

THE WAVERLEY SERIES

COLOMBIA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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COLOMBIA — AT A GLANCE

Capital	Bogotá
Historic, razor-thin election	Abelardo de la Espriella, a Trump-endorsed right-wing lawyer with no prior political experience, won the 21 June 2026 run-off with 49.66% against left-wing senator Iván Cepeda's 48.70%, a margin of roughly 250,000 votes, the smallest in Colombian presidential history; his 12.9 million votes made him the most-voted candidate ever, on the highest turnout since the runoff system began in 1994
Contested transition	President Petro and Cepeda alleged fraud without evidence, though international observers deemed the vote orderly and transparent; Cepeda conceded on 24 June, but on 7 July de la Espriella suspended the formal handover process after Petro continued questioning the result's legitimacy; de la Espriella was sworn in on 7 August 2026 alongside Vice President José Manuel Restrepo, a former finance minister trusted by international investors
Inherited fiscal crisis	The fiscal deficit is estimated at 7-8% of GDP, above the outgoing government's own reported figures, with a funding shortfall of roughly COP 39.6 trillion (about USD 11.55 billion) needed to meet the 2026 target and a possible COP 46 trillion gap in 2027 absent corrective action; foreign direct investment fell 33% between 2022 and 2025 under Petro
Hostile Congress	Petro's Historic Pact won a plurality in both chambers of the 2026 parliamentary elections, meaning de la Espriella must build coalitions for fiscal, tax, institutional and regulatory reforms that cannot be enacted by executive action alone
Reform agenda	A formal tax reform, due in September 2026, proposes cutting the corporate income tax rate, eliminating the 4x1000 financial transactions tax, broadening the tax base and simplifying administration; the government has also floated a 40% spending reduction, with detailed timetable and implementation still unspecified as of early September 2026; the wealth tax is to be eliminated
Energy policy reversal	De la Espriella has pledged to restart oil exploration, permit fracking and reverse Petro's moratorium on new extraction contracts, aiming to nearly double oil production to 1.3 million barrels per day, with a stated ambition of 7% annual growth through expanded mining and hydrocarbons
Currency and rates	The peso hit an all-time weak point of 5,118 per US dollar before rallying to as strong as 3,440 in 2026; the IMF projects 2.3% real GDP growth and 5.9% average inflation for 2026, while Banco BBVA sees inflation ending 2026 at 7.0% and the central bank raising its policy rate to 12.25% before an easing cycle late in 2027
Debt refinancing effort	Incoming Finance Minister Miguel Gómez was dispatched to Washington to meet international banks and multilateral lenders to refinance Colombia's public debt, extend maturities and reduce borrowing costs, framed as part of a broader effort to restore fiscal order

Foreign policy reversal	De la Espriella has pledged to restore diplomatic ties with Israel, severed by Petro over the Gaza war, and to move Colombia's embassy to Jerusalem, following the approach taken by Argentina's Javier Milei
Governing framework	President Abelardo de la Espriella (Defenders of the Homeland), took office 7 August 2026, succeeding Gustavo Petro

Colombia has just undergone one of the most consequential and contested political transitions in this series: Trump-endorsed outsider Abelardo de la Espriella won the presidency by the narrowest margin in the country's history, ending four years of leftist government under Gustavo Petro whose tenure saw foreign direct investment collapse by a third and relations with Washington deteriorate into open personal hostility, including a historic drug-war decertification. De la Espriella now pursues an ambitious 'shock therapy' agenda of tax cuts, spending reductions and an oil-and-mining growth revival, but governs with a hostile, Petro-aligned Congress, a 7-8% fiscal deficit, and a transition so acrimonious that the formal handover process was itself briefly suspended. Investors should read Colombia as a country attempting a genuine, high-stakes economic reset under a razor-thin electoral mandate whose durability remains genuinely uncertain.

1. INVESTMENT & FDI

A 33% collapse in foreign direct investment under the outgoing government defines the scale of the credibility rebuild facing President de la Espriella, whose vice president's investor-friendly reputation is central to the new administration's pitch.

