in security risks for workers and entrepreneurs, diminished competitiveness, increased operating costs, and difficulties in establishing a strong business network.

Given that security is a major concern in the department, a key initiative is the Petro government's "Total Peace" proposal. Although this ambitious four-year project is a challenge, its realization could provide a medium-term solution to the department's violence. Politically, the strengthening of strategies such as that of the Pacific Block in Congress would allow the advancement of regional projects that would promote social welfare. This is an opportunity for Chocó, insofar as it opens spaces for participation and gives greater visibility to its needs. Another challenge for the department is the frequent turnover of governors. This political instability discourages investments due to the potential legal and reputational risk for companies that contract with local institutions. Illegal mining poses a significant environmental risk and is the primary issue that needs to be addressed to protect our department's natural resources and reduce deforestation. These resources also present opportunities for ecotourism, research, and the production of alternative medicines and personal care products.

VALLE DEL CAUCA:

Valle del Cauca's diversified economy is one of the department's main attractions. The agricultural sector, tourism and manufacturing industries are some of the promoters of socioeconomic development in Valle del Cauca. The department conducts a wide array of activities to attract both national and international investment and to open new markets. A distinctive feature of the department is its cluster network, which fosters collaboration among companies. This enables the establishment of strong commercial relationships and the exchange of advanced technology and specialized knowledge. In addition, the department's land and area road network allows connections and includes the country's most significant port. This scenario provides a favorable environment for investment, the promotion of entrepreneurship, job creation, efficient operations and attracting skilled talent.

Despite progress, some challenges remain for the Valle, including insecurity and roadblocks that impede the growth of productive sectors. Another challenge is the provision of public services in strategic areas such as Buenaventura, where the scarcity of the services restricts the efficiency of operations for commercial exchange through the port. Finally, although cultural integration has been achieved and political efforts have been made, there's still a need for better economic coordination with the region's departments. This represents an

opportunity to solidify the Pacific Region's identity as a unit and emphasize the regional agenda on a national scale.

CAUCA:

Economically, the department has a prominent agricultural sector, producing crops like sugarcane, bananas, coffee, and potatoes. Some of these undergo industrial processing and have export potential. However, factors such as smallholdings, informality, and poor infrastructure limit productivity. The livestock sector emphasizes cattle breeding and milk production. Nonetheless, the collapse of the Panamerican Highway has had a negative impact on these activities.

Tourism offers unique possibilities, such as bird watching, ecotourism, and archaeological tourism, endorsed by the national government as a "destination of peace". Despite this, insecurity and a lack of airport infrastructure pose challenges for this sector. The [Paez Law](#) has attracted industries such as sugar, chemicals and pharmaceuticals. However, blockades and demonstrations generate substantial economic losses and uncertainty for investment. In addition, the incipient science, technology and innovation sector has sought to collaborate with private enterprise but faces obstacles due to the flight of talent to other places.

The department's most significant risk is insecurity. According to the IRS 2022, Cauca is the most insecure department. It has some of the highest rates of extortion, homicides and kidnappings. Furthermore, It recorded the most massacres in 2021 (14), 17 in 2022, and [four](#) so far in 2023. The second risk faced by the private sector in the department are blockades and protests by local communities, especially the strongest and most structured indigenous movement in the country, the Regional Indigenous Council of Cauca (CRIC). The protests of the National Strike of 2021 in the Pacific, as in the rest of the country, were extremely harmful to the private sector, preventing them from accessing production inputs and taking goods out of the department for marketing.

NARIÑO:

Nariño boasts a diversified economy, providing a cushion against external fluctuations in raw materials demand and pricing. Tourism and commerce rank as the department's second most significant economic activities and have bounced back following the pandemic. In the agricultural sector, the potato crop, despite being transitory, stands out because it supplies the department, the region and the Coffee Axis. The department's dairy vocation is the most important livestock activity, but small-scale production and dependence on the Panamerican Highway have limited its productivity. Another crucial sector in the departmental economy is real estate. As it's influenced by the country's fluctuating interest rates and housing market, banks are promoting microfinance to stimulate this sector and foster growth in Nariño.

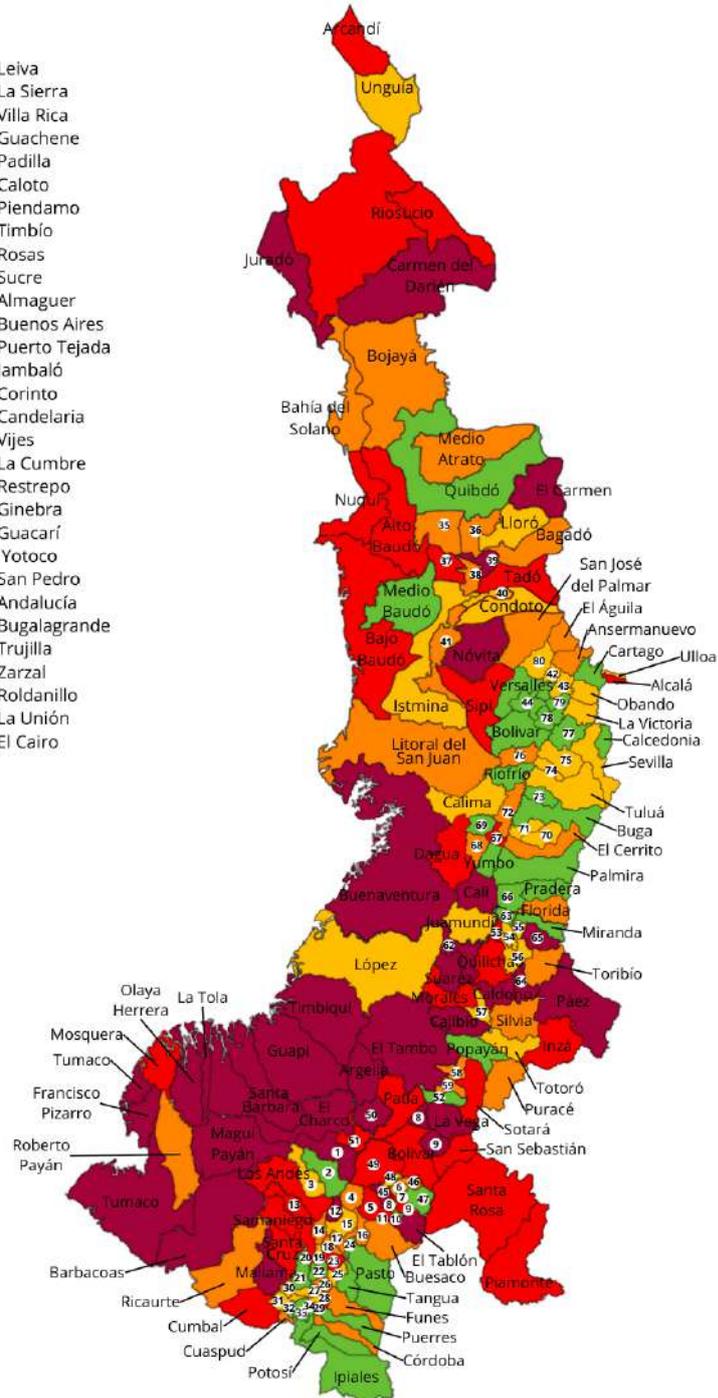
Among the main challenges for the business sector are the security situation in the department and its reliance on a single road, the Panamerican Highway, for connection to the rest of the country. Based on the gathered data, Nariño is one of the most unsafe departments in the country. FARC dissidents, the ELN, and the Clan del Golfo use violence against the residents to establish territorial control and profit from the illicit economies that link the department with Ecuador and the Pacific Ocean. This has led to forced displacement, homicides, and extortion. The presence of armed groups escalates insecurity in the department, especially in rural areas where ongoing conflicts between these groups and security forces disrupt agricultural activities. For the private sector, this poses significant risks to the physical integrity of workers, investors, and company assets.

Nariño depends entirely on the Panamerican Highway to maintain communication with the rest of the country. In the past, the department has suffered from complete lack of communication due to highway damages. This has caused millions of dollars in losses to the department's economy and restricted the resources necessary for the functioning of the productive sectors. Historically, highway blockades have disproportionately affected the

micro and small businesses in the department. These represent 99.8% of Nariño's economic framework. The private sector's dependence on the Panamerican Highway introduces significant uncertainty. Unexpected blockages could disrupt product flow, cause input shortage, or isolate businesses from the rest of the country. This uncertainty negatively impacts Nariño's investment attractiveness. Another challenge that needs to be addressed is road infrastructure, particularly the condition of tertiary roads, to boost the department's socioeconomic development.

MUNICIPALITY RISK MAP OF THE PACIFIC REGION

- | | |
|------------------------|-------------------|
| 1. El Rosario | 51. Leiva |
| 2. Policarpa | 52. La Sierra |
| 3. Cumbitara | 53. Villa Rica |
| 4. Taminango | 54. Guachene |
| 5. San Lorenzo | 55. Padilla |
| 6. Colón | 56. Caloto |
| 7. Belén | 57. Piendamó |
| 8. Cartago | 58. Timbío |
| 9. San Bernardo | 59. Rosas |
| 10. Albán | 60. Sucre |
| 11. Arboleda | 61. Almaguer |
| 12. El Peñol | 62. Buenos Aires |
| 13. La Llanada | 63. Puerto Tejada |
| 14. Linares | 64. Jambaló |
| 15. El Tambo | 65. Corinto |
| 16. Chachaguí | 66. Candelaria |
| 17. La Florida | 67. Vijes |
| 18. Sandoná | 68. La Cumbre |
| 19. Ancuyá | 69. Restrepo |
| 20. Providencia | 70. Ginebra |
| 21. Tuquerres | 71. Guacarí |
| 22. Guaitarilla | 72. Yotoco |
| 23. Consacá | 73. San Pedro |
| 24. Nariño | 74. Andalucía |
| 25. Yacuanquer | 75. Bugalagrande |
| 26. Imués | 76. Trujilla |
| 27. Ospina | 77. Zarzal |
| 28. Iles | 78. Roldanillo |
| 29. Contadero | 79. La Unión |
| 30. Sapuyes | 80. El Cairo |
| 31. Guachucal | |
| 32. Aldana | |
| 33. Pupiales | |
| 34. Gualmatán | |
| 35. Río Quito | |
| 36. Atrato | |
| 37. San Pablo | |
| 38. Unión Panamericana | |
| 39. Certeguí | |
| 40. Río Iro | |
| 41. Medio San Juan | |
| 42. Argelia | |
| 43. Toró | |
| 44. El Dovio | |
| 45. La Unión | |
| 46. San Pablo | |
| 47. La Cruz | |
| 48. Florencia | |
| 49. Mercaderes | |
| 50. Balboa | |



- | | | | | |
|---|---|---|---|---|
|  |  |  |  |  |
| Very Low Risk | Low Risk | Moderate Risk | High Risk | Very High Risk |

DEPARTMENTAL ANALYSIS

Colombia is characterized by deep center-periphery divisions that influence the levels of risk experienced by each department and, consequently, their attractiveness for business. We see this dynamic replicated at the regional level and within departments. In the case of the Pacific, although according to the 2022 IRS the four departments have a high (Valle del Cauca and Nariño) or very high (Chocó and Cauca) level of risk, the research and the different interviews allowed us to see how the center-periphery dynamic occurs in two ways in this Region. First, within each department: the coastal municipalities are the periphery of the territory and have a higher level of risk, while the municipalities in the interior of the department are the center and tend to have less risk. Second, at the regional level: Valle del Cauca and Northern Cauca are the center of the Region and most of the economic development is concentrated there, while Chocó and Nariño are the periphery and economic development in these departments is not related to what happens in the center.

As mentioned earlier, one of the objectives of this index is to combat the notion that the center of the country is where the best development and investment opportunities are found. While each department presents particular realities, in the case of the Pacific region we see how the dynamics between the center and the periphery within each department and in the region accentuate the development gaps in the territories.

CHOCÓ:

According to our Subnational Risk Index 2022 (IRS 2022), Chocó is the third riskiest of Colombia's 32 departments. This is due to the department's security and connectivity problems. Despite this, the department has great potential in other sectors, such as tourism and agriculture, so it is necessary to its intricacies so that the private sector can make informed investment decisions and achieve the expected results.

CHOCÓ DEPARTMENT



- 1. Río Quito
- 2. Atrato
- 3. San Pablo
- 4. Unión Panamericana
- 5. Certeguí
- 6. Río Iro
- 7. Medio San Juan



DEPARTAMENTAL RISK INDEX OF CHOCÓ

RANKING	MUNICIPALITY	DIMENSION					
		SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT
1	Medio Baudó	3.25	0,00	98.57	3.86	53.49	0.00
2	Condoto	10.42	5.87	96.02	43.91	24.21	3.13
3	Río Íro	2.27	0.00	99.56	47.57	35.51	3.13
4	Lloró	7.74	3.64	98.13	48.84	27.23	0.00
5	Río Quito	6.29	0.00	98.60	46.61	28.26	18.75
6	Bojayá	4.73	0.00	98.66	57.46	32.22	0.00
7	Unión Panamericana	4.76	0.00	92.09	64.46	29.86	10.42
8	Medio Atrato	1.89	3.64	98.22	37.54	56.51	0.00
9	Bahía Solano	14.94	1.43	99.35	62.49	17.26	0.00
10	Unguía	10.72	6.13	96.70	42.25	44.91	0.00
11	Atrato	18.69	1.82	90.21	49.19	34.40	13.54
12	Bagadó	4.17	8.99	96.76	62.49	32.66	0.00
13	Istmina	13.94	13.37	89.79	68.19	18.47	0.00
14	Medio San Juan	4.95	0.00	99.00	64.31	41.54	0.00
15	San José del Palmar	16.67	0.00	99.31	55.11	35.57	0.00
16	El Litoral del San Juan	7.64	4.29	98.57	32.13	68.30	0.00
17	Sipí	6.12	3.64	100.00	67.81	34.33	0.00
18	Quibdó	47.26	72.38	0.00	52.89	3.12	50.00
19	El Cantón del San Pablo	11.83	0.00	94.68	70.96	32.86	13.54
20	Acandí	12.74	1.43	98.05	59.11	47.65	0.00
21	Bajo Baudó	3.65	13.33	97.94	40.07	63.13	0.00
22	Tadó	26.06	0.42	95.12	77.24	18.68	4.17
23	Nuquí	15.34	0.00	99.95	32.60	78.85	0.00
24	Juradó	6.37	0.00	99.50	70.15	59.71	0.00
25	El Carmen de Atrato	6.57	2.65	97.52	84.07	27.07	28.13
26	Nóvita	10.26	8.11	98.78	68.60	41.24	9.38
27	Cértegui	19.29	0.00	99.31	61.79	38.70	40.63
28	Alto Baudó	19.33	20.42	97.80	57.43	49.66	0.00
29	Carmen del Darién	19.30	5.71	95.46	74.75	65.75	0.00
30	Riosucio	21.88	24.89	84.30	70.99	59.93	4.17

SECURITY:

According to our IRS 2022, Chocó has a high security risk. With a population of more than 500,000 people in 2021, it was the fifth department at the national level and third in the Region, after Valle and Cauca, with the highest homicide rate ([53.6](#) per 100,000 inhabitants); the seventh nationally and third regionally, after Cauca and Valle, with the highest kidnapping rate ([0.4](#) per 100,000 inhabitants); and the first nationally and in the Pacific with the highest extortion rate ([39.1](#) per 100,000 inhabitants). The ELN, FARC dissidents, Clan del Golfo, BACRIM, Los Mexicanos and Los Palmeños are present in the department. [Clashes](#) between these groups are continuous, as they fight for territorial control, drug trafficking routes, extortion, and the illegal extraction of precious metals. Chocó's strategic location, as the only department with a coastline on the Pacific and Atlantic oceans, make it one of the country's main coca transit points, exacerbating other conflict dynamics in the area, such as [child recruitment](#), prostitution, and [forced displacement](#). An example of this is Nóvita, where there are [at least 5,600 confined and 600 displaced persons](#) without passage for any type of merchandise, by land nor by river, according to the Ombudsman's Office.

This panorama has deeply affected the population, especially the Afrodescendant community, which accounts for [85%](#) of the department's population. According to the [Victims Unit](#), between January 1, 1885 and March 31, 2023, the conflict affected 529,011 victims in Chocó alone. The [Ombudsman's Office](#) indicated that, in 2022, Chocó was the department with the highest number of confinements (65) and the second-highest number of mass displacements (28). These figures reflect a risk to the physical security of investors, workers, and the community, due to the presence of armed groups. This limits the private sector and, consequently, the department's socioeconomic development.

In 2021, Chocó was the department with the fifth-highest number ([13](#)) of murdered social leaders. The relationship with social leaders is important to the business community, particularly for companies in the extractive sector, given that they act as intermediaries with the communities where these companies operate. Therefore, without mediation, the level of risk of conflict with the communities increases, which means delays in production, breaches of contract, and increased costs.

Of the 20 departments that registered coca cultivation in 2021, Chocó ranked eighth nationally, and third regionally (after Nariño and Cauca) in coca cultivation ([5,060 hectares cultivated](#)). The presence of coca crops implies the presence of armed groups seeking to control its production, processing, and export. This affects Chocó's attractiveness to businessmen and investors by increasing security considerations in the territory. The Army and National Police target illicit crops, cocaine processing laboratories in the jungle, drug trafficking corridors, arms and human trafficking, and illegal mining. However, due to the department's geographic and climatic characteristics, resupplying the Armed Forces is made by water or by helicopter, which increases the difficulty of their operations, combat support, and other actions to defend the territory.

Outside the capital and the municipal capitals, the absence of the State prevents adequate compliance with the law, even for issues as sensitive as the implementation of the Peace Accords. This makes it unlikely that the State will be able to respond to private sector requests or requirements. Violence by organized armed groups has been a constant in Chocó. This situation is attributed to the high levels of poverty, the profitability of illegal economies, and the lack of job opportunities. [The 15th Army Brigade](#) is present in the department. The Armed Forces have confronted various armed groups, especially in rural areas, which are particularly vulnerable. Despite their presence, insecurity is rampant. There are no guarantees for the development of the business sector. This is reflected in the scarce supply of formal jobs, the lack of socioeconomic development, and the lack of competitiveness in the market. On the other hand, the population, mainly social organizations and movements, [is distant and holds a tense relation with the security forces](#), due to the perception that members or sectors of the security forces have links with criminal organizations.

ECONOMY:

Chocó's economy is centered in a few sectors. In 2022, according to the [Ministry of Commerce, Industry and Tourism](#), the departmental GDP was made up of public administration and defense (31.8%), agriculture, livestock, and fishing (22.3%), mining and quarrying (17.4%), and, in fourth place, commerce, hotels, and repair (13.8%). This suggests that Chocó has a strong dependence on the exploitation of natural resources, increasing the departmental economy's vulnerability to price fluctuations and extreme climatic phenomena that are increasingly common. In addition, the fact that the State is the main provider of formal employment increases the importance of gaining political power in the department. Whoever holds power has one of the focal points of the economy at his or her disposal.

This explains, to some extent, why Chocó is the fourth department nationally and the first in the Pacific Region with the highest economic risk in our IRS 2022. Chocó is also the fourth department nationally and first regionally with the lowest banking penetration. Only [24.8%](#) of adults in the department have an active bank account, well below the national average (42%), which reflects a poorly developed financial system that hinders the formalization of work and the generation of employment. At the regional level, Chocó is the department with the second-lowest levels of human capital, after Nariño. Only [31.6%](#) of the population had higher education degrees in 2021. This situation contrasts with the fact that in 2020 the higher education coverage was of only [26.45%](#), which is below the country's average ([51.58%](#)) for the same year. This translates into a labor market with low sophistication, which discourages the hiring of local labor by companies that require workers with a higher degree of specialization, such as the technology sector. This ends up limiting the development of productive activities with higher added value, delaying the socioeconomic development of the department. This repetitive cycle reinforces the premise that the departments located in the peripheries are less developed than those in the center, widening the poverty and inequality gaps.

Regarding Chocó's labor market: According to the DANE, of the 23 departments evaluated in 2022, Chocó was the sixth department with the highest unemployment rate ([12.5%](#)). While the average for the country was [11.2%](#). According to sources, the difference is due to the lack of education opportunities, academic programs that do not respond to the demands of the labor market, and high informality rate present in all productive sectors of the department. This is evidenced by the fact that the department was the sixth at the national level and second in the region (after Cauca) with the smallest entrepreneurial activity. By 2021, Chocó had 309 formal employment generating companies per 10,000 inhabitants, according to our IRS 2022. Among the activities most performed by these companies are: commerce, gold and fine wood extraction, and banana cultivation. Activities with little added value and those focused on processing and industry have marginal development. This implies less employment generation and economic growth, as well as more barriers to economic diversification.

One initiative to take advantage of the coast and the Pacific Ocean was the construction of the [Port of Tribugá](#). This sought to connect the north of the country with Asia through the construction of a port accompanied by roads, railroads, and an oil pipeline. However, the National Infrastructure Agency ([ANI](#)) rejected the concession in 2020. The project would have had a great impact on marine ecosystems. In addition, UNESCO declared Tribugá-Cupica-Baudó the first [biosphere reserve](#) in the Colombian Pacific in 2023. The ANI's decision means that the opportunity to boost the construction sector and employment generation in Chocó, improve the department's connectivity, and develop value chains will be lost. Likewise, the Port would have allowed the appreciation of the area and stimulus for foreign trade in the medium term, which would be slower if other activities such as tourism are developed. Activity that the communities in the area seek to promote. The fact that Tribugá is now a protected area is an opportunity for environmental service companies, for tourism and for the promotion of sustainable fishing.

INSTITUTIONALITY:

According to the IRS 2022, Chocó is the tenth department with the highest institutional risk. Chocó obtained a score of 54.1 out of 100 in the [2021 Departmental Performance Measurement](#). This result suggests that local

institutions are relatively efficient, and that they have made progress in the implementation of the POT and in the execution and investment goals set. It was the second department at the national level and the first in the Pacific with a low score in the [2021 Digital Government Index](#) (with a score of 58.2 out of 100). This result suggests that the department's institutions are lacking in terms of integration of Information and Communication Technologies. As a result, delays are generated in the digitization of processes which are likely to impact the agility with which the necessary procedures for the creation of a company are carried out and, therefore, hinder the administrative and bureaucratic processes.

Chocó scored 74.9 out of 100 in the [National Anti-Corruption Index](#). This result suggests that the department's institutions' capacity to fight and prevent corruption is not very effective. Similarly, it implies that departmental authorities have a low ability to comply with norms and standards related to ethics. Therefore, this is likely to be a disincentive to the business sector, as it implies greater reputational risks and obstacles when engaging with government entities.

Another relevant factor that limits the attraction of investment is the lack of transparency in the execution of contracts. According to our sources, a large part of the contracts executed in Chocó are done directly without a bidding process. This is problematic as it limits competition, curtails new companies' abilities to access said contracts, and reduces project supervision, all of which trigger possible acts of corruption.

When direct contracts are signed during the [law of guarantees](#), the risk of taking advantage of public resources for political purposes increases, which implies a hindering of democratic processes as long as the contracts are not within the exceptions. During the presidential elections in 2022, at [least 190 contracts were signed](#) between the mayor's office of Quibdó and the governor's office of Chocó. Many of these did not meet the legal minimums or qualify as exceptions, which is why they are under investigation by the Attorney General's Office. Non-compliance with the law of guarantees in the department implies probable acts of corruption, disincentives to investment, distrust in public administration, and litigation in cases where companies are affected by errors on the part of the institutions in the contracting process.

SOCIETY:

According to our IRS 2022, Chocó is the fourth department at the national level and the first at the regional level with the highest social risk. Its [Multidimensional Poverty Index](#) increased from 36% in 2021 to 36.8% in 2022, well above the national average (12.9%). This may be a disincentive to businesses, as communities are likely to look to businesses to address their unmet basic needs, such as the state of their housing. The department ranks fifth nationally and first in the Pacific in terms of housing deficit. In fact, [87.8%](#) of Chocó's housing has structural deficiencies and/or require improvements.

Chocó is the fourth department with the lowest percentage of people insured by the health system ([79.8%](#)). Although the percentage is not low, the department has important health challenges that require expanding the capacities of the medical services. One of the challenges is dealing with malaria, which exceeds [70,000 cases per year](#). According to the [Ministry of Health](#), Chocó is the department with the highest number of cases of this disease. In March 2023 it was reported that Chocó was going through a [health crisis](#) due to a lack of personnel, supplies, and infrastructure in health care centers. This implies low quality in the provision of medical services, difficulties in retaining and attracting highly trained personnel, increased operating costs, and deteriorating quality of life of workers and the population in general.

Another relevant element to understand the department's challenges and opportunities is the labor market and the academic offer. According to the DANE, the unemployment rate in Chocó in 2022 was [12.5%](#), above the national average ([11.3%](#)). This may explain two realities. First, the majority of the unemployed population is unskilled, as only 1 in 4 high school graduates access higher education in the department, per the [Javeriana University observatory](#) (2020). Second, although there is variety in academic offerings, the distribution of

enrollments by area of knowledge demonstrates a lack of connection between what is studied and labor market demands. For example, while the agricultural sector is the second-largest contributor to the departmental GDP, only [0.37%](#) of enrollments are in agronomy, veterinary science, and related fields. Thus, one of the challenges the department faces is to encourage the study of fields that respond to its labor needs, which is why establishing alliances between the public sector and higher education institutions plays a fundamental role.

Through the [National Development Plan](#) (NDP), the government stated that: "Progress will be made towards a comprehensive cadastral management in the prioritized territories associated with rural areas, including the Amazon, Orinoco, and Pacific regions". Improving the department's cadastral information is likely to facilitate connectivity projects, access to public services, and the development of Chocó's tourism potential. This would have a positive impact on the quality of life of the people of Chocó and would make it a more attractive area for investment. In addition, the NDP also proposes the strengthening of dialogue with the international community and intensifying the search for resources from international cooperation with an emphasis on the preservation of the Darien rainforest. This would translate into job creation, greater care of natural resources, opportunities for alliances between the government, international bodies, and the private sector, and attraction of human capital. This would give way to the encouragement and strengthening of productive activities with sustainable approaches through foreign investment.

The department of Chocó shares a [266 kilometer](#) land border with Panamá and is characterized by its location in the middle of the dense Darién jungle, which is one of the main illegal migration routes to the United States. The migration phenomenon causes other related problems such as [human trafficking, sexual violence, poisonous animal attacks, murders, robberies](#), and environmental degradation. According to the [Ombudsman's Office](#), between January and June 2023, 196,371 people crossed the Darien, an increase of 297% compared to the same semester in 2022. This suggests that the States' efforts to address this phenomenon have not been sufficiently effective. If the problem continues, Chocó will most likely require greater assistance and resources for the attention of migrants, which would reduce the attention to social problems and other departmental needs.

ROAD INFRASTRUCTURE:

Among the major obstacles to the development of the business sector and the countryside is the poor condition and lack of roads. According to the [Departmental Secretariat of Infrastructure and Mines](#), in 2022 the department had a road network with an extension of approximately 798.48 km. Of these, approximately 276.1 km correspond to primary roads and 178.72 km to secondary roads. The [National Roads Institute](#) (INVIAS) reports that only 48.27% of the paved primary road network is in good condition and 34.2% is in fair condition. This means that more than half of Chocó's primary road network is in a precarious state and suggests that there are connectivity problems both within the department and with other departments. The main economic activities in the department are mineral extraction, food production, and tourism. Thus, the lack of road infrastructure generates cost overruns, makes access to basic services difficult, isolates rural communities, and increases transportation time.

Two of its main highways, [Quibdó - Medellín](#) and [Quibdó - Pereira](#), have suffered structural damage due to rain, restricting the passage from Chocó to the interior of the country. According to INVIAS, in 2022 alone there were [51 road emergencies in Chocó](#), which caused delays in cargo and passenger transportation. However, according to the same institute, by July 2022 the National Government had intervened [565 roads](#); general projects, large regional road projects, and maintenance projects still ongoing. With an investment of USD 266.41 million (COP 1.06 trillion), so far the interventions have generated 6,891 jobs, and are expected to generate 7,749 more in the future. This is likely to increase the demand for services and suggests an effort by the government to improve the department's road infrastructure. In addition, the projects also represent opportunities for companies in the construction, tourism, and real estate sectors (insofar as, by improving the roads, they promote the appreciation of housing values).

In November 2022, Petro's government presented the roadmap for establishing a multimodal transportation system in Colombia, which is expected to [channel resources to social airfields](#) and promote improvements in Chocó's river infrastructure. This would lead to the promotion of tourism, improvements in competitiveness, trade development, and job creation. Likewise, the Government's initiative would make it possible to take advantage of Chocó's [1,060 km of waterways suitable for navigation](#) through its three major rivers: Atrato, San Juan, and Baudó. On the other hand, [Ariel Palacios](#), current governor of Chocó (who is under investigation for alleged acts of corruption and [whose legality in office is unclear](#)), stated that the department dreams of having a port better than Buenaventura that could benefit people within its area of influence. He also highlighted the importance of the public-private alliance to achieve connectivity objectives. However, until now, the only initiative was the Port of Tribugá, which did not materialize. This means that, for the moment being, it is unlikely that any other project of this nature will be developed.

Another characteristic that hinders connectivity in Chocó is the extensive forest that covers it. According to the Global Forest Watch (2022), it is estimated that about [98.9%](#) of Chocó's territory is made up of primary forest. As a result, due to biodiversity protection issues, access to certain areas is only possible via dirt roads (unpaved rural roads). Geographic conditions (such as mountainous terrain, high rainfall, wetlands, and swamps) pose additional challenges to the development of road infrastructure, such as: difficulties in accessing certain areas, increased construction and maintenance costs, and increased risk of conflict with communities.

The department's geography has hindered the construction of land transportation connections with the rest of the country and with Panama. An example of this is the Darien bottleneck, which prevents the completion of the [Pan-American Route](#) project, a highway that seeks to connect the entire American continent, from Alaska to Argentina. This affects foreign trade, the construction sector, tourism, and the promotion of development in Chocó.

Two other projects that would improve Chocó's connectivity and economic development are the elevated freight train between [Buenaventura and Barranquilla](#) and the [Atrato River navigability](#) project. The first is in the pre-feasibility stage and the second is in the beginning of [contracting Phase III navigability studies](#). Both initiatives would improve the department's competitiveness, reducing logistics and transportation costs, generating jobs and facilitating regional articulation. In addition, the second project would make it possible to develop the tourism and commercial potential of the municipalities located on the river basin. However, among the main challenges for the implementation of these projects are the environmental impacts, financial viability, negotiation with the communities, and security problems associated with the presence of armed groups.

ENVIRONMENT:

Our 2022 IRS places Chocó as the tenth department nationally and first regionally with the lowest environmental risk. Although the Regional Autonomous Corporation for the Sustainable Development of Chocó ([CODECHOCÓ](#)) stated that the department was recognized as one of the most deforested areas in the country, the panorama has reported improvements. According to IDEAM, the number of deforested hectares decreased from 8,485 in [2020](#) to 6,963 in [2021](#). Among the reasons for deforestation in the department are: agriculture, cattle ranching, mining, transportation infrastructure, illicit crops, and the commercialization of fine woods. To counteract the loss of hectares of natural resources due to deforestation, the government has promoted reforestation training programs with communities, [high fines](#) for irregular timber harvesting, and the replacement of wood-burning stoves with [ecological stoves](#).

The measures implemented by the government imply a national interest in the preservation of the department's natural resources and opportunities for joint work between communities and businesses for the development of sustainability projects.

Illegal mining is one of the main sources of environmental contamination in the Pacific, which poses a high risk to communities and biodiversity due to environmental degradation that can last for decades after mining activities stop. In 2021, Chocó was the seventh department nationally and first in the Pacific with the highest number of crimes of illegal exploitation of mining deposits and other materials (33). In this regard, the [Armed Forces](#) have coordinated different actions against the illegal exploitation of minerals, which in turn affects the [armed groups](#) that obtain financing from the proceeds of illegal mining.

Climate phenomena, such as the La Niña Phenomenon, have also had an impact on Chocó. According to the IDEAM, Colombia has been in the [rainy season](#) for 35 consecutive months, a historic figure. The most affected departments were Cundinamarca, Risaralda, Antioquia, Chocó, Caldas, Tolima, and Valle del Cauca. The rains caused [landslides](#), [flooding](#), delays in cargo and passenger transportation, reduced trade, and limited access to production inputs necessary for the operation of the agricultural, manufacturing, and hydrocarbon industries. Damage to infrastructure also entails increased costs for the State, as it must invest in repairs, provision of public services, and aid to [affected families](#).

