



SPECIAL REPORT

DECEMBER 2022

2022 SUBNATIONAL RISK INDEX



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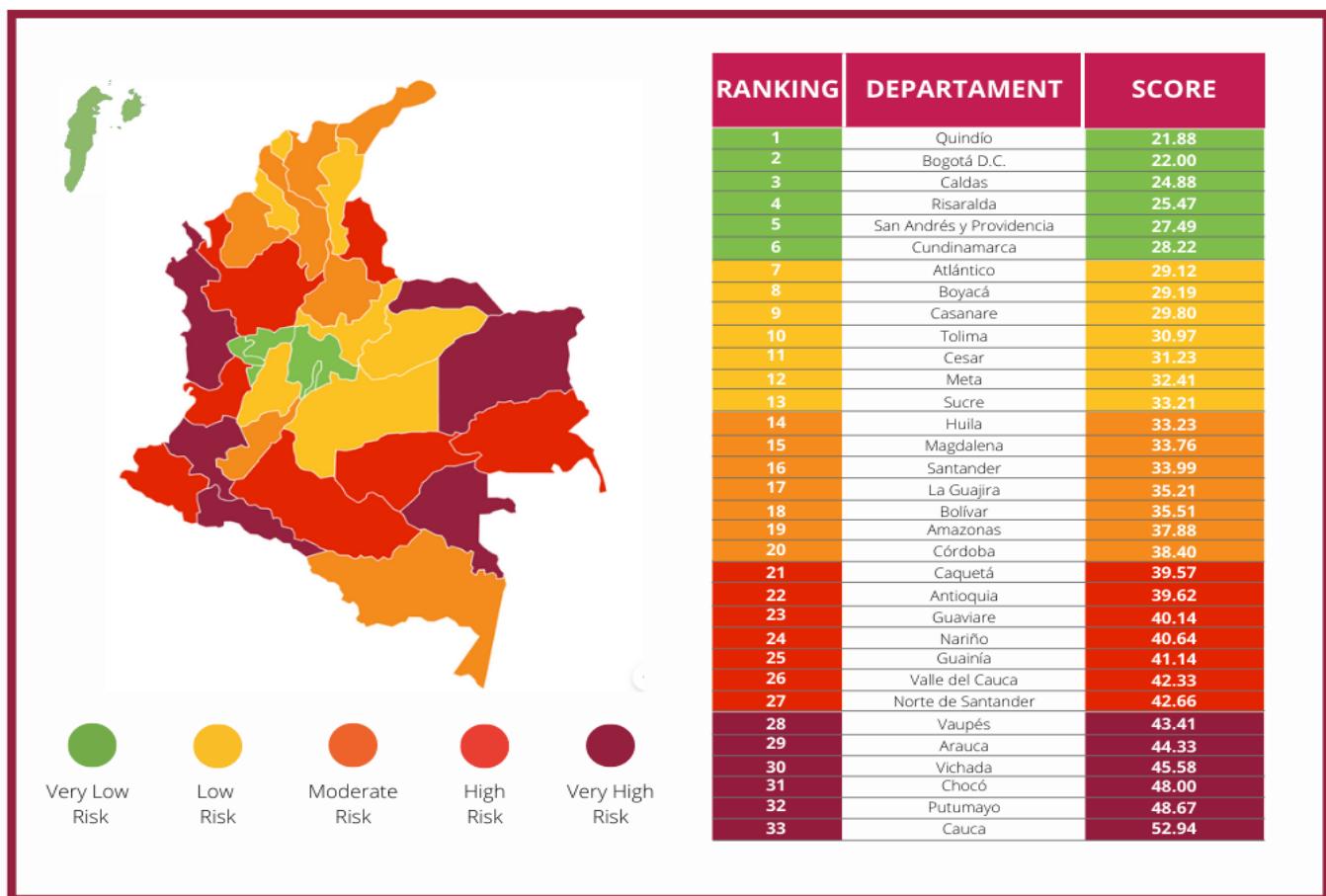
Colombia Risk Analysis is a start-up political risk consultancy, and we provide our clients with insight, analysis, context, and projections about the political, economic, and social environment in Colombia and the region. Through monthly newsletters, detailed consulting and articles of interest, Colombia Risk Analysis adds value to its customers in the public and private sectors.

EXECUTIVE SUMMARY

[Colombia Risk Analysis](#) identified an important gap in the search for unified information at the departmental level in Colombia, despite the fact there are entities, including DANE, DNP, Transparencia por Colombia, the National Police, IDEAM, among others, already collecting valuable information on different topics. As a result, we created the first version of the Subnational Risk Index. After a year of learning suggestions and recommendations from many actors, including our subscribers and clients, members of academia, and followers of Colombia Risk Analysis, we made a series of methodological and conceptual adjustments in its 2022 version.

The objective of the Index is to identify the potential and existing risks for companies in the different departments of the country, using six categories (Security, Politics, Economy, Institutionality, Society, and Environment) as the frameworks of analysis. Each of these is built based on variables that include the most relevant aspects of each category, using public domain information available as of 2021. The analysis of our Index is done through a business and private sector lens, precisely to find the possible and existing risks for the sector.

In sum, the Subnational Risk Index 2022 continues evidencing the deep center-periphery divisions in Colombia -in terms of state capacity, presence of public forces, armed actors, economic development, and infrastructure- that influence the levels of risk experienced by each department and, in effect, how attractive they for companies and investors. In that sense, the 2022 version of the Index finds that the least risky departments in the country are those of the coffee region: Quindío, Caldas and Risaralda, while the most risky are Cauca, Putumayo and Chocó.



It is important to mention that, although Bogotá was also among the least risky (second in the overall ranking) in the Index, it is not taken into account in this analysis given that it is the national district and not a department. This is done in order to ensure consistency in the departmental analysis and that by category.

This second version of the Subnational Risk Index is not the final answer to understand the security, political, economic, social and environmental conditions of the different departments of Colombia. However, it is a methodological update to the 2021 version, showing trends of improvement or worsening among the different departments.

This document would not have been possible without the help of Ivón Sepúlveda (main consultant of the report), who elaborated the methodological updates to the document, as well as the data collection. The Colombia Risk Analysis team, including Katherin Galindo, Miguel Nieto, Catalina Ortiz, Mariana Silva, Esperanza Alvarez and Sara Torres also participated in the subsequent design, data analysis, and writing of this report.

We thank all those who participated, as we believe this document is an important contribution to understand subnational risks in Colombia. We hope it will be the basis for future analyses that help the private sector and decision-makers to better understand the country's security, political, economic, institutional, social, and environmental context.

INTRODUCTION

SUBNATIONAL RISK INDEX:

The Subnational Risk Index 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 to simplify the decision-making process of companies. The objective of the Index is to account for potential and existing 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 their operations may face. In that sense, these companies will have the advantage to plan, design and implement prevention and mitigation measures, even before potential risks arise.

The categories that make up the Index were carefully selected and consider theoretical propositions and empirical analysis to understand, in aggregate, the position of each department in terms of investment risk. In this way, the Index, and the analysis that follows from it, has a territorial approach from a business perspective.

This document is the second version of the Subnational Risk Index 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 changes were also due to suggestions and recommendations from our clients, subscribers and the general public. Finally, this version was made possible thanks to funding from the [International Center for Private Enterprise](#) (CIPE).

ABOUT COLOMBIA RISK ANALYSIS:

This document is a sample of the products and services that Colombia Risk Analysis can offer. We want to highlight the direct link between the business sector, the economic recovery, the immediate political future of the country, and the definition of a long-term trajectory. Our mission is to close the information gap that exists between the political attitudes of society and those in the executive boardrooms -both national and international- by providing decision makers with the tools to evaluate the political environment, identify trends, and orient their investment decisions.

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

Colombia Risk Analysis' knowledge of situations such as strikes, protests, tax reforms, election forecasts and other political developments has helped multiple clients make critical business decisions at the right time. Our work has been frequently quoted by national and international media such as The New York Times, The Washington Post, Financial Times, Bloomberg, BBC, Foreign Policy, Reuters, Associated Press, Business Insider, The Guardian, Al Jazeera, Global Americans, El Espectador, La República, El Colombiano and others.

THE IMPORTANCE OF FOREIGN DIRECT INVESTMENT:

Foreign Direct Investment (FDI) is fundamental for the economic development of emerging economies such as Colombia, as it positively stimulates the performance of productive activities, job creation, innovation, technology transfer and productivity. During the first half of 2022, FDI in Colombia registered its highest figure in seven years, reaching [USD 5.9 billion](#) (77.6% higher than the same period in 2021). This increase was mostly supported by investments in the oil and mining sector, which contributed [USD 4.1 billion](#), or 69.7% of FDI during this period. The above denotes the importance of the hydrocarbon sector for the national economy and the trade balance.

However, the [statements made by President Petro and some members of his cabinet](#), such as the Minister of Mines, have generated uncertainty for the hydrocarbon sector, and even for other industries. Although the global scenario is favorable for the export of these products, the proposal to not sign new contracts for the exploration and exploitation of hydrocarbons represents a high risk for the sustainability of national finances and those of the country's regions. It also affects the private sector's perception of and confidence in the Colombian market. Likewise, the tax reform's increase of several productive sectors' tax burden [has raised private sector concerns](#), especially in terms of their competitiveness and sustainability in the short- and medium-term. In sum, without greater compromise with the private sector, these measures would affect foreign investments, which would diminish the country's competitiveness and the capacity to generate jobs and income.

The lack of market confidence has negative effects on the country's risk rating. Although rating agencies have stated that [Colombia's risk rating has remained stable](#) since its downgrade in 2021, multiple local and external factors, such as the business impact of the tax reform and the depreciation of the peso, would make it difficult for the country's rating to recover. In addition, the insistence of the President and his Minister of Mines to prevent new hydrocarbon exploration and exploitation in Colombia, and its effect on fiscal revenues and the trade balance, will be taken into account by rating agencies in the medium-term when upgrading Colombia's rating.

To add, the [depreciation of the peso](#) is a concern of growing importance, and has been aggravated by the global economic slowdown, the war in Ukraine, and even by the statements of the President and other members of the administration. In addition to affecting the purchase of essential goods and inputs for industries, a depreciated exchange rate would raise the costs of external financing and lines of credit for the state, generating difficulties for its sustainability.

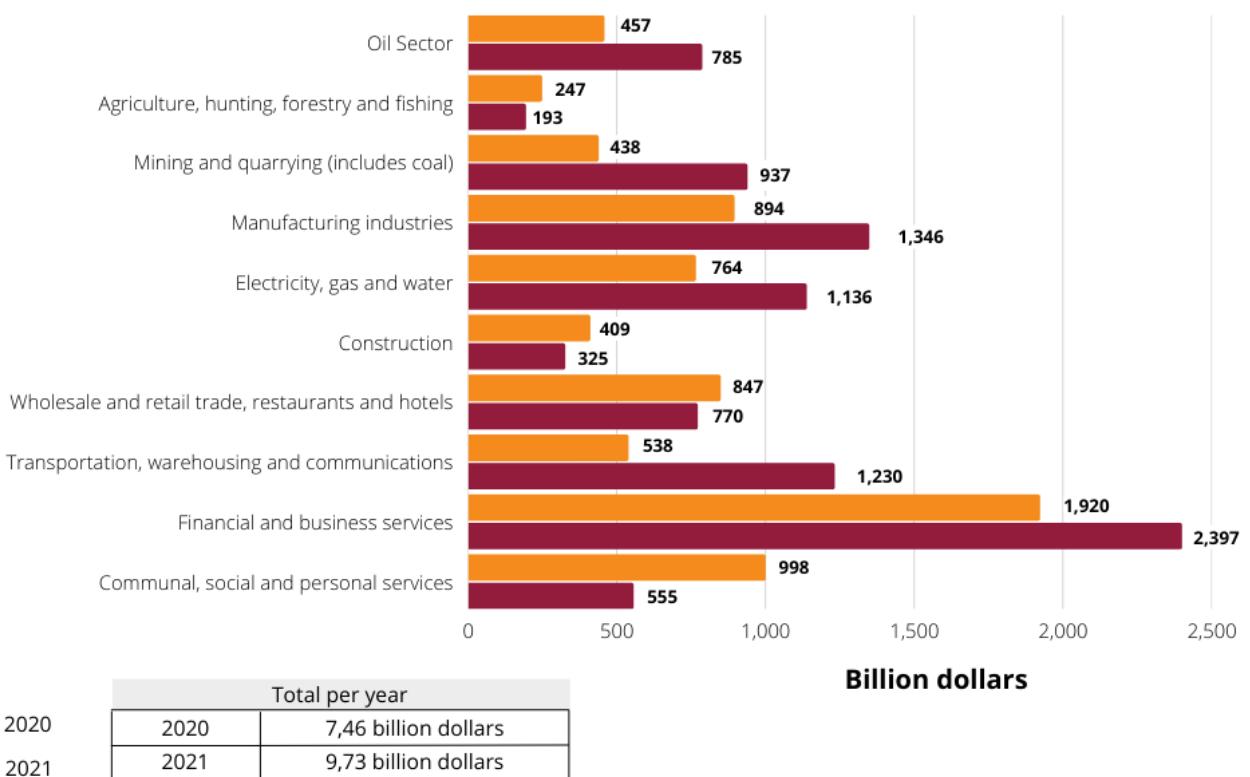
Against this scenario, the Minister of Finance, José Antonio Ocampo, has been in charge of calming the markets and productive sectors. He has even mentioned the government's possible openness to new oil contracts. [Minister Ocampo's role is key](#) to help minimize the clashes between the government and

Score	Moody's investors	Fitch Ratings	Standard & Poors
Highest degree of investment	Aaa	AAA	AAA
High investment grade	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Medium investment grade	A1 A2 A3	A+ A A-	A+ A A-
Low investment grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
Degree of non-investment	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
Highly speculative	B1 B2 B3	B+ B B-	B+ B B-
Substantial risk	Caa1	CCC	CCC+
Extremely speculative	Caa2		CCC
Low expectations of recovery	Caa3 Ca	CCC- CCC- CC C	CCC- CCC- CC C
Non-payment	C	DDD DD D	D

the private sector. However, he will face the significant challenge of dealing with the possible [slowdown of the national economy starting toward the end of 2022](#), according to central bank forecasts. This will be particularly important during the second and third quarters of 2023, when the bank projects a contraction of the economy that suggests a technical recession.

In this scenario, Colombia does not operate in a vacuum; instead, it is constantly compared to its regional and global peers. However, at Colombia Risk Analysis we believe that many of these decisions are made with country risk in mind, without taking into account sub-national conditions. This generates a perception gap at the time of investing, which can mean a loss of opportunities for the country. Therefore, it is necessary to have updated information on the nuances of each department, in order to analyze their stability in terms of security, politics, economy, institutions, social welfare and environment, and that way, provide a comprehensive perspective to domestic and foreign firms and contribute to informed decisions related to local investment.

FOREIGN DIRECT INVESTMENT IN COLOMBIA 2020 AND 2021



Source: [Central Bank](#)

CONTENT OF THE 2022 SUBNATIONAL RISK INDEX

The Subnational Risk Index is composed of six categories: Security, Politics, Economy, Institutionality, Society and Environment. This chapter explains each of these categories, as well as their variables. Each category evaluates a particular aspect of the departments, their variables were included based on their reliability in assessing the aspect to which the category refers. It should be noted that the variables were selected based on the most relevant aspects of each category, which has public domain information available.

SECURITY:

The Security category seeks to determine the risk to the physical integrity of investors and workers who support 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 security risks directly associated with the armed conflict. The variables included in this category have a direct and positive relationship with subnational risk; therefore, increases in these variables generate increases in departmental security risk.

The **Homicides per 100,000 inhabitants** variable determines the murder rate, adjusted to the department's population presents the risk associated with being murdered in the department. The **Kidnapping per 100,000 inhabitants** variable presents the kidnapping rate, adjusted to the department's population, presents 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 department, and accounts for the risk to the integrity of a company's assets -since this practice is associated with charging fees, in exchange of not attacking infrastructure-, as well as higher costs associated with security.

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

POLITICS:

The Political category suggests whether or not there is political stability within each department. For this, six variables were taken into account that indicate the rotation of governors for each department and the incidence of crimes linked to the public sector that may affect the perception of political stability in each department. It is worth mentioning that the variables in this category have a positive relationship with respect to risk.

The **Governors' turnover** variable seeks to measure how many governors each department has had in the last four electoral periods (between 2008 and 2021), which can be understood as a snapshot of the electoral and political dynamics of the department. In this sense, a high turnover of governors suggests

a higher political instability risk, which limits the margin of action of the companies. The **Electoral Crimes** variable evaluates the susceptibility of each department to local elections, such as the disruption of the democratic contest, voter disincentives, fraud, vote trafficking, among others. Likewise, it demonstrates the inefficiencies and irregularities of the departmental electoral system and that of its officials, which reduces the confidence of companies at the time of establishing their operations in the department.

The variable **Crimes against the constitutional and legal regime** measures the total number of crimes such as rebellion, sedition, riots, among others. These crimes for the business sector suggest the presence of political violence and social instability, which could affect workers, as well as productive activities. The variable **Threats against human rights defenders and public servants** measures the vulnerability of leaders and officials to potential acts of violence. This type of action limits communication between the private sector, local government and society, and impedes social and political coordination to carry out investment projects.

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

ECONOMY:

The Economy category is focused on analyzing the state of the departmental economy and its integration into the national economy. In this way, the variables are geared so that the companies observe four different axes of the departmental economy: the sophistication of the market, the characterization of the labor market, the quality of the business environment and its participation within the national economy. That said, the seven variables that make up the category are inverse, so the higher the value of the variables, the lower the risk.

The **Bankiarization** variable measures the percentage of adults with active financial products in each department. This variable suggests the degree of sophistication and technification of the departmental market, since a higher percentage is associated with a more developed financial system. To evaluate the labor market, the Index uses the **Human Capital** variable, which measures the percentage of the population with higher education in each department. This variable indicates the share of specialized individuals in each department; a higher percentage means a more specialized labor supply. The **Business fabric** variable measures the number of companies generating formal employment per 10,000 inhabitants; a greater number of companies in the department indicates a greater possibility of success in consolidating a business.

The variable **Percentage growth rate of the departmental GDP** measures the increases or decreases of the departmental economy during a year, indicating the joint performance of the productive sectors. For companies, this indicator is fundamental to identify whether a market has favorable conditions for their activities and investments. The variable **Departmental participation in imports** indicates the share of each department in the total purchase of foreign goods and services, at the national level. This demonstrates the purchase capacity of the industries present in each department and the sales opportunities for foreign companies.