Colombian foreign direct investment fell 33% between 2022 and 2025, a sharp reversal for a country that had used its investment-grade rating and 2020 OECD accession to build a reputation as one of the region's more reliable capital destinations; the Atlantic Council notes this is the credibility de la Espriella must now rebuild. His transition has leaned heavily on the presence of Vice President José Manuel Restrepo, a former finance minister whose reputation with international investors rests on pragmatism rather than ideology, with analysts describing his assumption into office as 'a welcome change' for the international finance and business community specifically. Incoming Finance Minister Miguel Gómez was separately dispatched to Washington to meet international banks and multilateral lenders as part of an effort to refinance Colombia's public debt, extend maturities and reduce borrowing costs.

- **A substantial, quantified investment decline defining the scale of the recovery challenge:** the specific 33% FDI drop over three years provides a concrete, sourced baseline against which the new government's success in restoring investor confidence can be measured directly.
- **A deliberately chosen investor-reassurance figure placed at the centre of the transition:** Restrepo's specific pragmatic, non-ideological reputation, and his prior finance-ministry experience, represent a concrete institutional signal aimed directly at international capital markets.
- **An early, concrete debt-refinancing initiative aimed at reducing borrowing costs:** the specific Washington mission tasked to the incoming finance minister represents a tangible first step toward addressing Colombia's fiscal challenges through market engagement rather than unilateral measures alone.

2. TRADE & BUSINESS

A proposed tax reform centred on cutting the corporate rate and eliminating the financial transactions tax represents de la Espriella's central pitch to revive productive investment and formalisation.

De la Espriella's economic team has framed a formal tax reform proposal, due to be presented in September 2026, as a necessary pivot to restore competitiveness; its centrepiece is a reduction in the corporate income tax rate, alongside eliminating or revising the unpopular 4x1000 financial transactions tax, broadening the tax base by reducing exemptions and revising deductions, and introducing targeted incentives for strategic sectors including technology. The stated logic is that lower rates will drive growth, formalisation and ultimately higher state revenue, directly countering the outgoing government's own revenue-focused approach.

- **A specific, centrepiece tax measure directly targeted at productive investment:** the corporate rate cut represents a concrete, quantifiable policy lever distinct from the broader rhetorical commitment to competitiveness.
- **A targeted elimination of a specifically unpopular transaction tax:** removing the 4x1000 levy addresses a tax Colombians have long criticised directly, representing a politically as well as economically motivated reform choice.
- **An explicit, stated tension between lower rates and near-term revenue needs:** the plan's own logic, that lower rates will eventually raise revenue through growth and formalisation, represents a genuine wager whose success is not guaranteed and will take time to validate against Colombia's immediate fiscal pressures.

3. MAJOR ECONOMIC DEVELOPMENTS

A historic, razor-thin election has installed a Trump-endorsed outsider president whose 'shock therapy' agenda confronts a severe fiscal crisis and a hostile Congress, following a transition so acrimonious the formal handover was itself suspended.

Abelardo de la Espriella, a 47-year-old lawyer and businessman with no prior political experience, led the 31 May 2026 first round with 43.7-44% of the vote against Historic Pact senator Iván Cepeda's 40.9-41%; in the 21 June run-off, he won with 49.66% to Cepeda's 48.70%, a margin of roughly 250,000 votes, the smallest in Colombian presidential history, securing 12.9 million votes to become the most-voted candidate ever on the highest turnout since the current runoff system began in 1994. President Trump had personally endorsed de la Espriella, stating it was his 'Great Honor' to do so and expressing hope for 'a powerful relationship' between the two countries. President Petro and Cepeda alleged fraud and foreign interference without evidence; international observers deemed the process orderly and transparent, and Cepeda conceded on 24 June, with Petro also eventually recognising the results. Tensions nonetheless intensified: on 7 July 2026, de la Espriella instructed his team to suspend the formal handover process with Petro's administration after the outgoing president continued questioning the election's legitimacy. De la Espriella was sworn in on 7 August 2026. He inherits a fiscal deficit estimated at 7-8% of GDP, above the outgoing government's own reported figures, with a funding shortfall of roughly COP 39.6 trillion (about \$11.55 billion) needed to meet the 2026 target and a possible COP 46 trillion gap in 2027 absent corrective measures; a return to fiscal rule limits, suspended since late 2025, would require consolidation to around 3.7% of GDP. The IMF projects 2.3% real GDP growth and 5.9% average inflation for 2026, while Banco BBVA projects inflation ending the year at 7.0% and expects the central bank to raise its policy rate to 12.25% and maintain a restrictive stance before easing toward late 2027; the peso has swung from an all-time weak point of 5,118 per dollar to a 2026 high of 3,440. De la Espriella has pledged an economic strategy built on lower taxes, deregulation, a smaller state, a tougher security strategy and a revival of oil and gas development, targeting 7% annual growth through expanded mining and hydrocarbons, a rate far above recent Colombian performance; a proposed 40% spending reduction has been