On the other hand, the [El Niño phenomenon](#) is expected to reach its peak at the end of the year and will affect mainly the Pacific, Andean, and Caribbean regions. Based on [past experiences](#), river levels in Chocó are likely to decrease, affecting navigability, fishing, and the transport of goods. It is also likely that the percentage of rainfall will be reduced, temperatures will increase, water will be scarce in some areas, and there will even be forest fires. All this will impact agricultural production in the department, increase coastal erosion and probably aggravate some diseases such as dengue or zika.

POLITICS:

According to our IRS 2022, Chocó has a high political risk. From 2008 to 2021, Chocó has had 12 governors, making it the department with the second-highest turnover. Although investigations are frequently carried out by control entities, governors leaving public offices after being linked to corruption cases has not stopped, which demonstrates political instability. This situation means that government initiatives have very little continuity, generating inconsistency in joint projects with the private sector. This is likely to generate uncertainty and discourage investment in the territory, due to the lack of political guarantees.

The last elected governor of the department in 2019, [Ariel Palacios Calderón](#), was declared allegedly responsible for irregularities in contracting during the COVID-19 pandemic and was placed under house arrest. It took 10 months from Palacios' capture until [Farlin Perea](#) took office as interim governor. However, Palacios was released due to expiration of terms and decided to return to his position as governor, creating uncertainty as the department now had [two governors](#). This scenario evidences a serious problem of political instability and a vulnerability of public institutions to corruption cases. It also sets a bad precedent with regard to trust in local government and generates a breakdown in governance.

In the midst of an election year, the race will revolve around issues such as: the future of the mining industry, diversification of the local economy, strengthening of the countryside, and the security situation in relation to the armed strikes that afflict the department. The gubernatorial and mayoral candidates are likely to debate on these issues, as well as focus their discourse on the fight against corruption. However, it is unlikely that those who come to power will be able to bring about much change with regard to illegal mining or armed strikes. The influence and resources of the institutions are limited. In addition, Chocó does not have the political muscle to push issues on the national agenda that respond to the department's own problems. This suggests that advancing initiatives to improve security and environmental protection will depend more on the political will of the national government rather than local governments.

Finally, another challenge in Chocó and the Region in general is to achieve the establishment of a joint identity of the Pacific Region by political, economic, and social actors. Progress has been made through administrative and

cultural initiatives, such as the [Pacific Block](#) and the Petronio Álvarez festival, which is based upon a Colombian Pacific identity. A joint vision of the Pacific would provide opportunities for public-private alliances, expansion of company operations, and the development of joint social projects. However, sources stated that there is still a long way to go in economic and social terms. This suggests that communication channels between institutions in the Region have not been effective enough to establish stronger relationships. It is likely that this is due to the lack of connectivity and security problems in Chocó. The lack of articulation is reflected in the development gaps between the coastal territories and those closer to the center of the country. These dynamics generate unequal development not only among the Pacific departments, but also within them.

INVESTMENT OUTLOOK IN CHOCÓ:

AGRICULTURAL SECTOR

Agriculture is one of the main economic activities in Chocó. According to the Unit for Rural Agriculture and Livestock Planning ([UPRA](#)), the agricultural frontier of the department is 339,636 hectares as of July 2022. However, this area only corresponds to 7% of the department; the other 84.9% is forest or non-cultivable areas and the remaining 8% are legal exclusions (areas in which, by legal mandate, the development of productive projects in the agricultural sector is not permitted). The cultivation of bananas, cocoa, sugar cane, and recently fruit trees are important economic activities in the department.

According to Chocó's [departmental economic profile](#), plantain is the main permanent crop grown in the department and accounts for 60.2% of production. According to the [Ministry of Agriculture](#), in 2020 Chocó produced 296,668 tons of plantain on 25,790 hectares, placing it among the top 10 departments with the highest production. This opens an opportunity to encourage the arrival of industry that processes plantain into, for example, snacks, flour, jams and even [personal care products](#). Among the challenges facing the sector are the lack of connectivity, insecurity, climatic phenomena, and price volatility. These challenges apply to all agricultural products in the department.

Sugarcane is the second most important crop produced in Chocó, with [7,537 tons](#), accounting for [24%](#) of the department's agricultural production. According to the Departmental Agricultural Extension Plan (PDEA) [2020-2023](#), the municipalities that contribute most to this crop are Medio Baudó, Istmina, Quibdó, Novita, and Riosucio. Considering that sugarcane can be used to generate value-added byproducts, boosting sugarcane crops would attract investment from companies interested in processing the raw material and generating fertilizers, pharmaceuticals, cosmetics, and personal care products. This would strengthen other sectors of the departmental economy and allow for the development of industry in the department, which would diversify the production basket and reduce economic dependence on the primary sector.

In the case of cocoa, its share in agricultural production is [0.7](#). Based on the [2020-2023 PDEA](#), the number of cultivated hectares is 6,521 with 2,722 tons produced. According to sources, the cocoa sector is growing in Chocó, which implies a greater demand for labor, agro-inputs, training on pest control and management, and internationalization opportunities. According to the [Colombian Agricultural Institute](#) (ICA), cocoa farmers in the department belong to the Camalosan Agroforestry Producers' Association, which is made up of 70 active members with farms of at least one hectare in size and planting densities of 625 plants per hectare. The fact that growers are organizing themselves allows for the creation of formal alliances with other entities of the State or other departments. This would lead to the exchange of knowledge, marketing and supply opportunities, and even product development.

By 2021, Chocóan farmers with the help of the Ministry of Agriculture achieved sales expectations of more than USD 1.89 million ([COP 7.5 billion](#)) allowing improvements in the farmers' wellbeing, employment generation,

strengthening of food production, greater guarantees for food security, and greater government support. Likewise, during the previous administration, efforts were made to eliminate third parties between farmers and points of sale, which sought to increase producers' profits. Despite this, there are still challenges that must be overcome to reach the department's production potential, including: lack of financing and associativity, competitiveness problems, lack of digital connectivity, and road infrastructure. These challenges imply low investment appetite, low efficiency, difficulty in attracting human talent, and additional costs. If these constraints continue, social welfare is likely to worsen as well as food insecurity, which in 2022 was [45%](#), increasing the risk of social protest.

LIVESTOCK SECTOR

According to [the PDEA](#), fishing is a daily activity in the life of 1,200 people in the department, approximately 6.5% of the population. [With an extension of 750 km](#) and being the third most navigable river in the country, after the Magdalena and Cauca rivers, the Atrato River is one of the main suppliers of fish in the department and is the most important waterway in Chocó. Ruling [T-622 of 2016](#) declared the river as a subject of rights, which allowed water studies to be advanced. These studies subsequently revealed the [presence of heavy metals](#) (mercury and arsenic) in the water as a result of [illegal mining](#). The findings are worrisome, as they imply contamination of drinking water sources, fishery resources, and agricultural products in the department. This puts people's health and food security at risk. Another constraint to the development of the fishing sector is the presence of [armed groups](#) along the river. These groups prevent fishing or extort money from those who carry out these activities.

Despite these challenges, one opportunity to develop this sector is fishing ecotourism, which promotes sport fishing and can be a source of additional income for local communities. Similarly, [sustainable fishing initiatives](#) in the department are a window of opportunity to respond to international markets that are increasingly committed to environmental protection. In the medium term, Chocó's fishing sector is likely to begin to export products. But first it will be necessary for fishermen to learn about the business model, establish sustainable fishing practices, and have certifications such as the [Marine Stewardship Council](#) (a certification and eco-labeling program for wild fish). In addition, in the long term, if fishing is consolidated, the business sector and local authorities could encourage the development of industry related to the activity, for the production of flours, oils, collagen, or gelatin. These products with higher added value would allow the establishment of the industry in the department, contribute to the diversification of Chocó's economy, and strengthen the business fabric.

Other activities in the livestock sector in Chocó include poultry and swine production. According to the [PDEA](#), the poultry sector represents a high economic and nutritional value for the Chocó population. The poultry population is 166,400, 79,970 of which are broilers, 64,192 are backyard poultry, and 22,238 are layers. In other words, the majority of poultry farmers (62%) are dedicated to the commercialization of meat or eggs, while only 38% are for self-consumption. Poultry production provides an opportunity to diversify the production basket, contribute to food security, and promote the organic fertilizer industry based on poultry waste. The latter would contribute to the development of the agricultural sector based on local products, reducing dependence on fertilizer imports in the long term.

Pig farming is a traditional activity in approximately [99.5% of farms](#). This means that pigs are kept with low nutritional requirements and are fed on bananas, corn, rice husks, and human food waste. This suggests that there is a lack of incentives for technified production, as well as support programs for the inclusion of sustainable practices and new technologies. Traditional pig farming in the department implies competitive disadvantages, lower production efficiency, and higher operating costs.

Chocó has a population of [16,537 pigs](#), of which 65.38% are in eight municipalities: Quibdó, Atrato, Unguía, Acaandí, Istmina, Bajo Baudó, and Cantón de San Pablo. This means that these municipalities could work together

to share production practices. Similarly, swine production is an opportunity for companies that offer veterinary services and the sale of specific nutritional supplements for raising pigs, as well as for the gastronomic sector.

Considering the potential for development and industry generation in the pork and poultry sectors, the Chocó Chamber of Commerce is considering the creation of a white protein production cluster, like the one in Valle del Cauca. This would provide tools for producers to consolidate their businesses, strengthen Chocó's business fabric, establish commercial relations outside the department, and attract investment in these sectors.

TOURISM SECTOR

Biodiversity and natural beauty make Chocó an area with great potential for tourism. The variety of ecosystems such as: tropical rainforests, untouched beaches, mangroves, endemic species of flora and fauna, and the presence of different indigenous communities (Aguasal, Cascajero, and Vivícora) has great potential for various types of tourism. With this in mind, it is not surprising that the commerce, hotels and repairs sector is the fourth-largest contributor to the departmental GDP, with [13.8%](#).

Information collected in interviews suggests that one of the main constraints to tourism development in the department is insecurity. Armed groups have an impact on Chocó's for national and international tourists. Similarly, extortion of businesses and violent acts by armed groups hinder the development of tourism and related activities by making all types of transit in the department impossible. Another challenge for the sector is the lack of air and land transportation infrastructure. The [high cost of tickets](#) and the absence of roads hinder the sector's development. This impedes the arrival of tourists, supplies, and products needed to supply tourism-related activities.

According to sources, the lack of internet connectivity, technological illiteracy, and lack of knowledge about profitable business models have been some of the limitations for tourism. Digital platforms have become one of the main spaces for the promotion of tourism packages. Even with this, whale watching in Chocó is one of the most awaited activities by the people of Chocó due to the number of visitors it attracts. As one of the main tourist attractions in the department, it generates employment and consumption of goods and services. In addition, the fact that this activity takes place during a specific season (between July and November) is an opportunity to plan the maintenance and/or construction of infrastructure for tourism activities that can be carried out throughout the year, boosting the sector and making it less dependent on these months alone.

Ecotourism and [scientific tourism](#) are also a niche opportunity for communities and investors. Ecotourism is a [more profitable](#) activity than traditional tourism, as it allows for immersive activities where travelers adapt to the lifestyle of the communities, and where there is greater environmental responsibility. It opens up different opportunities for communities, the business sector, and academia to work together. This connection has not yet been made, and closing these gaps in cooperation can promote the department's socioeconomic development, our sources contend. Training Chocoanos in customer service, hospitality, tourism, and languages would allow the promotion, with local labor, of industries within the value chain of the tourism sector, ensuring that education responds to the demands of the market in the department.

Scientific tourism is another avenue to be explored, as the natural resources and potential for research are vast. The department has wide biodiversity, including plants with curative properties that can be used for the [development of medicines or personal care products](#). This opens up an opportunity for companies in the pharmaceutical and beauty sector. Taking advantage of this would provide the department with human capital, industry development, job creation, and incentives for investment in technology.

Despite tourism's potential in Chocó, its development will require working on governance and management challenges. Some of the main challenges are: security guarantees, provision of basic services, connectivity, and

creating regulations for the use of natural resources for tourism. The last point is of utmost importance, given that there are areas that are indigenous reserves and require different regulations to prevent conflicts with local communities. Similarly, achieving a constant flow of national and international visitors will continue to be a difficult task, given the complexities to accessing the territory, as described above. Thus, in order to consolidate tourism as the department's main economic source, investment in infrastructure, the promotion of public-private alliances, and the presence of military forces that guarantee security for people and the business sector will be necessary.

With regard to the department's easy of access, another element that has hindered the development of tourism in the department has been a crisis in the [air transport](#) sector, which has mainly affected low-cost airlines, reducing flight alternatives for tourists. According to sources, the crisis is compounded by the low frequency of direct flights, as there are only 11 weekly flights from [Bogotá to Quibdó](#), a figure considerably lower than that of [Medellín to Quibdó](#) (44 weekly flights). This translates into a disincentive to tourism and higher costs for those seeking to visit Chocó. According to the company [Pacífica de Aviación](#), ticket costs are high because flights must be made in low capacity aircraft and the impact of the increase in fuel prices is greater. In addition, Andrés Pérez, president of the company's airline, stated that the subsidies received by a segment of maritime and land transportation still do not apply to the aviation industry. This implies that there is a lack of incentives for the air sector, reducing the likelihood that airlines will expand their operations to the department.

EXTRACTIVE SECTOR

Mining is one of the most important industries in the department, contributing [17.4%](#) of the departmental GDP. In Chocó there is gold, silver, and platinum extraction, according to the Colombian Mining Information System ([SIMCO](#)). In 2022, Chocó produced approximately 4.51 million grams of [gold](#), being the second-largest producer in the country. This translated into USD [8.65 million](#) (COP 34,395 million) in royalties to the department in 2022. Chocó had the highest production of [platinum](#) in the country in 2022 (172,060 grams), which resulted in USD [216,143](#) (COP 859 million) in royalties. For the second quarter of 2022, Chocó was the fifth-largest [silver](#) producer (319,237 grams), which from which the department received USD 7,505 (COP [29.85 million](#)) in royalties. According to the [NPD](#), royalties in Chocó were invested in infrastructure, health, and education projects. As a result, improvements in social wellbeing, road connectivity, and increased coverage of public services are expected. However, this scenario is likely to change, given that 46% of mining sector executives foresee a reduction in their operations in Colombia, according to the [2023 Mining Compass](#).

According to the [National Mining Agency](#) (ANM), in 2021, Chocó had 128 mining operations, of which 38 were granted to the Community Councils and indigenous communities of Chocó. This suggests that there is community participation and empowerment. However, a major challenge for the communities will be to attract partners, national or foreign, with the necessary capital to achieve the development of large projects. Likewise, the ANM reported that, not counting the new contracts, the department registered 15 formalization subcontracts granted for gold, platinum, and its concentrates (all open-pit mining) in an effort to reduce illegal mining. [Petro's government](#) has been clear in that it does not support open-pit coal mining. There is no guarantee that Petro's opposition to the carbon extraction sector will translate to him speaking out against open-pit mining of gold, silver, or platinum. This would generate uncertainty and affect the arrival of investment for the sector in Chocó.

According to the July 2022 report presented by the Comptroller's Office, [85%](#) of the gold exported from Colombia is the product of illegal mining, 66% of which is done in natural parks and forest reserves. Illegal mining generates ecological damage, social conflicts and clashes between armed groups fighting over illegal revenues. The most affected departments are Antioquia, Cundinamarca, Chocó, and Bolívar. The Brigade Against Illegal Mining (BRCMI) estimates that, so far in 2023, [8%](#) of the illegal mining machinery is in Chocó. The way in which the Government has fought the phenomenon has been through the destruction of machinery and infrastructure. This has led to clashes between the Armed Forces and criminal groups, some of which have resorted to employing

the communities as a means to attack the Armed Forces. This situation aggravates the conflict in the department and increases the reputational risk for mining companies, as environmental impacts of illegal mining are attributed to the sector as a whole.

On the other hand, in the [management report](#) for the second half of 2022 of the National Mining Agency, Chocó is one of the 11 departments prioritized to strengthen the relationship with stakeholders (mining owners or beneficiaries of mining prerogatives, local authorities, environmental authorities, community leaders, and communities in general). This opens the opportunity for new investors interested in the extraction of minerals and construction materials; for companies already operating in the area and interested in training in the development, management, and monitoring of mining activities; and to strengthen communication with the communities, reducing conflict when developing mining projects.

Despite the sector's potential and its relevance to the departmental economy, mining activity has not been immune to the public order situation in Chocó. The sector has been a victim of armed groups, increasing the security risk and generating cost overruns for companies that are forced to pay [extortions](#) to avoid attacks on infrastructure or personnel. If this problem continues, it will most likely discourage the arrival of new investment or the expansion of existing investments in this sector, which will end up accentuating the gaps in the department's socioeconomic development.

MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN CHOCÓ:

In 2021, Chocó was made up of 30 municipalities. However, by the end of 2022, Belén de Bajirá was recognized as the 31st municipality in the department. Previously, it was recognized as part of the municipality of Riosucio. This municipality was not taken into account in the calculations of this Index, as the data collected is from 2021. Thus, taking into account the information available at the municipal level, the departmental context, and the number of municipalities, we found that the least and most risky municipalities in Chocó are:

BEST AND WORST MUNICIPALITY RANKED BY DIMENSION		
CATEGORY	BEST	WORST
Security	Medio Atrato	Quibdó
Politics	Bojayá	Quibdó
Economy	Quibdó	Sipí
Institutions	Medio Baudó	El Carmen de Atrato
Society	Quibdó	Nuquí
Environment	Istmina	Quibdó

MUNICIPALITY WITH THE LOWEST RISK IN CHOCÓ

The municipality with the lowest risk in Chocó is Medio Baudó. It is located in the central part of the department, bordering the municipalities of Alto Baudó to the north, Bajo Baudó to the west, Istmina to the south, and Cantón de San Pablo to the east.

The data collected indicates that the municipality has a very low risk in the security category. During 2021, with [a population of more than 15 thousand inhabitants](#), Medio Baudó had the third-lowest homicide rate in Chocó (with [6 homicides per 100 thousand inhabitants](#)). There were no reports of kidnappings, extortion, massacres, or assassinations of social leaders. The above figures, plus the permanent presence of the [Seventh Division](#) of the National Army in the territory, would suggest that the municipality has a relatively better security situation than the rest of the department. Despite this, the municipality is home to [161](#) hectares of coca, which means that it is not exempt from [confrontations between armed groups](#) for control of territory and key routes due to its proximity to the Pacific Ocean. Similarly, it is necessary to consider factors such as lack of access to institutions or lack of internet access that limit the registration of database variables. This means that, given a possible under-recording of variables, the reality in the territories may be different.

According to data collected and available at the municipal level, Medio Baudó has very low political risk. During 2021, there were no records of crimes in this category. This would allow inferring that the municipality has high political stability and that there is therefore no negative impact on the public service, which decreases businesses' legal and reputational risks when pursuing contracts with local authorities. As in the security category, an absence of records does not mean that these crimes do not occur, but rather that people do not always report them due to a lack of access to institutions or even fear.

Regarding the economy category, the municipality has a moderate risk level. This is due to the fact that in 2021, there was no specialized labor force in the municipality, which generates the risk that the territory will not be as attractive to investors or entrepreneurs in productive sectors with higher added value. Medio Baudó made up [1.27%](#) of the department's GDP, ranking 17th out of the 30 Chocó municipalities. As mentioned above, Chocó is heavily dependent on the exploitation of natural resources. The main economic activities in the municipality of Medio Baudó include agriculture and mining. It is important to mention that the lack of information at the municipal level on variables such as banking and business activity limits the analysis and does not fully reflect the reality of Medio Baudó.

Medio Baudó was the municipality with the lowest institutional risk in Chocó based on available data. At the departmental level, it was the second municipality with the best score in the [Municipal Performance Measurement 2021](#) (74 out of 100) and the best score in the [2021 Digital Government Index](#) (95 out of 100). This suggests efficient institutions with a high level of ICT integration, which is positive for businesses as it implies greater agility in administrative processes.

The municipality has a high social risk. It is the fifth municipality with the highest population in poverty (80%), according to the [DANE Multidimensional Poverty Measurement](#). It is important to clarify that this variable is a measurement following the last census of 2018, so it does not take into account the situation generated after the pandemic. It is likely that this figure is higher, taking into account the economic crisis generated and that, at the departmental level, the population in poverty condition (36%) was well above the national total (16%) [in 2021](#). The municipality has [health insurance](#) and [education coverage](#) of more than 60% of the population and is one of the municipalities with no [intra-year school dropouts](#) according to the data collected. This suggests that Medio Baudó's population has lower wellbeing than others in the department. This implies a higher risk of clashes between communities and companies. It also increases the risk of having communities demand that companies solve their needs in the absence of the State.

Medio Baudó has a very low environmental risk according to available data. During 2021, there were no records of any of the crimes that make up this category. However, as we have mentioned, the fact that there are no records does not necessarily mean that these situations do not occur. Conditions of distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

MUNICIPALITY WITH THE HIGHEST RISK IN CHOCÓ

The most risky municipality in the department of Chocó is Riosucio. It is located in the north of the department. It is bordered by Panama to the north, Unguía to the northeast, Antioquia to the east (before the establishment of the municipality of Belén de Bajirá), El Carmen de Darién and Bahía Solano to the south, and Juradó to the west.

The data collected indicates that the municipality has a very high risk in the security category. With [a population of more than 55 thousand inhabitants](#), during 2021, Riosucio ranked 19th at the departmental level in terms of homicides (with a rate of [48 homicides per 100 thousand inhabitants](#)). There were no reports of kidnappings, massacres or assassinations of social leaders, and only [one case of extortion](#) was recorded. The [Seventh Division](#) of the National Army has a permanent presence in the territory, which is supposed to provide peace of mind to

the community and the business sector. However, due to Riosucio being the second municipality with the most hectares of coca in Chocó ([1,036 ha](#)) and strategically positioned for the trafficking of illegal products, it is one of the municipalities most affected by the armed conflict and [the continuous clashes between the Clan del Golfo and the ELN](#). This probably discourages the creation and arrival of new businesses, prolonging cycles of violence and limiting the municipality's development.

According to data collected and available at the municipal level, Riosucio has a moderate political risk. During 2021, the crime with the highest number of victims was threats against human rights defenders and public servants ([14](#)), followed by crimes of abuse of authority by arbitrary or unjust act ([3](#)) and, finally, by crimes of improper management of contracts ([2](#)). This would allow us to infer that the municipality has relative political stability, with some impacts to the public service, which does not mean that there are no legal or reputational risks for the business sector in the event of pursuing contracts with local authorities. However, as we have said before, the fact that there are no records of other crimes does not mean that they do not occur, but rather that people might not report them due to the lack of access to institutions or even overwhelming fear.

Regarding the economic category, the municipality has a very low risk level. In 2021, it was the fourth municipality with the highest human capital ([0.34%](#) of the population had higher education) and was the second municipality that contributed the most to the departmental GDP ([10.87%](#)). Like the rest of the department, Riosucio depends on the primary sector, with [agricultural and livestock activities](#) taking place in the municipality, but mainly for local consumption, not so much for commerce. It is important to mention that the lack of information at the municipal level on variables such as banking and the business community makes the analysis limited and does not fully reflect the reality of Riosucio.

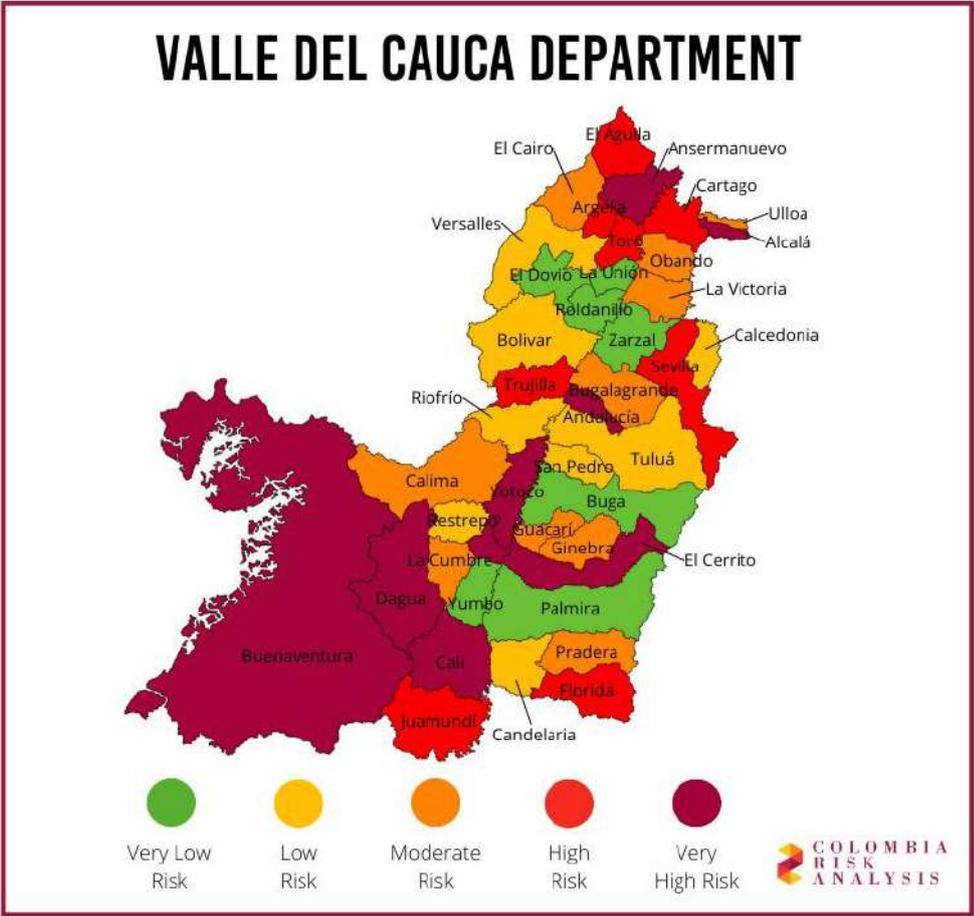
Riosucio has a very high institutional risk based on available data. At the departmental level, it was the sixth municipality with the lowest score in the [2021 Municipal Performance Measurement](#) (47 out of 100), and ranked 21st in the [2021 Digital Government Index](#) (with a score of 59 out of 100). This suggests that local institutions need to work on improving their degree of efficiency and on greater ICT integration. For the business sector it implies longer bureaucratic processes that increase times and delays in the development of their activities.

The municipality has a very high social risk. 71% of the population of Riosucio lives in poverty, according to the DANE's [Multidimensional Poverty Measurement](#). It is important to clarify that this variable is a measurement following the last census of 2018, so it does not take into account the situation generated after the pandemic. That is, the figure is most likely higher, taking into account the economic crisis generated and that at the departmental level the population in poverty condition (36%) was well above the national total (16%) in [2021](#). It is the fourth municipality with the lowest health insurance coverage ([43.2%](#)). Regarding education, Riosucio has an education coverage of 81.3%, but it is the seventh municipality with the highest intra-year dropout rate ([3%](#)). This suggests that the population in Riosucio has a lower welfare condition than others in the department. This implies a higher risk of clashes between communities and companies. Likewise, it also increases the risk of having communities demand that companies solve their needs in the absence of the State.

Riosucio has a very low level of environmental risk according to available data. During 2021, only [one case](#) of illegal exploitation of renewable natural resources was registered. However, as we have mentioned, the fact that there is no record does not necessarily mean that these situations do not occur. Conditions of distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

VALLE DEL CAUCA:

According to our 2022 Subnational Risk Index (IRS 2022), Valle del Cauca is the eighth-riskiest department of Colombia's 32 departments. This is mainly due to security issues. Despite this, Valle del Cauca is a department with great potential for investment traction, given its diversified economy, the presence of several industries and its good road connectivity.



DEPARTAMENTAL RISK INDEX OF VALLE DEL CAUCA

RANKING	MUNICIPALITY	DIMENSION					
		SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT
1	Palmira	13.10	2.76	65.00	27.75	25.36	2.27
2	Zarzal	5.33	0.46	75.73	21.76	34.08	0,00
3	Roldanillo	4.50	3.83	49.49	58.18	29.67	0.00
4	Yumbo	9.86	12.23	90.31	24.05	20.87	3.57
5	Cartago	9.75	7.17	80.69	35.80	26.44	10.39
6	El Dovio	5.26	0.05	89.55	51.84	35.87	0.00
7	La Unión	9.32	0.31	99.51	26.95	42.20	2.27
8	Guadalajara de Buga	24.07	8.64	61.40	42.22	25.82	34.09

9	Candelaria	5.31	0.80	95.95	42.06	36.31	3.57
10	Riofrío	7.48	0.52	99.73	29.27	43.31	4.55
11	San Pedro	9.47	0.57	99.66	33.23	46.05	0.00
12	Restrepo	12.93	0.37	99.64	58.34	28.08	0.00
13	Caicedonia	6.04	0.05	86.18	42.55	47.10	25.00
14	Bolívar	3.50	0.05	99.87	36.80	55.69	0.00
15	Tuluá	21.27	3.66	70.51	55.19	31.92	26.18
16	Versalles	0.00	0.05	99.99	51.50	47.45	0.00
17	Pradera	5.35	1.16	98.14	53.26	39.81	0.00
18	Ginebra	1.54	0.52	98.18	73.04	28.92	5.40
19	Calima	3.67	0.47	99.74	50.87	46.31	5.40
20	La Victoria	6.93	0.05	99.86	64.92	33.67	0.00
21	Guacarí	5.21	0.93	99.32	65.72	34.00	6.82
22	La Cumbre	4.19	0.35	99.84	50.92	56.69	0.00
23	Bugalagrande	3.44	2.46	98.85	54.45	49.07	6.82
24	El Cairo	6.53	0.05	99.97	47.14	59.06	0.00
25	Ulloa	0.99	0.10	99.98	61.38	52.20	0.00
26	Argelia	0.52	1.94	100.00	61.01	53.24	0.00
27	Obando	9.79	0.10	99.77	43.76	65.52	0.00
28	Sevilla	24.29	0.68	98.20	51.58	47.69	9.09
29	Trujillo	6.84	0.05	96.93	65.17	53.21	0.00
30	El Águila	3.73	0.00	99.90	54.55	64.73	0.00
31	Jamundí	29.94	4.85	97.15	39.19	39.43	5.40
32	Toro	16.67	0.10	97.83	43.50	58.16	5.84
33	Florida	6.75	1.73	98.51	79.89	35.88	0.00
34	Ansermanuevo	5.74	0.73	99.75	46.88	70.21	0.00
35	Vijes	1.74	0.80	95.89	76.21	51.41	0.00
36	Yotoco	5.04	0.16	99.58	70.74	39.92	15.34
37	El Cerrito	4.82	1.70	98.27	69.72	25.63	45.33
38	Andalucía	22.24	0.96	99.70	50.29	49.90	4.55
39	Alcalá	13.98	0.11	99.79	65.02	56.52	4.55
40	Dagua	3.02	3.36	96.34	83.69	67.02	0.00
41	Cali	39.75	91.76	13.18	0.00	23.08	100.00
42	Buenaventura	39.47	23.16	82.17	59.60	47.64	11.24

SECURITY:

According to our IRS 2022, Valle del Cauca is the third department nationally and second in the Pacific Region (after Cauca) with the highest security risk. With a population of more than 4.5 million inhabitants, in 2021, it was the second department in the country and the first in the Pacific with the highest homicide rate ([57.1](#) per 100 thousand inhabitants); the fifth at the national level and the first in the Region with the highest kidnapping rate ([0.6](#) per 100 thousand inhabitants); and the sixth in the country and second at the regional level with the highest extortion rate ([25.2](#) per 100 thousand inhabitants). In addition, Valle was the third department nationally and second in the Region with the highest number of massacres ([12](#)). It was also the third department in the region with the highest number of social leaders murdered ([16](#)). The level of violence in the department is exacerbated by the presence of coca crops. By 2021, Valle was the tenth department in the country with the highest number of hectares of coca ([2,589 ha](#)). But it has the fewest hectares of the four Pacific departments (with Nariño having the most, followed by Cauca and, in third place, Chocó).