The variable **Departmental participation in exports** indicates the participation of each department in the national total of exported products, which indicates the capacity of local economic sectors to produce and trade attractive and internationally competitive goods. The variable **Participation of departmental GDP in the national GDP** indicates the share of the annual production of each department in the national total and the relevance of its economy in the national economy.

INSTITUTIONALITY:

The Institutionality category seeks to determine the quality of departmental institutions through three variables. The first two seek to capture the degree of efficiency of local institutions, while the third determines their capacity to fight corruption. This category is important for companies as it provides insight into institutional capacity; stronger local institutions protect companies' investments and hold a higher degree of trust in terms of contract enforcement. The variables in this category have an inverse relationship relative to risk, so the higher the value of the variables, the lower the risk.

The category evaluates the efficiency of the institutions based on the score of each department 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), as well as the execution and investment goals. The second shows how well information, communications and technology (TICs) are integrated by the institutions in each department. On the other hand, to measure the capacity of departmental institutions to fight corruption, the National Anticorruption Index variable is used to evaluate each department. This variable scores each institution and determines how protected and prepared they are to face acts of corruption.

SOCIETY:

The Society category seeks to evaluate the quality of well-being of the population within each department. This is a crucial aspect, since it facilitates an understanding of the differentiated social conditions per department, thereby indicating its social integrity. Even so, this is often a category that is hardly evaluated by companies, which limits their perspective on local socioeconomic conditions. The category is composed of five variables that analyze social welfare through multidimensional poverty, housing welfare, health insurance, and access to and completion of education.

The **Multidimensional Poverty Index (MPI)** variable shows the percentage of the population per department in poverty -understanding poverty as the sum of various deprivations-. Thus, a higher MPI means a higher level of multidimensional poverty in the department. In relation to housing welfare, the **Housing deficit** variable shows the percentage of housing with structural deficiencies that require improvements, by department. The **Health insurance** variable indicates the percentage of the departmental population insured under the contributory and subsidized systems. It should be noted that this variable was adjusted to have the same inverse directionality as the other variables. Therefore, a low percentage of the variable represents higher insurance coverage.

The variable **Access to education** shows the percentage of people with access to this service. This variable was also adjusted to coincide with the inverse directionality of the other variables, so that a low percentage indicates greater access. Finally, the **School dropout** variable indicates the departmental

percentage of students who do not complete their schooling. For the business sector, this variable illustrates the unskilled human capital in each department.

ENVIRONMENT:

Finally, the Index includes the Environment category, which evaluates environmental impacts by department. This category aims to inform companies about the departmental incidence of crimes and actions that affect ecosystems, natural resources and health. In the SRI 2021, this category consisted only of the deforestation variable. However, in this version, this variable was eliminated due to the reliability factor of the category. In its place, four variables that identify irregular resource use and environmental damage in each department were added, instead. The Environment category is fundamental for private sector actors to have an informed record of the sustainability of the economic activities developed in the departments.

The variable **Illegal exploitation of renewable natural resources** presents the number of crimes, by department, related to the illegal exploitation of Colombian biodiversity, such as fauna and flora, among others. 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 events that directly or indirectly generated harmful effects on the environment, natural resources and health through emissions, dumping, radiation, among other factors.

GENERAL ANALYSIS

Colombia is an attractive country for international investment, not only because of its enormous resource wealth, privileged geographic location and growing domestic market, but also because of the evident progress it has made over the decades. Nevertheless, the country is vulnerable to external economic and geopolitical shocks, domestic political changes, complex internal conflict conditions and the weight of structural social inequalities. We propose, then, that national and international investors should analyze the country with a lens of decades, not quarters or semesters.

The government of Gustavo Petro has given much to talk about because of its ambitious proposals in economic, social and environmental matters, its approach to the conflict and international relations. However, the government's implementation capacity is inversely proportional to the ambition of its proposals. Thus, it will be important for decision makers to understand that there is a huge gap between what the government (through the President and his ministers) says and what they can actually deliver on throughout the administration.

The world is going through a difficult economic period marked by high interest rates, inflation and a difficult situation for supply chains, particularly for food. Colombia, because of its relatively small size and the composition of its export basket, cannot influence the direction of the global economy (despite the noise it makes). Instead, it will be severely affected by external events. Nonetheless, this does not mean there will be no opportunities given that opportunities are not evenly distributed in Colombia. This is why it is important to understand the subtle, and not so subtle, differences between the different regions of the country when it comes to investment.

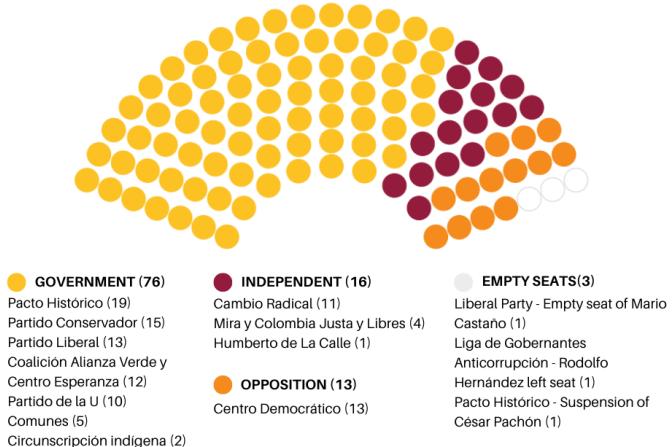
According to DANE, Colombia in 2021 had a [monetary poverty rate of 39.3%](#), an extreme monetary poverty rate of 12.2%, and an [unemployment rate of 13.7%](#). As a result, the country's middle class - where a large part of the labor force is located - shrank, which meant a contraction of aggregate demand, increased informality and deterioration of socioeconomic conditions.

Last updated on November 4, 2022

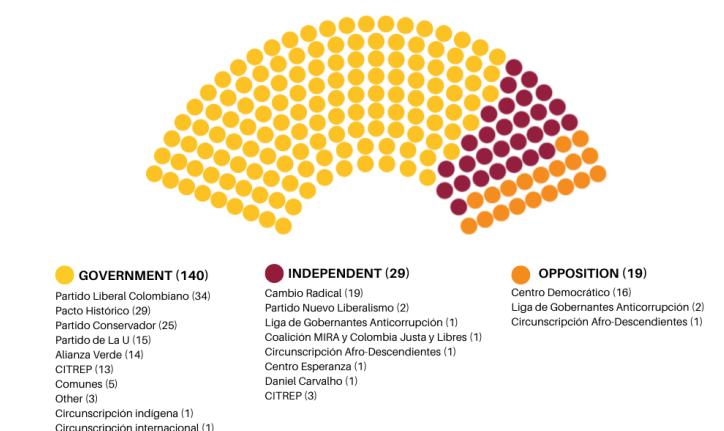
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COLOMBIA RISK ANALYSIS

SENATE COMPOSITION 2022-2026



CHAMBER OF REPRESENTATIVES COMPOSITION 2022-2026



Although Colombia had a positive economic recovery after the COVID-19 pandemic, social discontent and demand for change from traditional politics led to the 2022 presidential and congressional electoral results, marking a shift to the left favoring parties that promoted "change". The statements of President Petro and members of his cabinet have generated great uncertainty among markets, investors, and the business sector, as evidenced in October and November, when the price of the dollar broke record exceeding [five thousand pesos](#), and becoming one of the most devalued currencies (over 25%) in the world and region.

Considering its large domestic market and potential, Colombia cannot be ignored by investors. However, before investing, investors should be aware that each department has particular conditions - even each municipality may be diametrically different from another-. In this sense, as suggested in the previous chapters, we have proposed the categories of Security, Politics, Economy, Institutionality, Society and Environment by department, using public domain information available as of 2021.

WHAT CHANGED AND WHAT STAYED THE SAME?:

Our Subnational Risk Index seeks to analyze risks at the departmental level. Within the database used to obtain the Index, Bogotá is included as a separate territory, reason why there are 33 places in total, instead of 32. This is because Bogotá influences the overall result for Cundinamarca (if we include Bogotá as municipality within this department) and because it is an entity that has the same administrative powers conferred to a department.

In general terms, in the SRI 2022, Bogotá is the second safest territory (preceded by Quindío and followed by Caldas in third place). However, in order to keep the analysis focused only on the 32 departments, within the narrative of the analysis by category and department, Bogotá is not taken into account. This will be repeated in future versions of the SRI if this situation occurs again. However, as it occupies the second place in the SRI 2022, we believe it is important to include Bogotá's results in each category.

Bogotá ranked 16th out of 33 in the Security category, with a moderate risk level. For the business sector, this means that, although the capital does not present a high risk in terms of physical integrity related to the armed conflict, workers and investors are not exempt from common crime (such as [theft](#), which during 2021 had a rate of 1,364 per 100,000 inhabitants), nor is the capital exempt from terrorist attacks (as occurred with the [bombing of the General Santander Police School in 2019 by the ELN](#)). In the Political category, it ranked 32 out of 33, with a very high-risk level. For the business sector, this suggests that there is political instability that is likely to be reflected in reputational risks, and procedural problems due to the number of victims of crimes of improper celebration of contracts (79) and crimes of abuse of authority by arbitrary or unjust acts (1,188).

In the Economy category, Bogotá ranked 1 out of 33, with a very low level of risk. This is well supported by the fact that it is the capital of the country, where a large part of the specialized human capital and job offers are concentrated, as well as its integration and contribution to the national economy. Bogotá maintains the same rank in the Institutionality category, with a very low risk level. For the business sector, this means that public institutions are efficient, have a high incorporation of TICs in their processes and a high capacity to prevent and fight corruption, which ensures guarantees and benefits when contracting with city entities.

In the category of Society, the country's capital is ranked 1 out of 33, with a very low level of risk. For the business sector, this suggests that the city has a high level of social welfare development, so it is unlikely that there will be demands from people to companies to fulfill the functions of the State. On the contrary, the private sector is perceived as a complement to further strengthen such development. Finally, in the Environment category, it ranked 32 out of 33, with a very high-risk level. This result was due to, in part, cases of illegal exploitation of renewable natural resources and environmental pollution, which impacts the general state of ecosystems and the quality of the environment in the capital.

• SRI 2021 VS. SRI 2022

In our SRI 2021, the safest departments were Cundinamarca, Boyacá and Quindío. On the other hand, in the SRI 2022 they were Quindío, Bogotá and Caldas. Consequently, it is evident that the Andean Region remains the safest and most attractive to invest in. As for the riskiest departments in the SRI 2021, were Chocó, Guaviare and Caquetá. On the other hand, in SRI 2022, they were Cauca, Putumayo and Chocó. This shows that the peripheral territories remain among the most insecure, which probably negatively impacts the investment attractiveness of these territories.

As we have said before, our Index aims to analyze the characteristics of each department. However, this does not mean that these are territories where different productive activities cannot be developed. Our intention is for companies to make informed decisions and can plan and foresee accordingly, so that they are prepared for possible risks in the territories

SRI 2021 VS. SRI 2022

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Cundinamarca	17.38	Quindío	21.88
2	Boyacá	17.52	Bogotá	22.00
3	Quindío	18.84	Caldas	24.88

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
31	Caquetá	42.35	Chocó	48.00
32	Guaviare	46.11	Putumayo	48.67
33	Chocó	54.18	Cauca	52.94

In the **Security category** for SRI 2021, the safest departments were Amazonas, Vaupés, Santander, Guainía and Vichada. Four of these departments (Vaupés, Vichada, Santander and Guainía) maintained their position as the safest in the SRI 2022. However, instead Caldas took Amazonas' place (which remained at the very low risk level). The most risky departments in 2021 were Cauca, Arauca, Norte de Santander, Antioquia and Nariño. In 2022, the only variation in the ranking that occurred was with respect to Norte de Santander (which no longer is among the five riskiest and moved to a high risk level), which was replaced by Valle del Cauca.

SECURITY

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Amazonas	0.751	Vaupés	0.01
2	Vaupés	1.376	Vichada	7.15
3	Santander	3.725	Santander	7.55
4	Guainía	5.005	Guainía	7.90
5	Vichada	5.163	Caldas	7.93

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
29	Nariño	39.529	Nariño	50.04
30	Antioquia	41.364	Antioquia	51.54
31	Nte de Santander	41.604	Valle del Cauca	52.04
32	Arauca	41.803	Arauca	52.11
33	Cauca	61.324	Cauca	67.08

Arauca and Antioquia. In the SRI 2022 they were Valle del Cauca, Bogotá, Cauca, Antioquia and Bolívar. Only two departments remained at the very high risk level in the Political category (Arauca and Caldas were upgraded to moderate risk; and Chocó was upgraded to high risk).

POLITICS

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Amazonas	0.000	Vaupés	0.02
2	Vaupés	0.000	Amazonas	0.87
3	Quindío	0.000	Sucre	2.42
4	Boyacá	1.626	Vichada	2.90
5	Meta	1.724	Quindío	3.07

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
29	Antioquia	37.800	Bolívar	33.14
30	Arauca	40.179	Antioquia	41.07
31	Caldas	41.204	Cauca	42.12
32	Valle del Cauca	52.976	Bogotá D.C.	42.76
33	Chocó	86.667	Valle del Cauca	51.50

In the **Economy category** there was also a change in the ranking, due to the inclusion of variables. In SRI 2021, the least risky departments in this category were Antioquia, Caldas, Boyacá, Córdoba and Risaralda. In SRI 2022, Antioquia and Risaralda remained the same (Caldas and Boyacá moved to low risk; and Córdoba moved to high risk), and Bogotá, San Andrés y Providencia and Valle del Cauca entered the top five least risky in the economic category. The departments with the highest risk in the SRI 2021 were Vaupés, Guainía, Vichada, Chocó and Amazonas. In SRI 2022, four remained: Vichada, Vaupés, Guainía and Chocó. Instead of Amazonas (which remained at very high risk), Arauca was added to the five departments with the highest risk in the Economy category.

ECONOMICS

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Antioquia	31.216	Bogotá D.C.	20.31
2	Caldas	41.555	Antioquia	46.11
3	Boyacá	42.477	San Andrés y P.	54.49
4	Córdoba	44.789	Valle del Cauca	63.77
5	Risaralda	44.835	Risaralda	65.51

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
29	Amazonas	71.097	Arauca	86.67
30	Chocó	73.997	Chocó	87.53
31	Vichada	75.942	Guainía	87.60
32	Guainía	76.288	Vaupés	93.68
33	Vaupés	78.292	Vichada	94.62

In the **Institutionality category**, in SRI 2021, Bogotá, Cundinamarca, Antioquia, Caldas and Valle del Cauca were the least risky territories. In SRI 2022, Bogotá, Cundinamarca and Caldas remained the same (Antioquia and Valle del Cauca moved to low risk), and Quindío and Meta joined the least risky. On the other hand, in 2021 the riskiest departments in the Institutional category were Vaupés, Amazonas, La Guajira, Chocó and Magdalena. In 2022, Amazonas and Vaupés remained the same (Magdalena moved to moderate risk; and Chocó and La Guajira moved to high risk), and Vichada, Putumayo and Guainía joined.

INSTITUTIONALITY

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Bogotá D.C.	12.820	Bogotá D.C.	7.05
2	Cundinamarca	16.638	Cundinamarca	14.61
3	Antioquia	17.959	Quindío	15.77
4	Caldas	18.893	Caldas	18.13
5	Valle del Cauca	23.143	Meta	24.22

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
29	Magdalena	45.340	Guainía	79.65
30	Chocó	46.040	Vaupés	82.82
31	La Guajira	47.933	Amazonas	84.87
32	Amazonas	48.468	Putumayo	89.60
33	Vaupés	50.675	Vichada	92.01

In the **Society category**, as in the Politics and Economy categories, there were major changes in the ranking, due to the inclusion of new variables. In the SRI 2021, the five least risky territories were Bogotá, Quindío, Valle del Cauca, Boyacá and Santander. Of these, Bogotá, Quindío and Valle del Cauca remained this way in 2022 (Boyacá and Santander downgraded to low risk) and Risaralda and Atlántico were added. The riskiest departments in 2021 were Vichada, Chocó, Amazonas, Vaupés and Guaviare. In 2022, three departments also stayed the same: Vaupés, Vichada and Chocó; and Guainía and Putumayo joined the top five riskiest departments within the Society category (Guaviare remained at very high risk; and Amazonas moved to high risk).

SOCIETY

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Bogotá D.C.	11.918	Bogotá D.C.	1.21
2	Quindío	15.994	Risaralda	10.87
3	Valle del Cauca	16.424	Atlántico	14.35
4	Boyacá	19.912	Quindío	14.43
5	Santander	20.604	Valle del Cauca	14.62

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
29	Guaviare	47.245	Putumayo	49.52
30	Vaupés	50.734	Chocó	50.65
31	Amazonas	51.470	Guainía	59.82
32	Chocó	53.673	Vichada	71.90
33	Vichada	54.586	Vaupés	80.13

Finally, in the Environment category there were also major changes in the ranking, due to the elimination of the deforestation variable and the inclusion of four new variables. In SRI 2021, the least risky departments in this category were Bogotá, Atlántico, Risaralda, Quindío and Cundinamarca. In SRI 2022, they were Arauca, San Andrés and Providencia, Vichada, Guainía and Amazonas. None of the five least risky in the Environment category remained from 2021 to 2022. However, among the most risky in 2021 were Meta, Caquetá, Guaviare, Putumayo and Antioquia. And in 2022, Antioquia and Meta remained at the top. Santander, Bogotá and Cundinamarca were among the five most risky in the category (Putumayo and Guaviare moved to low risk; and Caquetá moved to moderate risk).