The department's insecurity situation is due to the confluence of ELN, Clan del Golfo and criminal gangs (such as Los Flacos, La Oficina de Tuluá, Los Shottas and Los Espartanos). In rural areas, there are [clashes](#) over the control of territories and the management of drug trafficking routes. The presence of these groups also generates other social and security problems, such as child recruitment, forced displacement, prostitution, and forced confinement. An example of this is that, according to the International Committee of the Red Cross (ICRC), in the first half of 2023, [17%](#) of mass displacements occurred in Valle del Cauca. These types of events have an impact on the development of the department, as local labor is forced to migrate, and productive activities cease to take place in the territories discussed.

In urban areas, crime continues, as do [clashes between criminal gangs](#). Between January and June 2023, there have already been [430 homicides](#) in Cali alone, one more than in the same period in 2022, suggesting that the risk to the physical safety of businessmen, traders, and the community remains. Recently, urban criminal gangs have become more prominent in Valle del Cauca. These groups are fighting over micro-trafficking, prostitution, and extortion networks. In Buenaventura, for example, [the Shottas and the Espartanos](#) control entire neighborhoods and the activities that take place therein, limiting the power of the municipality's security forces. Given this situation, the promise of the "Total Peace" policy and the Submission Law to negotiate with criminal gangs generate great expectations in the department. Both [Shottas and Espartanos](#) are awaiting the approval of the Submission Law and have demonstrated their willingness for peace, according to Monsignor Rubén Jaramillo, who works with the population of Buenaventura.

[The Third Army Brigade](#) is present in the department, with [five new platoons](#) being added in January 2023. This is likely to increase business confidence and reduce the operational capabilities of illegal groups. On the other hand, although the security situation is one of the most important issues in the investment decision-making process, Valle has been characterized for being the most developed department in the Pacific and an attractive place for both national and international investment in different productive sectors.

ECONOMY:

In 2022, according to Valle del Cauca's [economic profile](#) from the Ministry of Commerce, Industry and Tourism, the departmental GDP was mainly composed of the following sectors: commerce, hotels and repair (18%); manufacturing industries (16.8%); public administration and defense together with duties and taxes totaling 22.9%; in fourth place, real estate activities (10.2%); fifth, scientific and technical activities (8.5%); and agriculture, livestock, and fishing (8.2%). From this information, it can be inferred that the department has a highly diversified economy, centered on the service sector and value-added production. This makes Valle del Cauca the department with the most developed economy in the Pacific Region.

According to the IRS 2022, Valle del Cauca is the third department in the country and the first in the Pacific with the lowest economic risk. It is the fourth department in the country and the first in the region with the highest level of banking penetration ([53.7%](#) of adults have an active bank account). Likewise, it has a well-developed business fabric (more than 200 multinationals from different sectors, according to our sources), which reflects a high degree of market sophistication.

Regarding the labor market, according to the [DANE](#), Valle del Cauca had a 3.3% decrease in unemployment, from 16.5% in 2021 to 13.2% in 2022. Similarly, the employment rate increased from 49.3% in 2021 to 55.8% in 2022. This suggests that the department offers job opportunities, that there was an increase in consumption, and that Valle is an attractive investment destination. After the public order problems in 2021, mainly in Cali, initiatives such as [Compromiso Valle](#) emerged, which connects entrepreneurs and communities with social projects, entrepreneurship, and employment generation. By June 2022, more than 7,000 entrepreneurs had received support in business training and generated more than 400 direct jobs.

Valle is the tenth department with the percentage of highest human capital in the country, and the first in the Pacific ([43.9%](#) of its population has higher education). Although this is a good percentage of human capital, there is still room to expand the academic offerings to meet market demands. In this regard, some sources mentioned that training in the use of technological tools and bilingualism are two of the fields in which the department faces the greatest challenges.

On the other hand, [Valle is the third department with the most free trade zones](#) (11), after Cundinamarca (26) and Bolívar (19). This offers some advantages such as a reduction in certain taxes or the possibility of nationalizing raw materials or the final product, which makes them an attractive location for companies that export or that want to enter the Colombian market. At the same time, local economies in the surrounding areas benefit from the exemptions, strengthening the development of the territories and the attractiveness of the department for more companies and investors.

Another element that has boosted business development in Valle is the [Clusters initiative](#) under the Cali Chamber of Commerce. Clusters serve as a network of connections that enable the strengthening of different points along the companies' supply chains. They also facilitate sharing of innovation strategies and a more precise analysis of the challenges and opportunities within each of the nine established sectors (macro snacks, white protein, beauty, clinical excellence, intelligent energy, urban habitat, fashion system, digital economy, and experiences). Made up of more than 6,000 companies, by 2021 each cluster will report sales of between USD 500 million and USD 4 billion, according to sources. In the future, in order to consolidate a more robust business sector throughout the Pacific, this type of initiative would allow for the establishment of value chains, taking advantage of the resources of each department and allowing markets to complement each other.

One of the jewels of the department is the Buenaventura port area, which has five terminals: Sociedad Portuaria Regional de Buenaventura; Sociedad Puerto Industrial Aguadulce; Sociedad Portuaria Terminal de Contenedores de Buenaventura; Grupo Portuario Agencia Logística de Fuerzas Militares; and Compañía de Puertos Asociados Compas Buenaventura. According to sources, the Port moved more than [30% of the country's non-mining-energy foreign trade in 2022](#). Hence, the blockades in the territory affect the performance of the Port and all industries that depend on the entry and exit of goods.

In the past, [blockades](#) on access roads to Buenaventura have generated daily losses of USD 1.26 million (COP 5 billion) for the local economy, impacting other sectors such as cargo transportation, which reported losses of up to USD 13.88 million (COP 55 billion). In addition, the use of de facto means such as blockades over dialogue discourages the arrival of investment to the Port, something that affects the economic development of the municipality of Buenaventura, the department, and the national economy at large. Although several of these blockades are the result of unfulfilled promises made by previous administrations, this government's approach

to solving them has led to them being used by the communities as the first strategy to express their discontent. This results in insecurity, disruption of activities, and economic and product losses for companies involved.

In addition to public order challenges, one of the hurdles that must be solved in the short term is the dredging of the port. This is necessary to [continue boosting](#) its competitiveness vis-à-vis other ports. It currently has a depth of 12.5 meters. In June, the project for deepening the dredging to 16.4 meters was awarded; this would allow ships with larger drafts to enter, preventing cost increases for businesses. The dredging ensures that the port does not depend on high tide to operate, thus maintaining continuity of operations and preventing the port from losing relevance. Based on sources consulted, the other great challenge in competitiveness lies in improving the Port's scheduling for ships. The need for payment to schedule cargo loading and unloading, and the lack of efficiency in the cargo loading process, leads to increased costs.

On the other hand, increasing the arrival of goods to the Buenaventura Port Zone would require the implementation of a multimodal transportation system for their distribution to different points. This would increase the viability of projects such as the [train from Buenaventura to Barranquilla](#), one of President Gustavo Petro's campaign proposals. According to Francisco Lozano, president of [Financiera de Desarrollo Nacional](#) (FDN), the project is in the pre-feasibility stage. If the project becomes a reality, it will allow for a reduction of logistical costs, improvement in competitiveness, generation of employment, greater efficiency in transportation, and national integration.

Since 2018, there has been a legal dispute over the [non-payment of the property tax of the Port of Buenaventura](#). The dispute revolves around who should pay the tax, whether the Port Society in charge of the port or the National Roads Institute (INVIAS). This reduces the revenues the municipality receives, deteriorates the reputation of the companies associated with the Port, generates economic sanctions, discourages investment, and creates a bad precedent, as it could promote the false idea that tax evasion is tolerated. In addition, the reduction of the municipality's resources hinders the administration's margin of action to invest in projects such as the provision of public utilities and critical infrastructure works. According to our sources, the lack of these two elements, with the added problem of insecurity; have limited the development of industries in the areas related to the Port and in Buenaventura as a whole.

Valle del Cauca is the only department with seven intermediate cities (Bugá, Tuluá, Palmira, Cartago, Buenaventura, Yumbo, and Cali). This reflects the high percentage of labor and economic development centers that already have road and air infrastructure, characteristics that make Valle an attractive place for national and international investment and for the development of different industries. In addition, these seven cities have partnered to promote a common agenda and to seek resources together. According to mayor of Palmira [Óscar Escobar](#), these efforts are reflected in the regional leader's participation in the National Development Plan and in resources being allocated to cities with airports. Even with these achievements, as mentioned by people interviewed by Colombia Risk Analysis, some challenges persist, such as: insecurity, the need for infrastructure improvements, and [financing](#) to boost competitiveness and business innovation, especially in the inclusion of information and communication technologies.

The relevance of the business sector and foreign investment is further enhanced by the work carried out by agencies such as [Invest Pacific](#) and [ProPacífico](#), which seek to showcase Valle as an investment destination and connect national and international investors with stakeholders to consolidate their projects. The people interviewed mentioned that this work has meant more than two billion dollars in investment for the department and the arrival of more than 200 companies with foreign capital, which have generated more than 20 thousand jobs.

INSTITUTIONALITY:

According to the 2022 IRS, Valle del Cauca is the ninth department with the lowest institutional risk. Valle del Cauca scored 82.93 out of 100 in the [2021 Departmental Performance Measure](#) and 95.5 out of 100 in the [2021 Digital Government Index](#). This suggests that departmental institutions have a high level of efficiency in public resource implementation and that there is a high degree of ICT integration by local institutions. For the business sector, this represents an incentive, as it reduces the potential risks of engaging or contracting with local authorities.

The [department](#) scored 75.6 out of 100 in the [National Anticorruption Index](#), which allows us to infer that its institutions have the capacity to prevent and combat corruption. Despite this result, the perception of corruption has worsened. In 2021, [68%](#) of the population in the Pacific Region perceived the departmental and municipal governments as very corrupt. This creates institutional distrust, deteriorates citizen participation, and is likely to drive talent away.

Decentralization is also a challenge in this matter. Sources consulted told us that institutions such as Invima still have a centralized structure, which makes it difficult to carry out some procedures. In certain instances, businesses from Valle del Cauca must travel to Bogotá for processes related to their operations in Valle. Thus, it is likely that, if these limitations continue, industries such as the production of medicine or makeup, which are located in Valle del Cauca, will encounter greater obstacles to expand their operations, impacting the department's socioeconomic development.

SOCIETY:

The 2022 IRS data indicate that Valle del Cauca is the fourth department at the national level and the first in the Pacific with the lowest social risk. The same happens with the [Multidimensional Poverty Index](#). Although poverty rose from 8.6% in 2021 to 9.7% in 2022, the percentage of people living in poverty in the department remains well below the national total (12.9%). In other issues related to the population's wellbeing, the department has a health coverage of 100%, which contrasts with the fact that the health services sector has great potential for growth in Valle and that it has [three of the best hospitals in Colombia](#). Despite the department's performance, in some municipalities communities blockade private sector operations as a mechanism to attract attention from the State and ensure their demands are met, as seen in Buenaventura.

The academic offer is another element that impacts Valle del Cauca. Although the [school dropout rate](#) is 4.5%, according to the [Observatory of the Colombian University](#), the department has a wide range of higher education institutes, 58 in total, which have about 1,200 active academic programs (undergraduate and graduate). In addition, the National Government has invested in improving the quality of education through the [STEM approach](#), which provides the department with the tools for children and youth to focus on science, technology, engineering and mathematics. In the medium term, this will probably translate into a more specialized workforce that will allow for greater attraction and promotion of these sectors, generating greater added value and socioeconomic development. Similarly, the Governor's Office proposed the creation of the [Committee for Higher Education Thinking](#) to increase young people's access to higher education and reduce university dropout rates. All these initiatives, together with a donation of [USD 16 million \(COP 65 billion\) in scholarships from the private sector](#), demonstrate the business community and the authority's will, capabilities and resources to strengthen education in the department and its labor market.

Security problems have seriously affected the population and the social fabric. The armed conflict in the department aggravates long-standing problems. According to the Single Victims Registry (RUV), [39%](#) of the victims in Valle del Cauca are recognized as black or Afro-Colombian. The armed conflict has disproportionately affected minority communities, and the establishment of [strategic alliances](#) between businesses and Afro-Colombian or other local communities represents an opportunity for joint project development. This improves the businesses' reputational image and strengthens communication channels with the community.

Another dynamic that Valle del Cauca has had to face is forced displacements due to the armed conflict. The department is one of the main recipients of victims from other departments, such as Chocó and Cauca. Likewise, Cali and the intermediate cities receive displaced persons from the department's rural areas. According to the [2022-1 Semiannual Forced Displacement Report](#), Valle received the largest number of victims (10,515, or 15.7% of the total). In addition, Cali received close to [2,000](#) displaced persons from Buenaventura and Bajo Calima. This problem aggravates the social and security situation in the department by increasing the demand for housing, basic health, and education services, and increases the risk of social disputes due to acts of intolerance. Likewise, the massive arrival of displaced persons poses challenges in terms of territorial planning, the provision of public utilities, an increase in the supply of labor, and higher costs for the provision of [humanitarian aid](#).

ROAD INFRASTRUCTURE:

By 2022, according to the [National Roads Institute](#) (INVIAS), Valle del Cauca's road network had an extension of approximately 384.53 kilometers and was completely paved. 16.25% of the network's roads are in very good paved condition, 37.25% in good condition, and 46.81% between fair and poor. The condition of the road network in Valle suggests that the department has a good infrastructure to connect with the center of the country, which positively impacts commercial exchange and the arrival of tourists, reduces logistics and transportation costs, and is a factor in attracting investment. In addition, to maintain and improve road conditions, USD 4.2 million (COP 17 billion) will be invested [to expand the fleet](#) of yellow goods in 13 municipalities and perform maintenance on tertiary roads; this represents hiring opportunities for machinery companies and qualified personnel for their use.

The current government has invested in the [maintenance of tertiary roads](#). As these roads connect the interior of the department, their maintenance is likely to improve the countryside's competitiveness, positively impact the transportation of goods and products, and reducing the risk of delays or interruptions in supply chains. The governor's office is also focusing on the fulfillment of the [“Invincible Route”](#) project (a strategy to reactivate tourism and the economy through [infrastructure projects](#)). The initiative involves securing the connectivity of the department's productive corridors and boosting tourism in 28 municipalities, which would revitalize the economy and favor the agriculture and livestock sectors.

In terms of road infrastructure, the constant [landslides](#) and [clashes with communities](#) are some of the main obstacles to strengthening the business sector in Valle del Cauca. The event that has generated the greatest impact in 2023 was the [landslide on the Panamerican Highway](#), which caused millions in losses. The dairy sector, for example, had [losses of USD 167,000 \(COP 666 million\)](#) per day, while the Cali bus terminal experienced [losses of USD 62,891 \(COP 250 million\)](#) per day. This has a negative impact on companies' competitiveness, on the fulfillment of contracts, and on the continuity of commercial operations. The fact that the Pan-American Highway is the main access and connection route between the center of the country and the Pacific Region means that its closure increases financial risk, leads to shortages of various products, interrupts supply chains, and reduces interdepartmental trade.

Although landslides and other weather events on the Pan-American Highway are likely to continue, companies can adapt through climate change resilience strategies. Likewise, the changes companies will have to undertake are an opportunity for companies dedicated to the prevention of natural risks and sustainable energy generation. On the other hand, one way to reduce the number of closures on the Panamerican Highway due to community protests is through the creation of spaces for permanent dialogue between the business community, the State, and different social groups. This would enable the parties to express their concerns and articulate projects for job generation, infrastructure improvement, and service provision; issues that often lead to road blockades.

Given the high degree of dependence on the Pan-American Highway, the government announced that roughly [50 new projects](#) will be carried out in Valle del Cauca to improve the department's road network. Some of these are: the [Cali-Candelaria dual carriageway](#), the new Juanchito bridge, the Cali-Palmira access, the Samán roads

and the Buga-Buenaventura dual carriageway. In the short and medium term, these projects are expected to generate [66,000](#) direct and indirect jobs, improvements in intermunicipal trade, greater efficiency in logistics connectivity, reduction of operational risks, and incentives for urban development in areas near the road. Such as the construction of bus stops, restaurants, or hotels for cargo transporters, which would represent opportunities for the real estate and commercial sectors.

Another mega-project (which we also mentioned in our [Regional Risk Index for the Orinoquia Region](#)) that would boost the department's competitiveness is [the direct road connection](#) between Buenaventura (Valle del Cauca) and Puerto Carreño (Vichada). Petro's government [has shown support](#) for this project, which is part of the [2035 Intermodal Transportation Master Plan](#). According to [ProPacífico](#), the plan will create 250,000 direct jobs, which would help strengthen regional economies. Additionally, it would significantly reduce the time it takes to move goods between the Port of Buenaventura and the production centers in the Eastern Plains.

While the project proposes great benefits, it also faces high-impact political and socio-environmental challenges. Although the turnover of local governors is not high in the departments through which the project would pass - which entails continuity in public works projects-, the lack of interdepartmental communication and cooperation is a major obstacle. In addition to this, new governors, mayors, and councils who might not be aligned with these projects are unlikely to prioritize their continuation. Likewise, the works, although vital to national objectives, have a high impact on the environment and cultural heritage sites. Some [indigenous peoples](#) with contiguous territories argue that there are risks associated with the destruction of habitat for endangered species, potential damages to water reserves, and to [sacred territories](#).

Phase 1 of the project is the [Mulaló-Loboguerrero road](#), which would be an alternative road to Buenaventura. But it continues to be held up due to the dispute between ANI and the concessionaire Covimar, which decided to stop operations until an agreement to renegotiate the contract is reached. After presenting its case before an [arbitration court](#), the court determined that the concessionaire must start the project, which has not yet occurred. The delays imply higher operating costs, lower departmental competitiveness, reputational damage, and loss of opportunities arising from the project's construction, such as international trade increases, employment generation, land tourism incentives, and reduction of time in the transportation of goods transiting Buenaventura.

By 2020, [25% of the project had been built](#), with 18% under execution (construction and pre-construction) and [57% in the study phase](#). Despite this project's potential benefits during its construction stage and once completed, work is unlikely to take place in the short term due to high costs, lack of media promotion, little interest from international investors, lack of pressure from the private sector, and limited political will and interdepartmental cooperation. Therefore, the idea of a direct connection between the Pacific and the Orinoquia region will continue to be an aspiration and not a reality. In the middle of an election year, it is unlikely that the current departmental governments will be able to articulate and assume the risks associated to investment and to the creation of incentives to increase companies' short term interests. In order to carry out this project, it will be necessary to increase its promotion, highlighting its benefits and making it more attractive to investors and local producers in the regions adjacent to this corridor.

What is more, the National Government did not include this project in the National Development Plan 2022-2026. Thus, its non-prioritization suggests that several aspects of this corridor will most likely be reevaluated. For example, its viability in areas of high social and environmental impact (since the project faces opposition from some indigenous and rural communities) and its financing (given the costs of the project and the lack of investment).

ENVIRONMENT:

According to our 2022 IRS, Valle del Cauca has a moderate environmental risk. In 2021, the department had [59](#) cases of crimes for illegal exploitation of renewable natural resources; [15](#) for illegal exploitation of mining deposits and other materials; and [4](#) for environmental contamination.

According to Valle del Cauca's Regional Autonomous Corporation ([CVC](#)) as of February 2023, Valle had the most protected natural areas in the country (642,591 hectares). This translates to the protection of natural resources, opportunities for environmental services, and friendliness towards sustainable development companies such as ecotourism and nature tourism. In addition, given their biodiversity, they have great potential for scientific exploration, which would have an impact on improving their preservation and for sectors such as alternative medicine or the natural cosmetics sector.

According to [Global Forest Watch](#), Valle reduced the loss of primary forests between 2021 and 2022 by 51 hectares and, according to the departmental government, [reforestation projects](#) are being carried out with the [communities, the business sector, and government institutions](#), which shows progress in the protection of the department's biodiversity. The participation of the communities together with the business sector reduces the risk of conflict between the two actors and increases environmental awareness. This cooperation also reduces the likelihood of blockades that interrupt the operation of various sectors such as agriculture and tourism and creates a favorable image for companies in the eyes of more environmentally sensitive consumers.

Another strategy that the government has implemented is to partner with private sector companies to reforest using native trees. Projects such as [ReverdeC](#), an ecological restoration program, achieved a planting of 15.2 million trees and 452,000 mangrove seedlings by 2022. This demonstrates the private sector's commitment to the conservation of endemic fauna, increased social responsibility, and positive community relations. In the short term, enabling the private sector to implement more projects of this type could facilitate the implementation of environmental impact strategies, which could in turn improve the community's perception of businesses' regard for the environment.

According to the Organization for Environmental Education and Protection ([OoEPA](#)), Valle del Cauca has a medium vulnerability to climate change. This implies risk of economic losses due to extreme weather events, higher operating costs for investment in adaptability measures, Inconstancy in the supply of natural resources, and possible interruptions in supply chains. In this regard, according to the [Secretary of Rural Development, Agriculture and Fisheries of Valle del Cauca](#), the department has suffered losses of USD 23 million (COP 92 billion) in the agricultural sector, which threatens the financial sustainability of 4,672 families. This reinforces the need to implement strategies for sustainability and for mitigating the effects of climate change, which opens up investment opportunities to achieve the necessary capital flows to implement such strategies.

One of Valle's commitments to contribute to the fight against climate change is through the production of bioethanol from biomass derived from sugarcane. By April 2023, Valle will be the largest bioethanol producer, with [90% of the country's production](#), and will [represent more than 98% of the national cogeneration](#) of electric energy from biomass. Bearing in mind that one of the Government's flagship projects is to promote and consolidate the energy transition in the country, the above figures show the investment opportunities that Valle has in the renewable energy sector. However, in order to boost investment in the department it is necessary for issues such as social conflict, the security situation, and legal guarantees for companies to be addressed in the short term.

Another example of the participation of the business sector in the use of renewable energies is the photovoltaic energy generation project of Empresas Municipales de Cali ([Emcali](#)) using 1,849 solar panels. The panels produce enough energy to operate the four Upflow anaerobic sludge blanket reactors (UASB), where part of the water purification process takes place. This type of project reduces dependence on conventional energy and increases

the companies' resilience to possible interruptions in the electricity supply due to climatic events. It also provides greater guarantees of drinking water supply for commercial operations. Companies such as [Amcor](#) and [Celsia Energía](#) are also betting on renewable energy generation through a solar farm in Valle del Cauca. This outlook is favorable for the private sector, as it contributes to the energy transition, while at the same time achieving innovation and development of technologies that make some processes self-sustainable.

POLITICS:

According to the 2022 IRS, Valle del Cauca is the first department at the national level and the second in the Region with the highest political risk. This implies political instability that limits the continuity of projects; for the business sector it means that activities are likely to be affected by sudden changes in local authorities.

The performance of public service is a problem that generates distrust in the institutions and that will likely affect the department's ability to obtain new contracts. By the end of 2022, according to the [Attorney General's Office](#), among the most prevalent crimes in the department were: embezzlement, contract without compliance of legal requirements, undue interest in the conclusion of contracts, prevarication, extortion, and bribery by giving or offering. More than 60 people, including officials of municipal administrations and law enforcement officers, were under investigation.

Considering that 2023 is an election year, it is likely that issues such as corruption, urban and rural insecurity, the need to strengthen the agricultural sector and the future of tourism will be at the center of the candidates' discourse in Valle. Announcements such as the payment of [USD 237 \(COP 1 million\) to young people](#) by the National Government to stop delinquency have generated debate and, depending on how this proposal is developed, will have an influence on voters' decisions on the candidates for and against the proposal. Given the presence of armed groups in rural areas, it is likely that the electoral risk during the regional elections will remain as in the [2022 presidential elections](#), which affects the democratic exercise and constrains the electorate, leading them to potentially abstain from voting out of fear or because they are unable to reach the voting booth.

According to sources, there is a regional identity in Valle, especially in cultural terms; joint initiatives are being developed by local authorities, such as the [Pacific RAP](#), which brings together 51 congress members, governors, chambers of commerce, and competitiveness commissions of the four departments to create spaces to discuss solutions for the main [issues the region faces](#), such as food security, strengthening of road infrastructure, public utilities, education, and competitiveness associated with agricultural production. This provides opportunities for the formulation of public policies, to include the business community in decision-making, and to strengthen the channels of communication between the private sector and the government.

It is important to clarify that, although there are regional integration initiatives in the political and cultural spheres, there are still marked differences in terms of economic development between departments. The success of strategies like the Pacific Block will depend on investment and joint work to improve interdepartmental dialogue. It will also depend on the network of incentives to promote trade and attract private capital to the less developed territories outside of Valle del Cauca.

INVESTMENT OUTLOOK IN VALLE DEL CAUCA:

AGRICULTURAL SECTOR

According to [Invest Pacific](#), Valle del Cauca serves as a productive and agricultural exporting platform. The department accounts for 35% of fruit production and 22% of the country's agro-industry. This shows a great potential for growth, which encourages investment. It is also an opportunity to contribute to food security in the

region and to develop advanced agricultural techniques. Among the department's top priorities are: [avocado](#), [sugar](#), [coffee](#), pineapple, and [recently, peruvian groundcherrys and bananas](#).

According to the departmental economic profile, [plantain](#) is the most important permanent crop, representing 25.7% of production. The [2020-2023 Departmental Agricultural Extension Plan](#) shows that the department has 28,420.60 ha and that 305,974.20 tons were produced by 2019. Cultivating this food creates opportunities to produce by-products such as flour, snacks, fertilizers, and animal feed for a number of purposes, such as agricultural training, and machinery and agricultural inputs industries. This is particularly relevant as the banana is one of the [agro-industrial crops](#) the department is focusing on.

Sugarcane is the second most produced product in the department ([23%](#)). According to Asocaña, in 2022, 573,869 tons of sugar were exported to more than 60 destinations (such as Peru, the United States, Chile, the Netherlands, among others). This figure represented an increase of [7.3%](#) compared to exports in 2021, which occurred despite the [problems generated by the La Niña phenomenon](#). The sugar sector's positive results imply greater employment generation and an increase in the production of value chains associated with the sector, such as agricultural inputs, food, and transportation. In addition, [a public-private alliance](#) between Asocaña, sugar mills and affiliated growers, Procaña, Cenicaña, Sena and ICBF gave training and psychosocial support to more than 900 people. This is part of the [Rural Commitment](#), a strategy aimed at generating employment and promoting rural enterprises. This is expected to improve efficiency, increase the number of enterprises, ameliorate farming practices, and increment competitiveness.

Several sources interviewed for this report identify the sugar sector as a gem of the Valle del Cauca. By further strengthening this sector, opportunities can be created for boosting areas like renewable energies through bioethanol production. This could attract more skilled and unskilled labor to the department, stimulating growth in additional cities and productive sectors such as real estate. Moreover, given the Government's focus on energy transition, such initiatives could foster collaboration between the Executive and the Valle del Cauca business community.

Coffee is the seventh-largest crop in production in Valle del Cauca ([2.7%](#)). Based on the 2020-2023 PDEA, there are 60,016.40 ha planted and a production of 68,285.40 tons. Valle is promoting the coffee sector by [investing in roads and providing chemical and organic inputs](#). This favors the movement of food and inputs, increases the cultivated area, reduces transportation and logistics costs, and creates incentives investment. By facilitating the movement of merchandise, the government can help reduce costs and improve the sector's competitiveness and efficiency. Coffee production boosts other activities such as tourism and commerce. Strategies such as ["Viájate el Valle" \(Travel to Valle\)](#) where tourists get to visit the department's coffee growing municipalities, promotes the generation of employment and increases the consumption of hotel services and related industries such as retail and gastronomy. Another way to promote the coffee sector is through the [Cali Coffee Festival](#). This festival dynamizes the economy, creates spaces to establish commercial relations, and is an incentive to attract human talent specialized in coffee.

Some of the main challenges suggested by our interviewees for Valle's agricultural sector are: increasing sustainable productivity through the innovation of cultivation techniques and the inclusion of renewable energies. Training and strategy development in resilience to the effects of climate change will also be essential to maintain the agro-industrial production that characterizes the department. Another challenge for the development of the sector is the provision of security for farmers, as many of those displaced by the armed conflict in Valle come from rural areas. For them, it will be essential to strengthen communication channels as well as engage in joint work between the private sector, civil society, and the government. Finally, reducing dependence on imports of production inputs will be another challenge the department will have to overcome in order to grow.

LIVESTOCK SECTOR

The livestock sector plays a fundamental role in Valle's progress. Egg, pork, and chicken production are grouped in the [Cali Chamber of Commerce's](#) white protein cluster. According to figures from the same institution, the production of these three products in Valle and Cauca amounted to 645 thousand tons in 2022, 5.4% higher than in 2021. This suggests that the livestock sector will have the capacity to increase the number of jobs it generates if it continues to increase production. The livestock and agricultural sectors represent 30% of total employment. Likewise, the growth in production would drive investment, enabling it to increase its operations and potentially increase food security in the country. This could also lead to an increase in the demand for products and services associated with animal care. While this creates opportunities for veterinary services, transportation and marketing companies, it also implies the challenge of expanding the capacities of health institutions, the infrastructure of animal processing and production centers, as well as the search for methods to facilitate acquisition of licenses for commercialization.

Valle del Cauca's poultry sector is one of the strongest; it contributes the highest percentage of production in the country, accounting for 21.3% of the 9,208,89 birds recorded by the [Colombian Agricultural Institute](#). In 2021, the poultry sector was especially [affected by the closure of roads](#), as it impeded the passage of feed for the birds, which generated the death of more than [14 million chickens](#) in the country, according to the National Federation of Poultry Farmers of Colombia (Fenavi). The Federation stated that Valle was one of the most affected, going from 49 million to 37 million birds. The reduction in the poultry population meant that the [price of these animals and their derivatives rose](#), causing an increase in department wide food prices. In addition, road blockades affected the operation and productivity of cargo transportation and the agricultural sector. This type of event affects the department's attractiveness to investment, limits the expansion of operations, reduces employment, and leaves a lower contribution to the department's food security.

Pig farming is also important in Valle del Cauca. According to the [Colombian Agricultural Institute](#), Valle del Cauca has 1,418,679 pigs. Of these, 1,221,881 correspond to technified production, 159,847 to industrial commerce, and only 36,951 are backyard and commercial family pigs. This means that approximately 97% of pig farming employs technified practices. This provides advantages in the market, increases competitiveness, and makes the production process more efficient. The department has also identified a total of [13 associations of small and medium-sized pig farmers](#) located in 11 municipalities. Pig production in Valle generates employment, increases demand for machinery, and provides opportunities for the machinery, transportation, and logistics sector, as well as for the generation of renewable energy such as biogas and the production of fertilizer from pig waste.

While the livestock sector has seen growth and technological advancements in animal husbandry, several challenges persist. These include adopting new technologies, securing better access to financing, managing price volatility, and adapting to changing consumption habits. Additionally, transportation of food, inputs, and pork industry products is an issue, often disrupted by landslides and community blockades on departmental roads. Improved animal care practices and investment in vitamin products to maintain nutritional quality are also essential for sector growth, keeping consumer demands in mind. Lastly, establishing a network of sustainable animal feed products and services within the same department is crucial to minimize starvation losses during extreme weather events or other impacts of climate change.

TOURISM SECTOR

Commerce, hotels, and repairs make up the sector that contributed the most to the departmental GDP in 2022 ([18%](#)). The departmental government reported that [Valle received 6.2 million tourists in 2022](#), setting a new record, and generated USD 1.7 million (COP 7 trillion) in income for the entire tourism sector. If this continues, the different industries that make up the tourism sector (hotels, commerce, gastronomy, transportation, cultural activities, among others) will most likely have a greater capacity to strengthen their value chains, generate more

jobs, and attract national and international investment that will provide them with the capital flow to continue growing.

One of the objectives of the current administration is to position Valle as an attractive destination for tourism and, thus, contribute to its socioeconomic growth and competitiveness. This, through projects such as [Parques Para la Gente](#) (which includes the improvement of public spaces to make them more attractive for tourism) and [Destinos Mágicos 2.0](#) (which seeks to train more than 400 gastronomy and lodging companies in Valle). The continuity of these initiatives becomes especially important in the midst of an electoral period, due to the underlying risk that the elected officials decide to forego previous policy in favor of their own agenda. In addition, it favors the relationship between the private sector, public entities, and communities, reducing the risk of conflict between actors.

According to the Colombian Hotel and Tourism Association ([Cotelco](#)) national occupancy grew 1.18 percentage points from January to April 2023. Bogotá, Meta, Caldas, Valle del Cauca, and Boyacá were responsible for driving this growth. However, tourism has been affected by factors such as [the increase from 0% to 19% in VAT on hotels](#), the increase in [airline ticket prices](#), the [low-cost airline crisis](#), [road blockades](#), and [environmental emergencies](#). This reduces the number of tourists, the competitiveness of the region, and the generation of employment; it also deteriorates the department's image as a tourism receiver and reduces consumption in the events sector.