ENVIRONMENT

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
1	Bogotá D.C.	0.000	Arauca	0.41
2	Atlántico	0.073	San Andrés y P.	0.52
3	Risaralda	0.110	Vichada	0.56
4	Quindío	0.149	Guainía	1.05
5	Cundinamarca	0.194	Amazonas	1.38

RANKING	SRI 2021		SRI 2022	
	DEPARTAMENT	SCORE	DEPARTAMENT	SCORE
29	Antioquia	35.564	Meta	35.04
30	Putumayo	36.959	Cundinamarca	38.99
31	Guaviare	71.783	Antioquia	45.21
32	Caquetá	91.467	Bogotá	50.71
33	Meta	100.000	Santander	60.02

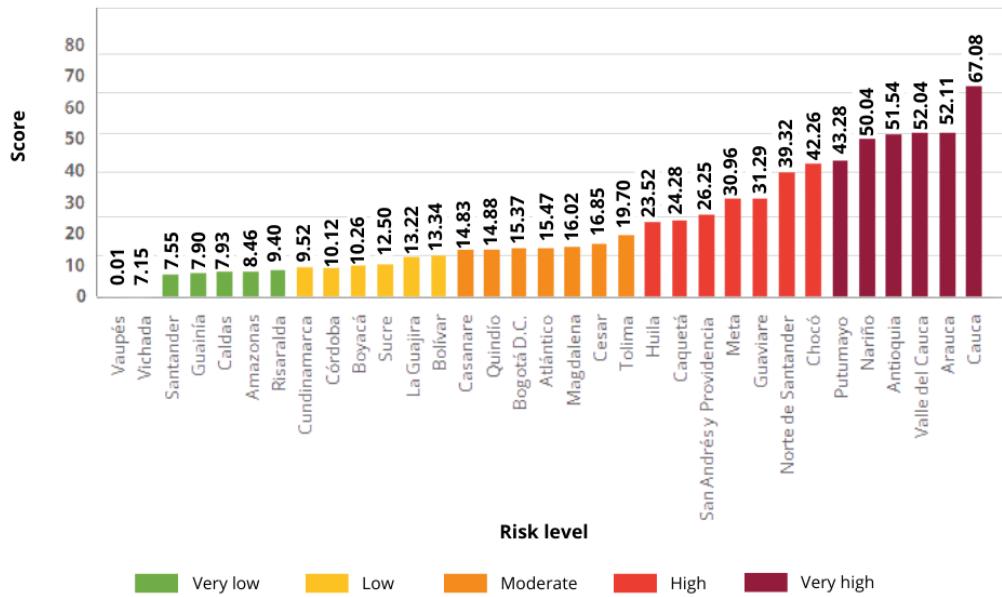
MOST AND LEAST RISKY DEPARTMENTS BY CATEGORY IN 2022:

It should come as no surprise to many that the top-ranked departments in 2022 are those with the greatest state supply and the most developed economically. These results, of course, are subject to annual variations depending on the performance of departmental or district administrations, security, or even political stability, which fluctuate. It is worth mentioning that these results are general and may differ from a more specific analysis, for example, a detailed analysis of the main cities in which a specific sector may find the best conditions.

LEAST AND MOST RISKY DEPARTMENT RANKED BY CATEGORY		
CATEGORY	LEAST RISKY	MOST RISKY
Security	Vaupés	Cauca
Politics	Vaupés	Valle del Cauca
Economy	Antioquia	Vichada
Institutionality	Cundinamarca	Vichada
Society	Risaralda	Vaupés
Environment	Arauca	Santander

SECURITY:

The department of Vaupés is the safest department in the country, according to our 2022 Subnational Risk Index. It ranked number one in almost all variables within the category. In 2021, with a population of over 44,000, it had the lowest homicide rate (2.2 per 100,000 inhabitants); only one extortion reported; and no kidnappings, massacres or social leaders killed. It also has only 28.81 hectares of coca (ranked 6th in our Index). This shows that the department's outlook presents no latent threats to workers or infrastructure for companies and investors. However, its distance from the main urban centers and its lack of road connectivity make it difficult for companies to set up in this department.

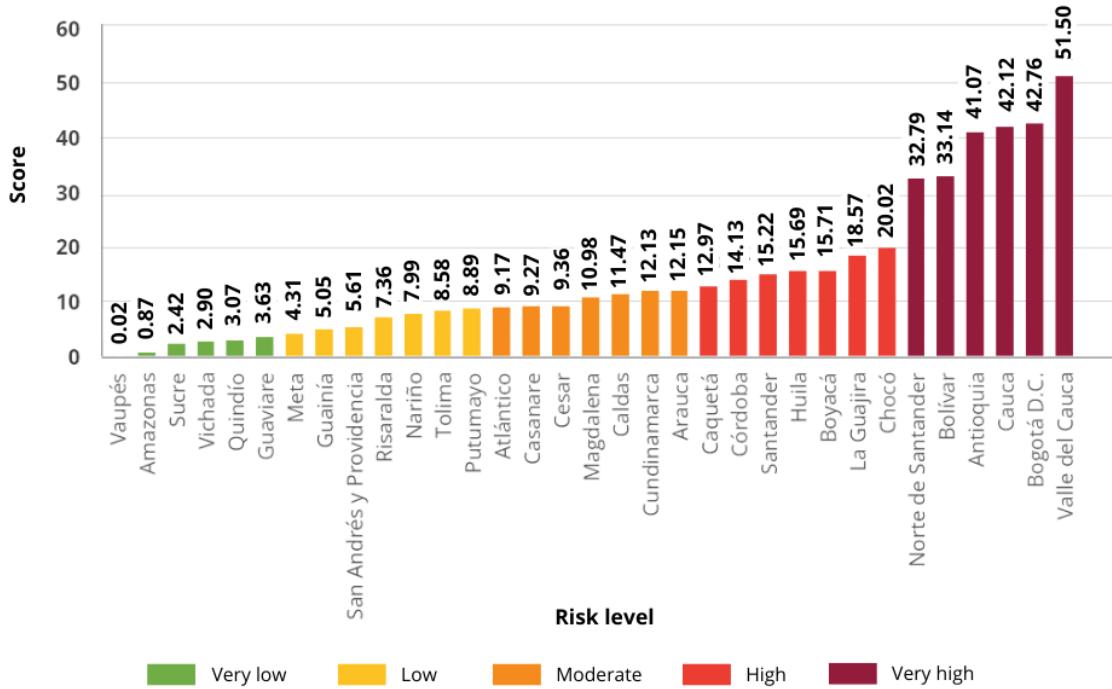


For its part, the department of Cauca, is the most insecure department, according to our 2022 Subnational Risk Index, like in the SRI 2021. With a population of almost 1.5 million inhabitants, it is the third department with the highest homicide rate (ranked 31st with a rate of 55 x 100 thousand inhabitants). During 2021, 13 kidnappings were reported; 283 cases of extortion; 14 massacres; and 31

social leaders murdered. And it has more than 25,000 hectares of coca. In contrast to 2020, in 2021, Cauca's homicide rate increased (from 53.2 to 55 per 100,000 inhabitants); extortion cases decreased (from 295 to 283); and coca hectares increased (from more than 16,000 to more than 25,000 hectares). The above shows that the department presents a difficult outlook for doing business due to its high level of security risks for workers and infrastructure.

POLITICS:

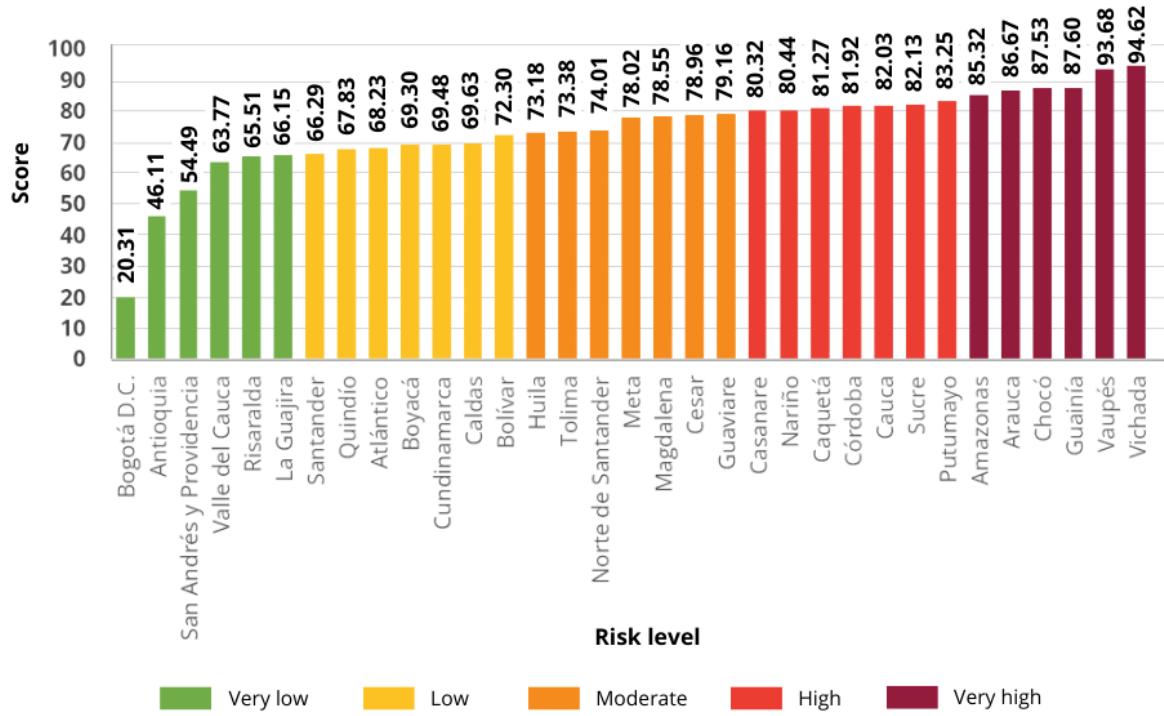
Vaupés remains as the least risky department, but now in the political risk category, according to our 2022 Subnational Risk Index (it was also one of the three safest departments in this category in SRI 2021). None of the four governors elected within the 2008-2021 period have been impeached. It ranked number one in almost all variables within the category. In 2021, there were no victims of electoral crimes, crimes of constitutional and legal regime, the improper celebration of contracts, or of abuse of authority by arbitrary or unjust act. It ranked number two in the variable of victims of threats against human rights defenders and public servants (there were two victims). Therefore, it can be inferred that there is political stability in the department that would provide guarantees to companies and investors.



Valle del Cauca is the department with the highest political risk according to our 2022 Subnational Risk Index. For the period 2008-2021, it had 10 governors. In 2021, the department had 51 victims of crimes of constitutional and legal regime, 14 of electoral crimes, 856 of threats against human rights defenders and public servants, 45 of crimes of improper celebration of contracts, and 800 of crimes of abuse of authority by arbitrary or unjust act. Therefore, it can be inferred that there is political instability in the department that will probably affect guarantees for companies and investors.

ECONOMY:

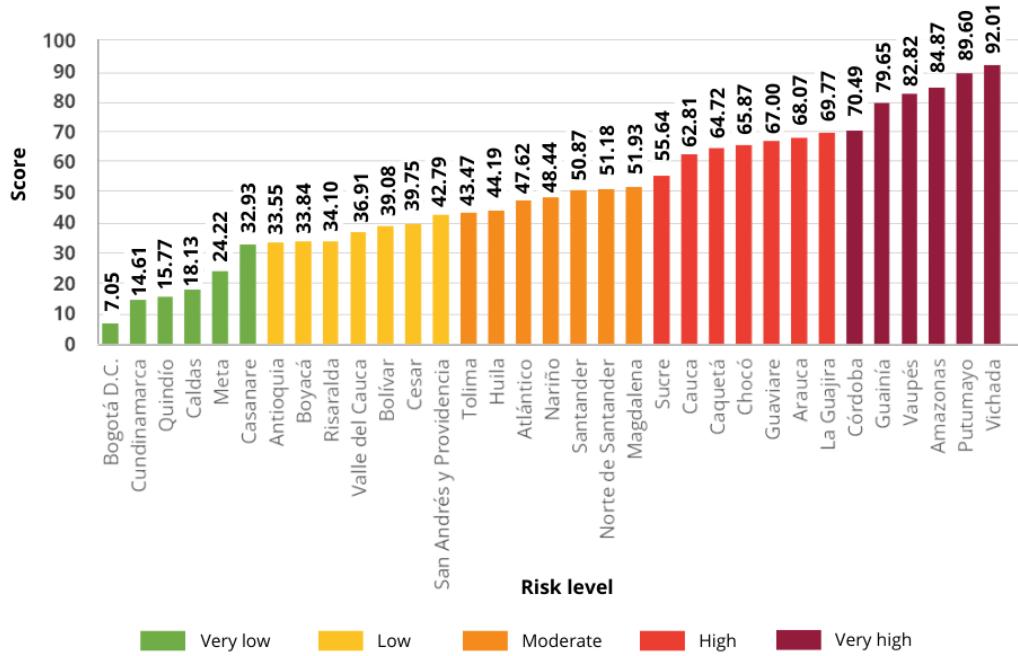
The department of Antioquia had the best score in economic matters according to our 2022 Subnational Risk Index, like in the SRI 2021. According to the data, it is the department with the highest percentage of bankarization with 63.6% of adults in the department with an active financial product. Its human capital increased from 49% in 2020 to 56.2% in 2021, which means that Antioquia has a highly specialized workforce for companies that want to establish themselves there. It is the fourth department with the best business environment, as it has 714 companies generating formal employment per 10,000 inhabitants. In 2021, it was the fifth department with the highest GDP growth (13.7%); the first in departmental participation in imports (14.9%); and the first in departmental participation in exports (18.2%). In 2020, Antioquia was the department with the highest share of departmental GDP in national GDP (14.9%). This shows the relevance of the department in economic matters and the consolidation of the business sector there.



Vichada is the department with the highest economic risk according to our 2022 Subnational Risk Index. The data suggest that Vichada is the department with the second lowest percentage of bankarization with 13.5%. It is also the department with the second lowest percentage of people with higher education (5.5%), which indicates a low degree of specialized human capital for companies that want to set shop and prevents sectors with higher added value, such as services, from being successful. It is the department with the third lowest business environment, with 262 companies generating formal employment per 10,000 inhabitants. In 2021, it had a GDP growth rate of 8.30%; and the department had no participation in imports or exports. In 2020, Vichada ranked third with the lowest share of departmental GDP in national GDP (0.1%). The above evidences the center-periphery dynamics that have left the most remote departments with low economic development and few incentives for the private sector to reach them.

INSTITUTIONALITY:

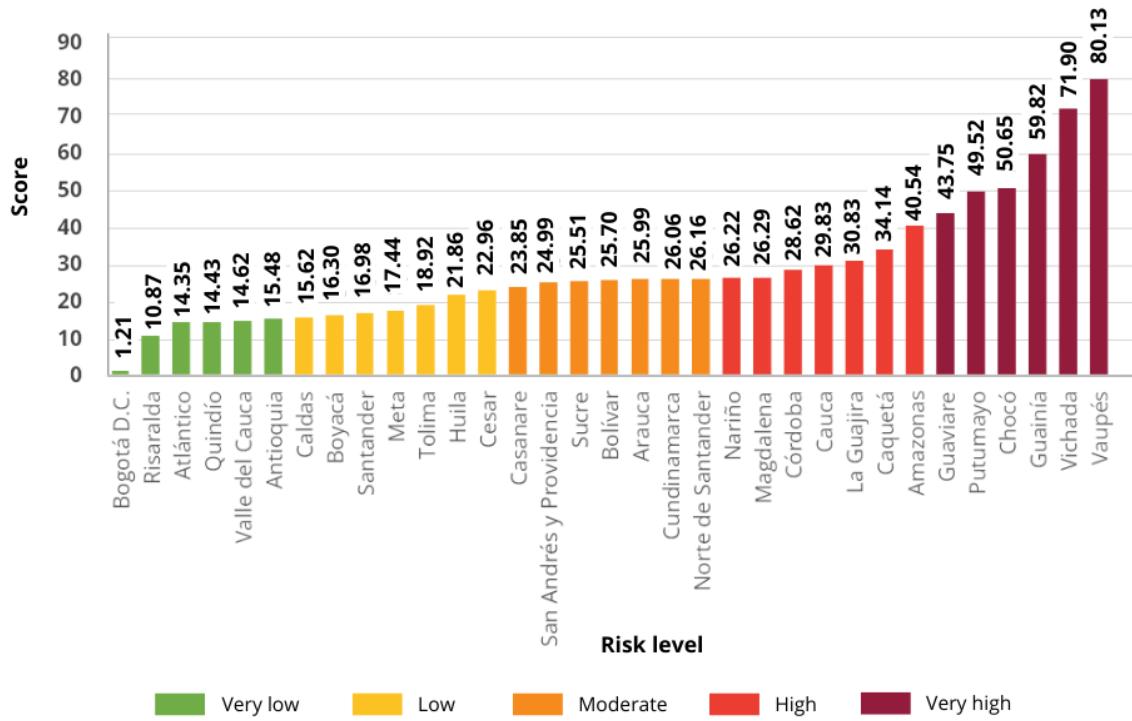
Cundinamarca is the department with the lowest risk in terms of institutionality, according to our 2022 Subnational Risk Index. In 2020, it was the fourth department with the best Municipal Performance Measurement, with a score of 56 out of 100; this means that there was proper compliance in the execution of its POT, as well as of its execution and investment objectives. In 2021, it was the fifth department in the Digital Government Index variable, with a score of 95.3 out of 100, and the first in the National Anticorruption Index variable, with a score of 93.6 out of 100. For the business sector, these results mean that the department's public institutions are highly efficient, have a high incorporation of digital services and a high capacity to prevent and fight corruption. Thus, companies can expect agility in processes and guarantees against possible reputational risks when contracting with public entities in the department.



Vichada remains the riskiest department, but now in terms of institutionalism, according to our 2022 Subnational Risk Index. In 2020, it was the second worst department in the Municipal Performance Measurement with a score of 34.1 out of 100, which indicates poor compliance in the execution of its POT or its execution and investment objectives. In 2021, it was the fifth worst department in the Digital Government Index with a score of 66.4 out of 100; and it ranked last in the National Anticorruption Index, with a score of 55.11 out of 100. For the business sector, these results mean that there is low institutional efficiency in the municipalities that make up the department, a low incorporation of digital services and very little capacity to fight corruption. Once again, these scores evidence the deficiencies of the peripheral departments, which hinder the strengthening of their institutions and, consequently, how attractive they are to investors and the private sector.

SOCIETY:

The department of Risaralda has the lowest social risk according to our Subnational Risk Index 2022. In 2021, it was the fourth department with the lowest percentage of population living in poverty (10.7%); the first with 100% of people insured in the contributory and subsidized health systems (it shares first place with Bogotá, Valle del Cauca, Quindío, Huila, Bolívar and Sucre); and the first with the lowest percentage of homes with structural deficiencies and requiring improvements (14.5%). Even though it was among the 10 departments with the highest percentage of people with access to education (100%) in 2020, in 2021 it was among the last 10 departments (23rd place) with the highest percentage of school dropouts (4.6%). For the business sector, this indicates that the department has a high level of development and quality of social welfare of the population. Therefore, it is unlikely that there will be clashes between communities and companies over demands that companies are expected to meet, since the state does not do so.

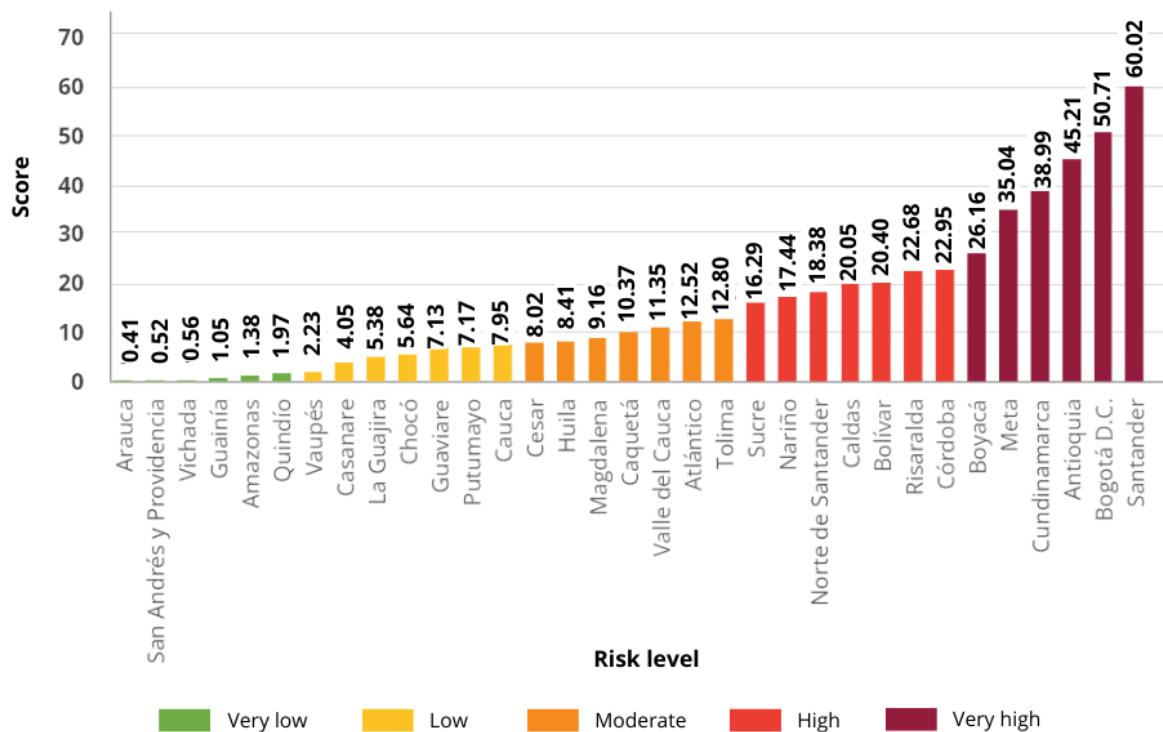


Vaupés is the riskiest department in the society category, according to our 2022 Subnational Risk Index. In 2021, Vaupés was the department with the third highest level of people living in poverty (52.7%, it is worth mentioning that it decreased in comparison to 65.6% in 2020); the second lowest percentage of people insured to the contributory and subsidized health systems (70%); the fourth highest percentage of housing with structural deficiencies, requiring improvements (88.4%); and ranked 19th in the school dropout variable, with a percentage of 4.2%. In 2020, it was the department with the lowest percentage of people with access to education (43.2%). For the business sector, this indicates that the department has a low development and quality of social welfare of the population. Therefore, it is likely that there will be clashes between the communities and the companies due to demands that they expect the companies to meet, since the state does not do so. But it also reaffirms the divisions between the center and the rural areas of the country, since this condition, and its vast extension, plays against it.

ENVIRONMENT:

In the 2021 SRI, this category only had the deforestation variable. This year, the variable was eliminated in the building process of the database, as internal consistency result of the category was unacceptable with this variable. However, it was replaced by four variables to constitute a more robust category that better reflects the reality of the departments on this issue.

Considering the above, the department of Arauca is the least risky in terms of the Environment category, according to our 2022 Subnational Risk Index. It ranked first in three of the four variables within the category. During 2021, according to the data collected, it only had two cases of crimes of illegal exploitation of renewable natural resources; and no cases for the crime of illegal exploitation of mining deposits and other materials, or environmental contamination. It ranked third in the variable of damage to natural resources and ecocide, with two cases of this crime.

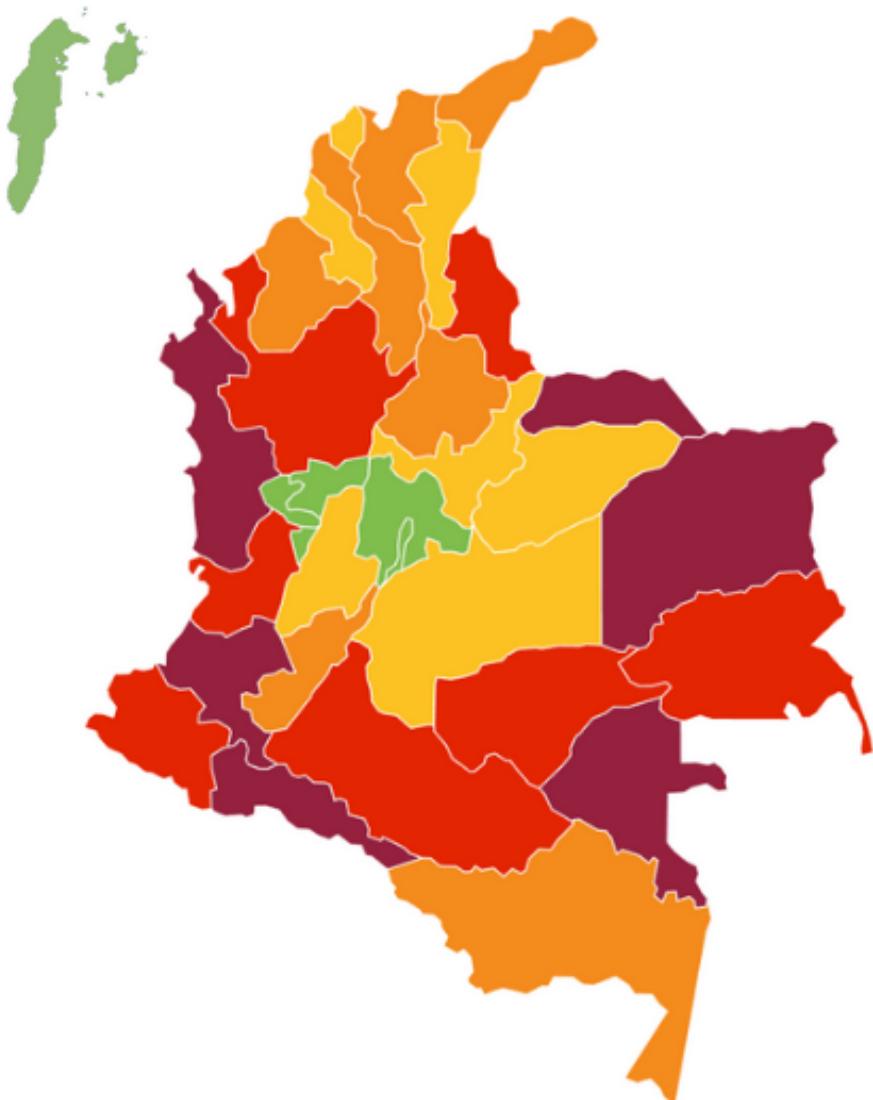


Santander is the department with the highest environmental risk according to our Subnational Risk Index 2022. During 2021, according to the data collected, there were 166 cases of crimes of illegal exploitation of renewable natural resources (second territory where this crime occurred the most, after Bogotá); 62 cases of crimes of illegal exploitation of mining deposits and other materials (third, after Antioquia and Boyacá); 78 cases for crimes of damage to natural resources and ecocide (second, after Meta); and 22 cases for crimes of environmental contamination (third, after Bogotá and Cundinamarca). These results show the environmental problems of the department, and the areas where the business sector can participate to strengthen and/or repair ecosystems, in order to engage in initiatives that allow the consolidation of relationships between the public sector, communities and the business sector.

DEPARTMENTAL ANALYSIS

In sum, the Subnational Risk Index shows the deep center-periphery divisions present in Colombia that influence the levels of risk experienced by each department and therefore their attractiveness for doing business. In that sense, the Index in its 2022 version finds that the least risky departments in the country are those of the coffee region: Quindío, Caldas, and Risaralda, while the riskiest departments are Cauca, Putumayo and Chocó.

SUBNATIONAL RISK MAP 2022



Very Low
Risk

Low
Risk

Moderate
Risk

High
Risk

Very High
Risk

SUBNATIONAL RISK INDEX 2022

RANK	DEPARTAMENT	CATEGORY					
		SECURITY	POLITICS	ECONOMY	INSTITUTIONALITY	SOCIETY	ENVIRONMENT
1	Quindío	14.88	3.07	67.83	15.77	14.43	1.97
2	Bogotá	15.37	42.76	20.31	7.05	1.21	50.71
3	Caldas	7.93	11.47	69.63	18.13	15.62	20.05
4	Risaralda	9.40	7.36	65.51	34.10	10.87	22.68
5	San Andrés y Providencia	26.25	5.61	54.49	42.79	24.99	0.52
6	Cundinamarca	9.52	12.13	69.48	14.61	26.06	38.99
7	Atlántico	15.47	9.17	68.23	47.62	14.35	12.52
8	Boyacá	10.26	15.71	69.30	33.84	16.30	26.16
9	Casanare	14.83	9.27	80.32	32.93	23.85	4.05
10	Tolima	19.70	8.58	73.38	43.47	18.92	12.80
11	Cesar	16.85	9.36	78.96	39.75	22.91	8.02
12	Meta	30.96	4.31	78.02	24.22	17.44	35.04
13	Sucre	12.50	2.42	82.13	55.64	25.51	16.29
14	Huila	23.52	15.69	73.18	44.19	21.86	8.41
15	Magdalena	16.02	10.98	78.55	51.93	26.29	9.16
16	Santander	7.55	15.22	66.29	50.87	16.98	60.02
17	La Guajira	13.22	18.57	66.15	69.77	30.83	5.38
18	Bolívar	13.34	33.14	72.30	39.08	25.70	20.40
19	Amazonas	8.96	0.87	85.32	84.87	40.54	1.38
20	Córdoba	10.12	14.13	81.92	70.49	28.62	22.95
21	Caquetá	24.28	12.97	81.27	64.72	34.14	10.37
22	Antioquia	51.54	41.07	46.11	33.55	15.48	45.21
23	Guaviare	31.29	3.63	79.16	67.00	43.75	7.13
24	Nariño	50.04	7.99	80.44	48.44	26.22	17.44
25	Guainía	7.90	5.05	87.60	79.65	59.82	1.05
26	Valle del Cauca	52.04	51.50	63.77	36.91	14.62	11.35
27	Norte de Santander	39.32	32.79	74.01	51.18	26.16	18.38
28	Vaupés	0.01	0.02	93.68	82.82	80.13	2.23
29	Arauca	52.11	12.15	86.87	68.07	25.99	0.47
30	Vichada	7.15	2.90	94.62	92.01	71.90	0.56
31	Chocó	42.26	20.02	87.53	65.87	50.65	5.64
32	Putumayo	43.28	8.89	83.25	89.60	49.52	7.17
33	Cauca	67.08	42.12	82.03	62.81	29.83	7.95

LOWER RISK DEPARTMENTS:

1. QUINDÍO:

Quindío is the least risky department according to the Index, moving from third to first place. It is located in the Andean region, in the west-central part of the country, bordered to the north by Risaralda, to the east by Tolima and to the west by Valle del Cauca.



QUINDÍO		
CATEGORY	SCORE	NATIONAL RANK
Security	14.88	15
Politics	3.07	5
Economy	67.83	8
Institutionality	15.77	3
Society	14.43	4
Environment	1.97	6

SECURITY:

- With a population of over 500,000 inhabitants, during 2021, the department ranked 15th in the security category (moderate risk). It had a rate of 34 homicides and 9.4 extortions per 100,000 inhabitants. There were no kidnappings. However, there were two [massacres](#) and one [social leader](#) was murdered. This, in addition to the absence of [coca crops](#), suggests there is little to no presence of armed groups in the territory, which for companies means the possibility of carrying out their activities without the risk of possible attacks against their infrastructure, machinery or workers, or having to pay fees for extortion, rents or in face of express kidnappings.
- Quindío is part of the Eje Cafetero (which also includes the departments of Risaralda and Caldas). This means that despite the figures presented in the previous paragraph, the fact that the region integrates different markets and trade routes to and from Antioquia, Bogotá, the Magdalena Medio, and the Pacific, has meant the presence of [various armed groups](#) seeking control over these corridors.
- The [Eighth Brigade of the Fifth Division of the National Army](#) is present in the department with four battalions in the municipalities of Armenia, Montenegro and Génova. This presence probably provides security guarantees for companies, their assets, and personnel, as it mitigates the risk of the presence of armed groups and violent acts, including terrorism and kidnappings. In addition, it is worth noting that its geographic extension is a factor that benefits territorial control by the public forces.

POLITICS:

Quindío is the fifth department with the lowest political risk in the country (very low risk).

- From 2008 to 2021, there were no dismissals or resignations of elected governors in the department. This is a positive factor for the business sector when investing in the department, since political stability guarantees the development of private sector activities, as well as the possibility of establishing a good relationship with governors and communities.
- In 2021, Quindío was among the departments with the fewest cases of victims of crimes related to the public sector. It ranked seventh in threats against human rights defenders and public servants (with [25 victims](#)); fifth in crimes of constitutional and legal regime (with [four victims](#)), crimes of improper conclusion of contracts (with [eight victims](#)), and crimes of abuse of authority by arbitrary or unjust act (with [10 victims](#)); and first in electoral crimes (with [zero victims](#)). From these results, it can be inferred that the department presents a political stability that would benefit the business sector, since there are no dynamics that alter the development of the public sector.

ECONOMY:

The department of Quindío is characterized for its positive figures in the development of the business sector. It rose four places in this category, from 12th place in the SRI 2021 to 8th place in the SRI 2022 (low risk).

- More than [40%](#) of adults have an active financial product, which indicates that Quindío has a developed financial system.
- According to DANE, it is the third department with the largest business network, with 757 companies generating formal employment per 10,000 inhabitants. According to [Ministry of Education](#), it also has the largest human capital, with 61.2% of its population with higher education. These data suggest that the business sector has been successful in its development within the departmental economy and that the department's labor force is highly skilled, which encourages companies to hire local workers.
- During 2021, Quindío was the sixth department with the highest GDP growth ([12%](#)); it had a [0.2%](#) share in imports and a [1.1%](#) share in exports at the national level. In 2020, its departmental GDP had a share of [0.8%](#) of the national GDP; it is among the 20 departments with the highest participation, which shows its integration to the national economy.
- The tourism supply of the Eje Cafetero departments continues to grow, achieving [income](#) for the region at pre-pandemic levels, and it is [expected to grow by 30%](#) in the next two years. This would benefit the growth of other industries, such as hotels, transportation, and commerce.
- In addition to coffee, other crops grown include bananas, plantains, cassava, citrus, beans, corn, and cocoa. There are small mineral gold mines in the central mountain range. To a lesser extent, silver, lead, and zinc are mined. Non-metallic minerals include clay, limestone and dolomite.

INSTITUTIONALITY:

Quindío moved up seven places in this category, from 10th place in SRI 2021 to 3rd place in SRI 2022 (very low risk).

- The department performs well at the institutional level. In our Index, it ranked second in the [Municipal Performance Measurement](#) variable (with a score of 61.1 out of 100) and sixth in the [Digital Government Index](#) variable (with a score of 91.4 out of 100), suggesting that the department's bureaucratic system is efficient in meeting its goals and has high TIC integration.
- Quindío had a significant improvement in its score on the [National Anti-Corruption Index](#) variable, going from being the thirteenth least risky department in the SRI 2021, to the second least risky department in this variable. This suggests a very low risk for companies, since it is unlikely that the resources coming into the department are not used efficiently given its strong oversight capacity over its institutions. This is an incentive for investors, as they can set shop without the need to make bribes or payments, which helps prevent reputational risks or possible legal problems over time.

SOCIETY:

It is the third lowest risk department in this category (very low risk).

- Quindío's [MPI](#) fell from 12.9% (in 2020) to 10.9% (in 2021). This may be an incentive for companies, as there is less likelihood that they will have to meet unsatisfied basic needs, given that people have a good level of well-being, compared to other departments in the country.
- In terms of the population's well-being, [100%](#) of the people are insured under the contributory and subsidized systems, and only [15.6%](#) of the houses have structural deficiencies and/or require improvements. In terms of education, [100%](#) of the population has access to education and the school dropout rate is [6.2%](#), which reflects the high percentage of human capital and evidences the type of labor that companies can find there.

ENVIRONMENT:

Quindío is the sixth department with the lowest risk in this category (very low risk).

- Quindío was among the top four in the four variables of this category. During 2021, there were [six cases](#) of crimes for illegal exploitation of renewable natural resources (ranked 4th); [two](#) for illegal exploitation of mining deposits and other materials (ranked 2nd); [two](#) for damage to natural resources and ecocide (ranked 3rd); and [one](#) for environmental contamination (ranked 2nd).
- As the second smallest department in the country, after San Andrés and Providencia, this geographic characteristic makes monitoring the department's environmental issues easier, compared to other much larger departments.
- Quindío has [multiple natural reserves and parks](#), including the National Coffee Park and the Cocora Valley, among many others. These places are sources of income and job creation as they are tourist attractions.

- Quindío continues to strengthen its strategies for environmental conservation, through strategies that involve the community, local authorities (like the Corporación Autónoma Regional del Quindío) and the private sector, in places such as the [Cocora Valley](#). Similarly, the business sector has been a key player in this issue, [helping carry out environmental projects, participating in the circular economy or zero waste](#), among other initiatives.
- Finally, according to IDEAM data, deforested hectares decreased from 53 hectares in 2020 to 33 in 2021, which suggests better ecosystem protection programs, and opens a space for the private sector to work in reforestation programs and the conservation of these areas.