According to the [2022- 2026 Tourism Sector Plan](#), Valle del Cauca has good road connectivity. As mentioned before, according to [INVIAS](#), Valle del Cauca's road network is completely paved, with more than 50% of its roads are in good condition. This allows for tourists to arrive in urban centers, encourages tourism by road, and facilitates the operations of the hotel and service sector. However, to maintain competitiveness, it is necessary to maintain the road infrastructure and strategic investment planning based on each of the territories' strengths. In other words, it is essential to take the area's strengths and differentiating features into account, such as its natural, cultural, and historical environment and other elements that may be attractive to visitors. An example of this is the [Pueblos Mágicos](#) (Magic Towns) strategy of the departmental government and tourism entrepreneurs, which promotes the virtues of the municipalities. This attracts cultural tourism and generates a sense of belonging and preservation of cultural traditions, which in turn strengthens the social fabric and facilitates art and cultural enterprises.

Despite its relevance and growth potential, there are still challenges for the development of tourism, among which are labor formalization and access to financing. [22.7%](#) of the companies consider barriers in access to financing as their greatest limiting factor for growth. This translates into limitations for investment in improvements, expansion, and diversification of their services, which in turn affects the sector's competitiveness. In addition, the hotel and restaurant sector generates informal employment. In Cali, [92,586](#) of the jobs in these two sectors are informal in nature. This scenario is likely to become more complex if the labor reform is approved, since it implies increases in payroll costs for the hotel, bar, and restaurant sector. The reform intends to extend night working hours and increase Sundays and holiday surcharge, which is likely to discourage formalization and reduce investment.

Valle del Cauca is internationally recognized for its wide range of tourist activities and festivals. Cali has been ranked as the ["Leading Cultural City Destination of South America"](#) on several occasions, holds the [International Birdwatching Fair](#), is known as the World Capital of Salsa and celebrates more than [15 International Festivals](#). These events create opportunities for the commerce and lodging sector. It also stimulates the attraction of artistic talent and for the music industry.

An advantage that characterizes Valle del Cauca and encourages tourism is its accessibility by air and land. According to [Invest Pacific](#), the international airport, Alfonso Bonilla Aragón, allows international connectivity through 90 weekly flights to destinations in the United States, South America, and Europe. In addition, airlines

such as [Satena](#), [EasyFly](#) (now Clic) and [Wingo](#) have increased the number of routes to the department, connecting Valle del Cauca with national and international destinations. This not only favors the arrival of new visitors, but also promotes cultural, commercial, and service exchanges between the different destinations. Likewise, the new routes diversify employment opportunities, increase hotel investment, and increase the resources received by the department's three airports in Palmira, Popayán, and Tuluá.

The sector's main development challenges include: providing security; improving accessibility (by increasing low-cost air travel, for example); and continuing to invest in infrastructure and to diversify the tourism related activities. Strengthening tourism growth planning based on the municipalities' tourism vocation is another challenge, but also an opportunity that would facilitate the provision of services and the emergence of enterprises in these territories.

EXTRACTIVE SECTOR

Extractive activities have had a marginal development in Valle del Cauca. By 2022, the mining and quarrying sector contributed [0.1%](#) to the departmental GDP. According to the Colombian Mining Information System (SIMCO), in the first half of 2021, Buenaventura produced [22.04](#) grams of silver (total national production was [26,697,660](#) grams) and [17,643](#) grams of gold (national production was [66,222,186](#) grams). Regarding construction materials, Valle produced [1,343,572](#) cubic meters in 2022. In addition, [45 projects and USD 122 million \(COP 487,939 million\)](#) in resources were approved in the second half of 2021 aimed at mitigating climate change, recovering water basins, improving physical infrastructure, implementing photovoltaic energy systems, and improving road conditions. The above projects have the potential to positively impact the quality of life of the people of Valle del Cauca, strengthen connectivity, favor passenger and cargo transportation, and make the department more attractive for investment.

Sources interviewed by Colombia Risk Analysis suggest that the extractive sector does not play a central role in Valle's economy due to two main reasons. First, one of the department's foreign trade objectives is to continue consolidating its diversified export basket; and second, the renewable energy sector is one of the clusters prioritized in the department. On this last topic, productive sectors such as sugarcane growers are participating in projects for [electric cogeneration](#), which suggests interest on the part of this guild to contribute to the energy transition, and opens opportunities for other guilds to join this type of initiatives in the department in the short term.

Local authorities have sought to improve gas supply to the department. The [Duque administration](#) and the current administration, have sought to build the Pacific Regasification Plant through a tender process, which would store and process liquefied natural gas in Buenaventura. Although the initiative would generate employment, promote energy security in the region, reduce pollutants, and have the potential to strengthen the competitiveness of the industries that would be supplied by it, it has failed to attract bidders. In 2021 the bidding process was [declared void](#) with the business community arguing that the project is not economically viable; in part due to the excessive [cost that the transportation of gas would imply](#). This suggests that the project should be modified in order to provide greater certainty about its profitability. Otherwise, the deadline for receiving bids from companies interested in the construction process [will have to be extended](#). This shows the business community's distrust in the project. In addition, it is likely that, upon noticing the lack of interest from the business community, the banks will opt to increase the costs and requirements for financing the project, as this would imply high risks.

However, the [gas shortage](#) experienced by Cali and Valle del Cauca in May 2023, due to a geological event, indicates the Pacific gas distribution system's total dependency on a single distribution line without backups. It also reveals reliance on domestic gas supply sources. This event may prompt the private sector in Cali and Valle del Cauca to reassess the economic viability of the regasification plant in the future.

REAL ESTATE SECTOR

Real estate activities were the fifth-largest contributor to the department's GDP in 2022. This sector was severely affected by the Covid-19 pandemic. In 2020 the real estate sector represented [11.9%](#) of the departmental GDP and by 2022 it had not yet recovered, with a contribution of [10.2%](#). This suggests that there was a loss of jobs and a reduction in the demand for related products and services (such as construction materials, furniture and decoration). Even with these figures, by 2022 Valle was the [second](#) department with the highest sales and these results remained true through 2023. Between January to March 2023, [3,180](#) Social housing (VIS) and non VIS projects were launched in Valle; in Cali a total of 71,916 jobs were created, as confirmed by DANE. The above suggests economic growth, generation of tax revenues, stimulus to domestic consumption, reactivation of the demand for construction, architecture, and design services.

In 2022 the construction sector closed with the sale of [32,249](#) new housing units in Valle del Cauca. Of this total, 27,974 were social housing units. This implies an improvement in the social welfare of the most vulnerable population, an increase in employment, and a probable decrease in poverty. However, interest rates and rising inflation have been a disincentive for both sectors. Other challenges faced by the sector is the change in the rules for awarding subsidies such as [Mi Casa Ya](#), given that the new regulations generate cost overruns and delays.

On the other hand, Valle is the [main recipient](#) of remittances in the country. According to Carlos Andrés Pérez, director of competitiveness of the Cali Chamber of Commerce, a large part of the resources received are [used](#) in the housing sector, which has had a positive impact on the growth of the real estate industry. Another influential factor when analyzing the housing market is the appetite for used homes. Valle del Cauca is the department with the [third-largest](#) supply of used housing. This implies opportunities for remodeling and interior design services. It also increases the options for buyers and encourages them to look for new ways to promote real estate, such as social networks, which is an opportunity for advertising companies. The growth of real estate and construction activities has boosted the development of [intermediate](#) cities in Valle del Cauca. This fact implies the generation of employment, promotion of infrastructure projects and challenges in terms of the formulation of territorial development and mobility plans. It is necessary to expand the coverage of public services and deal with conflicts resulting from [invasions](#).

MANUFACTURING SECTOR

By 2022, manufacturing industries were the second-largest contributor to the department's GDP ([16.8%](#)). This sector encompasses a wide range of production activities, including the manufacturing of food products, textiles, chemicals, metals, machinery, and equipment, among others. According to [Procolombia](#), Cali accounts for 10.5% of the country's industrial added value. In addition, together with Yumbo, the capital of Valle del Cauca has more than 2,000 productive factories. This panorama allows for the generation of employment, qualified training centers in value-added sectors, and investment in infrastructure.

Agribusiness is another economic driver in Valle del Cauca. According to [Invest Pacific](#), the department has the largest area of agro-industrial crops in the country, with more than 708,950 hectares suitable for crops, which demonstrates the department's potential to contribute to the country's food demand. The consolidated sugarcane-based industry is an example of Valle's agro-industrial development. According to [Asocaña](#), the sector is responsible for 0.7% of the country's GDP; it generates around 188,000 direct jobs and, in the case of Valle, groups 13 sugar mills, six of which have bioethanol plants. The latter represents an opportunity to reduce dependence on fossil fuels, diversify the departmental economy and promote the inclusion of sustainable practices in crops.

Sources mentioned that the pharmaceutical industry has great growth potential in Valle del Cauca. By the end of 2022, the department will contribute more than [37%](#) of the national sales of medicines and medical supplies,

according to Invest Pacific. This figure means that there is a sustained demand for these products, which can encourage medical research, the expansion of operations, investment traction, and the arrival of human talent. In addition, there are already about [456 companies that are part of the Clinical Excellence cluster](#). This reduces dependence on drug imports, fosters the relationship between companies in the sector, and creates spaces for the formulation of solutions to problems afflicting the sector.

Despite the efforts of local producers to meet the demand for medicines, there was a shortage at the beginning of [2023 due to increased](#) demand for these products after COVID, the lack of availability of raw materials for production, and restrictions by brands or manufacturers in contracting between EPSs and managers, among other issues. The latter implies limits to commercial opportunities and competition from the pharmaceutical sector in the department. Sources interviewed by Colombia Risk Analysis stated that another major challenge for the sector is the approval of medical products and permits by the National Institute of Drug and Food Surveillance (Invima). This means delays in launching new pharmaceutical products in the market and increased operating costs due to storage and bureaucratic procedures. In addition, some of the bureaucratic processes must be carried out in Bogotá, which generates further delays.

Senator Pedro Flórez (Pacto Histórico) and Representative Jennifer Pedraza (Dignidad) have presented a bill in favor of [health autonomy](#). This strategy seeks to grant the State the capacity to guarantee access to medicines, health technologies, and medical supplies in an autonomous manner. This initiative creates an opportunity for pharmaceutical companies in the department, as they could become the main supplier of medicines in the country, which would increase the demand for skilled labor to the department and would be a factor of national and international investment traction, which would allow greater development in research and production in the medium term.

Technology is one of the new bets in Valle del Cauca. In Cali alone, there are [1,200 companies](#) dedicated to the software industry, representing 10% of companies nationwide. Many of these companies are making their way into international markets, and experienced an increase of 21% in exports in 2021. This scenario evidences the need for greater investment in higher education specialized in the technology sector so that the companies that are created and arrive within this sector have a greater supply of local labor. Additionally, the development of the technology sector would create opportunities for cooperation with other countries, development of startups, digital transformation in traditional sectors and increased demand for services by the business community (for example, on issues related to cybersecurity and digitization).

As of 2021, Valle del Cauca had [1,129 companies focused](#) on software development, which recorded sales of USD 377 million (COP 1.5 trillion) and a growth of 18.5% compared to the previous year. This translates into a strengthening of contact networks, opening of business opportunities, and strengthening of the digital economy cluster. In addition, Cali became the [second city](#) with the in terms of number of companies affiliated to the Colombian Software Industry Federation, with [985 companies](#). This figure reveals that the sector is highly competitive and makes the capital of Valle del Cauca an attractive place for investment and human capital. [Invest Pacific](#), in its annual report for 2022, showed that most of the national and foreign investment was in strategic sectors such as: technology and software operations, BPO, and shared services centers. This shows that there is interest in expanding the infrastructure and operations of companies in the sector, which is an opportunity for educational centers, promotion of research, and the development of new products and services.

The consolidation of the technology sector hinges on capital injection, an increase in human talent, and swift development of communication infrastructure, such as the 5G network. These elements are essential for maintaining competitiveness. Without them, we risk losing the capacity for action, investment, and quality of the products developed. According to [Colombia Risk Analysis'](#) special report on the technology sector, the country faces a deficit of [80,000 people](#) in this sector. To address this, public-private partnerships are necessary, as they facilitate training and promote the professionalization of personnel. Another challenge for the growth of the

technology sector is creating incentives and opportunity networks to reduce the digital divide, even though [Valle is among the three departments with the lowest digital divide](#). Without efforts to improve access and training in the use of technology, interest in related careers could decline, exacerbating the human talent deficit in the department.

The beauty and personal care industry is one of the industries with the greatest potential in the department. In 2021, it generated USD 1.3 billion (COP [5.4 trillion](#)) in sales. Likewise, Valle is the second-largest exporter of beauty products in the country. The development of this industry would strengthen other activities within its value chain, such as companies that supply packaging, labels and logistics, as well as other growing sectors within the department, such as the chemical sector. The [beauty cluster](#) of the Cali Chamber of Commerce brings together different companies within this industry, which allows the networking of companies, the exchange of technology and knowledge, opportunities for internationalization, and the visibility of products in international fairs such as [Cosmoprof](#). This institutional support demonstrates the willingness to promote this industry and allows for the generation of employment and diversification of the departmental economy. It also promotes new ventures that strengthen Valle's business fabric.

Some interviewees commented that the beauty and personal care industry faces a series of challenges to establish itself. One of them is obtaining marketing and certification permits from INVIMA, especially for small and medium-sized companies. Other challenges include training human talent to create products of this type, obtaining financing, and investing in technology and innovation. These challenges require joint work between the private sector and the State, increased investment, and the application of human talent training capabilities.

In spite of the importance of the manufacturing sector in Valle del Cauca, security limits its development. According to the [Council for Public Safety and Criminal Justice](#), in 2022, Buenaventura, Cali and Palmira were among the most violent cities in the world, suggesting a lack of physical security guarantees for investors and workers. According to sources, extortion is also another challenge to overcome for the manufacturing sector, since it discourages the arrival of human talent and entails cost overruns in the operations of the different industries. Finally, [blockades](#) by communities are also a challenge that restrict the continuity of operations in the manufacturing sector. According to Colfectar, as of April 2023, the blockades on the road to Buenaventura have caused losses in excess of USD 301 million (COP 1.2 trillion). For the sector, these figures imply supply chain interruptions; breach of contracts; and uncertainty, which makes short and medium-term planning difficult.

MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN VALLE DEL CAUCA:

Valle del Cauca is made up of 42 municipalities. Taking into account the information available at the municipal level, the departmental context, and the number of municipalities, we found that the most and least risky municipalities in Valle are:

MUNICIPALITY WITH THE LOWEST RISK IN VALLE DEL CAUCA

The municipality with the lowest risk in the department of Valle del Cauca is Palmira. It is located in the east of the department, bordering the municipalities of El Cerrito to the north, Pradera and Candelaria to the south, Yumbo to the west, Cali to the southwest and the department of Tolima to the east.

The data collected indicates that the municipality has a high risk in the security category. During 2021, with a population of more than [350 thousand inhabitants](#), Palmira had the ninth-lowest homicide rate in Valle del Cauca (with [44](#) homicides per 100 thousand inhabitants). It is the municipality with the second-highest rate of

BEST AND WORST MUNICIPALITY RANKED BY DIMENSION		
CATEGORY	BEST	WORST
Security	Versalles	Cali
Politics	El Águila	Cali
Economy	Cali	Argelia
Institutions	Cali	Florida
Society	Restrepo	Ansermanuevo
Environment	El Dovio	Cali

[kidnappings](#) and had an extortion rate of [15 extortions](#) per 100 thousand inhabitants. There were no reports of massacres, murdered social leaders, or hectares of coca cultivation. The [Third Brigade of the National Army](#) operates in Palmira because it is one of the areas with the greatest presence of [FARC dissidents](#). As a result, the municipality is not exempt from confrontations between different armed groups seeking control of territories and key routes for their illegal economies. However, this situation has not been a limiting factor for the arrival of investment in the municipality. Palmira is one of the seven intermediate cities in the department and has [two permanent free trade zones](#) that make it an attractive territory for investment and for export-oriented companies to settle.

According to data collected and available at the municipal level, Palmira has a moderate political risk. During 2021, of the five crimes that make up the category, the municipality only presented [two victims](#) for threats against human rights defenders and public servants and was the fourth with the fourth-highest number of victims ([53](#)) for crimes of abuse of authority by arbitrary or unjust act. Although these cases negatively are likely to negatively impact the functioning of the public service and relations between the public and private sectors, their overall result would imply that Palmira has an acceptable degree of political stability. It is also important to keep in mind that the fact that there are no records does not mean that these crimes do not occur, but rather that due to lack of access to institutions or even fear, people do not always report them.

Regarding the economy category, the municipality has a very low risk level. This is due to the fact that, in 2021, the municipality had the fourth-highest level of human capital in the department, since [48.4%](#) of its population had higher education. The above suggests that the municipality's labor force is specialized and is an attractive factor for companies in sectors with higher added value, which opens opportunities for the municipality to attract investment and contribute to its socioeconomic development. Of all municipalities, Palmira is the third-highest contributor to departmental GDP ([7.4%](#)). As mentioned above, Palmira is one of the intermediate cities in the department and has free trade zones, which allows for greater economic development. The municipality's main economic activities include agriculture (there are sugar cane, coffee, rice, corn, and tobacco crops), industry ([the multinational Unilever](#)), commerce, and mining. Likewise, it should be noted that the lack of information at the municipal level on variables such as banking and the business fabric means that the analysis is limited and does not fully reflect the reality of Palmira.

Palmira is the fifth municipality with the lowest institutional risk in Valle based on available data. At the departmental level, it was the fourth municipality with the best score in the [Municipal Performance Measurement](#) 2021 (70 out of 100) and the seventh in the [Digital Government Index](#) 2021 (80 out of 100). This suggests efficient institutions with a high level of ICT integration, which is positive for businesses as it implies greater agility in carrying out procedures.

The municipality has a very low social risk. It has the lowest population in poverty in the department ([11.5%](#)), according to the DANE's Multidimensional Poverty Measurement. It is important to clarify, however, that this variable is a measurement following the 2018's census, so it does not take into account the situation generated after the pandemic. In other words, the figure will most likely vary, and may have gone down or remained relatively similar. On the other hand, the number might have stayed the same given the municipal context and given that the [population living in poverty](#) in the department decreased from 2019 (10.8%) to 2021 (8.6%). The municipality has over [90%](#) health system insurance and education coverage and is the eighth municipality with the lowest intra-annual dropout rate ([2%](#)). These figures suggest that Palmira's population has a better welfare condition than others in the department. This implies a lower risk of clashes between communities and companies. Likewise, the risk of the communities seeking solutions to their needs and demands from the private sector decreases.

According to the data consulted, Palmira has a very low environmental risk. During 2021, of the four crimes evaluated in this category, there was only one crime of [illegal exploitation of renewable natural resources](#).

However, as we have mentioned, the fact that there is no record does not necessarily imply that these situations do not occur. Conditions of distance, lack of access or intimidation may cause underreporting of this information at the municipal level.

MUNICIPALITY WITH THE HIGHEST RISK IN VALLE DEL CAUCA

The municipality with the highest risk in Valle del Cauca is Buenaventura. Located in the west of the department, it borders the municipalities of Jamundí, Cali, Dagua and Calima to the east, Chocó to the north, Cauca to the south, and the Pacific Ocean to the west.

The data collected indicates that the municipality is the second (after Cali) with the highest risk in the security category. With a population of more than [310 thousand inhabitants](#), during 2021, Buenaventura had a homicide rate of [62 homicides per 100 thousand inhabitants](#). The [kidnapping rate](#) was the fourth highest in the department, and the extortion rate was the highest ([74 extortions per 100,000 inhabitants](#)). There were no reports of massacres, but three social leaders were murdered. There is a permanent presence of the [Third Brigade](#) of the National Army in the territory, which would provide peace of mind to the community and the business sector. However, Buenaventura, being the municipality with the most hectares of coca in Valle ([1,274 ha](#)) and its strategic position for the trafficking of illegal economies, has been one of the municipalities most affected by the [armed conflict](#). In addition, criminal groups, such as [Los Shotas and Los Espartanos](#), fight for control of the city and prolong the cycles of violence. This panorama makes Buenaventura a municipality with two opposing features: a territory that has one of the most sophisticated port areas in Latin America, but that lacks socioeconomic development.

According to data collected and available at the municipal level, Buenaventura has a high political risk. During 2021, there were [three victims](#) for crimes of constitutional and legal regime and one victim for crimes of improper conclusion of contracts. It was the municipality with the highest number of victims of threats against human rights defenders and public servants ([380](#)), a [single victim](#) of the crime of improper contracting, and it was the seventh municipality with the highest number of victims of crimes of abuse of authority by arbitrary or unjust act ([23](#)). These figures imply that the municipality presents a certain degree of political instability affecting public service and possible corruption dynamics. For the business sector, this increases the levels of reputational and legal risk of contracting with local authorities.

Regarding the economic category, the municipality has a very low risk. In 2021, it was the ninth municipality with the highest human capital, with [23.6%](#) of its population having higher education. This is likely to encourage the hiring of more local labor and the arrival of companies and investors in sectors that require a higher degree of specialization. It was the fourth highest contributing municipality to departmental GDP ([4.39%](#)). This is due, in part, to the presence of the port area in the municipality. According to the sources, more than 40% of the country's non-mining-energy foreign trade passes through the port, which shows its relevance for the departmental and national economy. However, as mentioned in the departmental analysis, issues such as insecurity, blockades, the dredging of the port and the non-payment of the port's property tax limit the development of industries in Buenaventura. It is important to mention that the lack of information at the municipal level on variables such as banking and business fabric make the analysis limited and does not fully reflect the reality of Buenaventura.

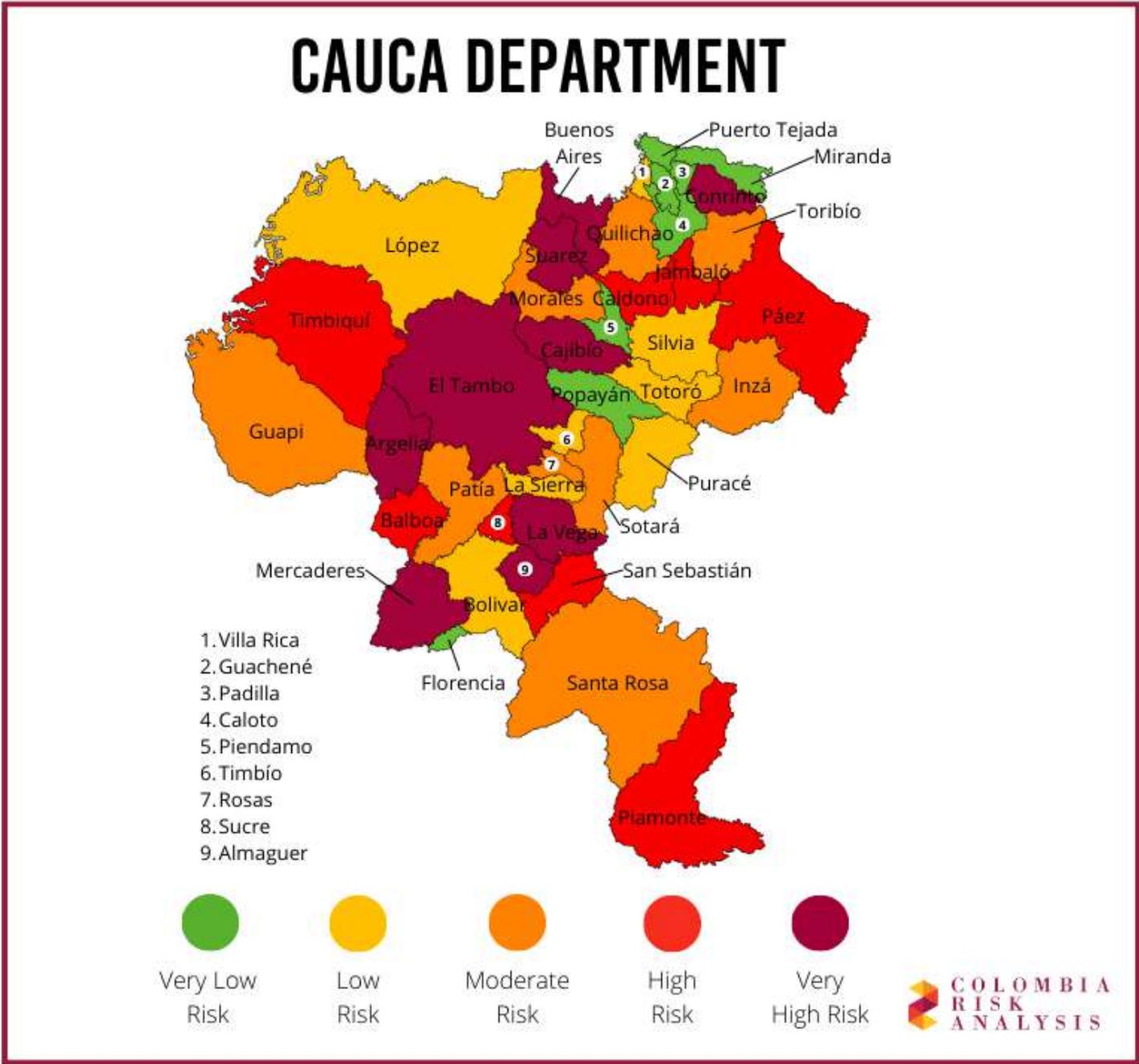
Buenaventura has a high institutional risk based on available data. The municipality had a score of 61 out of 100 in the [Municipal Performance Measure 2021](#) and is the sixth worst scoring municipality in the 2021 Digital Government Index ([61 out of 100](#)). While these scores are not bad, unlike other municipalities in the department, they suggest that there is still work to be done to achieve a greater degree of efficiency in local institutions and in the integration of ICTs. This implies longer bureaucratic processes that increase times and delays in the development of the business sector's activities.

The municipality has a high social risk. At the departmental level, it is the municipality with the second-highest population in poverty ([41%](#)), according to the Multidimensional Poverty Measurement of the DANE. It is important to clarify that this variable is a measurement stemming from the 2018 census, so it does not take the situation generated after the pandemic into account. On the other hand, this variable could remain relatively similar given the municipal context, the municipality's economic outlook, and that the [population living in poverty](#) decreased from 2019 (10.8%) to 2021 (8.6%). 90% of the municipality's population has [health insurance](#) and [education coverage](#). These figures suggest that in Buenaventura the population has a lower welfare condition than others in the department. This increases the risk of social conflict and increases the risk of communities seeking solutions to their needs and demands from companies in the absence of the State.

According to available data, Buenaventura has a low environmental risk. During 2021, two crimes were recorded for [illegal exploitation of renewable natural resources](#), one for [illegal exploitation of mining deposits](#), and one for [damage to natural resources and ecocide](#). These figures show that there is damage to the environment that has repercussions on people's health, the use of natural resources, and the sustainability of economic activities. In addition, as previously mentioned, the fact that there are no more records does not necessarily mean that these situations do not occur. Conditions of distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

CAUCA:

According to our 2022 Subnational Risk Index (2022 IRS), Cauca is the riskiest department. Still, this does not mean that is an impossible place to invest in. On the contrary, knowing the challenges and opportunities presented by the department allows for informed investment decisions that prevent and plan for possible and existing risks. Breaking this result down is necessary to understand the characteristics of Cauca.



DEPARTAMENTAL RISK INDEX OF CAUCA

PUESTO	MUNICIPIO	CATEGORÍA					
		SEGURIDAD	POLÍTICA	ECONOMÍA	INSTITUCIONAL	SOCIEDAD	MEDIO AMBIENTE
1	Puerto Tejada	12.19	7.04	93.51	35.69	0.58	6.25
2	Miranda	15.52	3.19	91.34	24.88	33.39	0.00
3	Caloto	11.61	5.77	80.68	37.89	39.61	0.00
4	Padilla	3.37	1.70	99.12	35.02	35.76	6.25
5	Florencia	15.41	0.00	99.91	40.44	20.42	0.00
6	Piendamó	12.23	0.82	96.26	43.22	29.17	0.00
7	Guachené	15.64	1.11	97.38	29.56	38.07	0.00
8	Popayán	24.93	80.00	0.00	30.41	20.51	50.00
9	La Sierra	1.58	5.99	99.35	46.05	37.55	5.56
10	Puracé	2.74	0.33	99.22	45.57	48.10	0.00
11	López	9.35	0.16	99.32	18.28	68.93	0.00
12	Totoró	8.38	1.06	98.88	18.75	72.40	3.13
13	Timbío	12.85	2.07	97.27	44.66	44.12	3.13
14	Bolívar	5.01	0.19	97.95	54.93	45.50	5.56
15	Silvia	5.49	0.36	97.46	48.15	54.76	3.13
16	Villa Rica	3.68	4.02	95.88	60.34	48.93	3.13
17	Morales	15.50	1.80	97.19	40.87	57.35	0.00
18	Toribio	11.98	8.05	97.55	35.66	58.81	0.00
19	Inzá	19.88	0.98	97.88	39.18	55.73	0.00
20	Santa Rosa	8.93	0.08	99.73	46.46	61.11	2.78
21	Patía	17.81	5.58	91.17	53.55	50.77	0.00
22	Rosas	17.66	0.08	96.70	47.08	55.75	2.78
23	Sotará	15.11	0.57	99.07	45.20	60.25	0.00
24	Santander de Quilichao	44.64	21.44	65.61	20.18	29.06	56.25
25	Guapi	7.24	1.26	98.74	77.19	40.35	2.78
26	Balboa	16.15	0.62	98.33	64.04	47.85	0.00
27	Sucre	0.67	0.99	99.72	57.74	73.60	0.00
28	Jambaló	14.41	0.73	99.15	69.31	47.71	0.00
29	Caldono	24.96	7.55	97.30	54.54	43.43	0.00

30	San Sebastián	9.71	3.69	99.56	46.32	72.48	3.13
31	Piamonte	8.75	2.71	99.61	49.49	60.49	21.88
32	Timbiquí	10.90	1.50	98.79	77.82	46.84	2.78
33	Páez	10.81	1.75	97.19	60.33	70.81	0.00
34	Buenos Aires	18.52	7.39	97.81	43.87	55.20	23.96
35	Almaguer	8.55	0.00	98.60	80.60	64.96	0.00
36	Cajibío	22.55	10.86	97.67	44.20	54.16	25.00
37	La Vega	9.28	0.85	98.95	67.23	81.55	0.00
38	Mercaderes	14.38	20.49	98.84	40.86	77.91	0.00
39	El Tambo	38.67	4.02	95.57	59.96	45.55	18.75
40	Suárez	15.61	2.56	96.96	73.45	76.55	6.25
41	Argelia	47.53	21.74	99.10	46.35	41.69	0.00
42	Corinto	44.05	18.59	98.05	64.52	46.35	0.00

SECURITY:

According to the 2022 IRS, Cauca has the highest security risk out of all the departments at a national and regional level. In 2021, with close to 1.5 million inhabitants, it was the ninth department with the highest extortion rate nationally and third in the Region (with [19 extortions](#) per 100,000 inhabitants), likewise, it had the third-highest homicide rate nationally and the third highest in the Pacific (with [55 homicides](#) per 100,000 inhabitants); and the fourth-highest kidnapping rate nationally and the first in the Region (with [0.9 kidnappings](#) per 100,000 inhabitants).

The above figures show the territorial control exercised by [armed groups](#). In addition to coca crops, there is illegal mining and land conflicts. Given this situation, social leaders generally lead the crop restitution processes in the territories, which makes them the target of threats and violent acts. This is reflected by the fact that Cauca had the highest number of [massacres](#) (14) and the highest number of social [leaders murdered](#) (31) in 2021. For the companies, this panorama is negative in so far as the leaders are the communication bridge with the communities. Without their mediation, conflicts with the communities are likely to occur. Additionally, the current government's "Total Peace" policy has not brought about a reduction in violence, and has even had the opposite effect, with some arguing that the [bilateral ceasefire](#) has allowed the armed groups to increase their control of the territory.