2. CALDAS:

Caldas is the second least risky department according to the Index, moving from 10th place (low risk) in SRI 2021 to 3rd place (very low risk) in SRI 2022. It is located in the Andean region, in the center-west of the country, bordered to the north by Antioquia, to the east by Cundinamarca, to the south by Tolima and to the west by Risaralda. As mentioned above, Bogotá ranked second in the overall ranking. However, since it is not a department, it is not taken into account for the departmental analysis; therefore, Caldas, which ranked 3rd in the ranking, was the second least risky, in departmental terms.



CALDAS		
CATEGORY	SCORE	NATIONAL SCORE
Security	7.93	5
Politics	11.47	18
Economy	69.63	12
Institutionality	18.13	4
Society	15.62	7
Environment	20.05	24

SECURITY:

- Caldas ranks fifth in the security category (very low risk). With a population of more than one million inhabitants, in 2021, it had a rate of [17.3](#) homicides and [7.1](#) extortions per 100,000 inhabitants. There were no [kidnapping](#)s or [massacres](#), but [three](#) social leaders were assassinated, suggesting a low risk of attacks against workers or the population. The absence of [coca crops](#) indicates a low presence of illegal armed groups, which leads to lower risks for companies in terms of attacks against their infrastructure, machinery, or workers. Despite these figures, workers and investors are not exempt from [common crime](#), such as theft of people, vehicles, and merchandise.
- Caldas is part of the Eje Cafetero (along with Quindío and Risaralda), a region that has played a key role in the development of illegal economies, such as drug and arms trafficking. Due to its geographic location, it has exits to the Pacific and passage to the center and southern parts of the country, which allows the development of commercial routes; these connections have also generated [disputes among armed actors](#), increasing the risk of violent acts such as homicides, threats, and extortion.
- The [Eighth Army Brigade](#), headquartered in Armenia (Quindío), covers the municipalities of the department of Caldas, except for the urban area of the municipality of La Dorada, which belongs to the Air Force. In addition, during the coffee harvest season, the [Army increases its presence](#) and activates security schemes to improve security conditions. The permanent presence of the Armed Forces in the department provides guarantees to the companies, their assets and personnel, as it mitigates the risk of the presence of armed groups and violent acts, such as terrorism and kidnappings.

POLITICS:

Caldas ranks 18th in the political risk category (moderate risk).

- Between 2008 and 2021, the department had 11 governors, suggesting political instability and thus a greater likelihood of a lack of continuity in government plans. For the business sector, this likely means complications when entering into contracts with the governor's office and in the implementation of these contracts; in addition to extra processes (such as requesting permits) each time there is a new governor, to carry out certain activities.
- During 2021, Caldas was among the departments with the fewest cases of victims of crimes related to the public sector. It ranked sixth for threats against human rights defenders and public servants (with [18 victims](#)), fourth in crimes of improper celebration of contracts (with [five victims](#)); and second in [crimes of constitutional and legal regime](#), and [electoral crimes](#) (with one victim in each variable). Its worst result was in the variable crimes of abuse of authority by arbitrary or unjust act, where it ranked 16th with [65 victims](#). From these results, it can be inferred that the department, despite the rotation of governors, does not present a high number of dynamics that alter the development of the public sector.

ECONOMY:

The department of Caldas is characterized by positive figures in the development of the business sector. It ranks 12th in this category (low risk).

- Bankarization in 2020 was [45.5%](#), a figure that is above the national average of 42%, suggesting a developed financial system, which is positive for companies by facilitating, among other things, the formalization of work.
- According to DANE, the department is among the eight with the best business network, with more than 600 companies generating formal employment per 10,000 inhabitants. This suggests a positive outlook for new companies to set shop in the department, as they have a greater chance of success in entering and remaining in the market. On the other hand, according to data from the [Ministry of Education](#), more than 50% of the population has higher education, which indicates that the department has an attractive labor supply with a high degree of specialization. In this sense, it is more likely that companies choose to hire local labor - key for the socioeconomic growth of the department.
- During 2021, Caldas was among the 10 departments with the highest GDP growth ([10.9%](#)). Much of the department's economic development has been driven by the coffee economy, with [Caldas being the fifth largest coffee exporting department](#). Its departmental participation in national exports was [3.4%](#); proof that the agricultural activity and the coffee industry in Caldas have an important exporting vocation, making the department attractive for international markets. During 2020, the participation of its departmental GDP in the national GDP was [1.7%](#) (position 13), which shows a high degree of integration to the national economy.
- In 2021, the departmental GDP was USD 3.8 billion (COP 19.7 trillion), with the [main economic activities](#) being trade, repair of motor vehicles, transportation, accommodation and food services with a share of 16.35%. Agriculture, livestock, forestry and fishing activities had a

participation of 12.47%. In addition to coffee, other products such as banana, avocado and sugar cane are grown. The manufacturing industries sector also stands out, with a share of 11.61%, driven mainly by the [metal-mechanical and textile industries](#), sectors that have been key not only for the growth of Caldas but also of the Eje Cafetero.

- On the other hand, the [main minerals exploited](#) in Caldas correspond to precious metals and construction materials; gold being the most important mining resource. Likewise, by mid 2021, 367 mining titles had been granted in 26 of the 27 municipalities of the department, making Caldas an attractive destination for companies in the extractive sector.

INSTITUTIONALITY:

Caldas remained the third best department in this category, after Cundinamarca and Quindío (very low risk).

- In the [Municipal Performance Measurement](#) variable, it is in ninth position (up from 11th place in the SRI 2021), with a score of 55.5 out of 100, which shows a degree of efficiency and institutional stability that gives companies confidence when making investments. The department is ranked second in the [Digital Government Index](#) variable (as in the SRI 2021), with a score of 98.4 out of 100, meaning that it has highly connected institutions with internalized digital processes, which is positive for companies as it implies greater agility for the completion of procedures.
- Caldas remained as the third least risky department in the [National Anti-Corruption Index](#) variable, which is an incentive for the business sector as it suggests a high capacity to prevent and fight corruption and a transparent management of public resources. Thus, it is likely that the development of public policies or the establishment of public-private partnerships will be more easily achieved with better oversight guarantees.

SOCIETY:

It is the sixth lowest risk department in this category (low risk).

- Caldas' [MPI](#) fell from 14.5% (in 2020) to 11.5% (in 2021), which is positive for the business environment, as it implies that there is a lower probability that companies will be forced to solve unsatisfied basic needs, and a lower percentage of poverty means greater stability, so investments have less risk.
- In terms of the population's well-being, [89.9%](#) of people are insured under the contributory and subsidized systems, and only [19.3%](#) of homes have structural deficiencies and/or require improvements. In terms of education, [99%](#) of people have access to education and had a school dropout rate of [3.1%](#), which reflects the high percentage of human capital and demonstrates the type of labor that companies can find there.

ENVIRONMENT:

This was the department's worst category, ranking 24th, with a high-risk level.

- During 2021, the department recorded [37 cases](#) of crimes for illegal exploitation of renewable natural resources (ranked 15); [39](#) for illegal exploitation of mining deposits and other materials (ranked 16); [27](#) for damage to natural resources and ecocide (ranked 15); and [eight](#) for environmental pollution (ranked 8). The above shows a considerable incidence of crimes against the environment, which for companies could mean less sustainability of economic activities in the department.
- The Corporación Autónoma Regional de Caldas (Corpocaldas) is the main environmental authority in the department and works on the development of environmental risk prevention, control, and mitigation projects. The department also prioritized environmental sustainability in its [2020-2023 Development Plan "Unidos por Caldas,"](#) which establishes the conservation of forests, micro-watersheds, and moorlands and the development of green businesses.
- Caldas has 36 protected areas and multiple [natural reserves](#), such as Selva de Florencia National Natural Park and Los Nevados National Natural Park, which have vital water resources for the provision of water for human consumption and for the development of productive activities. In addition, the protected areas provide soil stability, helping to mitigate the effects of natural disasters and reducing flooding.
- According to IDEAM data, deforested hectares decreased from 212 in 2020 to 142 in 2021. This is partly due to good security levels and the low presence of illegal armed groups in the department. Similarly, the [private sector](#), through the National Federation of Coffee Growers of Colombia, has carried out actions to contribute to reforestation (such as planting in watersheds, forestry arrangements and conservation and care of natural forests). On the other hand, the [government of Caldas](#) signed an agreement with the National Government for the protection of the Los Nevados National Natural Park, an initiative that has led to the planting of frailejones in lands previously used for cattle ranching activities.

3. RISARALDA:

Risaralda is the third department with the lowest risk according to the Index, moving from 6th place in the SRI 2021 to 4th place in the SRI 2022 (it remained at very low risk). It is located in the Andean region, in the west-central part of the country, bordered to the north by Antioquia, to the east by Caldas and Tolima, to the south by Quindío and Valle del Cauca, and to the west by Chocó. As mentioned, since Bogotá is not considered in the departmental analysis (position 2 in the ranking), after Caldas, Risaralda is analyzed among the three least risky departments in the Subnational Risk Index 2022.



RISARALDA		
CATEGORY	SCORE	NATIONAL RANK
Security	9.40	7
Politics	7.36	10
Economy	65.51	5
Institutionality	34.10	9
Society	10.87	2
Environment	22.68	26

SECURITY:

- With a population of more than 900,000 inhabitants, the department ranks 7th in the security category (low risk). During 2021, it presented a rate of [23.7](#) homicides and [7.6](#) extortions per 100,000 inhabitants. No [kidnapping](#)s or [massacres](#) were reported, but [two social leaders](#) were murdered. Additionally, the absence of [coca crops](#) suggests that the presence of organized armed groups has a lower impact on security. Therefore, it entails lower risks for companies in terms of attacks against infrastructure, machinery, workers or contractors.
- Although the above figures show that Risaralda is not affected by the armed conflict or the presence of illegal groups, this does not mean that companies and the population in general will not be affected by common crime. According to National Police figures, theft reports [increased by 60%](#) in 2021 (as of October) compared to the same period in 2020. At the beginning of 2022, the [Prosecutor's Office in Risaralda captured](#) and prosecuted members of six criminal organizations (Vulcano II, Bacco II, Renegados, Aladín, Teseo and Creta) dedicated to committing extortion, robbery, homicides, and micro-trafficking. It is worth noting that the criminal organization that most threatens security in the department is "[La Cordillera](#)", which has been operating since [2005](#) and is of drug trafficking and paramilitary origin.
- The [Eighth Brigade of the Fifth Division of the National Army](#), which is based in Armenia (Quindío), covers the municipalities of the department of Risaralda. In early 2022, there was a reinforcement of public force assets in the urban and rural areas of the departmental capital, Pereira, [with 170 military and police officers](#). The presence of the Armed Forces provides

security guarantees for companies, their assets, and their personnel, because it mitigates the risk of violence and insecurity.

POLITICS:

Risaralda ranks 10th in the political risk category (low risk).

- Between 2008 and 2021, the department had five governors, meaning political stability remained the same, given there is no great rotation of governors; this also suggests a lower risk of non-continuity of government plans. According to the fourteenth version of the [Opinion Panel survey of the firm Cifras & Conceptos](#), the governor of Risaralda, Victor Manuel Tamayo, was the fifth best departmental governor with the best management. This result indicates the confidence of the population in the public administration, which in turn reduces reputational risks and possible cases of corruption for the business sector in case companies enter contracts with the governor's office.
- During 2021, Risaralda had different cases of victims of crimes related to the public sector. It ranked 18th in crimes of abuse of authority by arbitrary or unjust act (with [75 victims](#)), 17th for threats against human rights defenders and public servants (with [155 victims](#)), seventh in crimes of improper celebration of contracts (with [12 victims](#)), fourth in constitutional and legal regime (with [three victims](#)), and first in the variable of electoral crimes, with [no victims](#) reported.

ECONOMY:

Risaralda is characterized by favorable economic figures. The department moved up two places in this category from 7th place in the SRI 2021 to 5th place in the SRI 2022 (very low risk).

- [55.4%](#) of the adult population has active financial products, which suggests a high level of bankarization compared to other departments in the country and a developed financial system.
- Risaralda is the second department with the best business network. According to DANE, it has 764 companies that provide formal employment per 10,000 inhabitants. This suggests that the business sector has been consolidating successfully and it is likely that new companies will have the opportunity to enter the market and remain. It is also the second-best department in terms of human capital. According to [Ministry of Education](#), more than 60% of the population has higher education, suggesting that companies are finding a highly skilled local workforce. This allows companies to choose to hire local people and develop Risaralda's human capital.
- The department's export basket is mainly made up of the agribusiness, agricultural, fashion, tourism and services sectors. This has reached different countries around the world, for example, in markets in the [Andean Community of Nations](#) -especially in Peru- and the [Middle East, Africa and Southeast Asia](#), by participating in fairs such as Expo Dubai, promoting products and services produced in the department. Thus, Risaralda has a business network of continuous growth.
- The [Coffee Cultural Landscape of Colombia](#) is one of the cultural, touristic and economic treasures of Risaralda, which has become one of the main protagonists of tourism and has enhanced the coffee culture of the department. For this reason, the government of the

department has made and managed investments to enhance its potential, such as the investment of USD 1.6 million (COP 8 billion) (resources from royalties) for the program "Risaralda a destination of life".

- Risaralda is the seventh department with the highest coffee production, being this the economic support of thousands of inhabitants and the main agricultural activity, with a participation of 58% of the internal agricultural product of the department. This suggests that the main source of income in the department is coffee production, which has great growth potential.
- Between January and September 2022 exports from this department grew around 20%, excluding oil and its derivatives, from USD 267 million in 2021 to USD 320 million in this period. Thus, the growth in exports suggests a high economic potential for the department and an attractive market for the business sector. As indicated by the 11.1% growth rate of the departmental GDP in 2021.

INSTITUTIONALITY:

Risaralda remained in ninth place in the category of institutional risks (low risk).

- It was the sixth best department in the Municipal Performance Measurement variable, with a score of 55.6 out of 100. And it was tenth in the Digital Government Index variable with a score of 82.7. This suggests that the department has high institutional efficiency and a high integration of ICTs in bureaucratic processes.
- It is the seventh department with the best result in the National Anticorruption Index variable, with a score of 85.1 out of 100. This generates confidence in the business sector knowing that the department's use of public resources is more efficient in comparison to other departments. It also means an incentive for investors by not having to participate in the dynamics of bribes or payments, which prevents reputational risks or possible legal problems over time.

SOCIETY:

Risaralda is the best department in the category of risks due to social factors (very low risk).

- Risaralda reduced its MPI from 13.1% (in 2020) to 10.7% (in 2021). Given that people have a positive level of well-being compared to other departments in the country, this could be an incentive for companies as there is a lower probability that they will be obliged to meet the unsatisfied basic needs of the communities.
- In terms of the population's well-being, 100% of the people are insured under the contributory and subsidized systems, and only 14.5% of the houses have structural deficiencies and/or require improvements. In terms of education, 100% of the people have access to education and had a school dropout rate of 4.6%, suggesting a high degree of social and economic development in the department.
- One of the government's strategies to improve the social welfare and competitiveness of the department has been the improvement of the road network, executing road rehabilitation and paving works. Under the current administration, investments of up to USD 10.1 million (COP 50

[billion](#)) have been made for this purpose. Strong road infrastructure impacts the quality of life of people, and facilitates the development of business operations, which, in turn, encourages companies to settle in Risaralda.

ENVIRONMENT:

The department of Risaralda has room for improvement in this category, as it is among the 10 most risky in environmental terms, ranking 26th (high risk).

- In 2021, in the department there were [31](#) cases of crimes for illegal exploitation of renewable natural resources (ranked 12), [17](#) of illegal exploitation of mining deposits and other materials (ranked 12), [42](#) of damage to natural resources and ecocide (ranked 17), and [10](#) of environmental pollution (ranked 10).
- Additionally, according to IDEAM, deforested hectares increased from 39 in 2020 to 70 in 2021. Although this is still a low figure compared to other departments, such as Caquetá, which has the highest figure with 38,383 deforested hectares, it does represent an environmental problem and risk due to the destruction of ecosystems. Even more so considering that Risaralda has [28 protected areas](#), equivalent to more than 90,000 hectares. For this reason, several [companies](#) and the government have carried out [reforestation campaigns](#) in the department's municipalities.
- The Risaralda Regional Autonomous Corporation (CARDER) is responsible for implementing environmental policies, plans, programs, and projects in the department. It currently has programs aimed at preserving ecosystems and mitigating risks, including initiatives aimed at curbing [illegal](#) timber trade and processing, and [fauna and flora trafficking](#).
- Risaralda [ranks first](#) in the Territorial Green Growth Index, prepared by the DNP in cooperation with the United Kingdom and the support of the Global Green Growth Institute. This Index measures the performance of territorial entities in terms of sustainable and inclusive growth. As a result, the department is the best at the national level in implementing sustainable growth strategies, focusing on social equity and the optimal use of resources and natural capital.

HIGHER RISK DEPARTMENTS:

1. CAUCA:

Cauca is the riskiest department according to the Index. Overall, its risk level rank fell from 29th place in 2021 to 33rd in 2022. The department is located between the Andean and Pacific regions, bordering Valle del Cauca and Tolima to the north, Huila to the east, Putumayo and Nariño to the south, and the Pacific Ocean to the west.



CAUCA		
CATEGORY	SCORE	NATIONAL RANK
Security	67.08	33
Politics	42.12	31
Economy	82.03	25
Institutionality	62.81	22
Society	29.83	24
Environment	7.95	13

SECURITY:

- The department remains the most risky in terms of security (very high risk). In 2021, with nearly 1.5 million inhabitants, it had the third highest homicide rate with [55 homicides](#) per 100,000 inhabitants; the fourth highest kidnapping rate with [0.9 kidnappings](#) per 100,000 inhabitants; and the tenth with the highest extortion rate with [19 extortions](#) per 100,000 inhabitants. It was the department with the highest number of [massacres](#) recorded (14) and the highest number of [social leaders](#) murdered (31). As the fourth department with the most [hectares of coca](#) (increased from 16,544 in 2020 to 25,099 in 2021), the results are not surprising. This represents a very high risk for the population and the business sector.
- The above figures show the territorial control exercised by [armed groups](#). In addition to coca crops, there is illegal mining and land conflict. Against this context, [social leaders](#) are generally the ones who lead crop restitution processes in the territories, which makes them the target of threats and violence. This is negative for the companies as the leaders serve as the communication bridge with the communities, so it is likely that without their mediation there will be clashes with the communities.
- In 2021 the department presented high levels of armed violence due to [confrontations](#) between armed groups and the Army. According to [Indepaz](#), there is a presence of FARC and ELN dissidents, which makes the department one of the main hotspots of the conflict today.

- Cauca's access to the Pacific makes it a strategic point for the linkage of drug trafficking routes. As a result, the dynamics of the conflict continue to spread, due to disputes over territorial control. This consequently leads to alarming figures of [forced displacement](#), selective assassinations, [terrorist attacks](#), and massacres.
- 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](#), headquartered in the city of Popayán. Despite their active presence, the population is constantly threatened by [clashes](#) between the army and illegal groups. Unlike less risky departments where the presence of the Armed Forces provides certain security guarantees, in Cauca, despite their work, these guarantees cannot be ensured. As a result, the business sector has potential limitations and risks for the development of its activities, which impacts the socioeconomic development of the department and its competitiveness.

POLITICS:

Cauca is the department with the second highest political risk (very high risk).

- Between 2008 and 2021 no governor has been removed or resigned from office. However, corruption scandals have occurred in the last three periods ([2008-2011](#); [2012-2015](#); [2016-2019](#)). This increases the likelihood of constraining private sector development and discourages the arrival of new investors.
- In 2021, Cauca recorded [47](#) victims of crimes of constitutional and legal regime; one of [electoral crimes](#); [46](#) of crimes of improper celebration of contracts; and [319](#) of crimes of abuse of authority by arbitrary or unjust act. 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 government institutions.
- The variable where the department presents most political risk is in threats against human rights defenders and public servants, which, during 2021, registered [1,452 victims](#). This figure reflects that Cauca is the department with the highest number of murdered social leaders. This outlook affects the investment decisions of the business sector, since social leaders are key in the intermediation with communities, and public servants are fundamental for due process; the risks they face increases the risks and additional costs for companies that want to invest in the department.

ECONOMY:

The Index suggests that the department of Cauca does not have a favorable investment climate; it is among the 10 riskiest departments in this category (high risk).

- It is the fifth department with the lowest level of bankarization ([37.3%](#)), even below the national average (42%), which reflects a poorly developed financial system, limiting formal contracting and the development of the economy. Also, according to DANE, it is the fifth department with the smallest business network. It has 297 companies generating formal employment per 10,000 inhabitants. Additionally, according to data from the [Ministry of Education](#), only 34% of people have higher education, which means that the department does not have a highly qualified

workforce. From the above, it can be inferred that companies encounter major obstacles to set shop and integrate into the local market. With little specialized local labor supply, the department's capacity for socioeconomic development and competitiveness is consequently affected too.

- Regarding its integration into the national economy, during 2021, Cauca had a GDP growth rate of [9.50%](#), a share of national imports of [0.7%](#), and a share of national exports of [0.3%](#). As of October 2021, [the highest share of the department's exports](#) was concentrated in agro-industrial products and industry. Sugar represented 40.3% of the department's exports, coffee 16.1%, and gold 7.2%. Likewise, livestock is of great importance for the department, especially the derivations of meat and dairy products. In 2020, [1.8%](#) of the departmental GDP in the national GDP came from Cauca livestock.
- According to [DANE](#), in 2021, the most important economic activities in the department were public administration, education and health, with a 22% share in the departmental GDP; followed by manufacturing industries, with a 16.2% share; agriculture, livestock, forestry and fishing activities, with a 14.2% share; and, finally, wholesale and retail trade, with a 10.3% share.

INSTITUTIONALITY:

The department, according to our Index, still has ample room for improvement in this category. It ranked 22 out of 33, with a high level of risk.

- Cauca has a score of 47.4 out of 100 in the [Municipal Performance Measurement](#) variable and is the eighth worst-performing department in the [Digital Government Index](#) variable, with a score of 69.2 out of 100, suggesting low technical, operational and managerial capacity, as well as a low degree of TIC integration by territorial entities. The low quality and development of departmental institutions is likely a disincentive for companies, due to the lack of guarantees of institutional stability or the proper administration of resources they invest in for the development of projects in the department. In addition, the lack of integration of TICs in the institutions probably impacts the agility of procedures and, therefore, hampers administrative processes for the development of business activities.
- As for the [National Anticorruption Index](#), it is the eleventh riskiest department in this variable. This means that departmental institutions do not have the necessary capacities to prevent and combat corruption. Therefore, it is likely to affect the attractiveness of the department to businesses and investors, not having strong institutions and transparency tools.

SOCIETY:

Cauca is the tenth department with the highest social risk (high risk).

- Cauca reduced its [MPI](#) from 28.2% (in 2020) to 18.6% (in 2021) but is still above the national total ([16%](#)). This may be a disincentive for companies, as [clashes](#) with communities are likely to occur, with the objective of making companies meet basic needs that the state does satisfy.
- It is the fifth department with the lowest percentage of people insured under the contributory and subsidized systems ([87.5%](#)) and has a housing deficit of [50%](#). In terms of education, it is the

seventh department with the lowest access to education ([89.8%](#)) and a school dropout rate of [3%](#). This shows that greater efforts are needed to improve the quality of services and increase the social welfare of the population.

ENVIRONMENT:

The department ranks 13th in terms of environmental risk, being category in which the department shows the lowest risk (low risk).

- Cauca has [131 protected areas and multiple natural reserves](#), including natural parks and paramos. The care of these areas is essential for the conservation of biodiversity and water resources and for mitigating the effects of climate change. However, these areas are threatened by illicit crops, the expansion of the agricultural frontier, and deforestation.
- During 2021, the department ranked among the top 15 departments in the variables of this category. There were [25 cases](#) of crimes of illegal exploitation of renewable natural resources (ranked 9), [20](#) of illegal exploitation of mining deposits and other materials (ranked 13), [19](#) of damage to natural resources and ecocide (ranked 12), and no cases of [crimes of environmental pollution](#). From the above, it can be inferred that, although crimes against the environment are likely to occur, the risk is not high.
- The Corporación Autónoma Regional del Cauca (CRC) is the main environmental authority in the department. The CRC has worked on projects for the protection of the Pacific's natural forests under initiatives such as the ["Pacific Forest" Alliance](#), which seeks to strengthen the effective control of deforestation. Following this line, the CRC has also committed to planting one million trees across the department under the ["Sembrar Para Vivir"](#) initiative.
- According to IDEAM data, deforested hectares decreased from 3,048 in 2020 to 2,571 in 2021. This suggests that protection programs and initiatives are having a positive impact. This is important for the business sector because if some of the goods used come from deforested areas, companies may likely face reputational risks and penalties for contributing to the destruction of ecosystems. In this regard, both private sector and government initiatives are key to counteracting environmental damage. The [coffee-growing sector](#), for example, has carried out reforestation actions with the support of the Ministry of Agriculture and Rural Development in farms in Cauca and other departments.

2. PUTUMAYO:

Putumayo is the second riskiest department according to the Index. Overall, its risk level fell from 28th in the 2021 ranking to 32nd in 2022. It is located in the Amazon region, in the south of the country, bordered to the north by Cauca and Caquetá, to the east by Amazonas, to the west by Nariño, and to the south by Peru and Ecuador.



PUTUMAYO		
CATEGORY	SCORE	NATIONAL RANK
Security	43.28	28
Politics	8.89	13
Economy	83.25	27
Institutionality	89.60	32
Society	49.52	29
Environment	7.17	12

SECURITY:

- It remains the sixth most risky department in terms of security (very high risk). In 2021, with a population of more than 350,000 people, it had the sixth highest homicide rate ([52.6](#) per 100,000 inhabitants) and the seventh highest extortion rate ([25.1](#) per 100,000 inhabitants). Five [massacres](#) were recorded, nine [social leaders](#) were assassinated, and there was an increase in [coca hectares](#) (from 19,986 in 2020 to 28,205 in 2021, the third department with the most coca crops). This shows there is a high risk to the physical integrity of workers and investors related to the presence of armed groups, which can also affect productive activities and the infrastructure of companies.
- During 2021, Putumayo registered an increase in clashes between the two main [armed groups](#) operating in the department (the Border Command and the Carolina Ramirez Front, both FARC-EP dissidents). Disputes over control of lower Putumayo, which has key corridors for drug trafficking and other illegal economies, in addition to human trafficking, drug and arms trafficking, and resource extraction, affect the perception of risk for businesses.
- The [Army's 27th Brigade](#) has a presence in Putumayo, with the 27th Engineer Battalion "Gr. Manuel Castro Bayona" based in Puerto Asís. Public forces have experienced constant [clashes](#) with FARC-EP dissidents; rural areas are the most vulnerable to these groups. Thus, unlike the less risky departments where the presence of the Armed Forces provides a certain degree of security, in the case of Putumayo, despite their presence, these guarantees cannot be ensured for the development of the business sector. As a result, the cycle of violence that hinders the socioeconomic development of the department and its competitiveness continues to spread.

POLITICS:

In terms of political risk, Putumayo ranks 13th out of 33, its second least risky category (moderate risk).

- Between 2008 and 2021, the department had seven governors, suggesting political instability and, thus, a lack of continuity in government plans. This limits private sector development and may be a disincentive for new investments, due to links to [corruption](#) and [misuse of public resources](#).
- During 2021, Putumayo was among the departments with the least crimes against the public sector. It ranked 11th for crimes of abuse of authority by arbitrary or unjust act (with [50 victims](#)); 6th for crimes of improper celebration of contracts (with [11 victims](#)) and for crimes of constitutional and legal regime (with [eight victims](#)); 3rd for threats against human rights defenders and against public servants (with [three victims](#)); and 2nd for electoral crimes (with [one victim](#)). For the business sector, these figures suggest there is a considerable level of transparency in the exercise of public functions, which implies a correct functioning and fair application of the norms. This increases business confidence in the perception of political stability in the department and generates incentives to invest.

ECONOMY:

The Index suggests that the department does not have a favorable investment climate, being the seventh department with the highest risk in this category (high risk).

- It is the eighth least bankarized department ([37.6%](#)), even below average (42%), which reflects an underdeveloped financial system that may hinder the formalization of work and the generation of employment.
- According to DANE, Putumayo has 467 companies generating formal employment per 10,000 inhabitants; and it is the sixth department with the lowest human capital, with only 18% of the population having higher education, according to the [Ministry of Education](#). Consequently, the lack of a larger and more diverse business fabric limits the department's opportunities, as it depends on sectors that do not promote the development of added value. Similarly, since the local labor force does not have a high degree of specialization, companies must hire people from elsewhere. As a result, this can lead to clashes with the communities, and there is no incentive to improve education levels in the department.
- Its economy is centered on hydrocarbon exploitation. This activity contributed [25.1%](#) to the departmental GDP in 2021, concentrating in the municipalities of Orito, Puerto Asís and Puerto Guzmán. The mining sector is also of great importance, especially with regard to artisanal gold mining and limestone mining in the southwest of the department. Despite the importance of the extractive sector for the national economy, in 2020, the participation of the departmental GDP in the national GDP was less than 1% ([0.3%](#)). Therefore, it is evident that great efforts are needed to boost and diversify the departmental economy.
- On the other hand, Putumayo has banana, cassava, corn, and sugar cane crops, among others. However, [the agricultural sector](#) suffers from the displacement of labor to illicit activities and the considerable flow of people to other parts of the department or the country.

INSTITUTIONALITY:

Putumayo is the department with the second highest institutional risk. It even worsened its position in the ranking of this category, moving from 21st place in 2021 to 32nd in 2022 (very high risk).

- In the [Municipal Performance Measurement](#) variable, it had a score of 46.5 out of 100, and obtained the last place in the [Digital Government Index](#) variable (with a score of 57.7 out of 100). These results suggest that departmental institutions have a low degree of efficiency and stability in the administration of resources. Likewise, there are long delays regarding the implementation of TICs within the processes by the territorial entities, which slows down bureaucratic procedures.
- In terms of the [Anti-Corruption Index](#), Putumayo is the second riskiest department in this variable. This means that the department presents great challenges in terms of its capacity to prevent and fight corruption. This is likely to discourage the establishment of public-private partnerships, as the risk of corruption, and the additional costs it entails, is very high for companies.

SOCIETY:

It is the fifth department in this category (very high risk).

- Putumayo's [MPI](#) fell from 27.8% (in 2020) to 22.8% (in 2021) but remains above the national total ([16%](#)). This may be a disincentive for companies, as it implies a higher probability of [clashes](#) and/or [confrontations](#) with the communities, given their demands to meet their unsatisfied basic needs. In addition, a higher percentage of poverty implies less stability, so it is very likely that additional costs will have to be assumed.
- Regarding the welfare of the population: it is the sixth department with the lowest percentage of people insured under the contributory and subsidized system ([88.1%](#)); and the eighth with the highest housing deficit, with more than [70%](#) of homes with structural deficiencies and requiring improvements. In terms of education, it is one of the departments with highest access to education ([93.9%](#)), but the one with the highest school dropout rates ([10.3%](#)), which is reflected in its low level of human capital. This context reinforces the center-periphery argument we have explained in our Index. More remote departments have lower levels of development, which limits their capacity and competitiveness. As a result, the gap continues to widen and their condition is perpetuated.

ENVIRONMENT:

Putumayo ranks 12th in environmental risk, its category of lowest risk (low risk).

- The Corporación por el Desarrollo Sostenible del Sur de la Amazonía (Corpoamazonia) is Putumayo's environmental authority, with jurisdiction also in the departments of Amazonas and Caquetá. The corporation has promoted projects such as [Sustainable Amazonia for Peace](#), financed by the Global Environment Facility in partnership with the United Nations Development Program. This is a community nursery network in the departments of Caquetá, Meta and Putumayo that seeks to strengthen the knowledge of rural communities in protection, restoration and sustainable production to contribute to the recovery of hectares of forest.

- Although the department has [17 protected areas](#) and the municipality of Leguízamo has some of the country's largest natural reserves, such as La Playa National Natural Park, logging and the expansion of illicit crops pose a significant risk. In 2021, Putumayo recorded [34](#) cases of crimes for illegal exploitation of renewable natural resources, [14](#) for illegal exploitation of mining deposits and other materials, [three](#) for damage to natural resources and ecocide, and [two](#) for environmental contamination. Despite being among the best positions in the variables of the category, it is necessary to make progress, especially in the [formalization of mining activity](#). So that the business sector achieves a more positive image and investment in the department is encouraged.
- According to IDEAM data, there was a decrease in deforested hectares, from 13,141 in 2020 to 12,804 in 2021. Practices such as land grabbing, growing illicit crops, illegal road construction, illegal logging, and cattle ranching are the [main causes of this problem](#). Against this situation, the business sector needs to be more careful about the origin of the products and materials it uses, as these could come from deforested areas, which could entail reputational risks and even sanctions. In this regard, the private sector has sought to contribute to the conservation of the Amazon through the Saving the Amazon Foundation, which works on reforestation projects in conjunction with indigenous communities; at least [105 companies and organizations](#) have joined.
- In 2021, the Community Nursery Network was able to restore nearly 6,000 hectares of forest in Putumayo with the planting of more than 8,000 native trees, within the framework of the Sustainable Amazon for Peace project, which is linked to the goal proposed by the Duque government to [plant 180 million trees in Colombia by 2022](#).

3. CHOCÓ:

Chocó, while remaining among the riskiest departments, moved from 33rd in the SRI 2021 to 31st in the SRI 2022. It now ranks as the third riskiest department according to our Index. It is located in the Pacific region, bordered to the north by the Caribbean Sea, to the northwest by Panama and Antioquia, to the east by Risaralda, to the south by Valle del Cauca and to the west by the Pacific Ocean.



CHOCÓ		
CATEGORY	SCORE	NATIONAL RANK
Security	42.26	27
Politics	20.02	27
Economy	87.53	30
Institutionality	65,87	24
Society	50,65	30
Environment	5,64	10

SECURITY:

- It is the seventh most risky department in terms of physical integrity (high risk). In 2021, with a population of more than 500,000 inhabitants, Chocó was the department with the fifth highest homicide rate (53.6 homicides per 100,000 inhabitants); the seventh with the highest kidnapping rate (0.4 per 100,000 inhabitants); and the department with the highest extortion rate (39.1 per 100,000 inhabitants). There was one massacre, and it was the department with the fifth highest number of murdered social leaders (13). Likewise, coca hectares increased from 1,468 (2020) to 5,060 (2021). As a result, there is a high level of risk for investors, workers and the community. As well, conflict dynamics are likely to affect the productive activities and infrastructure of the private sector.
- Violence between criminal organizations and drug trafficking groups continues to be a constant in Colombia's Pacific department. Due to the presence of armed groups (such as the ELN, Los Mexicanos, El Clan del Golfo, Autodefensas Gaitanistas de Colombia, and Farc dissidents) there is a decentralized war and struggle for territorial control in the department, which heightens the security risks for companies.
- Outside of the capital and the municipal capitals, the absence of the state impedes adequate law enforcement - even for such sensitive issues as the implementation of the Peace Accord. This makes it unlikely that the State will be able to respond to requests or requirements from the private sector. Common crime and violence by organized armed groups has been a constant

in Chocó and is attributed to high levels of poverty, the profitability of illegal economies and the lack of job opportunities.

- The Army and National Police also face illicit crops, cocaine processing laboratories in the middle of the jungle, drug trafficking corridors, arms and human trafficking, and illegal mining. In addition, due to the geographic and climatic characteristics of the department, reinforcements for the Armed Forces emerge via water or by helicopter, which hinders supplies, combat support, among other actions to defend the territory.
- 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. However, despite their presence, there is no confidence in terms of security in the department. There are no guarantees for the development of the business sector in Chocó. This is reflected in the scarce supply of formal jobs, the lack of socioeconomic development and the lack of competitiveness in the department. On the other hand, the feeling of the population, mainly social organizations and movements, [is distant and tense with the security forces](#), due to the perception that members or sectors of the security forces are close to or have links with criminal organizations, such as the Clan del Golfo.

POLITICS:

Chocó is the sixth most politically risky department (high risk).

- From 2008 to 2021, Chocó has had 12 governors, making it the department with the second highest turnover. Although oversight entities frequently carry out investigations, the rotation of governors linked to corruption cases continues, which demonstrates the department is politically unstable. 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 lack of political guarantees.
- In fact, the last governor of Chocó, Ariel Palacios Calderón, [was captured](#) as allegedly responsible for irregularities in contracting during the COVID-19 pandemic and is currently under house arrest. As a result, the department has been [without a governor for seven months](#) and the Petro government has not appointed his replacement. Something that indicates a serious problem of political instability and a vulnerability of public institutions to suffer corruption cases.
- In 2021, there were [7 victims](#) of crimes of constitutional and legal regime registered, [11](#) of electoral crimes, [38](#) of threats against human rights defenders and public servants, [28](#) of crimes of improper celebration of contracts, and [62](#) of crimes of abuse of authority by arbitrary or unjust act. These figures suggest political risks for the community and the private sector, which implies a distrust of political institutions, greater social instability and a greater likelihood of political violence.
- Political dynamics have been permeated by [political clans](#), such as the Sánchez Montes de Oca, who for years have had great influence in the department's elections and have made it difficult for other political groups to come to power. This is likely to make it more difficult for the private sector to carry out projects that are not in line with the political forces in the region.