Parallel to the confrontations between the security forces and armed groups, there is a struggle for territorial control between different armed groups, some of which have formed alliances, such as the [FARC dissidents with the ELN](#) against the Clan del Golfo. This situation has led to Cauca being the department with the third-highest number of forced displacements in 2022, with [15](#) mass displacements, where more than [400](#) people are typically affected. Likewise, between January and November 2022, the country experienced a [16%](#) increase in the number of people affected by forced confinement compared to the same period of the previous year. Of the 72 events of forced confinement that affected 66,483 people in 2022, 5% were in Cauca. Displacement and forced confinement tend to disproportionately affect people in rural areas, as it hampers their access to certain basic

services and their ability to carry out economic activities. This ultimately perpetuates gaps in socioeconomic development.

The previously mentioned phenomena are exacerbated by the presence of [Antipersonnel Mines \(MAP\) and Unexploded Ordnance \(MUSE\)](#). Between 2017 and 2021 the department had 95 MAP and MUSE events. Nevertheless, the department has made significant progress with regard to demining. In April 2023, the municipality of [Santander de Quilichao](#) was declared free of suspected antipersonnel mine contamination. In addition, after the signing of the Peace Agreement and until 2021, the number of MAP and MUSE events in the department decreased by [92%](#). However, it is likely that the resurgence of violence and the presence of armed groups will halt demining progress. For the business sector, the risk posed by MAP and MUSE increases significantly outside urban areas. In these areas, investors are more exposed to dangers to both their physical integrity and their property.

Among the main illegal economies run by the armed groups is drug trafficking. By 2021, Cauca was the [fourth](#) department nationally and the second in the Pacific with the highest number of coca hectares (increasing from 16,544 in 2020 to 25,099 in 2021). However, Cauca, and the rest of the Region, is currently undergoing a "[coca crisis](#)", as the price of coca has been plummeting since 2022 as a result of overproduction and oversupply of coca paste, among other factors. The crisis has caused [famine](#) in the territories with the highest sowing and production, such as Argelia and El Tambo, and has affected licit activities in the Region, such as commerce and entertainment, due to the fact that the inhabitants have no money.

Although the crisis represents an opportunity for crop substitution, the Comprehensive National Program for the Substitution of Crops of Illicit Use (PNIS) has been ineffective. The previous government [failed to fulfill its commitments](#) and left the peasants who voluntarily eradicated crops adrift. Likewise, the [latest report](#) of the Ideas for Peace Foundation (FIP) on the implementation of the PNIS states that the current government has not made any progress in the municipalities with illicit crops prioritized by the Program. The vulnerability of the department's local economies to illicit activities is a disincentive for investment, as it implies cycles of violence, absence of the State, and few guarantees for the development of activities.

The absence of income from drug trafficking has boosted other illicit activities that continue to be lucrative, such as illegal mining. Illegal mining was present in [38 municipalities](#) by 2016, and remained stable in the subsequent period, with 2,600 ha in 2018 and 3,000 in 2021. In 2021, Cauca was the [fourth](#) department in alluvial gold mining, of which approximately 27% had technical and/or environmental permits, 5% was in transit to legality, and 68% was illegal mining. Illegal mining represents a risk for the private sector, as it is usually accompanied by the presence of illegal armed groups, which in turn is a risk for the physical integrity of investors and their assets.

The Armed Forces are present in the department under the Third Army Brigade attached to the Third Division. There is the [Cauca Specific Command](#) with a command post in the municipality of Miranda, and the [Twenty-Ninth Brigade](#) based in the city of Popayán. Despite their active presence, the population is constantly threatened by [clashes](#) between the army and illegal groups. Unlike departments with less risk, where the presence of the Armed Forces provides certain security guarantees, in Cauca, these guarantees are lackluster. As a result, the business sector has latent limitations and risks for the development of its activities, which impacts the socioeconomic development of the department and its competitiveness.

In addition to clashes between the Army and illegal groups, in the past, both communities and rural communities have had confrontations with soldiers in the department, situations that have turned, in some cases, into the arbitrary retention of members of the security forces. In April 2023, 16 soldiers were [detained](#) by a group of indigenous people in the municipality of Toribio when they were trying to capture a man accused of committing crimes of aggravated homicide and manufacturing, carrying, and possession of illegal firearms. The soldiers were [released](#) shortly after, thanks to the mediation of the Ombudsman's Office. More recently, 26 soldiers and two

policemen were [detained](#) by a group of rural dwellers in the municipality of Patía while they were carrying out controlled destruction of a cocaine laboratory. These cases illustrate the importance of illicit economies in Cauca, so much so that it has led to an antagonistic relationship between the security forces and the communities, as the livelihood of many families are put at risk in operations by the armed forces.

In addition to the armed groups operating in the territory, the department also has significant levels of crime in urban centers. According to sources, high-impact criminal groups operate in municipalities such as Santander de Quilichao, Popayán and Puerto Tejada. Up to [47](#) gangs operate in the latter, and there have been [reports](#) of alliances between FARC dissidents and urban gangs. Early alerts have warned of the possibility of massive forced displacement in Puerto Tejada, as occurred in [2013](#), when hundreds of families were forced to leave their homes in entire blocks of neighborhoods. The threats, extortion, and harassment that these gangs carry out make it difficult and even impossible for the private sector to operate due to the fear of reprisals and the cost that businesses must pay to continue operating.

ECONOMY:

According to the [Cauca's Departmental Economic Profile](#) published by the Ministry of Commerce, Industry, and Tourism, by 2022 the most important sector for the departmental GDP was public administration and defense (18.9%). It is followed by manufacturing industries (17.1%) agriculture, livestock, and fishing (15.6%), and commerce, hotels, and repairs (12.9%). This suggests that the department has a diversified economy. It also demonstrates a particularly important manufacturing industry, which is capable of transforming raw materials and producing value-added products, generating higher profits.

As of May 2023, the department's exports were concentrated in agro-industrial products, agricultural products, and basic industry. Sugar accounted for 36.5% of the department's exports, dosed medicines 15%, soap 9.4%, and coffee 8.2%. Although agriculture, livestock, and fishing account for a significant percentage of the department's GDP, the departmental economy does not rely heavily on the extraction of raw materials, with tourism and manufacturing being thriving sectors. This provides the department with some protection from external fluctuations in the demand for raw materials in international markets.

According to the 2022 IRS, Cauca is the ninth department nationally and second in the Pacific with the highest economic risk. It is the seventh department at the national level and second in the Region with the lowest banking penetration ([37.3%](#)), even below the national average (42%), which reflects a poorly developed financial system and limits formal contracting and economic development. Also, according to the DANE, it is the fifth department in the country and the first in the Region with the smallest business fabric. It has 297 companies generating formal employment per 10,000 inhabitants. The low business fabric translates into a high level of informal labor. For the second quarter of 2023, Popayán had an informality rate of [58.9%](#), exceeding the national total (55.8%). A high percentage of informality generates [high levels of inequality and low productivity](#). It also generates unfair competition for formal companies, which, having to comply with their obligations to the State, face higher costs.

During 2021, the business sector in Cauca and the entire Pacific Region was strongly affected by the National Strike and blockades that caused losses to the department of around USD 13 million (COP [52 billion](#)) per day. The situation of public unrest forced companies to stop production and exports for weeks and caused a [75.1%](#) reduction in the department's actual production compared to the same period in the previous year. This panorama shows the importance of considering social conflict as a risk in decision-making, in order to plan possible alternatives that allow the continuation of a company's productive activities and to prevent possible reputational risks.

According to data from the [Ministry of Education](#), only 34% of the population has higher education, which means that the department has limitations on its access to high skilled labor. From the above, it can be inferred that companies with higher added value encounter obstacles to establish themselves and integrate into the local

market. Having little specialized local labor affects the department's capacity for socioeconomic development and competitiveness. The current government has prioritized the [construction of universities](#) throughout the country, with [three planned](#) in Cauca. The construction of SENA regional headquarters is also being planned. This is expected to generate greater specialization in the local labor force, making the department more attractive by encouraging the establishment of higher value-added companies. However, this is a long-term commitment and is likely to take some time to yield results.

INSTITUTIONALITY:

According to the 2022 IRS, Cauca has a high institutional risk. The department obtained a score of 59.94 out of 100 in the 2021 [Departmental Performance Measurement](#). This is important for the business sector because it shows the efficiency of the institutions and the adequate management of the resources invested in the development of projects in the department. Cauca had a score of 69.2 out of 100 in the [2021 Digital Government Index](#), which suggests that local authorities have technical, operational, and ICT integration capacity. In addition, it allows analyzing local institutions' agility in partaking in the necessary procedures, which can hinder or facilitate administrative processes for the development of business activities.

In terms of the [National Anti-Corruption Index](#) 2021, Cauca scored 72.8 out of 100. This suggests that departmental institutions have some capacity to prevent and combat corruption. Having transparent institutions and tools in place can enhance the department's attractiveness to businesses and investors. Despite this result, the department has handled important cases of corruption, such as the USD 2.3 million (COP 9.4 billion) [lost](#) in national debt securities in Cauca and the [fraud](#) in the payment of taxes such as cattle slaughter. Cases such as these imply lower departmental revenue, which in turn translates into fewer public resources available to address its problems.

SOCIETY:

Cauca is the tenth department at the national level and the second in the Pacific region with the highest social risk, according to our 2022 IRS. In terms of the [2022 Multidimensional Poverty Index](#), Cauca remains above the national average (12.9%), with 18.3% of the population living in poverty. This may be a disincentive for companies, as it is likely that there will be [clashes](#) with communities, who want the private sector to meet the unsatisfied basic needs that the State fails to provide.

The department has a significant indigenous population ([25.1%](#)). Our sources indicated that Cauca has the most prominent social fabric in terms of indigenous communities, which is evident with the creation of the Regional Indigenous Council of Cauca (CRIC) in 1971. It currently groups 115 councils and 11 council associations, representing [90%](#) of the department's indigenous communities. In addition, the CRIC has become one of the most important [supporters](#) of the current government, [participating](#) in demonstrations summoned by it.

The CRIC has gained strength and political influence, with the popular election of mayors and governors such as [Floro Tunubalá](#), governor of the department in 2001. The CRIC was one of the most important actors during the National Strike of [2021](#) (from April 28 to July 20). The Council supported the mobilizations in Cali and was one of the main organizers of the indigenous protests (Minga indígena) that year. Both the CRIC and other indigenous populations have called for multiple [mobilizations](#) since the national strike, generating [blockades](#) and [blocking](#) vehicles and goods on the Pan-American Highway, causing economic losses and a [14.4%](#) reduction in the number of cargo transport trips from Cauca-Nariño in January 2023 alone. Given the insecurity situation in Cauca, these communities are often targets of violence by armed groups through kidnappings (including of [minors](#)) and assassinations of [indigenous leaders](#). The CRIC has [denounced](#) these and other acts of violence against its community.

The department also has a significant Afro-Colombian population: [19.9%](#) of the population recognizes itself as Afro-Colombian. According to what our sources shared, this population is also building a strong social fabric. In the past, there have been cases of confrontations between indigenous and Afro-Colombian communities over [land invasions](#). The confrontation involved attacks with homemade [explosive devices and firearms](#) that forced the National Government to intervene. It is likely that, due to the presence of these communities, the National and Departmental Government will receive greater demands (concerning to topics such as their ancestral [right](#) to land, [insecurity](#), or their [unsatisfied](#) basic needs) which, if left unmet, increase the risk of communities looking to the private sector to fill the void. Demonstrations by these communities imply constant risk of economic loss due to circumstances beyond the control of entrepreneurs and investors.

The presence of communities with special status usually involves the need for a greater number of procedures, such as prior consultations, which can lengthen project implementation processes. Prior consultations do not are necessarily barriers for businessmen or those interested in investing. On the contrary, if carried out correctly and ties are built with the communities, prior consultations are likely to reduce the chances that communities will oppose the activities of the private sector and are likely to see the private sector as an actor that generates socioeconomic development. However, it is important to mention that there is no guarantee that this scenario will occur, as communities can change their position at any time and implement blockades or demonstrations against the companies. Additionally, other communities could sue or oppose the projects, directly affecting the development of activities and workers, such as the [clashes between the Misak community and the company Smurfit Kappa](#).

The department has a low school dropout rate, with only [3%](#) of its population dropping out before finishing school. On the other hand, [89.8%](#) of the population has access to education. Although this is a high percentage, Cauca ranks as the seventh department in the country with the lowest access to education. The department not only shows promising figures in terms of education, but also boasts a robust higher education sector with 12 institutions, as confirmed by reliable sources. This enables the development of a highly skilled workforce and enhances the level of human capital. Consequently, it becomes easier to establish sectors that offer greater added value, such as services or technology.

In terms of public utilities, Cauca has a good level of electric energy coverage: [91.6%](#) of homes have this service. It also has a relatively good level of sewerage coverage (65%). However, the department has low levels of coverage for other utilities: 44.4% for sewerage, 27.7% for natural gas, and 44.5% for garbage collection. The information collected suggests that the coverage of public utilities is especially precarious in the municipalities located on the Pacific Coast. The absence of public utilities in the department's coastal municipalities is one of the factors contributing to the fact that this is the most [complex](#) sub-region in terms of poverty and insecurity. Since productive activities (such as commerce, hotels and restaurants, among others) require public utilities for their operation, low coverage makes it difficult for businesses to provide their services and is probably a factor that discourages the arrival of investment in these places.

The National Development Plan earmarked USD 27 billion ([COP 115](#) trillion) for investment in the Pacific Region. [Article 288](#) of the NDP contains the Policy for the Integral Development of the Pacific, intended to close gaps in economic and social development in the Pacific Region. Likewise, Article 289 describes the strengthening of the fund for the development of the “Todos Somos Pazcífico” plan. The [fund](#) aims to improve the quality of life of the inhabitants through the investment of USD 400 million. By June 2023, the fund was executing [projects](#) to expand the coverage of public services in the department. The attention that the National Government is paying to the department and the Region is a positive sign for the private sector, as it is likely to translate into greater investments. Likewise, it is likely that more public resources will be allocated to solve Cauca's problems, such as the low coverage of public services, facilitating the private company operations.

ROAD INFRASTRUCTURE:

According to the 2020-2023 [Cauca Departmental Development Plan](#), by 2020, of the 1,874,312 km departmental government is in charge of, 18% was paved, 79% paved, and 3% were dirt roads. 35% of the highways that cross the department were in good condition, 57% in fair condition, and 8% in poor condition. The condition of the road network has shown an improvement since 2012, when the routine road maintenance program with community participation was implemented, after which the road network went from 93% in poor condition to 65% in 2019. The tertiary network of the department is 8,692.64 kilometers long and is in very poor condition; it also lacks a real maintenance program. The poor condition of the tertiary network hinders communication and transportation between the department's urban centers and rural areas. According to sources, some municipalities, such as Guapi and López de Micay, are cut off from the rest of the department. This carries a risk for the private sector, as it requires higher transportation costs that are reflected in the final products, reducing their competitiveness.

The Pan-American Highway is the main road that crosses the department and connects it with Valle del Cauca to the north and Nariño to the south. Due to it being the most importante highway, as in the case of Nariño, the department is vulnerable to landslides, protests, and roadblocks. The landslide that occurred in January 2023 in the municipality of Rosas (Cauca), which lasted [more than two months](#), cutt Nariño and southern Cauca off from the rest of the country. By March 2023, the collapse had caused economic losses worth [USD 12 million](#) (COP 50 billion), significantly damaging the [agricultural sector](#) in Cauca. Likewise, it caused an [11%](#) decrease in travel to Cauca and Nariño. In general terms, Cauca was not as affected as Nariño. The landslide occurred in its southernmost region, leaving most of the industry located to the north of the department unharmed, and unlike Nariño, Cauca does have other access roads. After the landslide, the [alternate passage](#) through the Panamerican Highway was enabled in February, and in March, an [alternate road](#) between Cauca and Nariño was also made available. However, the landslide has not been completely resolved and the [opening](#) of the road has been postponed until October.

In addition to landslides, the Pan-American Highway has also been blocked by local communities, as happened in [April 2023](#), which forced the closure of the section that connects Popayán with Cali (Valle del Cauca). Landslides and blockades -of which there have been [35](#) in different sections of the road between April 2022 and April 2023-, imply millions of dollars in losses for the private sector in the department and the Pacific, which sees its goods blocked and access to production inputs restricted.

The department has other access roads such as the [Transversal Libertador](#), which connects the department with Huila and the interior of the country. Likewise, the Paletará Corridor, which will connect Cauca with Huila, resumed [construction](#) in October 2022, after a year without [progressing](#) due to a [corruption](#) scandal. Despite the fact that the works have been restarted, they are lagging behind schedule, without a date for completion. On the other hand, the [Cali-Rumichaca](#) corridor is under construction, and is intended to connect the capital cities of Nariño, Cauca and Valle del Cauca with the Ecuadorian border. This project is of paramount importance, as it would reduce dependence on the Pan-American Highway and facilitate transportation between the three departments and Ecuador, reducing costs and time.

This indicates that Cauca is less vulnerable to the blockage of the Panamerican Highway, as it has more roads connecting it to the rest of the country. However, other types of road disruptions are a risk to the department, since communities have [blocked roads](#) in the past to make their voices heard.

Despite the challenges faced by the department in terms of road infrastructure, the Government has expressed its intention to invest in the [most remote departments](#), such as those in the Pacific Region. The National Development Plan includes the "[Todos Somos Pazcífico](#)" plan for public investment in the region. In the future, one of its objectives is the improvement of transportation connectivity through the construction of a [cargo dock](#) in Timbiquí and a [river dock](#) in López de Micay, which would facilitate river transportation in the department. In

addition, these projects would generate employment, not only in the specific works, but also in the entire construction sector value chain. The works also creates the opportunity for public-private partnerships, which would foster better communication channels and relations between the national government and the private sector.

ENVIRONMENT:

According to the 2022 IRS, Cauca has a low environmental risk. Although in 2021 the case record in environmental crimes was low compared to other departments, some municipalities have had a significant incidence of illegal mining, such as [Timbiquí](#) and the municipalities that the San Juan del Micay River [crosses](#), which has been [contaminated](#) by this activity. The incidence of this activity has [increased](#) due to the coca crisis. Illegal mining is often harmful to the environment because of the toxic chemicals used, such as [mercury](#), which contaminates [water resources](#). It also represents a risk for the private sector because it denotes the presence of armed groups.

On the other hand, Cauca is one of the 12 zones where 67% of deforestation in the country is concentrated, due to the [transformation of forests](#) into pastures, croplands, wetlands, settlements and illegal mining. By 2021, 2,571 hectares were deforested in the department, which represents [0.5%](#) of the total concentrated in the 12 zones. The problem of deforestation is relevant for the business sector because, if some of the goods used come from deforested areas, it is likely that there will be reputational risks and sanctions for contributing to the destruction of ecosystems. In this regard, both private sector and government initiatives are key to counteracting environmental damage. In 2021, the [coffee-growing](#) sector carried out reforestation actions with the support of the Ministry of Agriculture and Rural Development on farms in Cauca and other departments.

The department is also vulnerable during Winter due to the poor condition of its roads. In the past, [heavy rains](#) have led to flooding and destruction of roads and infrastructure. This poses a risk for the private sector, as it worsens the condition of existing roads and increases difficulties in terms of transporting inputs and goods.

On the other hand, the El Niño phenomenon has also impacted the department in the past. In 2019, the heat wave caused water [shortages](#) in municipalities in southern Cauca, such as Timbío, Rosas, and Balboa, where the department's agricultural activities are concentrated, affecting crops and livestock. To solve the situation, the government used motor pumps, storage tanks, and electric plants to provide water. This situation shows the importance of considering how environmental risks impact the private sector, as well as the importance of contingency plans and sustainable models that contribute to the fight against climate change. Keeping these in mind can create opportunities for cooperation with the current government and reduce possible reputational risks to consumers who increasingly demand more environmental responsibility.

The IDEAM has [predicted](#) that the El Niño phenomenon will affect Colombia's climate conditions in the second half of 2023, especially in the eastern part of the department. Depending on the strength of the phenomenon, droughts are likely to have an effect on the agricultural sector's productivity. It is also expected to have an impact on the production and transmission of energy due to the [reduction](#) in water reservoirs, which will probably [increase](#) the cost of electricity, generate inflationary pressure, and impact the productivity and competitiveness of the departmental economy.

POLITICS:

According to the 2022 IRS, Cauca is the second department at the national and departmental level with the highest political risk. While no governor has been removed or resigned from office between 2008 and 2021, corruption scandals have occurred in the last three terms ([2008-2011](#); [2012-2015](#); [2016-2019](#)). This increases the likelihood that the private sector will face challenges to its development, and discourages the arrival of new investors, as companies incur reputational risks when pursuing contracts with government institutions.

In 2021, Cauca was the third department at the national level and second in the Pacific with the highest record for crimes of constitutional and legal regime ([47 victims](#)); third at the national level and first in the Region with the highest amount of crimes of improper contract execution ([46 victims](#)); fourth at the national level and second in the region with the highest number of crimes of abuse of authority by arbitrary or unjust act ([319 victims](#)). For the business sector, this suggests a high degree of political instability that affects the functioning of local authorities and increases the likelihood of reputational risks if companies contract with local institutions.

The crime that entails the highest political risk in the department is threats against human rights defenders and public servants, which registered [1,452 victims](#) in 2021. This is of special importance when considering the fact that Cauca is the department with the most murdered social leaders. This panorama affects the business sector's investment decisions, given that social leaders are a key actor in the intermediation between communities and public servants when pursuing due process.

According to sources, the upsurge in violence will have a significant effect on the October regional elections due to territorial control and threats by armed groups. On May 29 FARC dissidents led by Iván Mordisco [threatened the regional elections](#) after the bilateral ceasefire broke down. The group declared that it will not allow political participation of candidates backed by sectors contrary to its thinking. The Electoral Observation Mission (MOE) identified Cauca among the [five departments with the highest electoral risk](#) due to the presence and armed actions of FARC dissidents. Sources commented that there are already threats against candidates, such as the threat against a mayoral candidate of the municipality of Caloto. This implies a high political risk in the department and the violation of the inhabitants' political rights. This is such a serious issue that the [National Registrar's Office](#) is evaluating the possibility of postponing or repeating the elections in Cauca due to the public unrest situation.

Based on the sources we have interviewed, in cultural terms there is a shared perception of a "Pacific Region". However, although there are initiatives in Congress and between departmental and local authorities and the private sector, the large socioeconomic differences between the departments make it difficult to consolidate an identity in the short term that would allow the four territories to develop on a more equal footing. One particularity of Cauca is the gap between the north and south of the department. On this issue, some sources told us that there is a strong bond and integration between Valle del Cauca and the municipalities in the north of Cauca, while those in the south suffer a different socioeconomic reality. This leads to a shared idea of a "Region" that encompasses only Valle and the northern part of the Cauca, and leaves out the rest of the department, Nariño and Chocó.

INVESTMENT OUTLOOK IN CAUCA:

AGRICULTURAL SECTOR

According to the [Departmental Economic Profile](#) of the Ministry of Commerce, Industry and Tourism, by 2022, the three most important permanent crops in the department were sugarcane (79.9%), plantain (6.6%), and coffee (4.6%). In terms of transitory crops, cassava was the most important crop accounting for 39% of the total share, followed by potato with 32.8%, and corn with 8.1%.

According to the 2020-2023 [Departmental Development Plan](#), Cauca has an agricultural frontier of 1,357,977 ha, corresponding to 45% of its total area. However, the sector is characterized by inequality in land distribution and informality in land tenure, which was estimated at 66.46% in 2019, according to the Ministry of Agriculture. The absence of titles hinders access to [credit and benefits](#). It also hinders investment in land. Likewise, informality is an obstacle to investment due to the lack of certainty around future returns on investment. In terms of inequality of land distribution, the most common type of landholding is very small, with an average family productive area of 0.5 ha. This limits the [competitiveness of crops](#) as it makes large-scale production difficult.

According to the Departmental Development Plan, sugarcane is grown in four of the seven subregions that make up the department. According to the [2020-2023 Agricultural Extension Plan](#), by 2019 there were 61,000 ha planted with sugarcane in its two varieties (sugar and panela) in 39 of the 42 municipalities, which is equivalent to 92% of the department. As of May 2023, sugar was the department's most important export, accounting for 36.5% of the total share of export products. Promoting sugarcane cultivation and its production chain presents important opportunities for private enterprise in the department, including agricultural and industrial processes that [generate](#) more than 286,000 jobs. In addition, the industry has potential for export growth, considering that sugar is experiencing [growing](#) demand at the international level, due to a reduction in production in the main producers (India, Thailand, China, and Pakistan) resulting from unfavorable weather conditions.

Sources commented that the department is a leader in national coffee production. This is due to the [bean's high quality](#), which can vary depending on which thermal zone it is sown in. Coffee is the third most important permanent crop in the department and the fourth most important export product (7.7%). The people interviewed mentioned that Cauca is one of the [main](#) coffee producers, and its export [destinations](#) include Germany, Belgium, and the United States. The processing of coffee products is the fourth most important industrial activity in the department, accounting for 5.2% of total industrial production.

The [legalization](#) of the sale and purchase of cannabis for recreational use for adults came close to becoming a reality. Despite failing to pass in the Senate plenary, it is the first time that the initiative has come [this far](#). It is also expected to be [reintroduced](#) in the new legislature that began on July 20, 2023. Given the large number of hectares of marijuana crops in the department -of which there were more than [3,000](#) in the northern sub-region alone in 2022- if approved, the initiative would represent an opportunity to attract investment to Cauca, linking local communities with the private sector and even [multinational companies](#).

However, there are several challenges preventing it from reaching its full potential. Following the regulation of the medical and therapeutic use of marijuana in 2016, [farmers](#) in the municipalities of Toribío and Corinto, among others, initiated efforts to make their crops legal for medicinal uses. Nevertheless, the large investments required, strict care conditions, and pressures from armed groups slowed the efforts of many farmers. In addition to these obstacles, if legalized, the crops would also have to go through several bureaucratic processes to become legal, such as obtaining permits, verifying good practices, and establishing traceability procedures.

On the other hand, indigenous communities in the department have also started coca leaf enterprises, such as the Coca Pola beverage of the Coca Nasa microenterprise created by the [Nasa indigenous people](#). The drink is produced from coca leaves and has the legal uses of the coca leaf as one of its objectives. In Colombia, the coca leaf is [recognized](#) as an integral element of indigenous culture and its use is permitted exclusively by indigenous communities. However, the government is yet to clearly define regulation for its use; its current [interpretation](#) is ambiguous. Nevertheless, coca leaf for legal uses opens up opportunities for Cauca, a department with high levels of coca hectares and a strong indigenous association.

The position of Gustavo Petro's government on the [decriminalization and regulation](#) of cocaine is a 180-degree turn from the prohibitionism at the center of the war against drugs. While this represents a paradigm shift, it is unlikely that any real change will occur regarding the coca leaf in the near future due to the opposition and taboo surrounding drugs in the country. Additionally, although the United States (Colombia's main ally on the drug issue) [seems to support Petro's change in drug policy](#), it still continues to demand results on [crop reduction](#).

Despite the importance of the agricultural sector to the department's industry and exports, it faces a variety of challenges. Since late 2022, concerns have been raised about land invasions by local indigenous communities. High inequality in land distribution has led to [conflict](#) between indigenous, Afro-descendant, and peasants against landholders. In June 2023, more than [600 complaints](#) were filed for [invasions](#) by indigenous communities, resulting in the loss of 8,000 hectares of private property and affecting sugar unions in the north of the department as well as small and medium-sized entrepreneurs.

The CRIC has been one of the main protagonists of the land invasions, claiming its ancestral right to the land as a legitimate reason to invade land and arguing that sugarcane monoculture, or other industries like cardboard production, are harmful to the land. As a result, there have been cases of [violence](#) among the department's communities, [forced displacement](#) of the [owners](#) of invaded lands, and challenges for crop cultivation, especially for [sugarcane mills](#).

Smurfit Kappa has been one of the companies most affected by this problem, with [invasions](#) by the Misak indigenous people taking place since September 2021, accompanied by burning of natural forest, felling of pine trees, destruction of plantations, and even [violence](#) against company executives. Although the Government has [condemned](#) the land invasion, it is likely that the indigenous movement in Cauca will exercise resistance and use de facto means to assert their claims, as happened on August 2 on the [Panamerican Highway](#). The invasion of farms and sugar mills had caused the loss of [6,000](#) jobs by April 2023 and a reduction in productivity. Given the department's attractiveness, the instability caused by the land invasion will probably have a negative impact on companies and investors wishing to invest. Investments could be delayed, generate lower returns, or even be lost due to the actions of the invading communities and their impact on crops and workers alike.

Another challenge facing the sector is the flawed connectivity within the department and beyond. As mentioned above, southern Cauca's dependence on the Pan-American Highway has led to millions of dollars in losses in the past due to landslides, blockades, and protests. Additionally, the lack of tertiary roads in Cauca means that [43%](#) of its areas are more than four hours away from the capital, where products are marketed, and production inputs are acquired. This implies additional transportation costs, long delivery times, and logistical difficulties, making the sector less competitive and discouraging investment.

LIVESTOCK SECTOR

The department also has a livestock sector. By 2020, there were [264,000](#) cattle distributed in 16,000 farms. The Agricultural Extension Plan characterizes Cauca's cattle farming as diversified, with fattening, breeding, and milk. Of these activities, dairy cattle represent 17% of the sector. However, this activity has been in decline following the [collapse](#) of the Vía Panamericana, which put 24,000 dairy farmers at risk and also caused doubts about the permanence of the Alpina food company, with rumors of the [closure](#) of its milk processing plant in the municipality of Caloto.

The possibility of road closures due to landslides or constant blockades by local communities implies a high level of uncertainty for the department's livestock sector, which could be suddenly cut off from the rest of the country. This increases the risk of incurring significant economic losses or the loss of perishable goods, such as livestock products.

According to [Cauca's Comprehensive Agricultural and Rural Development Plan](#), fishing and aquaculture are not representative activities of the departmental economy. However, they do occur in the Cauca's southern subregion.

LIVESTOCK SECTOR

The livestock sector also has great potential in the department. There are industries related to [cattle, pigs, horses and sheep](#). According to the Colombian Agricultural Institute (ICA), in the [2022 national cattle census](#), Meta registered a cattle herd of 2,289,057 cattle and 20,142 farms with cattle, making it the [third-largest](#) cattle herd

in the country. In addition, it has an aptitude -the capacity of a piece of land to support the growth of a given crop under optimal conditions- of 4.1 million ha for beef and milk production, according to [the UPRA](#). This suggests that Meta has a strong livestock sector, relevant to national demand. However, according to sources, Meta has great challenges regarding the industrialization of the livestock sector. However, it is likely that the inauguration of a plant by [La Fazenda](#) in 2021 will boost the creation of other industries. With this, the department will probably move towards a greater transformation of raw materials and increase its attractiveness for more specialized industries.

Among other security challenges, Meta is in the first place among the departments most affected by the crime of cattle [rustling](#). The most affected municipalities are San Martín, Puerto Gaitán, San Juan de Arama, Castilla la Nueva, Fuente de Oro, Guamal and Puerto Lleras. This type of crime is a threat to the livestock sector, especially for small and medium-sized producers, for whom the costs of replacing stolen cattle can be more difficult to bear. It is important for producers and companies to be aware of these types of events in order to implement action plans that will enable them to respond to these eventualities.

TOURISM SECTOR

The commerce, hotel, and repairs sector accounts for a 12.9% share of the departmental GDP and is the fourth-largest sector. [The department's main tourist attractions](#) are: Puracé National Natural Park, Tierradentro Archaeological Park, Popayán's Historic Center, and Gorgona Island, among others. According to the Departmental Development Plan, tourism is of special importance for the Pacific. There are different types of tourism: archeological, ecotourism, and bird watching. The latter is particularly relevant, as the department has 1,102 different species of birds.

Insecurity in the department is one of the biggest challenges facing the tourism sector. The U.S. Department of State recently issued an [alert](#) advising U.S. citizens to avoid regions of Colombia such as Cauca, which it considers risky for crime, kidnapping, and terrorism. In [2020](#) and [2021](#) there were cases of kidnapping of foreign tourists by FARC dissidents. Insecurity is likely to reduce the arrival of national and international tourists, which would negatively impact all economies associated with tourism, such as hotels, gastronomy, and cultural activities.