ECONOMY:

The Index suggests that the department of Chocó has an unfavorable investment climate, ranking 30th out of 33, as the fourth most economically risky department (very high risk).

- Chocó is the fourth department with the lowest level of bankarization ([24.8%](#)), well below the national average (42%), which reflects a poorly developed financial system and hinders the formalization of labor and the generation of employment.
- Regarding its departmental economy. According to DANE, Chocó has 309 companies that provide formal employment per 10,000 inhabitants, making it the sixth department with the best business fabric (it is worth mentioning that it increased in this variable, since in 2021 it only had 235 companies per 10,000 inhabitants). Human capital improved significantly, from 4.7% in 2020 to 31.6% in 2021, according to data from the [Ministry of Education](#). Despite the improvements, the figures show that there is no consolidation of the business sector and a low level of skilled local labor.
- On its integration into the national economy. In 2021, it was the sixth department with the lowest GDP growth rate ([7.50%](#)); and it had no participation in national [imports](#) or [exports](#). In 2020, it was the ninth department with the lowest participation of departmental GDP in the national GDP ([0.5%](#)).
- Although the department has a great variety of natural resources and deposits of minerals and precious stones, which have attracted interest in the region, the department's economic level is low. Most of its activity depends on the extractive sector and it has very low levels of industrialization. In addition, factors such as violence, insecurity and the lack of formal job opportunities hinder growth and the consolidation of an attractive market that generates confidence.
- For 2021, Chocó obtained a score of 2.7 out of 10 points in the [Departmental Competitiveness Index](#), ranking 31st out of all departments. This result reinforces the argument about the low industrialization of its economy and the low competitiveness compared to the rest of the country, which has impacted and limited the socioeconomic development of Chocó.
- [Other DANE figures](#) indicate that, in the first quarter of 2021, 48.5% of workers were engaged in informality, with 24.5% of that figure being women. Thus, one of the main sources of income for the population of Chocó is informality. Therefore, the department still faces great challenges in guaranteeing the minimum living standards and basic needs of workers.

INSTITUTIONALITY:

Chocó is the tenth riskiest department in the institutional risk category (high risk). It is worth mentioning that it had an improvement here, going from 30th place (SRI 2021) to 24th place (SRI 2022) in the category ranking.

- Chocó obtained a score of 49.2 out of 100 in the [Municipal Performance Measurement](#) variable. This result suggests that local institutions have relatively low efficiency, and that they have made little progress in the execution of the POT and in the execution and investment goals set. It was

the second worst department in the [Digital Government Index](#) variable (with a score of 58.2 out of 100). This result shows a poor integration of TICs by the department's institutions. As a result, delays are generated in the digitization of processes, impacting the agility with which the necessary procedures for the creation of a company are carried out and, therefore, hinder administrative and bureaucratic processes.

- Chocó obtained a score of 74.9 out of 100 on the [National Anti-Corruption Index](#) variable, placing it as the twelfth department with the highest risk in this variable. This result suggests that the capacity of the department's institutions to fight and prevent corruption is not very effective. Similarly, it implies that they have low capacities to comply with norms and standards related to ethics. Therefore, this is likely to be a disincentive for the business sector, as it implies higher reputational risks and obstacles when dealing with government entities.

SOCIETY:

Chocó ranked as the fourth department with the highest social risk, ranking 30th out of 33 (high risk).

- Chocó reduced its [MPI](#) from 49% (in 2020) to 36% (in 2021), but is still well above the national total ([16%](#)), and remains as the department with the fifth highest population in poverty. This may be a disincentive for companies, as they are likely to be forced to address unsatisfied basic needs.
- Regarding the well-being of the population, Chocó is the fourth department with the lowest number of contributory and subsidized insurance coverage ([79.8%](#)); and the fifth with the highest housing deficit, with [87.8%](#) of homes with structural deficiencies and requiring improvements. In terms of education, it has [92.3%](#) access to education and a school dropout rate of [4%](#). This indicates that the population has great obstacles to ensure a better quality of life. Even more so, considering that violence and territorial control by illegal armed groups exacerbates poverty and its consequences on the population.

ENVIRONMENT:

This is the category in which Chocó appears as a less risky department. In fact, it ranks as the tenth least risky department in environmental terms (low risk).

- Despite being among the least risky departments in this category, the geography of the department is characterized by a wide coverage of tropical forests throughout its territory. This has hindered the construction of land transport connections with the rest of the country and with Panama, given the difficulty of extending the route of the [Pan-American Highway](#) and deep-water ports. The project is interrupted at the Darien Gap and has so far been blocked by environmental groups seeking to protect native ecosystems, so the project will continue to be viewed as a long-term option.
- In 2021, in Chocó there were [11](#) cases of crimes for illegal exploitation of renewable natural resources, [33](#) for illegal exploitation of mining deposits and other materials, [one](#) for damage to natural resources and ecocide, and [two](#) for environmental contamination.

- The construction of the [Port of Tribugá](#) has been a highly controversial project for the department. While the construction of the port is likely to strengthen trade, tourism and fishing in the region, it would have great consequences for marine ecosystems, endemic species, communities and natural parks, due to the construction of railroads and oil pipelines. During his presidency, Iván Duque [requested UNESCO](#) to declare Tribugá a protected area, which would make it the sixth Biosphere Reserve in Colombia, protect the biodiversity of the region and would not allow the construction of the mega-port in the Gulf of Tribugá. Duque formalized the proposal before the international organization, but the document will be [evaluated in 2023](#).
- Illegal mining is one of the main sources of environmental contamination in the Pacific, which poses a high risk to the communities and the biodiversity of the territory and environmental degradation that can last several decades after the cessation of mining activities. In this regard, the [Armed Forces](#) have coordinated different actions against the illegal exploitation of minerals, which in turn affects the [armed groups](#) that finance themselves from illegal mining revenues.
- According to IDEAM figures, deforested hectares decreased from 8,485 (2020) to 6,963 (2021). This problem has been largely driven by large-scale agriculture, cattle ranching, mining, transportation infrastructure, illicit crops, and the commercialization of fine timber. The consequences of deforestation in Chocó have been environmental degradation of forests and impacts on communities in the territory. It is worth noting that between 2016 and 2021, [65,961 hectares of forest](#) were lost in the department. To counteract this, [CODECHOCÓ](#) and the [community councils](#) have carried out different actions to recover degraded areas, which have led to more than 1,000 hectares in the process of restoration.

SCOPE, LIMITATIONS, AND FUTURE CONSIDERATIONS FOR THE SUBNATIONAL RISK INDEX

In Colombia Risk Analysis we understand that our Subnational Risk Index is not the final answer to understand the particular conditions of the different departments of the country. In that sense, we recognize the need to account for the scope and limitations of the SRI. Accordingly, this chapter is structured to present a discussion of three aspects of the SRIS. First, the ways in which the SRI is in fact useful, are presented. Then, the limitations of the SRI are discussed in order to understand the shortcomings of the Index. Finally, a section is set out to discuss future considerations for future versions of the SRI.

SCOPE:

- One of the main objectives of the Index is the possibility to understand the risks faced by companies in the country in a disaggregated manner. Unlike all national indexes, which take into account aggregate categories, the SRI is conceived as a tool that allows business leaders and investors to understand the country and focus their investment decisions taking into account the realities that each department presents.
- The SRI is a tool that allows companies to have a first approach to the diversity of development levels in the country. In that sense, it is a good indicator of the variability in terms of risk that is present among Colombia's departments.
- Mapping the information provided by the SRI reveals a difficult socioeconomic reality that companies, particularly foreign ones, must take into account: in social and economic aspects, the best performance is almost always associated with the center of the country, in the Andean Region, while peripheral departments are above the national risk average.
- The central objective of the SRI formula is to capture the interests, which from the experience of Colombia Risk Analysis, directly affect the business community; hence, it is built to assign greater weight to categories that are more important for companies at the time of making investment decisions.
- Given the need to consolidate analysis categories from variables, in Colombia Risk Analysis we have made the effort to establish useful variables based on theory and then we have unified them in terms of directionality to have robust, yet simplified categories in terms of analysis.
- The SRI analysis is based on public domain information and, in most cases, from official sources, so it is likely that there is different information from other sources that could change the perspectives of the analysis.
- In order to improve the results and better reflect the departmental reality, in the measurement of our SRI 2022, some variables in the category Politics, Economy, Society and Environment were eliminated, replaced and added.

LIMITATIONS:

- There are variables that are limited by factors such as periodicity, time and availability. Even when the team found that theoretically some variables would be appropriate to measure a category, the information available was of many years back, so it would not be ideal to use it, or it simply did not exist at the departmental or municipal level.
- In some departments, cities or large municipalities can significantly affect the aggregate sample because they have a significant influence on some indicators, which can bias the analysis. Therefore, there is a barrier to fully understand the reality of the department. In this sense, some capital cities are very significant in the results of the entire department, overshadowing the other municipalities of their departments. It is important to mention that this is a normal factor in Colombia considering that the country is urban, with 70% of the population living in large cities, and that the analysis in municipal detail would be limited by the scope of the statistics available in public databases.
- When interpreting the categories, it is important to keep in mind the way in which they are organized because, in some cases, the variables have opposite directions that have had to be adjusted to fit the model.
- Even with the weighting of the model, some categories and specific variables may have a higher weight in the Index. This is especially clear in the case of the Environment category, which significantly decreases the risk of San Andres, for example, placing it in the category of departments with very low risk, since variables such as natural phenomena are not being considered due to the lack of data available for that topic.
- Similarly, in the Environment category, one variable that we believe is important to consider is air quality. However, due to the fact that there is no data at the departmental level, but only for some cities, it could not be taken into account in the measurement of the category, as it would bias the result. Likewise, in this category for the calculation of the SRI 2021, the amount of deforested hectares was taken into account. But in this version, in order to strengthen the category, given that with this variable the result of internal consistency of the category was unacceptable, it was necessary to eliminate it and include others that would explain the state of the environment in each department in a different way.
- In the Security category, due to the gap between government and INDEPAZ figures on the murder of social leaders and massacres, INDEPAZ figures -the only source other than public entities- were chosen. This, taking into account the reputation of the organization and its rigor, in addition to maintaining source consistency in comparison to the SRI 2021 data.
- The Economy, Institutional and Society categories present information for 2021 and 2020, unlike the other categories that only contain information for 2021. This is due to the availability of information at the time of data collection for the SRI 2022 calculation.
- In order to have the most up-to-date data from public entities, the data collection for the calculation of our SRI 2022 was conducted between July and October of the current year.

However, in some cases the information for 2021 is released in November or December of 2022, so we can't take that information into consideration.

- Some information sources (such as the 'Sistema Penal Oral Acusatorio' from the Attorney General's office, 'TerriData' from the National Planning Department, or the data available in the tools from the National Statistics Department) regularly update their data, which can occasionally cause variations in their records from previous years.

FUTURE CONSIDERATIONS:

- Although there are variables that have changed, this was done in order to continue consolidating each category. Therefore, changes are not ruled out in future versions in order to reach robust and definitive categories. However, it is recommended to choose variables that are updated with annual information and not static or from past five-year periods.
- In the political category, incorporate the electoral risk variable again, calculated by the MOE for local elections, to evaluate whether this would have positive effects on the internal consistency of the category; this would be relevant given that it is a variable that evaluates different factors that explain the territorial reality in terms of political risk.
- Continue using rights of petition to request information from public entities on the data of the variables that require it, in order to update them. However, if delays are detected in obtaining the data, consider changing the sources of information.
- Given that the SRI formula is arbitrary, for subsequent versions of this Index, we will continue to evaluate the possibility of consolidating technical mechanisms for the definition of the values by which they are weighted in order to reduce the degree of speculation on the relevance of these categories. However, it should be noted that this is a flexible model in which, if required, the weight of the variables can be assigned as needed.
- Given the change of variables in the categories Politics, Economy, Society and Environment, it is likely that there will be a skew in the analysis between the version of SRI 2021 and SRI 2022. Therefore, we will continue to evaluate which variables are the best to establish permanently in future versions and, thus, perform an analysis with the same data.

CONCLUSIONS

At Colombia Risk Analysis, we seek that each version of the Subnational Risk Index becomes an important input for decision makers, investors and public policy makers interested in identifying the advantages and limitations of each department, and thus understand the most suitable territories to establish their businesses. Colleagues, clients, subscribers, and members of academia have told us that this document has been useful in improving the understanding of risk in the country and is a reference tool for multiple audiences.

The risk levels are, of course, subject to variations according to eventualities that directly affect the variables that make up the Index. However, the Index has evolved methodologically in order to be a more robust tool that helps understand, in quantitative and qualitative ways, the components of existing and potential departmental risks that may suggest greater or lesser challenges for the business sector, which, consequently, affects the development of each department.

We reiterate what we said last year in this same space: "Colombia is a country of regions. Although it sounds cliché, the deep center-periphery divisions in terms of state capacity, presence of public forces, armed actors, economic development and infrastructure are fundamental to understand the dissimilar development narrative among the different departments. The center-periphery relations that are present in the country, such as department-municipality and municipal capital-rural area, account for the territorial differences in terms of development. This influences the perceived levels of risk that companies may encounter in their market analyses. In this sense, the Index presents concrete, measurable and relevant indicators to analyze the performance of the departments".

This version of the Index has been subject to methodological changes that have improved the identification of risks in the different categories. However, we remain aware of the limitations of the exercise and will work to ensure that future versions continue to build on what has been built.

Colombia continues to be an attractive investment destination - regardless of the political situation. But investments in the country cannot be evaluated according to their quarterly or annual returns, but rather in the decades that follow. Although the enormous center-periphery differences will make it unlikely that there will be significant variations from year to year, it is likely that the measurement of the variables will help decision makers, both in investment and public policy, to prioritize their interventions into the future.

At Colombia Risk Analysis we are convinced that only by understanding the risks can we develop strategies to mitigate them. This Index is our contribution toward that effort.

ANNEXES

ANNEX 1 – METHODOLOGY AND SOURCES:

This section presents the formulas and coefficients used to calculate the SRI 2022, as well as the sources used to measure each category. The information gathered is of public domain. However, in some cases, a right of petition was used to access the updated data. Data collection was carried out between July and October 2022. It is important to mention that a normalization of data between 0 and 100 was carried out to standardize the variables and, likewise, in the required cases, a process was carried out to invert the data and associate it with risk. Having clarified this, the methodological details of the calculation are presented below.

SUBNATIONAL RISK INDEX (SRI):

The Colombia Risk Analysis Subnational Risk Index 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 (Annex 2). For the measurement of the Index, a different weight is given to each category, considering business interests.

Hence, the formula used to measure Colombia Risk Analysis' *SRI_i* is as follows:

$$\begin{aligned} \mathbf{SRI}_i = & (\mathbf{Security}_i * 0.2) + (\mathbf{Politics}_i * 0.2) + (\mathbf{Economy}_i * 0.2) + \\ & (\mathbf{Institutionality}_i * 0.15) + (\mathbf{Society}_i * 0.15) + (\mathbf{Environment}_i * 0.1) \end{aligned}$$

This formula is a weighted average, where the categories **Security**, **Politics**, and **Economy**, have the highest weight assigned (0.2), due to their conception and constituting variables they represent a greater interest for investors and the private sector. The following are the variables **Institutionality** y **Society**, with a weight of 0.15 each, and finally the variable **Environment** with a weight of 0.1. It is important to mention that *i* refers to the year evaluated and, finally, that the SRI result is between 0 and 100.

This SRI positions the departments evaluated in a ranking from 1 to 33, as this is the number of departments, including the capital district (Bogotá), analyzed. It establishes five risk levels: very high risk, high risk, moderate risk, low risk and very low risk. These levels rank the departments in order of Index score from lowest to highest. This means that the lower the score, the lower the risk, and the higher it will be placed in the ranking; but with more points, higher the risk, and the lower it will be placed in the ranking.

SECURITY:

The calculation of the Security category of the SRI 2022 was made using six variables that were given equal importance. In this sense, each variable maintained the same weight for the measurement and the formula used to detect the risk in each department is as follows:

$$\mathbf{Security}_i = \frac{H_i + K_i + E_i + M_i + ML_i + CH_i}{6}$$

The six variables taken into account for the calculation of this category are: Homicides (*H_i*), Kidnapping (*K_i*), Extortions (*E_i*), Massacres (*M_i*), Murdered Social Leaders (*ML_i*) and Coca Hectares (*CH_i*). The first three

(Homicides, Kidnapping and Extortions) present the rate per 100,000 inhabitants and, as mentioned at the beginning of Annex 1, were normalized as with the rest of the variables. In other words, the department with the fewest homicides per 100,000 inhabitants receives a value of 0 and the department 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 department. Likewise, a normalization process from 0 to 100 was applied to these variables. These data were extracted from the information of public domain available by Indepaz, given the renowned work done by this NGO and the scope of its data, as opposed to those provided by public entities. For its part, the variable of hectares of coca refers to the number of hectares of coca cultivated per department, with a process of normalization and compiled from the [Colombian Drug Observatory](#).

Finally, these data refer to information from 2021. However, they may be updated over time, therefore it is emphasized that the data collection period for the measurement of this SRI was between July and October 2022.

POLITICS:

In the case of the Political category, six variables were evaluated with the same weight, so that the formula to determine the category per department is a simple average:

$$\text{Politics}_i = \frac{RG_i + EC_i + CR_i + TCD_i + CC_i + CA_i}{6}$$

The Rotation of Governors (RG_i) variable captures the number of governors, between 2008 and 2021, using information from journalistic records that evidence dismissals, suspensions or resignations of governors. In this sense, the minimum number of governors is four and the maximum is determined by the department with the greatest political instability. Once the data is obtained, a normalization is applied to leave the data between 0 and 100.

On the other hand, the variables of Electoral Crimes (EC_i), Constitutional and Legal Regime (CR_i), Threats against Human Rights Defenders and Public Servants (TCD_i), improper celebration of contracts (CC_i) and Abuse of Authority by Arbitrary or Unjust Act (CA_i) refer to the number of victims according to the entries of criminal news 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 and according to the implications contained therein for each crime, the more victims there are, the more political instability within the department may be affected. As with the other variables, these were also normalized between 0 and 100.