Another challenge facing the sector is limited airport connectivity. Cauca has four airports in total, located in Popayán, Guapi, Santander de Quilichao, and Timbiquí. Of these, the Popayán airport is the [largest](#), with the capacity to receive small and medium-sized aircraft. However, sources mentioned that the airport does not have the possibility of receiving larger aircraft because the obstacles in the approach slope to the airport were never considered during its construction, a situation that currently [prevents](#) the airport from expanding its runway. Additionally, due to the limitations of the Popayán airport, access to the department by air is easier from Cali. These difficulties are an additional obstacle for tourists wishing to visit. Limited connectivity implies a lower volume of tourists and is a disincentive for investment in tourism infrastructure, such as hotels or entertainment venues.

According to sources, another challenge facing the sector is the low level of bilingualism. Although the department received more than 9,000 tourists in 2021 and 2022, the low level of bilingualism in tourism-related activities, such as hospitality, has been one of the main obstacles in terms of receiving international tourists. The language barrier makes it difficult to serve visitors, which can have an impact on their permanence in the territory and on the capacity of local communities to receive foreign tourists.

In February 2023, the Ministry of Commerce, Industry, and Tourism presented the initiative "[Colombia: destinations of peace](#)," which is part of a plan to boost tourism in territories affected by the armed conflict, such as [Cauca](#). The plan seeks to link communities, the National Government, and private enterprise to strengthen the links between tourism and the local economy. This represents an opportunity for investors, taking advantage of

the results of the peace process and [new tourist destinations](#) accessible since 2016, such as the [Misak de Silvia reservation](#). Especially considering that the program also seeks accompaniment from the Ministry of Industry, Commerce, and Tourism by facilitating business plans and tourism marketing plans.

EXTRACTIVE SECTOR

According to the [Departmental Economic Profile of Cauca](#), the extractive sector in Cauca accounts for only 0.8% of the departmental GDP. There are [three producing oil fields](#) in the department (Guayuyaco, Mary, and Miraflores), and more than [300](#) mining operations for gold, silver, iron, gravel, sand, construction materials, clay, marble, limestone, coal, and other minerals. In 2020, [62](#) projects were approved for the department by the General Royalties System (SGR), including the construction of hospitals, the strengthening of education, and the promotion of sports. In 2021, Cauca was one of the departments that received the most [investment](#) from the SGR to face the COVID-19 pandemic. It is evident that, although the extractive sector does not contribute substantially to the departmental GDP, SGR resources are important, as they allow the department to face some of its social challenges.

It is unlikely that further development or strengthening of the extractive sector in the department will be pursued. Petro's government focus on the energy transition, the uncertainty over whether or not new hydrocarbon exploration and exploitation contracts will be awarded, and its position on large-scale mining affect the attractiveness of the sector throughout the country. Another challenge facing the extractive sector in Cauca is the strong presence of indigenous communities, which increases the risk of opposition to extractive projects if they are considered harmful by the communities. This is in addition to the bureaucratic procedures required to obtain the necessary permits and licenses to operate.

On the other hand, the [presence](#) of illegal mining in the department also represents a risk for the extractive sector. First, illegal mining is usually accompanied by the presence of armed groups, which exercise territorial control to carry out their illegal activities. This implies a risk to the physical integrity of investors and their assets. It also implies reputational risks for duly regulated mining activities, as they tend to be associated with illegal mining. Finally, illegal mining is unfair competition to legal mining, which is subject to the payment of taxes and the observance of [environmental regulations](#) established by the State.

MANUFACTURING SECTOR

In 2022, manufacturing industries accounted for [17.1% of Cauca's GDP](#). By 2021, the industry was divided into five activities: manufacture of other food products (32.4%); other manufacturing industries (31.2%); manufacture of paper and cardboard (30.2%); manufacture of coffee products (5.2%); and manufacture of non-metallic mineral products (1%). Based on the Departmental Development Plan, Cauca's manufacturing industry is concentrated in the north, due to its proximity to Cali and other industrial centers in Valle del Cauca, such as [Jamundí, Palmira, and Yumbo](#). As a result, there is a development gap between the northern and southern municipalities of the department, according to our sources.

The [Páez Law](#) was highlighted as relevant by the people interviewed. This law granted tax incentives for companies that were established in the area affected by the 1996 Páez River avalanche, to encourage investment and the establishment of private companies in the area. Thanks to this Law, and the establishment of the Cauca Free Trade Zone, there are currently [four](#) industrial parks. The tax incentives that exist in this tax zone (such as 0% VAT on goods acquired from companies operating in the customs territory, 0% VAT and tariffs on foreign goods, and a single 20% income tax for industrial users of goods and services) are important for attracting investment and the establishment of private enterprise. This has allowed 85 large companies to establish themselves in the department, among them Colombina, Familia, Propal, Hero Motos, and Nutresa, which shows a diversified industry in production from food products to personal care products.

Despite its potential and importance in the department, the manufacturing sector faces challenges related to blockades and protests. Experts mentioned that 45 days of protests during the 2021 National Strike were 3.2 times more damaging to the departmental economy than a year of pandemic, and caused a 75% reduction in the Industrial Production Index. According to the [Buga Chamber of Commerce](#), in May 2021 the manufacturing sector in Cauca faced limitations in the supply of raw materials due to the National Strike, as well as difficulties in transportation and safety issues. As a result, [31.8%](#) of the companies suspended operations, 62.8% functioned partially, and only 5.4% functioned normally. The effects were of such magnitude that by August 2021 the business fabric and manufacturing production [had not fully recovered](#).

The use of the de facto means by local communities increases the risk of instability and uncertainty regarding the functioning of economic activities, which probably generates an image that doing business in Cauca is difficult and negatively impacts the attractiveness of the department to potential investors or companies.

Since 2013, the department has given special importance to the science, technology, and innovation sector through the departmental Strategic Plan for Science, Technology and Innovation ([ConCIENCIA](#)). Between 2012 and 2020, [8%](#) of the department's royalties were earmarked for projects in this sector. 30% of these projects focused on promoting capacity building and human capital formation. As a result of this investment, by 2022, scientific and technical activities accounted for [6.5%](#) of the departmental GDP.

Among the economic activities that have implemented innovation processes are coffee production, with the Tecnicafé [Coffee](#) Innovation Technology Park is a platform created for small producers to [market their specialty coffees](#). Furthermore, the department is currently promoting the consolidation of a cluster of technology-based companies that are part of the 4.0 industries. These companies work for the automation of processes, maintenance services, software support, and information security monitoring, among others, allowing the generation of technical capabilities and ICT skills to meet the challenges of the industry.

The department's 4.0 Industry sector has [grown](#) by 14.2% between 2010 and 2020. Among the companies in the sector that have been created in Cauca are the Center for Technological Development ([Creativ](#)), and the Departmental Council for Science, Technology, and Innovation ([CODECTI](#)), both of which are dedicated to strengthening technological processes. The strengthening of technology and innovation in the department makes it possible to overcome, to a certain extent, the digital connection gaps. Similarly, the presence of this sector implies that there are companies dedicated to increasing the efficiency of business processes, such as the flow of information and resources, which increases the productivity of the private sector.

According to sources, this sector suffers from a lack of human capital. Despite the fact that the department has nine universities with technological development potential, such as the Universidad del Cauca, the people interviewed stated that there is little articulation between these universities and the private sector. This causes highly qualified young people to seek opportunities outside the department and impedes the development of the sector. The flight of human capital means a reduction in skilled labor, which in turn leads to less innovation and productivity.

MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN CAUCA:

Cauca is made up of 42 municipalities. Taking into account the information available at the municipal level, the departmental context and the number of municipalities, we found that the most and least risky municipalities in Cauca are:

BEST AND WORST MUNICIPALITY RANKED BY DIMENSION		
CATEGORY	BEST	WORST
Security	Sucre	Argelia
Politics	Almaguer	Popayán
Economy	Popayán	Florencia
Institutions	López	Almaguer
Society	Puerto Tejada	La Vega
Environment	Almaguer	Santander de Quilichao

MUNICIPALITY WITH THE LOWEST RISK IN CAUCA

The municipality with the lowest risk in Cauca is Puerto Tejada. It is located in the north of the department, bordering the municipalities of Miranda and Padilla to the east, Caloto and Villa Rica to the south, and the department of Valle del Cauca to the west and north.

The data collected indicates that Puerto Tejada has a moderate risk in the security category. During 2021, with a population of [more than 42 thousand inhabitants](#), Puerto Tejada had the fourth-highest homicide rate in the department ([119 homicides per 100 thousand inhabitants](#)), and a rate of [two kidnappings and 7 extortions per 100 thousand inhabitants](#). There were no massacres or social leaders killed, and coca hectares were recorded. Despite the presence of the [Cauca Specific Command](#), the various [armed groups, such as the ELN, FARC dissidents, and the second Marquetalia](#), which are fighting for territorial control, increase the security risks for individuals, workers, businessmen, and investors.

According to data collected and available at the municipal level, Puerto Tejada has a high political risk. In 2021, it was the tenth municipality with the highest number of victims of [threats against human rights defenders and public servants](#) (24), the third for [crimes of improper conclusion of contracts](#) (3) and the fourth for [crimes of abuse of authority by arbitrary or unjust act](#) (14). It is likely that the impact on the functioning of the public service is a disincentive for the private sector to engage with local authorities due to possible reputational or legal risks. It is important to bear in mind that the fact that there are no records of the other crimes considered in this category does not mean that they do not occur, but rather that people do not always report them due to lack of access to institutions or even fear.

Regarding the economic category, Puerto Tejada has very low risk. This is due to the fact that the municipality was the fifth-largest contributor to the departmental GDP in 2021 ([3.93%](#)). As mentioned above, northern Cauca is characterized by its industrial potential due to its proximity to Cali and other intermediate cities in Valle del Cauca. This condition, in addition to being one of the territories with [free trade zones](#), allows Puerto Tejada to have greater economic development. The municipality's [main activities](#) include agriculture, commerce, industry, and services. It should be noted that the lack of information at the municipal level on variables such as banking and business fabric make the analysis limited and does not fully reflect the reality of Puerto Tejada.

Puerto Tejada has a low institutional risk based on available data. At the departmental level, it was the fifth municipality with the best score in the 2021 Municipal Performance Measurement ([55 out of 100](#)) and it obtained a score of [64 out of 100](#) in the 2021 Digital Government Index, ranking 17th out of 42 in Cauca. This suggests efficient institutions with a high level of ICT integration, which is positive for businesses as it implies greater agility in carrying out procedures.

Puerto Tejada was the municipality with the lowest social risk in Cauca. It is the municipality with the lowest population living in poverty ([16.6%](#)), according to the DANE's Multidimensional Poverty Measurement. It is important to clarify, however, that this variable is a measurement following the 2018 census, so it does not take into account the situation generated after the pandemic. In other words, the figure will most likely vary, and may have gone down or remained relatively similar. This variation is due to, amongst other things, the municipal context and the fact that [the population living in poverty](#) in the department decreased from 2019 (24%) to 2021 (18.6%). According to the data collected, the municipality has [health insurance](#) and [secondary education coverage](#) of 100%, and is the third municipality with the lowest [intra-annual school dropout rate](#) in the department (0.54%). These figures suggest that the population in Puerto Tejada has a better welfare condition than others in the department, which implies a lower risk of clashes between communities and companies. Likewise, the risk of the communities seeking solutions to their needs and demands from the companies decreases.

The municipality has a very low environmental risk according to available data. During 2021, only [one crime](#) was recorded for damage to natural resources and ecocide. However, as mentioned above, the fact that there is no record does not necessarily mean that these situations do not occur. Conditions of distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

MUNICIPALITY WITH THE HIGHEST RISK IN CAUCA

The municipality with the most risk in the department of Cauca is Corinto. Located in the north of the department, it borders the municipalities of Miranda to the north, Padilla to the west, Caloto and Toribío to the south, and the department of Tolima to the east.

The data collected suggest that the municipality has a very high risk in the security category. With a population of [more than 25 thousand inhabitants](#), during 2021, Corinto had the second-highest homicide rate in the department ([199 homicides per 100 thousand inhabitants](#)), the highest rate of kidnappings ([19 kidnappings per 100 thousand inhabitants](#)) and the tenth-highest rate of extortion ([19 extortions per 100 thousand inhabitants](#)). In addition, [two social leaders were murdered](#), and [11 coca hectares](#) were recorded. Although the [Cauca Specific Command](#) is present in the department, armed groups fighting for territorial control [increases the security](#) risks for communities and commerce in the municipality.

According to data collected and available at the municipal level, Corinto has very high political risk. During 2021, it recorded [one victim](#) for crimes of constitutional and legal regime, it was the municipality with the third-highest number of victims for [threats against human rights defenders and public servants](#) (213), and it was the seventh with the highest number of victims for crimes of abuse of authority by arbitrary or unjust act ([6](#)). These figures imply that the municipality presents a certain degree of political instability affecting public services and possible corruption dynamics, which sector increases the levels of reputational and legal risk for the business when seeking contracts with local authorities.

Regarding the economic category, the municipality has a moderate risk. In 2021, only [0.16%](#) of the population had higher education, which suggests that most of the municipality's labor force is unskilled, which limits the attractiveness of the territory to investors or entrepreneurs in productive sectors with higher added value. On the other hand, Corinto contributed 1.31% to the departmental GDP. The municipality's main economic activities include agriculture, agribusiness, commerce, and mining. It is important to mention that the lack of information at the municipal level on variables such as banking and the business fabric makes the analysis limited and does not fully reflect the reality of Corinto.

Based on available data, Corinto has a very high institutional risk. At the departmental level, it was the eighth municipality with the worst score in the 2021 Municipal Performance Measurement ([39 out of 100](#)) and the eleventh with the worst score in the 2021 Digital Government Index ([54 out of 100](#)). This suggests that there is inefficiency in local institutions and that there is still a need to work on greater ICT integration. For the business sector, this implies longer bureaucratic processes that increase time and complicate the development of their activities.

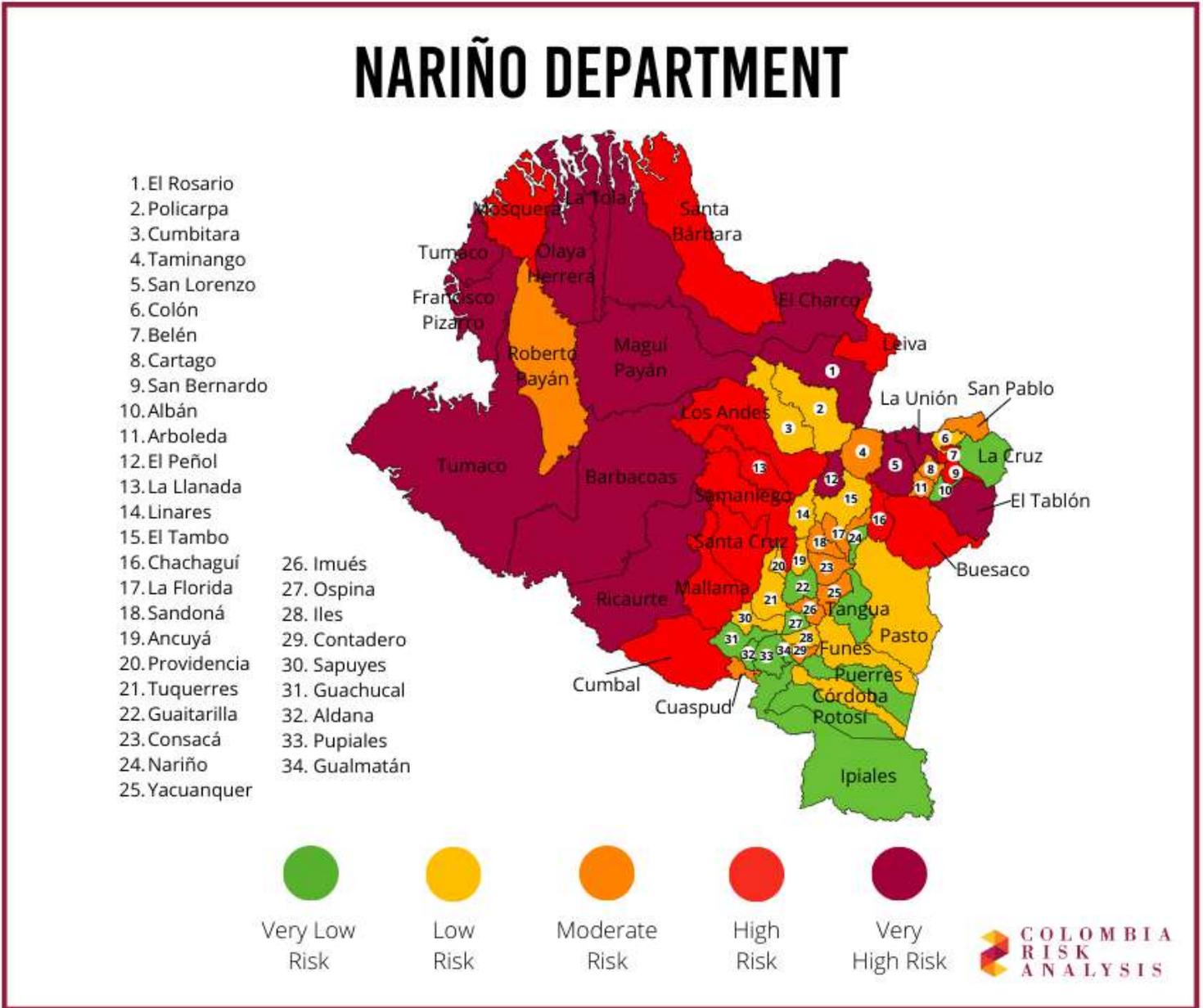
The municipality has a moderate social risk. According to the DANE's Multidimensional Poverty Measurement, Corinto is the tenth municipality with the lowest population living in poverty ([33.7%](#)). It is important to clarify, however, that this variable is a measurement following the 2018 census, so it does not take into account the situation generated after the pandemic. In other words, the figure will most likely vary, and may have gone down or remained relatively similar. This variation is due to, amongst other things, the municipal context and the fact that in [the population living in poverty](#) in the department decreased from 2019 (24%) to 2021 (18.6%). Although Corinto has a coverage of 100% in terms of [health system insurance](#) and [secondary education coverage](#), it is the municipality with the highest intra-annual dropout rate ([3.47%](#)). These figures suggest that Corinto's population

has a relatively better welfare condition than others in the department, which reduces the risk of clashes between communities and companies. Likewise, it reduces the risk that communities will look to companies to solve their needs and demands vis-à-vis the State.

According to the available data, Corinto has a very low environmental risk. During 2021, there were no records of any of the crimes that make up this category. However, as we have mentioned, the fact that there are no records does not necessarily mean that these situations do not occur. Conditions of distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

NARIÑO:

According to our Subnational Risk Index 2022 (IRS 2022), out of Colombia's 32 departments, Nariño is the tenth-riskiest department to invest in the country. It is necessary to break down this result and understand the behavior of the department. This enables us to identify the opportunities and challenges facing the business sector and investors interested in Nariño.



DEPARTAMENTAL RISK INDEX OF NARIÑO

RANKING	MUNICIPALITY	DIMENSION					
		SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT
1	Puerres	1.06	0.00	96.16	16.33	27.70	0.00
2	Potosí	0.88	0.00	97.42	29.96	15.07	0.00
3	Nariño	0.00	0.00	99.88	6.17	40.09	3.85
4	Gualmatán	0.00	0.00	97.84	25.20	28.04	0.00
5	Aldana	2.41	0.61	99.87	32.59	17.95	0.00
6	Pupiales	5.94	0.00	98.82	29.22	20.01	0.00
7	Guaitarilla	0.00	4.00	99.29	22.53	30.00	0.00
8	Albán	0.00	0.00	97.75	28.48	35.29	0.00
9	La Cruz	0.48	0,00	99.49	34.56	24.82	8.33
10	Tangua	0.00	0.81	99.38	17.28	46.84	1.92
11	Guachucal	3.92	0.00	98.83	39.51	28.14	0.00
12	Ipiales	27.83	6.23	80.44	36.77	16.87	2.88
13	Ospina	0.00	0.00	99.68	48.01	29.67	0.00
14	Pasto	10.85	100.00	0.00	22.87	14.13	41.67
15	Túquerres	3.60	20.41	92.09	28.90	25.15	8.33
16	Córdoba	0.00	0.00	99.09	45.59	34.60	0.00
17	Colón	14.44	0.00	99.58	31.16	32.53	0.96
18	Cúmbitara	12.03	0.00	99.86	48.38	21.44	0.00
19	Iles	0.00	0.00	99.62	40.65	35.14	16.67
20	Ancuya	8.85	0.00	99.71	40.76	29.22	8.33
21	Sapuyes	9.25	0.00	99.73	32.76	38.77	5.77
22	Providencia	6.38	0.00	99.97	33.25	46.78	0.00
23	Funes	0.00	0.00	99.71	50.68	38.35	0.00
24	Linares	3.18	0.00	96.49	54.62	34.52	0.00
25	El Tambo	13.00	0.82	99.27	42.74	28.98	0.00
26	Policarpa	27.76	5.82	98.77	22.57	24.25	0.00
27	Cuaspud	3.85	0.00	99.78	45.21	40.80	0.00
28	Yacuanquer	13.82	0.00	99.35	32.05	35.96	8.33
29	Imués	0.00	0.20	99.77	47.22	37.78	9.29
30	San Pedro de Cartago	0.00	0.00	99.65	51.62	38.96	1.92

31	Taminango	10.95	0.20	98.98	45.49	33.49	0.00
32	La Florida	1.83	0.00	99.49	50.87	40.03	0.00
33	Roberto Payán	20.51	0.82	99.83	8.77	56.61	0.00
34	Arboleda	2.11	0.41	99.57	46.64	43.53	1.92
35	San Pablo	7.52	0.41	96.35	51.00	31.66	9.29
36	Contadero	0.00	4.00	99.70	48.29	43.09	0.00
37	Consacá	0.00	0.00	99.57	52.17	45.00	0.00
38	Sandoná	11.06	1.21	98.88	57.43	24.65	0.96
39	Chachagüí	4.95	0.20	97.66	37.93	40.12	25.00
40	Santacruz	5.56	0.00	98.85	41.75	52.28	0.00
41	Buesaco	3.91	0.20	98.49	47.84	37.49	25.00
42	Cumbal	7.89	4.20	98.58	54.44	29.07	13.46
43	Mosquera	7.16	0.00	99.91	32.88	65.22	0.00
44	Belén	2.81	0.00	99.88	75.38	28.63	0.00
45	Leiva	18.54	0.20	99.66	45.76	38.56	0.00
46	San Bernardo	7.29	0.00	99.74	54.97	46.19	0.00
47	La Llanada	14.57	0.00	99.94	45.92	40.39	8.33
48	Samaniego	20.56	6.73	98.14	47.06	33.07	0.00
49	Mallama	18.05	0.00	99.82	55.21	36.29	1.92
50	Los Andes	14.66	0.00	99.75	60.95	37.24	0.00
51	Santa Bárbara	13.58	0.82	99.18	40.25	60.08	0.00
52	Francisco Pizarro	8.94	0.00	99.86	37.66	69.53	0.00
53	El Tablón de Gómez	0.62	4.00	98.51	74.39	36.61	8.33
54	Ricaurte	24.07	7.35	98.69	31.95	48.16	0.96
55	El Peñol	1.26	0.00	98.06	88.46	38.37	0.00
56	La Unión	9.82	4.81	96.90	82.50	30.96	1.92
57	Olaya Herrera	17.35	0.82	99.51	38.20	68.65	0.00
58	San Lorenzo	4.60	0.00	99.00	59.58	43.92	33.33
59	El Rosario	12.14	0.61	99.25	48.31	60.86	8.33
60	Barbacoas	14.84	2.24	97.84	31.46	64.11	29.17
61	El Charco	17.10	0.00	98.44	57.92	59.65	0.00
62	La Tola	14.32	0.00	100.00	73.45	49.50	0.00
63	Magüí	6.75	0.00	99.60	41.12	83.58	16.67
64	San Andrés de Tumaco	69.35	29.98	79.64	45.26	54.61	29.81

SECURITY:

According to our 2022 IRS, Nariño is the fifth department with the highest security risk. By 2021, with a population of more than 1.6 million people, it was the ninth department with the highest homicide rate ([35.3](#) per 100,000 inhabitants), had a kidnapping rate of [0.2](#) per 100,000 inhabitants and a rate of [10](#) extortions per 100,000 inhabitants. Although the department has a permanent presence of the army's [Twenty-third Brigade](#), which provides some security guarantees to the population and the business sector, it is not exempt from [attacks by illegal groups](#).

A [variety of armed groups](#) operate in the department, including different fronts of the FARC dissidents (Frente 30, Segunda Marquetalia, Bloque Occidental Alfonso Cano, Frente Oliver Sinisterra), demobilized members of the Autodefensas Unidas de Colombia (Grupo Comandos de Frontera), the ELN, and the Clan del Golfo. In addition, in 2022, Nariño recorded the highest number of mass forced displacements ([45](#)) in the country, and also experienced [forced confinements \(nine events\)](#). Although forced displacement is an intentional act against civilians, the instances of forced confinement in Nariño occur as a secondary effect of the clashes between different armed groups, which fight for [control of the routes and illicit economies](#) that cross the countryside.

The phenomena of forced displacement and confinement are exacerbated by the presence of Antipersonnel Mines (MAP) and Unexploded Ordnance (MUSE), which restrict the movement of communities. In 2022, Nariño was the [most affected](#) department by [MAP and MUSE incidents](#). Thus, forced confinement, clashes between armed groups, and the presence of MAP and MUSE prevent communities from developing their economic activities, such as fishing and agriculture. This, in turn, prevents local populations from meeting their basic needs by restricting their access to natural resources even after the end of hostilities, increasing the risk of food insecurity, and economic hardship. Similarly, forced displacement leads to the [break-down of the agrarian economy](#), which prevents the development of agricultural projects in the countryside. In addition, forced displacement to other communities, often to cities, poses economic challenges for the recipients. For the business sector, the risk from the actions of armed groups and MAP and MUSE increases outside of urban centers and into rural areas. In these places, investors experience greater risks to their physical integrity and property.

According to the United Nations Office on Drugs and Crime (UNODC), by 2020, Nariño concentrated, along with Norte de Santander, Putumayo, Cauca and Antioquia, 84% of the hectares (ha) of coca in the country. By that time, Nariño was the [second](#)-largest total area of coca hectares, with 9,000 ha in a downward trend since 2017. However, in 2021 UNODC reported a [43% increase](#) in the area planted with coca in the country, from 143,000 ha to 204,000 ha. The Pacific Region (Nariño, Cauca, Valle del Cauca, and Chocó) reported a [76% increase over the previous year](#), with 56,516 out of 89,266 ha in the entire Pacific being located in Nariño. The large number of coca hectares and the presence of armed groups fighting for control of this drug and other illegal economies imply a difficult panorama for companies and investors. Security risks for workers and infrastructure are increasing.

However, the Pacific is currently experiencing a ["coca crisis"](#) due to the significant reduction in coca leaf prices. This crisis has been worsening due to the oversupply of coca leaf as a result of an increase in cultivation, the uncontrolled increase in [fentanyl consumption in the United States](#), the departure of the FARC as a [regulatory actor in this market](#), and territorial disputes between armed groups. The crisis has left entire populations that depend on sales of illicit crops without income, creating an economic crisis in these communities and even [food insecurity](#). In addition, the crisis has caused both coca growers and people in the cocaine production chain to migrate to other illicit activities to earn an income, such as illegal mining.

The coca crisis represents an opportunity for the substitution of illicit crops, but, according to a report on the implementation of the 2022 National Integral Program for the Substitution of Illicit Crops by the FIP, efforts to implement a transition have faced [significant challenges](#), such as differentiated territorial dynamics that do not

allow measuring its effectiveness in a comparative way, few harvesters being served by the program, and a deterioration of security conditions in the municipalities that are part of the PNIS.

By May 2023, an [update of FIP's report](#) stated that the current administration had no records showing progress in socioeconomic indicators in municipalities with illicit crops prioritized by the program. A recent [lawsuit](#) by 1,651 families for non-compliances and irregularities in the implementation of the program before the Constitutional Court shows how little progress the PNIS has made in the department. According to the lawsuit, 400 families were unable to register because they could not travel to the location where the workshops were being held. Likewise, 348 families had not received the first payment and 251 families were pending one or more payments. Thus, Nariño also runs the risk that the coca crisis will stimulate other illegal activities, without reducing the levels of violence.

The struggle for territorial control between armed groups is exacerbated by access to the Pacific Ocean and the border with Ecuador. The department is a [corridor](#) for smuggling economies, arms trafficking, drug trafficking and, presumably, human trafficking. Criminal organizations transport drugs to Ecuador or the Pacific through the Pan-American Highway, the Port of Tumaco, the city of Pasto and rivers such as the [Mataje River](#). The [porous nature of the border](#) makes it difficult for the State to control the territory, which makes [bilateral cooperation](#) between Colombia and Ecuador necessary in order to effectively address the problem.

The presence of armed groups increases violence in the department. In 2021, Nariño had the third-highest number of massacres ([9](#)) and social leaders killed ([17](#)) in the country. The murder of social leaders is particularly significant when considering the high percentage of the population in Nariño that identifies as [indigenous and Afro-Colombian](#) (15.7% and 17.8% respectively). The assassination of indigenous social leaders, such as the case of [Marcos López Enríquez](#), highlights the lack of protection of the populations and makes it difficult to communicate the needs of the communities with the State. In addition, the insecurity experienced by these communities increases the risk that they will use [de facto means](#) to demand security and vindicate their rights. This has negative effects for the private sector, especially the agricultural sector, as protests and blockades are likely to generate cost overruns for the transportation of goods and increase the risk of losing perishable products.

ECONOMY:

According to the Ministry of Commerce, Industry, and Tourism, the [public administration and defense](#) sector accounts for 25.2% of the departmental GDP. It is followed by the commerce, hotel, and repairs sector with 21.9%; agriculture, livestock, and fishing with 19.2%; and real estate activities with 6.5%. Unlike other departments where economic activity is based on a single sector or industry, Nariño has a diversified economy. According to the [2023 Departmental Competitiveness Index](#), Nariño ranks 15th in terms of diversification of the export basket. This shows that the department is not dependent on a single sector, especially the primary sector, which reduces its economy's vulnerability to domestic or external shocks (such as fluctuations in commodity prices).

According to the 2022 IRS, Nariño has a high economic risk. The department has a low percentage of banking penetration and human capital. Only [39.3%](#) of adults in the department have an active financial product, and only [31.4%](#) of its population has higher education.

On the issue of banking penetration, sources suggested that there is an informal culture in the department that makes Nariño's residents reluctant to do business with banks. This phenomenon is less common in urban centers, where banks have a greater presence. However, despite the bank's efforts to reach the department's most remote corners through microfinance, informality continues to be the preferred way of obtaining resources in the countryside, for example, through the "gota a gota" lenders. The prevalence of informal lending, as opposed to formal banking, creates challenges for formal banking to reach a wider population. Additionally, this situation

often leads individuals to incur debt at exorbitantly high interest rates. In addition, people run a high security risk with “gota a gota” loans, with lenders using threats and intimidation to obtain repayment of the debt.

Our sources also reported that the department has 12 higher education institutions, meaning the problem does not lie in the quantity of university offerings. The reason for the low level of human capital, we were told, is brain drain. Once young people graduate, they prefer to migrate to other parts of the country, such as Cali or Bogotá, because of the wide range of jobs available there. The low level of human capital translates into an unspecialized labor market and represents an obstacle for companies in higher value-added sectors, as they have difficulty hiring local labor, which ends up negatively impacting the department's competitiveness.

Nariño is the eleventh department with the smallest business fabric at the national level but the second, after Valle del Cauca, in the Pacific Region. By 2021, micro and small enterprises constituted 99.8% of the department's business fabric, according to the [DANE](#). Microenterprises are less resistant to external shocks; during the pandemic they reported a decrease in sales of up to [75%](#). As a result, the department's economy was seriously affected, with a reduction of [4.6%](#) of its GDP during 2020. Micro and small enterprises drive development, generate employment, and are important players in the department's industrial and commercial production. However, they have a [high level](#) of [informal](#) labor, with Pasto being the eleventh city with the highest proportion of informally employed population ([57.8%](#)). High informality leads to greater inequality and less socioeconomic development. People depend on lower wages and have no labor guarantees.

However, the department has shown a significant recovery in employment since the pandemic. For 2020, Nariño recorded a peak unemployment rate of 21.1% between May and July, which dropped to [14.5%](#) in the last quarter of the year. In 2022, the department recorded the lowest unemployment rate of the 23 departments measured, with a rate of [6.2%](#), well below the national rate of 11.2%, according to the DANE. Following this trend, the department recorded an employment rate of 67.4% in 2021, which increased to 70.2% in 2022. Unemployment and employment figures in the department suggest a good economic recovery process, which is conducive to a positive environment for the arrival of foreign investment and the establishment of new companies.