It should be noted that these data refer 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, and it is emphasized that the data collection period for the measurement of this SRI was between July and October 2022.

ECONOMY:

The Economy category aims to publicize the state of the departmental economy and its integration into the national economy through seven variables. The first three in the formula refer to the state of the departmental economy and the last four to the integration of the departmental economy into the national economy. In this

category, a different weight was assigned to each variable, due to the importance of each one and the characteristics of the departments:

$$\begin{aligned} \mathbf{Economy}_i = & (B_i * 0.175) + (BF_i * 0.175) + (HC_i * 0.175) + (GR_i * 0.175) + (PI_i * 0.1) \\ & + (PE_i * 0.1) + (PG_i * 0.1) \end{aligned}$$

The Bancarization variable (B_i) presents the percentage of adults with active financial products by department, obtained from the databases and reports available for the 2020 period by [Banca de las Oportunidades and the Financial Superintendence of Colombia](#). Here it is important to mention that the 2020 report was used, since the 2021 report only presents regional information and the information is not disaggregated.

Regarding the Business Fabric (BE_i), since this information was not publicly available for 2021, Colombia Risk Analysis sent a right of petition to the National Statistics Department to find out the rate of companies that provide formal employment per 10,000 inhabitants by department. For its part, the Human Capital (CH_i) presents the composition of the labor market supply given by the percentage of the population with higher education by department. This variable was extracted from the [Higher Education Departmental Profiles](#) provided by the Ministry of Education.

The variables intended to measure departmental integration in the national economy are: the Departmental GDP Percentage Growth Rate (GR_i), the Departmental Participation in Imports (PI_i), the Departmental Participation in Exports (PE_i) and the Departmental Participation in the National GDP (PG_i). The [Departmental GDP Percentage Growth Rate](#), the [Departmental Participation in Imports](#) and the [Departmental Participation in Exports](#) were taken from the National Statistics Department for the year 2021. Finally, the Departmental Participation in the National GDP is obtained [from TerriData](#), a tool of the National Planning Department. The data used is from 2020 due to availability of information.

These variables underwent a process to interpret the true level of risk, since they are inverse to this, the process is to subtract the original value of the variable from 100 and then carry out their respective normalization. It is worth mentioning that the data comes from publicly available information from government entities that may be updated over time and, in some cases, are preliminary statistics and figures calculated by each entity. Therefore, we clarify that the data collection period for the measurement of this SRI occurred between July and October 2022.

INSTITUTIONALITY:

Concerning the Institutionality category, three variables were considered. The first two variables of the formula seek to capture each department's institutional efficiency, while the last one seeks to capture institutional resilience to corruption. In this sense, the institutional category is composed of a weighted average as follows:

$$\mathbf{Institutionality}_i = 100 - ((MPM_i * 0.25) + (DGI_i * 0.25) + (NAI_i * 0.5))$$

The variable Municipal Performance Measurement (MPM_i) measures the aggregate efficiency of local institutions by department and is generated by the [National Planning Department](#). This variable was averaged by department with information from 2020. The Digital Government Index (DGI_i) variable, for the State, shows the integration of ICTs in institutions by department and was obtained from information produced by the [Ministry of ICTs](#). Lastly, the National Anti-Corruption Index (NAI_i) shows the department's ability to prevent and fight corruption, and was obtained from the [National Transparency Secretary](#). These variables were subjected to a normalization process to rigorously measure Cronbach's Alpha. 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, the same as in the other categories.

SOCIETY:

The Society category intends to evaluate the development and quality of the social welfare of the department's population. For this, the 2022 SRI presents five variables in this category:

$$Society_i = \frac{MPI_i + HD_i + HS_i + AE_i + SD_i}{5}$$

The variables evaluated are: the Multidimensional Poverty Index (MPI_i), the Housing Deficit (HD_i), Insurance to the Health System (HS_i), Access to Education (AE_i) and School Dropout (SD_i). The MPI comes from [the National Statistics Department](#), and addresses additional categories to monetary poverty, so it is a good indicator to understand social welfare in a general way by department. The Housing Deficit shows the percentage of homes with structural deficiencies and that require improvements by department, also obtained from [the National Statistics Department](#). The Health Insurance variable presents the percentage of people insured under the contributory and subsidized regime by department and is available at the [Ministry of Health and Social Protection](#). The Access to Education variable reveals the percentage of people with access to education by department, obtained from the [TerriData](#) of the National Planning Department. Finally, the School Dropout variable shows the percentage of students who do not complete their school studies by department and, in this sense, the low development of the population. This information is obtained from the [Open Data Portal](#).

In the case of this category, the normalization process from 0 to 100 of the variables was carried out. Additionally, for the Health Insurance and Access to Education variables, since they are inverse variables to risk, the result of each variable is subtracted from 100 to interpret the level of associated risk. The Access to Education variable is the only one within the category with data from 2020, the others have information from 2021, due to availability at the time of collecting the data to calculate the 2022 SRI, which is recalled was carried out between July and October of 2022.

ENVIRONMENT:

In the case of the Political category, six variables were evaluated with the same weight, so that the formula to determine the category per department is a simple average:

$$Environment_i = \frac{IER_i + IEM_i + DNR_i + EP_i}{4}$$

The Illegal Exploitation of Renewable Natural Resources (IER_i), the Illicit Exploitation of Mining Deposits and Other Materials (IEM_i), Damage to Natural Resources and Ecocide (DNR_i) and Environmental Pollution (EP_i), are crimes made publicly available at the [Human Rights and National Defense Observatory of the Ministry of Defense](#) registered in 2021. These variables, like the others, had a normalization from 0 to 100.

Finally, to close this methodological annex, it is specified that these data are available to the public and were rigorously obtained. Information from 2020 and 2021 is used, and the possible updates that some sources may have during 2022 are recognized. But, in order to calculate the SRI, it is emphasized that the period for collecting all the data was between July and October 2022. It is also clarified that the normalizations and the processes of inverting the data to associate them with risk were used only for the calculation. For the analysis in the document,

reference is made to the original figures of each variable. Finally, each variable and each category was given a position from 1 to 33 according to the results to position each department.

ANNEX 2 – RELIABILITY OF STATISTICS:

This annex aims to disclose the reliability of each category formed and used for the calculation of the SRI 2022 of Colombia Risk Analysis. To evaluate the internal consistency of each category and see the correlation between the variables, the Cronbach's Alpha coefficient was calculated. This calculation, mainly, is an internal consistency model that allows knowing the reliability of the variables of each category. In this sense, the coefficient can be between 0 and 1, interpreting that the closer it is to 1, the greater the relationship between the variables and, therefore, the greater reliability the category has.

SECURITY:

The objective of the six variables that make up this category is to evaluate security in the department in terms of physical integrity associated with the conflict. When doing the Cronbach's Alpha coefficient test, the result is 0.8, which indicates a good and acceptable reliability between the variables to generate a single category. For this reason it is recommended to keep these variables for future versions of the SRI. In the 2021 SRI it was 0.74.

```
Reliability analysis
call: psych::alpha(x = base)

raw_alpha std.alpha G6(smc) average_r S/N   ase mean sd median_r
 0.8      0.79    0.86      0.39 3.8 0.055   23 17      0.51

95% confidence boundaries
      lower alpha upper
Feldt    0.66    0.8    0.89
Duhachek 0.69    0.8    0.90

Reliability if an item is dropped:
      raw_alpha std.alpha G6(smc) average_r S/N alpha se var.r med.r
Normalización_Homicidios      0.72      0.71    0.79      0.33 2.5 0.078 0.083 0.20
Normalización_Secuestros      0.80      0.80    0.85      0.44 4.0 0.057 0.062 0.52
Normalización_Extorsiones     0.79      0.78    0.83      0.42 3.6 0.053 0.069 0.51
Normalización_Masacres        0.74      0.73    0.77      0.35 2.7 0.072 0.056 0.42
Normalización_Lideressociales  0.73      0.72    0.77      0.34 2.6 0.075 0.055 0.42
Normalizado_Hectareascoca     0.79      0.79    0.86      0.43 3.8 0.059 0.060 0.51

Item statistics
      n raw.r std.r r.cor r.drop mean sd
Normalización_Homicidios     33 0.84 0.84 0.81 0.73 43.8 26
Normalización_Secuestros     33 0.52 0.56 0.45 0.37 9.4 18
Normalización_Extorsiones     33 0.62 0.62 0.55 0.42 37.3 26
Normalización_Masacres       33 0.80 0.78 0.80 0.66 20.8 28
Normalización_Lideressociales 33 0.82 0.80 0.82 0.71 16.7 23
Normalizado_Hectareascoca    33 0.60 0.59 0.47 0.42 11.0 24
```

POLITICS:

The Politics category aims to assess political stability by department. To respond to this premise, this category has six variables. Despite the fact that in this version of the SRI, the category is made up of four more variables than in the 2021 version, the coefficient is 0.66, which indicates that it is acceptable. Therefore, there is still room for the correlation to improve with the change or inclusion of new variables in future versions. In the 2021 SRI it was 0.63.

```

Reliability analysis
Call: psych::alpha(x = base)

raw_alpha std.alpha G6(smc) average_r S/N ase mean sd median_r
  0.66      0.66      0.75      0.25  2 0.09  15 14      0.22

 95% confidence boundaries
    lower alpha upper
Feldt  0.44  0.66  0.81
Duhachek  0.48  0.66  0.84

Reliability if an item is dropped:
                                         raw_alpha std.alpha G6(smc) average_r S/N alpha se var.r med.r
Normalización_Gobernantes           0.73      0.72      0.79      0.34  2.6  0.074  0.061  0.34
Normalización_Delitos_ElectORALES  0.67      0.67      0.75      0.29  2.0  0.092  0.077  0.27
Normalización_Delitos_Régimen_CL  0.63      0.63      0.67      0.25  1.7  0.100  0.058  0.18
Normalización_Amenazas_CDSP       0.58      0.59      0.64      0.22  1.4  0.113  0.057  0.18
Normalización_Delitos_CI_Contratos 0.54      0.54      0.61      0.19  1.2  0.128  0.055  0.13
Normalización_Delitos_Abuso_Autoridad_AAI 0.52      0.52      0.58      0.18  1.1  0.128  0.055  0.12

Item statistics
                                         n raw.r std.r r.cor r.drop mean sd
Normalización_Gobernantes           33  0.35  0.34  0.099  0.071 19.8 23
Normalización_Delitos_ElectORALES  33  0.43  0.49  0.317  0.231  4.8 17
Normalización_Delitos_Régimen_CL  33  0.63  0.60  0.531  0.375 15.2 25
Normalización_Amenazas_CDSP       33  0.68  0.68  0.640  0.512 12.5 20
Normalización_Delitos_CI_Contratos 33  0.77  0.76  0.757  0.587 22.5 25
Normalización_Delitos_Abuso_Autoridad_AAI 33  0.79  0.80  0.815  0.652 14.5 21

```

ECONOMY:

The Economy category seeks to know the state of the departmental economy and its integration into the national economy. To respond to this, the 2022 SRI is made up of three more variables than the 2021 SRI, also as a way to improve the coefficient and increase its degree of reliability. In addition to the inclusion of new variables, one of these was changed, which, together, allowed obtaining a coefficient of 0.84, which indicates a good degree of reliability between the variables to form a category. In the 2021 SRI it was 0.69.

```

Reliability analysis
Call: psych::alpha(x = base)

raw_alpha std.alpha G6(smc) average_r S/N ase mean sd median_r
  0.84      0.84      0.94      0.43  5.3 0.044  77 15      0.47

 95% confidence boundaries
    lower alpha upper
Feldt  0.73  0.84  0.91
Duhachek  0.75  0.84  0.92

Reliability if an item is dropped:
                                         raw_alpha std.alpha G6(smc) average_r S/N alpha se var.r med.r
Normalización_Bancarización           0.80      0.81      0.90      0.41  4.2  0.054  0.084  0.46
Normalización_CH                      0.79      0.79      0.91      0.39  3.8  0.057  0.081  0.46
Normalización_Crecimiento_%PIB       0.87      0.88      0.93      0.56  7.5  0.037  0.047  0.54
Normalización_Participación_M        0.79      0.79      0.90      0.38  3.7  0.058  0.082  0.43
Normalización_Participación_X        0.83      0.83      0.90      0.45  4.8  0.045  0.107  0.53
Normalización_Participación_PIB      0.77      0.78      0.89      0.37  3.6  0.062  0.072  0.43
Normalización_Tejido_Empresarial    0.83      0.83      0.92      0.45  4.9  0.046  0.105  0.53

Item statistics
                                         n raw.r std.r r.cor r.drop mean sd
Normalización_Bancarización           33  0.77  0.77  0.75  0.66  50 21
Normalización_CH                      33  0.83  0.84  0.82  0.75  73 19
Normalización_Crecimiento_%PIB       33  0.33  0.33  0.26  0.16  70 18
Normalización_Participación_M        33  0.85  0.85  0.87  0.78  94 18
Normalización_Participación_X        33  0.69  0.66  0.63  0.52  83 25
Normalización_Participación_PIB      33  0.89  0.89  0.91  0.83  88 20
Normalización_Tejido_Empresarial    33  0.65  0.66  0.61  0.50  78 21

```

INSTITUTIONALITY:

The Institutionality category evaluates the quality of departmental institutions through three variables. Cronbach's Alpha coefficient for this category is 0.8, which indicates good and acceptable reliability. That is, that

the variables are well related to each other and that they correctly capture the category. For this reason, it is suggested to keep the variables for future versions. In the 2021 SRI it was 0.83.

Reliability analysis

Call: psych::alpha(x = base)

```
raw_alpha std.alpha G6(smc) average_r S/N    ase mean sd median_r
  0.8      0.81    0.76      0.59 4.3 0.053   48 21     0.57

  95% confidence boundaries
    lower alpha upper
Feldt    0.65    0.8    0.90
Duhachek 0.70    0.8    0.91

Reliability if an item is dropped:
  raw_alpha std.alpha G6(smc) average_r S/N alpha se var.r med.r
Normalización_MDM      0.84      0.84    0.73      0.73 5.4    0.055   NA  0.73
Normalización_IGD       0.69      0.73    0.57      0.57 2.7    0.096   NA  0.57
Normalización_INA       0.58      0.63    0.46      0.46 1.7    0.127   NA  0.46

Item statistics
  n raw.r std.r r.cor r.drop mean sd
Normalización_MDM 33  0.73  0.80  0.61    0.55   37 18
Normalización_IGD 33  0.89  0.86  0.77    0.70   51 29
Normalización_INA 33  0.92  0.90  0.85    0.77   55 27
```

SOCIETY:

The Society category intends to reveal the level of social welfare of the population in the department. This category presents large changes on the variables with respect to the 2021 SRI. As mentioned in Annex 1, the category has five variables that, although they evaluate the same topics of the 2021 SRI, have a different source. The category coefficient is 0.73, which, although lower than the 2021 SRI (0.85), allows the variables to be updated annually as they are not taken from the 2018 census. Therefore, we suggest not to change these variables for future calculations.

Reliability analysis

Call: psych::alpha(x = base)

```
raw_alpha std.alpha G6(smc) average_r S/N    ase mean sd median_r
  0.73      0.73    0.75      0.35 2.7 0.068   29 17     0.43

  95% confidence boundaries
    lower alpha upper
Feldt    0.56    0.73    0.85
Duhachek 0.60    0.73    0.87

Reliability if an item is dropped:
  raw_alpha std.alpha G6(smc) average_r S/N alpha se var.r med.r
Normalización_IPM      0.60      0.61    0.58      0.28 1.5    0.109  0.040  0.29
Normalización_Salud     0.69      0.68    0.69      0.35 2.1    0.082  0.059  0.32
Normalización_Vivienda   0.62      0.63    0.60      0.30 1.7    0.106  0.040  0.32
Normalización_Educación  0.69      0.68    0.69      0.34 2.1    0.083  0.069  0.32
Normalización_Deserción  0.80      0.80    0.79      0.51 4.1    0.055  0.016  0.46

Item statistics
  n raw.r std.r r.cor r.drop mean sd
Normalización_IPM 33  0.85  0.83  0.83    0.73   30 25
Normalización_Salud 33  0.71  0.70  0.60    0.50   20 26
Normalización_Vivienda 33  0.83  0.80  0.79    0.65   46 31
Normalización_Educación 33  0.67  0.71  0.60    0.53   11 18
Normalización_Deserción 33  0.41  0.43  0.19    0.16   37 23
```

ENVIRONMENT:

The Environment category aims to assess the state of each department's environment. After an exhaustive search, four variables related to the commission of crimes against the environment were included. Unlike the 2021 SRI, in this calculation the deforestation variable was excluded, because the result of the coefficient was unacceptable. Thus, the internal consistency test for the four variables used is 0.65, which indicates an acceptable coefficient. However, for future versions it is recommended to include and exclude the variables that are required.

```

Reliability analysis
Call: psych::alpha(x = base)

raw_alpha std.alpha G6(smc) average_r S/N    ase mean sd median_r
  0.73        0.73     0.75     0.35 2.7 0.068   29 17     0.43

95% confidence boundaries
      lower alpha upper
Feldt    0.56  0.73  0.85
Duhachek 0.60  0.73  0.87

Reliability if an item is dropped:
      raw_alpha std.alpha G6(smc) average_r S/N alpha se var.r med.r
Normalización_IPM      0.60      0.61    0.58     0.28 1.5   0.109 0.040  0.29
Normalización_Salud     0.69      0.68    0.69     0.35 2.1   0.082 0.059  0.32
Normalización_Vivienda   0.62      0.63    0.60     0.30 1.7   0.106 0.040  0.32
Normalización_Educación   0.69      0.68    0.69     0.34 2.1   0.083 0.069  0.32
Normalización_Deserción   0.80      0.80    0.79     0.51 4.1   0.055 0.016  0.46

Item statistics
      n raw.r std.r r.cor r.drop mean sd
Normalización_IPM    33  0.85  0.83  0.83   0.73  30 25
Normalización_Salud   33  0.71  0.70  0.60   0.50  20 26
Normalización_Vivienda 33  0.83  0.80  0.79   0.65  46 31
Normalización_Educación 33  0.67  0.71  0.60   0.53  11 18
Normalización_Deserción 33  0.41  0.43  0.19   0.16  37 23

```

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