Nariño's geographic position, with access to the sea and a border connection with Ecuador, create trade opportunities that other territories lack. In the first place, access to the Pacific Ocean, through the Port of Tumaco (the Port hereinafter), represents an opportunity for trade in Nariño, especially when taking into account that Colombia is part of the [Pacific Alliance](#) and the [OECD](#), two trade organizations focused on the Asian Pacific coast and its booming economies.

The Port became especially important during the [national strike](#), due to the effects on the Port of Buenaventura in Valle del Cauca, and again during the collapse of the Pan-American Highway, as it became the only way to [supply the department](#), in addition to the border crossing with Ecuador. The port has [capacity](#) for bulk cargo, including dry and liquid foodstuffs from the agricultural sector and hydrocarbons. However, the port does not have the capacity for containers, the [standard](#) storage method in maritime transport, which implies difficulties in the efficiency of the port's operations and compatibility problems with certain types of vessels.

Among the main challenges facing the Port are that it does not have the necessary infrastructure to operate at the level of the Port of Buenaventura, with only [two docks](#) compared to [14](#); it does not have the capacity to handle containers; and [it has a shallow dredging](#) that does not allow the entry of ships of greater draft. This limits its development as well as that of the department as a whole. Additionally, this makes it challenging for it to be considered as an alternative or backup to the Port of Buenaventura, further impacting the dynamics of the country's foreign trade.

Despite these challenges, the Port has advantages that boost its competitiveness, such as [three special regimes](#), Zomac, Special Customs Regime Zone, and Special Economic Export Zone. These regimes contain customs

incentives, such as [lower](#) import taxes and [fiscal](#) benefits, like a lower corporate income tax rate. These incentives increase the attractiveness of Nariño's only port by reducing the tax burden for companies and allowing them to generate higher profits.

The department shares a border with Ecuador, which according to our sources is the department's main trading partner. Trade relations between Colombia and Ecuador are established by the free trade zone of the [Andean Community of Nations \(CAN\)](#). From 2021 to 2022, Colombia recorded a growth in [exports to Ecuador](#), from USD 1,758 million to USD 1,882 million. Likewise, of the USD 3,124 million in exports from Colombia to other CAN members in 2022, USD 1,882 million were destined for Ecuador, which accounts for 60.2% of Colombia's total exports to the CAN. In addition to the CAN, Colombia and Ecuador have [four](#) other [trade agreements](#), including ALADI, GSTP, as well as treaties with the European Union and the United Kingdom.

However, one of the main challenges to bilateral trade is smuggling. With the devaluation of the Colombian peso at the end of 2022, massive purchases in Colombian territory were illegally smuggled into Ecuador, evading taxes and regulations. This generates unfair competition with the formal sector, since smuggled products have lower prices because they do not have to comply with taxes imposed by law. This phenomenon led to [the closure of a plant in Quito](#) due to the smuggling of cigarettes from Colombia. Trafficking of [arms](#) and [gasoline](#), among other products also takes place on the border. Smuggling is not a recent problem. The Ipiales Chamber of Commerce has been warning about the phenomenon of [gasoline smuggling](#) since 2018. However, the problem worsened during the pandemic, when the closure of the border led to the [insolvency of hundreds of companies](#) and boosted the smuggling of all kinds of goods.

Contraband smuggling negatively affects formal businesses on both sides of the border and local economies by distorting product prices and boosting crime. Thus, in the midst of an election year, this issue is expected to be one of the main points of debate among mayoral and gubernatorial candidates, with security and economic development being key issues for attracting investment to the department.

INSTITUTIONALITY:

According to our 2022 IRS, Nariño has a moderate institutional risk. In 2021, it obtained a score of 59.24 out of 100 in the [Departmental Performance Measure](#). This suggests that the implementation of its Land Use Plan (POT) and compliance with targets related to budget execution are progressing well. The department obtained a high score in the Digital Government Index ([75.3 out of 100](#)), which indicates that the department's institutions have a good level of integration of Information and Communication Technologies. This facilitates administrative procedures, which is an important factor for the development of business activities. Despite this result, the department has a [low](#) level of internet coverage, with 16.9% in the capital city and less than 5% in the other municipalities. Low internet coverage is an obstacle for the business sector. For example, it makes it difficult to communicate with clients, reduces the efficiency of business operations such as the flow of information and resources, and it prevents market research.

In this category, Nariño stands out as the tenth department at the national level and the first in the Pacific Region with the best score in the National Anti-Corruption Index, with a score of [81.2 out of 100](#). This means that the departmental institutions have the capacity to prevent and fight corruption, and suggests that there is good use of public resources to address the problems faced by the department. For the business sector, this may be an incentive to participate in public-private partnerships, as there is less likelihood of corruption at the institutional level, which reduces possible reputational and legal risks. However, as in other departments where there are corridors for transporting illicit drugs, [corruption](#) within the armed forces has taken place in Nariño. Uniformed personnel have [collaborated](#) with criminal structures, such as the [Clan del Golfo](#) to keep drug trafficking routes open or even provide training.

SOCIETY:

Nariño has a high social risk, according to the 2022 IRS. Although the [Multidimensional Poverty Index](#) in the department decreased from 22.1% in 2021 to 17.6% in 2022, it is still above the national average of 12.9%. This places it as the third department in the region with the highest poverty rate (Chocó in first place and then Cauca; Valle del Cauca is below the national average). The department has good health coverage, with [90.5%](#) of the population insured under the contributory and subsidized systems. However, the housing deficit in the department shows that almost half ([49.7%](#)) of the dwellings have structural deficiencies and require improvements.

By 2020, based on [DANE](#) data, Nariño had a high coverage of public utilities, such as electricity (91.1%) and water (72.4%). However, it had low coverage of natural gas (7.8%), sewerage (48.6%) and garbage collection (54.5%). The considerable level of poverty in the department and the low coverage of public services represents a challenge for the business sector, as there is a risk of clashes with local communities, which will look to the companies to meet the demands that the State has not covered.

In order to solve some of the problems faced by the department and the Pacific Region in general, the National Development Plan (PND) contemplates the Policy for the Integral Development of the Pacific in its [Article 288](#). The PND also establishes the strengthening of the fund for the development of the [Todos Somos Pazcífico](#) plan, which is executing a variety of projects to improve the [coverage](#) of public services in the department in 2023, such as the intervention to the sewerage system in a variety of municipalities. Investment to expand the limited coverage of public utilities and address insufficient infrastructure in the department is likely to continue. This is because the government recognizes the importance of the Pacific coast and aims to create an environment that is more favorable for the establishment of private enterprises.

[93.3%](#) of the department's population has access to education, compared to a school dropout rate of only [2.2%](#). This data suggests that, despite the department having a high risk in this category, the presence of good education creates opportunities to foster the development of human capital and enhance people's quality of life in the medium and long term. Consequently, good levels of education would translate into attracting investment and generating value-added employment.

ROAD INFRASTRUCTURE:

The overland road network is the most used means of transportation in the department. According to the [2020-2023 Departmental Development Plan](#), Nariño has a road network of 7,628.80 km (768.48 km are primary roads; 1,372.22 km are secondary roads; and 5,487.99 km correspond to the tertiary network, or 71% of the road network). The most important road in the department is the Pan-American Highway, which facilitates the transport of products from the department's main cities, such as Pasto, Ipiales, Túquerres and Tumaco, to the center of the country and across the border. The landslides on the Panamerican Highway represent a significant risk for the business sector. It implies delays, possible economic losses, and higher transportation and logistics costs due to the need to take [alternate routes](#). Thus, the blockages suffered by the highway in 2023 have been extremely detrimental to both the departmental and regional economy. It is estimated that the landslide that blocked the road from January 9 to mid-March generated losses of USD 503 million ([COP 2 trillion](#)) and caused 600 small companies to stop their activities in the department.

On the other hand, 17.3% of the [department's road network](#) is paved, with the remaining 82.7% having only a protective layer such as gravel. The situation worsens, as almost 99% of the tertiary roads are paved. The roads' poor conditions hinder trade within the department, the region, and the rest of the country. According to our sources, this increases costs for producers and businessmen and affects their competitiveness, as they have to raise the final price of their products. This also makes them opt for more direct trade with Ecuador rather than with the interior of the country.

The Cali-Rumichaca corridor, which is an infrastructure project of paramount importance in the department, is currently under construction. By December 2022, the project had an investment of [USD 628 million \(COP 2.5 trillion\)](#), with the fourth generation (4G) roads being completed. Sources mentioned that the section between Pasto and the border has already been completed. However, the project has encountered problems in the section between Santander de Quilichao and Pasto, which have inhibited connection between the three capital cities, Pasto, Popayán, and Cali. The Rumichaca-Pasto section has generated [13,600](#) jobs, a number that is expected to continue to grow as other works progress. The completion of such a project would reduce Nariño's dependence on the Pan-American Highway. The people interviewed commented that Ecuador is one of the most important destinations for the department's goods, as it is the market that buys the most manufactured goods and value-added products. Therefore, the connection to the neighboring country opens the opportunity for more exports and more bilateral trade.

Nariño has the second-highest number of infrastructure projects in the country, totaling [120](#) projects with an investment of around USD 7.1 million (COP 28.3 billion). This includes the implementation of the Pasto-Popayán corridor and other future projects, like the investment in river infrastructure through the creation of the Barbacoas Pier or other roads like the Pasto-Buesaco-Mojarras route. Following a [visit](#) by Transportation Minister William Camargo in August 2023, 69 agreements were signed for the “Total Peace” Community Roads program. This investment will have a positive effect on the department, by increasing its road connectivity and enabling other forms of transportation, including river transport to reduce dependence on the Pan-American Highway. In addition, the implementation of the Community Roads program is especially important because of its focus on improving the condition of tertiary roads. Nariño's tertiary roads are in very poor condition; this is a serious problem, as it hinders transit between rural areas and the municipal capitals of the departments. Improving their condition will allow for lower transportation costs and times, and less vulnerability to weather conditions.

ENVIRONMENT:

According to the 2022 IRS, Nariño has a high environmental risk. This risk stems from the environmental impacts from the activities by illegal armed groups, which partake in deforestation, illegal mining, hydrocarbon theft, and illicit crops; many of which usually contaminate the environment. Nariño also has the highest risk in this category among the other departments from the region (Valle del Cauca has a moderate risk, and Cauca and Chocó have a low risk).

In 2021, Nariño was the ninth department with the highest number of cases ([60](#)) of illegal exploitation of renewable natural resources and the eleventh department with the highest number of cases ([17](#)) of illegal exploitation of mining deposits and other materials. In the same year, Nariño was the fifth department with the [most alluvial gold mining](#), of which approximately 75% is illegal mining, 10% in transit to legality, and 15% with technical and/or environmental permits. This type of illegal mining is carried out in open-pit deposits, using heavy machinery for the initial removal of material.

Alluvial gold mining has two main consequences on the environment. The first is the contamination of water sources, damage to aquatic life, and soil degradation due to the use of [toxic substances](#) (such as mercury, chromium, and cyanide for mining). [Mercury](#) is one of the most dangerous substances used in illegal mining, as it is a persistent, bioaccumulative and toxic pollutant chemical that enters the [food chain](#). In addition, river contamination has negative effects on local populations, who run the risk of ingesting contaminated water and food, and on the functioning of sectors such as agriculture and commerce that depend on the provision of water for their operations. The above shows how illegal mining has the capacity to affect and limit the socioeconomic development of the department.

The second consequence is [deforestation](#). According to IDEAM figures, deforested hectares increased from 4,911 (2020) to 6,939 (2021). Data from the Public Prosecutor's Office suggest that illegal mining and illicit crops are the [main drivers of deforestation](#) in the country. By April 2023, illegal gold mining had already deforested [2,700](#)

hectares in Nariño. In addition to illicit crops, the IDEAM also considered coca leaf processing as harmful to the environment, due to its impact on the physicochemical conditions of the soil. It also leads to the contamination of water resources due to the large amount of inputs used and chemicals derived from the process. In addition to deforestation, the effect of leached chemicals on the soil results in a decrease in soil productivity, which has a negative impact on agricultural production.

In 2021, Nariño was the fifth department with the most cases of environmental contamination (9). This is caused by the theft of crude oil from the Trans-Andean Pipeline through illegal valves that cause [spills](#) and lead to irreparable damage to the fauna, flora, and surrounding communities whose [crops](#) and water sources are contaminated. In addition, to process the crude oil, the armed groups [raze forests to establish illegal refineries](#). It is estimated that [60%](#) of the refining waste is dumped in water sources or on the vegetation in the area.

The heavy rains during winter are also an environmental risk for the private sector. They worsen the condition of the roads, even causing [considerable damage](#) to the department's road infrastructure. Winter is an aggravating factor for the development and productivity of the productive sectors, as it increases costs to transport products or mobilize the necessary inputs, and increases the risk of the department becoming isolated and without communication to the rest of the country, as happened with the landslide on the Panamerican Highway. On the other hand, the El Niño phenomenon, which is expected to peak at the end of 2023, risks causing [water shortages](#), significantly reducing the production of agricultural land, which increases the risk of economic losses for producers.

POLITICS:

According to the 2022 IRS, Nariño has low political risk; and having the lowest political risk of the region. This suggests that the department enjoys high political stability, which reduces possible risks for the business sector to develop its activities and collaborate with the departmental authorities. This result is partly due to the fact that, from 2008 to 2021, no governor has been removed from office.

In view of the regional elections, sources mentioned that large projects are usually used by candidates to attract votes during elections. Due to the damage caused by the blockade of the Panamerican Highway, these issues will become even more important for the department. At the same time, Nariño is part of the [19](#) departments identified by the Electoral Observation Mission with moderate risk of violence taking place, following threats from armed groups. Threats to candidates supported by traditional parties and impediments to voter registration imply elections with little freedom. The results of these elections will be surrounded by controversy and lack of legitimacy due to influence by armed groups.

Regarding the existence of a common "Pacific Region" identity, people interviewed mentioned that geography has been a determining factor for the department of Nariño, both in economic terms as for the development of a shared identity. Three different zones can be identified in Nariño: the border zone, the Pacific coast, and the agrarian zone towards the western mountain range. Depending on the zone, the people of Nariño have a different perspective on the department and the region as a whole. Those located on the Pacific coast identify with the reality of the rest of the municipalities located along the Pacific coast, while those in the border area focus on bilateral relations with Ecuador and may even identify more easily with the neighboring country. Finally, the capital, Pasto, has a broader perception, as it receives foreigners who settle there to open businesses and participate in the economy.

The statement above reinforces the idea mentioned in other departments about the lack of a unified and shared perception of the "Pacific Region." This lack of consensus is evident in the socioeconomic development gaps that exist both within and between departments.

INVESTMENT OUTLOOK IN NARIÑO:

AGRICULTURAL SECTOR

According to the [Departmental Agricultural Extension Plan for the Department of Nariño](#), agricultural production was the department's economic base in 2020, given that it is one of the leading producers of potatoes, plantains, and cassava in the country. According to the [2020-2023 Departmental Development Plan](#), Nariño recorded 89 crops, but there are more that are not found in government statistics. Banana, sugarcane, coconut, oil palm, coffee, lemon, banana, citrus, asaf, and blackberry are some of the [permanent crops](#); and potato, pea, cassava, lettuce, and tomato are transitory crops.

[Sugarcane](#) is the main permanent crop, accounting for 67.9% of the total. This represents a significant increase compared to previous years, since in 2019 sugarcane accounted for [25.11%](#) of permanent crops. According to the Agricultural Extension Plan, the crop is grown mainly in the western part of the department and in the coastal foothills. The main destinations for sugarcane within the department are Ipiales, Túquerres, and Pasto; and Valle del Cauca, Cundinamarca, Cauca, and Putumayo at the national level. Sugarcane crops are linked to the industry for sugar extraction and [export](#) to international destinations such as Spain, the United States, Italy, and France. Therefore, sugarcane cultivation has export potential, making the port of Tumaco play an even bigger role in the department's economic development. However, the crop is currently unprofitable for the department due to the high cost of [inputs](#) as a result of landslides on the Pan-American Highway.

Plantain is the second most important permanent crop in the department, accounting for 12.4% of production. However, unlike potatoes, climatic factors, market saturation, and oversupply have discouraged producers from pursuing commercial opportunities. Instead, they tend to focus on self-consumption or catering to local markets within the department. Nonetheless, this is likely to be a missed opportunity, as plantain is one of the products that has experienced significant [price increases](#) in the family basket.

While oil palm is the fourth most important crop in the department, by May 2023 palm oil, was positioned as the department's main export product, according to the [DANE](#). This is a trend that has also taken place in other departments, due in part to the war in Ukraine, which has led to [greater demand](#) for palm oil and, consequently, higher income for growers and the industry related to its processing. However, insecurity caused by the presence of armed groups, particularly in the Tumaco area, has impacted the operations of growers. This has resulted in an [80%](#) reduction in jobs for companies like Palmas la Miranda. Insecurity is a widespread problem in the department, and is unlikely to stop affecting oil palm cultivation. In the past, oil palm cultivation has also faced the problem of bud rot, with [35,000](#) hectares dying as a result of the pest in 2007. Although the department has not been affected by the pest in recent times, the bud rot is currently affecting [78,000](#) hectares in Cesar, which implies a high risk for the crop in Nariño.

Coffee is one of the department's most important products, being its [second most exported product](#) (22.9%), with destinations such as Australia, Belgium, Canada, and South Korea. However, according to sources, coffee cultivation faces a variety of challenges, such as a diminishing labor force, fluctuating prices, lack of access to credit, and even poor housing conditions for growers. These factors limit productivity. Despite this, the sector has sought to attract attention to departmental coffee and has been able to attract international attention recently, with the [fair](#) La Mejor Taza de Mi Nariño 2023, which enabled the sale of the crop at high prices. In addition, coffee has been an [alternative](#) for peasants in affected by the "coca crises" and plummeting prices of coca leaf, allowing local communities to sustain themselves and enter the legal economy.

Regarding transitory crops, according to data from the [Ministry of Commerce, Industry, and Tourism](#), the most important crop in the department is the potato, which accounted for 71.3% of all transitory crops in 2022. According to the Rural Agricultural Planning Unit (UPRA), Nariño has 255,000 hectares suitable for planting potatoes, distributed among 32 producing municipalities. Its climatic characteristics favor the production of this

tuber, to the point of supplying its total consumption in the department and 93% of the consumption in Valle del Cauca, Risaralda, Quindío, and Caldas, which shows the potential type of crop has for food security in the country.

Despite the importance of agriculture for the department, this sector faces a variety of challenges that inhibit productivity. First, the department has very high land concentration figures. In 2019, [86.5%](#) of the landholdings have on average less than 10 hectares and 13.5% of the landholdings concentrate 69% of the land. Of these, 0.7% concentrate 29% of the land. The fragmentation of properties into smallholdings makes large-scale production difficult, which, in turn, reduces the [competitiveness of crops](#). This results in high levels of poverty in rural areas. According to the [Departmental Development Plan](#), 16 municipalities in the rural area of the department, which account for 30% of the population, have a multidimensional poverty indicator of 71%. It is likely that these obstacles to the rural populations' quality of life translate into lower productivity in the agricultural sector.

The department's road infrastructure also represents an obstacle to agricultural development. As mentioned above, the collapse of the Panamerican Highway increased transportation costs, which are reflected in the final price. This affected the competitiveness of producers. The road is also susceptible to being blocked by protests and [demonstrations](#), sometimes by [indigenous communities](#). This has caused [perishable foodstuffs](#) to be blocked, resulting in millions of dollars in losses. In addition, the poor condition of the roads, especially the tertiary roads, makes it [difficult for farmers to transport their products](#). This situation worsens when unpaved roads become impassable due to rainfall and [Winter](#).

Another major challenge facing the department, and one that it has in common with rural areas in the rest of the country, is the abandonment of the countryside. According to sources, even the most structured companies are facing shortages in the labor force. A 2022 DANE [study](#) concluded that Colombian farmers are between 41 and 64 years old on average, which means that in 10 years Colombia will have a shortage of farmers working the land. The [abandonment](#) of the countryside by young people jeopardizes generational handover and threatens crop production. Thus, in the medium term, this is likely to reduce the productivity of the agricultural sector, impact the departmental economy, and increase the risks of food insecurity.

Despite this scenario, this panorama creates an investment opportunity for the technification and implementation of technology in the field to reduce dependence on labor in the processes of planting and harvesting of products. However, as these are issues that require a large flow of capital, it will first be necessary to provide legal and security guarantees to investors so that they consider Nariño attractive.

LIVESTOCK SECTOR

In 2020, according to the current [Departmental Development Plan](#), Nariño was the fourth-largest department in terms of livestock farms, with a total of 49,801 farms. According to this document, the department has an inventory equivalent to 407,143 animals, with 99% in the hands of small producers (those who own less than 50 animals). The prevalence of small producers makes large-scale production difficult, which limits productivity and competitiveness.

[According to the Departmental Agricultural Extension Plan](#), the department has the particularity of raising and consuming guinea pigs. Guinea pig is the star product of Nariño's gastronomy. The department's inventory represents 86.8% of the national guinea pig production. Guinea pig production supplies the department's demand. However, the guinea pig production chain faces the same challenge as other sectors and production lines in the department: small-scale production. In addition to limiting production, the lack of organization in guilds or associations has not allowed producers to take advantage of the opportunities offered by government agencies, such as [credits](#).

In 2020, according to the Departmental Agricultural Extension Plan, the dairy sector contributed 27% of the departmental GDP. Historically, the department has been a dairy center for the country, with 66% of cattle

ranchers engaged in this activity and generating 8,100 direct jobs. For the same year, according to the Nariño Dairy Route, the department had 81 milk-producing associations and 101 small dairy companies, such as Andinalac, Power Milk, and Lácteos Porvenir del Campo. The large companies involved in this sector are Alpina, Colanta, and Colácteos. Among the large retail outlets to which these products are marketed are Éxito, Alkosto, Jumbo, and Tiendas D1. In addition, there are 698 retailers and 16 specialty stores.

The biggest challenge faced by the dairy industry in Nariño in recent times was the closure of the Vía Panamericana in early 2023, which had caused the loss of [9,000 jobs](#) by march and losses of USD 12 million (COP 50 billion). The situation, which has still not been completely resolved, caused [Alqueria to announce a gradual seizing of operations](#) in Nariño, directly affecting 1,300 families. It is evident that the department's overdependence on the Panamerican Highway implies high levels of uncertainty due to possible closures or demonstrations. In addition, the logistical challenges posed by this situation, such as the use of alternate routes or the storage of milk, increase costs for producers.

As a coastal department, it also has aquaculture and fishing activities. Industrial fishing specializes in shrimp and tuna, but artisanal fishing prevails, accounting for more than [50%](#) of the volume produced at the departmental level. The municipality of Tumaco is the most important fishing municipality in Nariño, as it concentrates fishing storage and marketing activities, as well as boat repairs. The Departmental Development Plan suggests that Tumaco contributes more than 5,000 tons of sierra, sea bass, hake, tuna, catfish, snapper, peeled, merlins and picúa to maritime fishing production. Although artisanal fishing is an extremely important activity for coastal communities, it is an activity of the [primary economic](#) sector that lacks added value. In addition, the methods used tend to be [unsophisticated](#), which limits its potential.

According to the Departmental Development Plan, over the last decades the department has experienced a paradigm shift, with the emphasis shifting from fishing to aquaculture. By 2020, this activity was carried out in 56 municipalities, where 3,438 families practiced aquaculture in ponds and cages. According to the Ministry of Commerce, Industry, and Tourism, as of May 2023, frozen fish was the department's fourth most important export product. Considering the importance of fishing and aquaculture for export, along with the fact that [sustainability](#) is one of the main characteristics of aquaculture, it is evident that this activity represents an opportunity for investment.

TOURISM SECTOR

According to the [Ministry of Commerce, Industry, and Tourism](#), commerce, hotels, and repairs are the second most important economic activity in Nariño. The sector has been recovering after receiving almost 30 thousand visitors in 2020, as opposed to almost 90 thousand visitors in 2019. In 2021, it surpassed 45 thousand visitors. The main [tourist attractions](#) of the department are: The Sanctuary of Nuestra Señora de las Lajas, the Juanambú Canyon Park, the Buesaco Coffee Farms, the Cristo Rey Viewpoint, the Basilica Nuestra Señora del Rosario, the Laguna de la Cocha and the Historic Center of Pasto. The department offers cultural, [natural](#), gastronomic, religious, adventure and [ecological tourism](#).

The prioritization of tourism by the current government represents an opportunity for this sector in Nariño. One of the department's lines of investment from the resources allocated by the NDP is ["tourism in harmony with life."](#) These resources will be used to promote the [Territorios Turísticos de Paz](#) initiative, as well as to revitalize historic centers and assets of cultural interest.

However, tourism faces challenges related to access to the department. The only land access road to Nariño is the Pan-American Highway. Thus, as in other sectors, the closure of the road makes it difficult for tourists to access the department. In the past, this has led to a drop of up to [90%](#) in the tourism sector. This puts the department at a disadvantage, given that potential investors in tourism-related activities could be dissuaded from doing business in the region. For example, hotel chains looking for new locations will probably opt for more easily

accessible sites, such as Valle del Cauca, where a constant flow of people is easily attainable. Consequently, having only one land access road limits the development of tourism and negatively impacts other activities that depend on it, such as commerce, gastronomy, or cultural activities. With two months to go before the regional elections, land connectivity will be a key issue that the business community needs to consider when evaluating candidates so that it is taken into account in the debates and governor proposals.

In terms of air connectivity, Nariño has [three](#) airports: Antonio Nariño airport in Pasto, San Luis airport in Ipiales, and La Florida airport in Tumaco. In recent years, the Ipiales airport has been [renovated](#) to receive Airbus 318, 319, and 320 aircraft. This allows greater connectivity for the department and facilitates access for tourists, which means more income for the sector. However, the Tumaco airport continues to [receive](#) only small aircraft. This implies higher travel costs for tourists and fewer incentives for airlines to operate at the airport. Similarly, the department's most important airport, Antonio Nariño in Pasto, is [frequently closed](#) due to weather conditions, which implies uncertainty for business and tourism travelers who may face difficulties in trip planning.

Additionally, the department does not have an international airport, forcing international tourists to stop over in cities such as Bogotá or Cali, increasing travel time and probably travel costs. This scenario demonstrates the necessity to improve the department's airport infrastructure to boost the aeronautical industry in Nariño and encourage the arrival of domestic and foreign tourists, factors that would help the local economy and generate more employment.

EXTRACTIVE SECTOR

The extractive sector does not represent a significant percentage of departmental GDP (0.9%). Nariño has only one [oil](#) and [gas](#) extraction field in [Sucumbíos](#) (Ipiales). However, the department is of great importance to the national extractive sector because of the Trans-Andean Pipeline, which runs through Nariño and connects the [41 active oil fields](#) in Putumayo with the Port of Tumaco. The pipeline was built in [1969](#), is operated by Ecopetrol, and transports more than [85,000 barrels](#) of oil per day. It was targeted [more than 400](#) times by armed actors in 2022. The attacks range from [explosives threatening the pipeline's integrity](#) to [pumping plants](#) to hydrocarbon theft through [illicit valves](#).

Oil theft at national level has reached an average of [3,447 barrels per day](#), and has cost Ecopetrol USD 3.7 million ([COP 15 billion](#)) in previous years. This crime represents a risk to productivity and causes millionaire losses to oil companies. It is very difficult for authorities to deal with this type of crime, which led to the creation of a [Special Operations Groups](#) to monitor the security of oil pipelines. For the department, oil theft and illegal oil refining cause significant [environmental damage](#) and endanger agricultural and livestock activities in the affected territories.

In terms of mines, as of January 2023 there were [164 mining operations](#) in the department, for the [extraction](#) of gold, silver, sands, gravel, and clay. One of the challenges facing mining in the department is illegal mining. By 2021, [90%](#) of mining in Nariño was illegal mining, which is concentrated in alluvial [gold mining](#). This crime has [replaced drug trafficking](#) as the main source of income for the armed groups in Nariño, which participate directly or indirectly in illegal mining by charging a ["vacuna"](#) (tax) to those who operate the mines. Illegal mining harms the development of legal mining, which must pay taxes and obey [environmental laws](#) imposed by the State.

According to the [National Mining Agency](#), 99% of the royalties received by the department in 2017 came from precious metal mining. For 2021, Nariño was the [third department](#), after Cesar and Antioquia, to receive the most royalty resources, with a total of USD 160,867 million (COP 639,464 billion). In 2020, Nariño received the [largest investment of resources](#) from the General Royalties System (SGR) to address the health emergency. These funds were used to strengthen health services, improve vehicles and equipment for patient transport as well as laboratories, optimize the drinking water supply, and obtain food kits. Resources have also been used for a [variety of projects in the department](#), such as strengthening the education system, increasing agricultural production,

restoring water recharge areas, strengthening the health system, among others. It is evident that SGR resources have benefited Nariño's socioeconomic development, allowing it to access greater resources to address its problems.

The energy transition policy has generated uncertainty in the sector. It is still not definitively known whether or not new hydrocarbon exploration or exploitation contracts will be granted, which discourages the arrival of new investment in the industry. Regarding mining, the National Government has stated that it will prioritize [mining](#) in small scale. However, its position on large-scale mining and the lack of legal guarantees are among the main reasons why 46% of the sector's managers will reduce their operations in the next five years, according to the [2023 Mining Compass](#). Still, the fact that the extractive sector does not have such a significant weight in the departmental economy means that Nariño is not as affected by external shocks, such as fluctuations in the prices of oil, gas, or minerals extracted from the territory.

The [temporary closure](#) of the gas pipeline that transports gas to the department by Transportadora de Gas Internacional in May 2023, highlights the Pacific's vulnerability to gas supply issues and the effects it may have on the development of different sectors that depend on gas, such as the transportation, manufacturing, and commercial sectors. The development of gas extraction activities or the installation of regasification plants in the ports represents an opportunity for the department, as it would reduce its dependence on gas from other parts of the country.

REAL ESTATE SECTOR

The real estate sector was [the fourth most important economic activity](#) in the department's GDP. According to sources, the boom that the real estate sector experienced in previous years has been damaged by inflation and high interest rates. By April 2023, housing sales in the department had dropped by [85%](#).

One of the challenges faced by this sector is the nationwide slowdown in the acquisition of housing this year, with a [54.4%](#) drop in sales for the month of July 2023. This is the result of, among other reasons, the [rising cost of loans](#) due to increases in interest rates, inflation, and the increase in construction input prices. These factors are some of the central issues that have led to a [rise in housing prices](#). On the other hand, the Government's policy of not [disbursing](#) subsidies for Social Interest Housing (VIS) by [modifying](#) the ceilings to which the subsidy applies (which were tied to the minimum salary and are now tied to the Tax Value Unit), has aggravated the situation. In the short term, this scenario is unlikely to change given the reduction in people's purchasing power, who now have to spend more on other necessities such as food, transportation, and rents.

The blockades on the Panamerican Highway are another challenge for the sector. Different construction projects, both housing and non-residential, have been [paralyzed](#) in the department. Therefore, as in other sectors, the real estate sector is highly vulnerable to events that may affect the Panamerican Highway, increasing uncertainty for investors.

TEXTILE SECTOR

One sector that is gaining importance in the department is the textile sector. In October 2022, [22,000](#) of the 1,200,000 jobs generated by cotton, leather, hemp, maquila, and the entire fashion system chain, were located in Nariño. Given its growth potential, in 2021 and ever since, the department has held a fashion fair called NariñoTex, which brings together entrepreneurs from the textile sector of Colombia and Ecuador with the aim of strengthening trade relations and creating alliances. To hold the event, the current government created [agreements](#) with ProEcuador and the chambers of commerce of Quito, Ibarra, and Otavalo in Ecuador. This serves to strengthen trade relations with the neighboring country, which is the department's main trading partner.

According to sources, the sector is particularly important for the municipality of Buesaco, where a textile factory is being built. The sector has also benefited from the peso's devaluation against the dollar, which makes it attractive to [buyers from Ecuador](#), Colombia's second-largest [textile export partner](#) in 2022. Given that the textile sector represents [9.4% of industrial GDP](#) and [generates](#) approximately 580,000 formal jobs nationwide, boosting its growth represents an investment opportunity, especially when taking the advantages of the department's border with Ecuador into account.

One of the challenges facing the textile sector is the lack of inputs produced at the departmental level. Sources mentioned that Nariño does not produce inputs such as cotton or linen for the manufacture of yarns and, subsequently, garments. As a result, the department must obtain these inputs from abroad, increasing the cost of production and, therefore, the final price for consumers. We were also told that, in recent times, maquilas and workshops in the department have seen an influx of yarn from China, which has been characterized by its low quality. However, the [40%](#) tax on textiles and apparel from abroad that the current government imposed at the end of 2022 is likely to result in more expensive inputs, increasing the final cost of the products and reducing their competitiveness. On the other hand, the absence of inputs from abroad opens an opportunity for the textile industry in Nariño, as it would boost the [local value chain](#) and the production of inputs that are not currently obtained in the department, such as [cotton](#). The textile tax is likely to have been one of the causes of a [15.3%](#) decrease in the sector in the second quarter of 2023. Higher costs will act as a disincentive to consumption, negatively affecting the sector.

MUNICIPALITIES WITH LOWEST AND HIGHEST RISK IN NARIÑO:

Nariño comprises 64 municipalities. Taking into account the information available at the municipal level, the departmental context and the number of municipalities, we found that the most and least risky municipalities in Nariño are:

MUNICIPALITY WITH THE LOWEST RISK IN NARIÑO

The municipality of Puerres has the lowest risk in Nariño. Located in the southeast of the department, it borders the municipalities of Funes to the north, Córdoba to the south, Ipiales and Contadero to the west and the department of Putumayo to the east.

BEST AND WORST MUNICIPALITY RANKED BY DIMENSION		
CATEGORY	BEST	WORST
Security	Albán	San Andrés de Tumaco
Politics	Santacruz	Pasto
Economy	Pasto	La Tola
Institutions	Nariño	El Peñol
Society	Pasto	Maguí
Environment	Santacruz	Pasto

The data collected indicates that the municipality has a very low risk in the category of security. In 2021, with a population of [more than eight thousand inhabitants](#), Puerres only registered homicides, with a rate of [12 homicides per 100 thousand inhabitants](#). The above figures, plus the permanent presence of the [Twenty-third Brigade](#) of the National Army in the territory, would suggest that the municipality has a relatively better security situation than the rest of the department. Despite this, the fact that it shares a border with Ecuador means that it is not exempt from [attacks by armed groups](#). Similarly, it is necessary to consider factors such as lack of access to institutions or lack of internet access, given that they could limit the recording of database variables. This means that, if variables are underreported, the reality in the territories may be different.

According to the data collected and available at the municipal level, Puerres has a very low political risk. During 2021, there were no records of crimes in this category. This would allow inferring that the municipality has high political stability and that there are no negative impacts to the public service; this decreases the legal and

reputational risks for businesses when seeking contracts with local authorities. However, as previously stated, the fact that there are no records does not mean that these crimes do not occur, but rather that people might not always report them due to a lack of access to institutions or even fear.

Regarding the economic category, the municipality has a very low level of risk. During 2021, the municipality had the fifth-highest human capital: [8.7%](#) of the population had higher education. This suggests that Puerres has a skilled labor force, which would encourage the arrival of investment to the department by attracting companies from various sectors with higher value added. On the other hand, Puerres contributed [0.42%](#) to the departmental GDP. The municipality's main economic activities include the agroindustrial sector and commerce. It is important to mention that the lack of information at the municipal level on variables such as banking and business fabric makes the analysis limited and does not fully reflect Puerres' reality.

Based on available data, Puerres was the third municipality with the lowest institutional risk in Nariño. At the departmental level, it was the fifth municipality with the best score in the [2021 Municipal Performance Measurement](#) (60 out of 100) and the sixth best in the 2021 Digital Government Index, with a score of [77 out of 100](#). This suggests efficient institutions with a high level of ICT integration, this is positive for businesses as it implies greater agility in carrying out bureaucratic processes.

The municipality has a very low level of social risk. Only [32.7%](#) of the population of Puerres lives in poverty, according to the Multidimensional Poverty Measurement of the DANE. It is important to clarify, however, that this variable is a measurement following the 2018 census, so it does not take into account the situation generated after the pandemic. In other words, the figure will most likely vary, and may have gone down or remained relatively similar. This variation is due to, amongst other things, the municipal context and the fact that the [population in poverty](#) in the department decreased from 2019 (23.2%) to 2021 (22.1%). The municipality has over 90% [health insurance](#) and [education coverage](#) and an intra-annual dropout rate of [only 0.43%](#). These figures suggest that in Puerres the population has a better welfare condition than others in the department, which implies a lower risk of clashes between communities and companies. Likewise, this means there is a decrease in the risk of communities seeking solutions to their needs through demands to the business sector.

Puerres has a very low environmental risk according to the data consulted. During 2021, there were no records of any of the crimes that make up this category. However, mentioned before, the fact that there are no records does not necessarily mean that these situations do not occur. Issues concerning distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

MUNICIPALITY WITH THE HIGHEST RISK IN NARIÑO

The most risky municipality in the department of Nariño is San Andrés de Tumaco (or Tumaco). Located in the west of the department, it borders the Pacific Ocean and the municipality of Francisco Pizarro to the north, the municipalities of Roberto Payán and Barbacoas to the east, and Ecuador to the south.

The data collected suggests that the municipality is the least safe in the department. During 2021, with a population of more than [250 thousand inhabitants](#), San Andrés de Tumaco had the eleventh highest homicide rate ([67 homicides per 100 thousand inhabitants](#)), the fifth-highest extortion rate ([15 extortions per 100 thousand inhabitants](#)), and was the municipality with the most massacres ([4](#)), murdered social leaders ([13](#)) and hectares of coca ([18,109 ha](#)). Despite the presence of the army and navy in the municipality, its geographic position on the Pacific Ocean and its border with Ecuador mean that illegal armed groups fight for control of the territory. This situation [affects the communities](#) and raises the alarm for the business sector, which, given the security risks, will probably opt for other territories, thus widening the development gaps in the department and making it impossible to strengthen the municipality with the departmental port.

According to data collected and available at the municipal level, San Andrés de Tumaco has a low level of political risk. During 2021, there were [four victims](#) for crimes of constitutional and legal regime, [20 victims](#) for threats against human rights defenders and public servants, and [nine victims](#) for crimes of abuse by arbitrary or unjust act. This would allow inferring that the municipality has relative political stability, with some impacts to the public service. This, however, does not mean that there are no legal or reputational risks for the business sector when pursuing contracts with local authorities. Likewise, as we have said before, the fact that there are no records of other crimes does not mean that they do not occur, but rather that people do not always report them, due to the lack of access to institutions or even fear.

Regarding the economic category, San Andrés de Tumaco is the second municipality with the lowest level of economic risk. In 2021, the municipality was the fourth with the highest human capital; 12.16% of the population had higher education studies. This is evidence that Tumaco has skilled labor, which is an attractive factor for companies in sectors with higher added value and opens opportunities to attract investment, which would strengthen the Port of Tumaco and contribute to the socioeconomic development of the municipality. In addition, it was the second municipality that contributed the most to the departmental GDP ([12.06%](#)). This is largely due to the Port's activity in the municipality. However, as mentioned in the analysis of the department of Nariño, the Port of Tumaco faces different challenges that must be addressed in order to attract more investment and companies to the territory, boost its growth, and increase its role in Colombia's international trade.

Based on available data, San Andrés de Tumaco has a moderate level of institutional risk. At the departmental level, [it scored 45 out of 100](#) in the 2021 Municipal Performance Measurement and [61 out of 100](#) in the 2021 Digital Government Index. This suggests that local institutions need to work to improve their degree of efficiency and greater integration of ICTs. For the business sector, this implies longer bureaucratic processes that increase times and delays in the development of their activities.

The municipality has a very high level of social risk. According to the DANE's Multidimensional Poverty Measurement, [53.7%](#) of the population lives in poverty. It is important to mention, however, that this variable is a measurement following the last census of 2018, so it does not take into account the situation generated after the pandemic. In other words, the figure will most likely remain relatively similar, especially considering the municipal context and that the department's [population in poverty](#) decreased from 2019 (23.2%) to 2021 (22.1%). Tumaco has a health insurance coverage of [70%](#), an education coverage of [85%](#), and an intra-annual dropout rate of [3.3%](#). This suggests that Tumaco's population has lower well-being than others in the department, which implies a higher risk of clashes between communities and companies. Likewise, there is an increased risk that the communities will try to get the companies to solve their needs and demands in the absence of the State.

According to the data consulted, San Andrés de Tumaco has a very low level of environmental risk. During 2021, it registered [five cases](#) for crimes of illegal use of renewable natural resources and [three](#) for environmental contamination. These figures show that there is damage to the environment, which could have repercussions on people's health, the future use of natural resources, and the overall sustainability of economic activities. In addition, as we have mentioned, the fact that there are no more records does not necessarily mean that these situations do not occur; situations such as distance, lack of access, or intimidation may cause underreporting of this information at the municipal level.

CONCLUSIONS

Colombia Risk Analysis seeks to make the Pacific Region Risk Index a useful input for decision makers, investors, and public policy makers interested in identifying the advantages, challenges, and opportunities of each department within the region. The Index will allow them to understand which territories are best suited for business, and which may present risks.

The Index's risk levels, and the variables used are subject to variations and eventualities occurring on dates outside of this report's scope. They are also subject to the availability of information at the municipal level, the periodicity of the information, and even the fact that all municipalities within a department are evaluated.

CHALLENGES AND OPPORTUNITIES:

After completing our second regional risk index, we can say that Colombia is a country of "geographic regions" but not of shared identities. One of the great challenges faced by the Pacific's four departments are the development gaps within each municipality and between the municipalities located on the coast and those located in the Andean zone. This reality has generated center-periphery dynamics in the Pacific. We found that Valle del Cauca and northern Cauca (the region's center) host the largest concentrations of industry and, more generally, higher value-added sectors. They also offer better connectivity to the country's interior and to international markets (through the Buenaventura Port), which also implies a higher level of development. On the other hand, Chocó and the rest of Cauca (the region's periphery) experience lower development and face greater challenges to connect their economy to national and international markets.

Nariño is atypical. It could be considered the periphery of the periphery but with a higher level of development. Different sources emphasized that there is a disconnect between Nariño and the rest of the Pacific. However, it has benefited from its border with Ecuador, which has boosted its economic development, international trade, and industry development (contrary to Vichada and Arauca with Venezuela in the Orinoco region).

Another major challenge in the Pacific, which exacerbates the center-periphery dynamics between departments, is that the concentration of industry in certain territories has given way to economic dependence on the primary resource sector. This situation increases the vulnerability of departmental and municipal economies to external shocks, such as fluctuations in fertilizer prices, and internal shocks, such as road blockades, among many others. Given this situation, promoting the development of higher value-added sectors would create investment opportunities and help close socioeconomic gaps.

The lack of river, sea, land, and air connectivity is one of the main constraints for the private sector in the Pacific. The lack of airports is an obstacle for the tourism sector, as it prevents the arrival of more domestic and international tourists, which would boost the entire tourism value chain (gastronomy, hotels, commerce, etc.). Additionally, the poor condition of the road network increases transportation costs, which ultimately impacts the competitiveness of the agricultural industry and hinders the mobilization of cargo arriving at the regional ports. In addition, although it is the country's longest coastline, it has only two ports serving international trade, with one of them (Buenaventura) much better equipped and connected than the other (Tumaco). Although the Pacific rivers such as the Atrato, San Juan, Baudó, and Patía could be used as instruments for national and international trade, they are underutilized and besieged by violence.

As previously mentioned, the Pacific Region has the port area of Buenaventura in Valle del Cauca and the Port of Tumaco in Nariño for cargo mobilization. However, problems such as dredging for the entry of larger ships, access roads to ports, and security must be addressed to improve port capacity and attract greater investment in port infrastructure. Addressing these issues would boost the country's foreign trade. At the same time, work must be

done in the municipalities where the ports are located, especially given that the Buenaventura and Tumaco Ports are far behind in development when compared to the Atlantic ports. This is important because it increases the risk of communities using de facto measures to have their basic needs met.

One of the most significant challenges is security. The presence of armed groups and criminal gangs are factors of insecurity in the region. This discourages the development of sectors and the creation of industry. The lack of minimum-security guarantees makes entrepreneurs and investors interested in developing higher value-added components that require intensive capital opt for other territories. This ends up affecting all the departments' capacity for socioeconomic development.

An important finding to mention is the lack of information at the municipal level on some of the variables that make up the Index. We are aware that this limits the scope and accuracy of the exercise. But the lack of reports, complaints and/or records does not mean that such situations do not occur in the territories; rather, it implies that issues such as lack of access to institutions, internet, long distances, or intimidation may be factors that lead to an underreporting of vital information. This becomes even more relevant when considering the fact that people's perceptions in the region are different from what the data says. In this sense, the absence of data may contradict people's generalized perception, or there may be an excess of negative perception that does not reflect reality.

This lack of information also generates a call for attention on the institutions in charge of data formulation, such as the DANE; DNP; Bank of Opportunities; the Ministry of Education; the Ministry of Industry, Commerce, and Tourism; the National Police; among others. The collection of this information would allow public policymakers to have more accurate data to craft policies that can generate the change necessary to address territorial needs. However, we are aware that, to carry out these exercises in an exhaustive manner, these efforts require not only will, but also resources. It is therefore recommended that international cooperation funds from multilateral organizations and external financiers be allocated to help close the existing information gap.

We believe that the role of local institutions (such as chambers of commerce and promotion agencies) is fundamental in strengthening the private sector and attracting foreign investment. Thus, chambers of commerce in each territory must strengthen the dialogue between the business community and academia. This will allow them to map market needs, potential sectors, and ensure that the academic offer in the departments responds to these results. This would boost local hiring and provide a more qualified labor force, which could also contribute to the technification of the activities that focus on the primary sector of the economy, through research and investment. On the other hand, from the perspective of promotion agencies, we believe that there is a great opportunity to work together with the chambers and the National Government to promote the Pacific as a unified region that has the greatest commercial potential in the Asia-Pacific trade partners. Likewise, promotion agencies should also contribute to the consolidation of the Pacific as a gateway for new products and investors for the domestic market.

In the midst of the election season, we at Colombia Risk Analysis believe it is very telling that Cali and Valle del Cauca appear in national surveys concerning elected officials' popularity while Nariño, Cauca, and Chocó do not. There are scarcely any surveys on this subject in the latter regions. There is also a lack of information on the candidates in contention in these departments, which is a limiting factor for voters. We saw how, in 2022, a single poll changed the destiny of the presidential race; what would have happened if voters did not have this information? The power of polling leads us to believe that pollsters should try to include these underserved departments in their samples and exercises; they should also include candidates and leaders from other regions in the country. People in the Pacific departments deserve to have a clear picture of public opinion in their territories in order to make better decisions and fight against disinformation from unreliable surveys. It is important to mention these exercises are not carried out probably because of the lack of funding for national pollsters registered with the CNE or the general lack of interest in electoral results in these peripheral regions. In

the future, it would be important to work on this aspect with the support of international cooperation or internal financing.

At Colombia Risk Analysis and CIPE we believe that we can only develop effective strategies to mitigate risk if we take the time to scrutinize, analyze, and divulge the country's contemporary challenges. This Index is our contribution to that effort.

BIBLIOGRAPHY

In the following link you can consult the bibliography of the sources used for this report:

<https://bit.ly/BibliografíaÍndicePacífico2023-ENG>

ANNEX

ANNEX 1 – MUNICIPAL RISK INDEX OF THE PACIFIC REGION:

RANKING	DEPARTMENT	MUNICIPALITY	DIMENSION						RANKING	DEPARTMENT	MUNICIPALITY	DIMENSION					
			SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT				SEGURIDAD	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT
1	Nariño	Pasto	2.55	14.80	18.67	35.76	14.31	36.11	31	Valle del Cauca	Versalles	0.81	0.05	99.99	37.62	33.79	0.00
2	Valle del Cauca	Palmira	6.57	2.76	76.33	21.27	23.94	0.96	32	Nariño	Policarpa	15.81	0.56	98.93	35.78	16.83	0.00
3	Valle del Cauca	Zarzal	5.23	0.46	85.38	17.00	28.99	0.00	33	Valle del Cauca	Restrepo	8.11	0.37	99.64	42.51	20.92	0.00
4	Valle del Cauca	Roldanillo	4.42	3.19	70.35	42.37	25.74	0.00	34	Valle del Cauca	Pradera	5.73	1.16	98.58	38.85	31.01	0.00
5	Cauca	Popayán	10.75	49.68	19.47	42.33	19.50	20.19	35	Nariño	Tangua	0.00	0.15	99.41	31.36	45.62	1.92
6	Chocó	Quibdó	26.76	30.16	20.03	43.26	22.62	27.99	36	Nariño	Guachucal	0.95	0.00	98.96	50.55	28.43	0.00
7	Nariño	Potosí	0.56	0.00	97.80	41.75	15.11	0.00	37	Valle del Cauca	Calima	2.50	0.47	99.74	37.30	35.25	4.09
8	Nariño	Ipiales	6.59	1.15	84.01	48.32	15.80	2.88	38	Cauca	Caloto	6.33	3.32	88.10	48.64	33.35	0.00
9	Nariño	Puerres	0.68	0.00	96.84	30.75	27.64	0.00	39	Valle del Cauca	Tuluá	16.00	3.66	81.17	40.45	27.42	15.41
10	Valle del Cauca	Cartago	7.76	6.54	87.58	27.07	22.86	5.66	40	Valle del Cauca	El Cairo	4.32	0.05	99.97	34.54	40.55	0.00
11	Valle del Cauca	Yumbo	8.80	10.32	90.31	19.03	23.49	2.78	41	Chocó	Lloró	3.69	1.29	98.44	39.82	37.67	0.00
12	Chocó	Medio Baudó	0.51	0.00	98.76	5.37	57.51	0.00	42	Cauca	Padilla	3.37	0.96	99.34	44.38	31.53	1.92
13	Valle del Cauca	La Unión	7.73	0.31	99.51	20.50	32.22	0.96	43	Cauca	Piendamó	4.58	0.47	97.59	51.13	27.45	0.00
14	Nariño	Nariño	0.00	0.00	99.83	22.08	39.42	3.85	44	Cauca	Florencia	8.71	0.00	99.82	48.49	22.35	0.00
15	Valle del Cauca	Guadalajara de Buga	15.81	8.01	75.92	31.31	25.21	12.18	45	Chocó	Condoto	7.81	1.99	96.92	34.29	37.40	2.78
16	Nariño	Pupiales	2.05	0.00	98.95	42.89	20.54	0.00	46	Nariño	Colón	5.60	0.00	99.58	44.16	31.10	0.96
17	Nariño	Aldana	1.54	0.10	99.82	44.48	18.47	0.00	47	Nariño	Cúmbitara	8.14	0.00	99.81	58.09	14.85	0.00
18	Nariño	Gualmatán	0.00	0.00	98.19	39.32	28.36	0.00	48	Valle del Cauca	Sevilla	6.70	0.68	98.69	37.74	35.64	3.85
19	Nariño	Guaitarilla	0.00	0.65	99.34	35.09	30.35	0.00	49	Valle del Cauca	Obando	6.07	0.10	99.77	32.01	44.43	0.00
20	Valle del Cauca	Riofrío	5.54	0.52	99.73	22.31	34.38	1.92	50	Valle del Cauca	Guacarí	4.27	0.93	99.32	47.86	28.83	2.88
21	Valle del Cauca	Candelaria	5.06	0.80	96.34	31.13	30.21	2.78	51	Valle del Cauca	Jamundí	14.36	4.85	97.17	29.38	30.71	4.09
22	Valle del Cauca	Caicedonia	4.82	0.05	91.72	31.22	34.29	8.33	52	Valle del Cauca	Bugalagrande	3.56	2.46	98.85	39.47	36.77	2.88
23	Nariño	Túquerres	0.95	2.27	93.54	40.81	24.87	8.33	53	Chocó	Unguía	2.57	0.26	97.41	34.03	50.73	0.00
24	Valle del Cauca	El Dovio	6.18	0.05	93.88	38.00	30.79	0.00	54	Valle del Cauca	La Victoria	6.38	0.05	99.86	47.00	29.86	0.00
25	Cauca	Puerto Tejada	9.64	3.90	95.92	45.81	9.37	3.13	55	Chocó	Istmina	4.33	2.54	92.40	53.80	32.47	0.00
26	Valle del Cauca	Bolívar	2.22	0.05	99.87	27.24	40.93	0.00	56	Nariño	Yacuanquer	3.34	0.00	99.39	44.20	35.71	2.78
27	Valle del Cauca	San Pedro	8.45	0.57	99.66	24.84	35.15	0.00	57	Chocó	Río Íro	1.03	0.00	99.48	39.53	43.84	2.78
28	Nariño	La Cruz	0.30	0.00	99.51	45.36	25.05	2.78	58	Cauca	Guachené	10.32	0.82	97.98	40.18	33.71	0.00
29	Cauca	Miranda	9.00	1.90	94.20	37.88	27.64	0.00	59	Cauca	Totoró	2.83	0.68	99.15	32.44	49.52	0.96
30	Nariño	Albán	0.00	0.00	98.10	40.05	34.98	0.00	60	Valle del Cauca	Andalucía	8.05	0.96	99.70	36.87	36.40	1.92

RANKING	DEPARTMENT	MUNICIPALITY	DIMENSION						RANKING	DEPARTMENT	MUNICIPALITY	DIMENSION					
			SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT				SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT
61	Nariño	El Tambo	3.98	0.11	99.33	53.45	28.49	0.00	91	Cauca	Silvia	1.76	0.21	98.01	54.08	39.62	0.96
62	Valle del Cauca	Ulloa	3.38	0.10	99.98	44.51	37.53	0.00	92	Nariño	San Pablo	2.77	0.05	96.99	60.90	31.24	3.74
63	Valle del Cauca	Ginebra	4.49	0.52	98.76	52.57	26.79	4.09	93	Chocó	Bahía Solano	10.33	0.05	99.33	49.71	32.12	0.00
64	Valle del Cauca	Toro	9.77	0.10	98.69	32.24	41.08	3.74	94	Valle del Cauca	Ansermanuevo	3.90	0.73	99.75	34.53	55.08	0.00
65	Valle del Cauca	Argelia	1.09	1.94	100.00	44.37	38.88	0.00	95	Chocó	Medio San Juan	0.75	0.00	99.07	47.29	48.76	0.00
66	Nariño	Iles	0.00	0.00	99.62	51.71	33.29	5.56	96	Valle del Cauca	Yotoco	6.23	0.16	99.58	50.75	30.61	10.10
67	Nariño	Ancuya	2.18	0.00	99.69	51.02	29.22	8.33	97	Nariño	Funes	0.00	0.00	99.69	58.44	38.32	0.00
68	Nariño	Sapuyes	1.75	0.00	99.70	44.75	37.88	5.77	98	Valle del Cauca	El Cerrito	5.13	1.70	98.42	50.51	25.53	20.01
69	Nariño	Ospina	0.00	0.00	99.66	58.47	30.61	0.00	99	Cauca	La Sierra	1.58	3.28	99.44	52.64	34.55	5.56
70	Cauca	López	3.85	0.11	99.45	32.32	52.29	0.00	100	Cauca	Rosas	5.33	0.05	96.79	53.21	39.57	2.78
71	Valle del Cauca	El Águila	4.09	0.00	99.90	39.85	44.39	0.00	101	Nariño	Buesaco	1.24	0.05	98.68	57.80	35.74	6.25
72	Chocó	San José del Palmar	0.96	0.00	99.30	44.00	45.37	0.00	102	Nariño	Cuaspué	2.46	0.00	99.74	55.91	39.24	0.00
73	Valle del Cauca	La Cumbre	7.71	0.35	99.84	37.27	41.96	0.00	103	Valle del Cauca	Florida	6.14	1.73	98.80	56.81	32.40	0.00
74	Nariño	Roberto Payán	12.88	0.11	99.79	23.06	49.73	0.00	104	Cauca	Toribio	4.97	4.97	98.12	45.75	41.94	0.00
75	Valle del Cauca	Trujillo	6.80	0.05	98.13	47.03	36.23	0.00	105	Chocó	El Litoral del San Juan	3.17	0.16	98.73	27.85	67.86	0.00
76	Chocó	Bagadó	1.28	0.37	97.45	49.92	41.19	0.00	106	Nariño	La Florida	1.18	0.00	99.51	59.06	38.55	0.00
77	Cauca	Puracé	0.71	0.21	99.37	51.59	38.32	0.00	107	Nariño	San Pedro de Cartago	0.00	0.00	99.64	59.52	38.33	1.92
78	Chocó	Río Quito	3.33	0.00	98.78	37.22	39.42	16.67	108	Nariño	Ricaurte	8.15	0.95	98.86	43.46	44.15	0.96
79	Chocó	Bojayá	3.96	0.00	98.83	45.95	41.04	0.00	109	Nariño	Cumbal	3.07	0.70	98.76	63.71	29.06	4.09
80	Nariño	Taminango	3.63	0.05	99.08	56.21	31.29	0.00	110	Cauca	Inzá	9.74	0.63	98.39	47.89	40.19	0.00
81	Nariño	Córdoba	0.00	0.00	99.18	59.31	33.63	0.00	111	Valle del Cauca	Alcalá	10.20	0.11	99.79	47.32	38.11	1.92
82	Chocó	Medio Atrato	1.03	1.29	98.51	31.18	59.62	0.00	112	Nariño	Arboleda	1.34	0.05	99.57	55.14	42.65	1.92
83	Cauca	Timbío	4.04	1.31	98.21	52.25	34.39	0.96	113	Valle del Cauca	Vijes	7.70	0.80	97.50	55.10	37.30	0.00
84	Nariño	Chachagüí	1.20	0.05	98.02	50.39	37.36	8.33	114	Chocó	Sipí	0.35	1.29	99.80	55.03	43.72	0.00
85	Nariño	Sandoná	2.51	0.30	99.01	64.63	24.76	0.96	115	Chocó	Bajo Baudó	1.64	0.91	98.30	35.39	64.31	0.00
86	Nariño	Imués	0.00	0.05	99.73	54.42	36.35	3.74	116	Nariño	Contadero	0.00	0.65	99.68	59.08	41.64	0.00
87	Chocó	Atrato	11.05	0.65	91.44	38.63	44.05	9.29	117	Nariño	Samaniego	11.89	0.89	98.40	56.37	30.68	0.00
88	Chocó	Unión Panamericana	3.40	0.00	94.07	51.16	41.06	6.52	118	Cauca	Bolívar	3.85	0.10	98.62	59.47	35.72	5.56
89	Nariño	Linares	2.22	0.00	97.10	62.37	31.78	0.00	119	Chocó	Tadó	11.75	0.05	96.26	58.83	32.14	0.96
90	Nariño	Providencia	4.07	0.00	99.90	45.15	43.60	0.00	120	Cauca	Patía	10.32	3.49	92.00	56.95	38.01	0.00

RANKING	DEPARTMENT	MUNICIPALITY	DIMENSION						RANKING	DEPARTMENT	MUNICIPALITY	DIMENSION					
			SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT				SECURITY	POLITICS	ECONOMY	INSTITUTIONS	SOCIETY	ENVIROMENT
121	Chocó	Acandí	4.94	0.05	98.39	45.54	52.69	0.00	150	Nariño	El Tablón de Gómez	0.40	0.65	98.72	79.70	35.19	2.78
122	Cauca	Sotará	5.11	0.37	99.12	52.58	44.34	0.00	151	Cauca	Páez	7.01	1.04	98.06	59.85	49.64	0.00
123	Cauca	Santander de Quilichao	28.24	13.25	72.60	34.16	24.70	38.22	152	Cauca	Balboa	12.28	0.51	98.86	66.48	36.26	0.00
124	Nariño	La Llanada	4.71	0.00	99.87	55.29	39.88	2.78	153	Nariño	Francisco Pizarro	3.75	0.00	99.81	49.14	64.48	0.00
125	Cauca	Morales	7.21	1.16	97.96	49.44	45.41	0.00	154	Cauca	Guapi	4.16	0.70	99.10	74.15	37.51	2.78
126	Nariño	Consacá	0.00	0.00	99.57	60.65	43.72	0.00	155	Cauca	Sucre	0.62	0.57	99.70	59.71	57.92	0.00
127	Nariño	Santacruz	3.83	0.00	99.00	51.01	50.31	0.00	156	Nariño	Olaya Herrera	11.89	0.11	99.52	49.58	53.95	0.00
128	Cauca	Villa Rica	3.68	2.25	97.36	63.08	37.16	0.96	157	Chocó	Nóvita	4.44	5.19	98.91	53.78	49.29	8.33
129	Chocó	Alto Baudó	5.88	1.41	98.21	45.11	53.08	0.00	158	Nariño	Barbacoas	8.96	0.31	98.15	42.41	58.27	14.24
130	Nariño	Los Andes	6.94	0.00	99.72	65.16	31.76	0.00	159	Chocó	Juradó	4.29	0.00	99.43	53.67	61.83	0.00
131	Nariño	San Bernardo	1.38	0.00	99.71	59.94	44.77	0.00	160	Cauca	Buenos Aires	10.34	3.59	98.54	52.15	41.72	15.54
132	Cauca	Santa Rosa	2.33	0.05	99.60	53.09	49.29	2.78	161	Chocó	Cértegui	11.47	0.00	99.30	48.74	47.62	17.01
133	Valle del Cauca	Dagua	4.69	2.73	97.44	52.82	48.27	0.00	162	Valle del Cauca	Cali	25.48	87.35	28.54	2.01	22.81	63.35
134	Cauca	Piamonte	3.39	1.50	99.64	55.44	40.94	7.93	163	Valle del Cauca	Buenaventura	19.73	23.16	87.70	43.49	33.53	7.83
135	Cauca	San Sebastián	3.28	2.04	99.53	52.23	48.43	0.96	164	Nariño	El Rosario	5.78	0.10	99.31	58.05	56.25	2.78
136	Chocó	El Cantón del San Pablo	6.26	0.00	95.94	55.88	43.48	9.29	165	Cauca	Cajibío	10.66	7.11	98.45	50.47	44.27	12.50
137	Nariño	Belén	1.79	0.00	99.83	77.98	28.73	0.00	166	Chocó	Carmen del Darién	3.44	0.21	96.51	58.76	66.25	0.00
138	Nariño	Mosquera	2.34	0.00	99.85	46.18	60.10	0.00	167	Cauca	Almaguer	2.69	0.00	98.87	76.65	46.83	0.00
139	Nariño	Leiva	12.51	0.05	99.65	56.26	36.88	0.00	168	Cauca	Timbiquí	4.89	0.86	99.14	74.81	42.77	2.78
140	Chocó	Riosucio	3.92	2.18	88.41	55.40	61.62	0.96	169	Nariño	El Peñol	0.83	0.00	98.37	89.44	38.03	0.00
141	Cauca	Mercaderes	6.64	2.54	99.17	49.35	50.77	50.77	170	Nariño	El Charco	12.56	0.00	98.64	66.25	45.22	0.00
142	Nariño	San Lorenzo	1.30	0.00	99.10	64.62	40.34	9.03	171	Cauca	La Vega	4.35	0.52	99.15	67.28	53.85	0.00
143	Chocó	Nuquí	8.43	0.00	99.04	26.37	75.48	0.00	172	Nariño	La Tola	5.33	0.00	99.93	79.93	45.77	0.00
144	Cauca	Jambaló	4.64	0.47	99.27	69.12	37.66	0.00	173	Nariño	Magüí	4.25	0.00	99.59	50.50	77.29	5.56
145	Nariño	Santa Bárbara	4.66	0.11	99.25	52.22	56.18	0.00	174	Cauca	El Tambo	23.43	2.80	97.18	62.05	37.75	9.38
146	Cauca	Caldono	10.39	4.69	97.87	58.76	37.94	0.00	175	Cauca	Suárez	10.44	1.54	98.02	71.23	52.41	3.13
147	Chocó	El Carmen de Atrato	4.26	0.75	98.00	65.82	37.79	11.11	176	Cauca	Argelia	32.50	14.22	99.33	52.92	30.19	0.00
148	Nariño	La Unión	2.48	0.80	97.40	84.18	29.89	1.92	177	Cauca	Corinto	32.95	11.97	98.67	65.25	28.99	0.00
149	Nariño	Mallama	12.20	0.00	99.78	64.69	34.43	1.92	178	Nariño	San Andrés de Tumaco	52.72	3.32	83.28	55.00	48.11	29.81