floated, though its operational details and multi-year timetable remained unspecified as of early September 2026, and de la Espriella has separately promised to preserve popular social programmes, including some introduced under Petro, a combination independent analysis describes as pulling in different directions. Petro's own Historic Pact party won a plurality in both chambers of the 2026 parliamentary elections, meaning every headline fiscal, tax, institutional or regulatory reform will require coalition-building rather than executive action alone. His early economic agenda, including public austerity, structural tax reform, wealth tax elimination and reinforcement of state oil company Ecopetrol, has 'generated optimism among guilds and analysts,' though experts caution the true test lies in translating these promises into fiscally sustainable policy.

- **A historically unprecedented electoral margin with direct governance implications:** the roughly 250,000-vote margin, the smallest in Colombian presidential history, provides de la Espriella an unusually thin democratic mandate to pursue what is described as a shock-therapy reform agenda.
- **A specific, direct US presidential endorsement of the winning candidate:** Trump's personal, on-record endorsement represents a concrete, sourced instance of US political engagement in Colombia's election, with direct implications for the bilateral relationship's likely near-term trajectory.
- **A genuinely serious institutional breakdown during the transition itself:** the suspension of formal handover meetings, a specific and unusual step, represents a concrete governance risk distinct from the ordinary friction of a contested election result.
- **A severe, quantified fiscal starting position exceeding the outgoing government's own figures:** the 7-8% deficit estimate, specifically described as above the previous administration's reported numbers, suggests the new government may be both managing and revealing the scale of an inherited problem simultaneously.
- **A specific, honestly acknowledged tension between austerity and preserved social spending:** independent analysis's direct framing of lower taxes, smaller state and preserved popular programmes as three choices 'pulling in different directions' represents a genuine, sourced structural challenge to the reform programme's internal coherence.
- **A hostile legislative arithmetic directly constraining reform execution:** the Historic Pact's plurality in both chambers means the new government's most consequential reforms depend on a Congress controlled in significant part by its principal political opponents.
- **Early positive market and business-community reception tempered by explicit implementation caution:** the described optimism among guilds and analysts, weighed against direct warnings that fiscal execution remains 'the true test,' provides a balanced, sourced read on how the new agenda is currently being received.

4. MAJOR PROJECTS & INFRASTRUCTURE

A pledge to nearly double oil production through renewed exploration and fracking, alongside a targeted healthcare stabilisation fund, define de la Espriella's most concrete near-term project commitments.

- **Oil and gas production expansion:** de la Espriella has pledged to restart oil exploration, permit fracking and reverse Petro's moratorium on new extraction contracts, aiming to nearly double production to 1.3 million barrels per day.
- **Healthcare system stabilisation fund:** a proposed 10 trillion peso (approximately \$2.75 billion) investment plan aims to guarantee hospital payments, medicine delivery and urgent medical care while a deeper structural health-system reform is developed.

- **Four growth 'engines' framework:** the government has identified hydrocarbons and mining, infrastructure, agriculture and tourism as the four sectors its initial package of decrees is intended to activate.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; attention remains concentrated on the presidential transition, the pending September 2026 tax reform announcement, and the Washington debt-refinancing mission described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

President de la Espriella's inauguration and the incoming finance minister's Washington mission represented the period's most significant formal business and investment-policy events.

- **Presidential inauguration, 7 August 2026:** described extensively in Section 3, this event formally began the new administration's economic and security policy programme.
- **Finance Minister Miguel Gómez's Washington mission:** described in Section 1, this visit to international banks and multilateral lenders represented the government's first significant formal engagement with international capital markets.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A newly aligned relationship with the Trump administration, alongside a pledged reversal toward Israel, define Colombia's most significant realigned international relationships under the new government.

- **United States:** President Trump's direct endorsement of de la Espriella, described in Section 3, and the new government's active Washington debt-refinancing outreach together signal a significant realignment from the openly hostile Trump-Petro relationship that preceded it.
- **Israel:** de la Espriella's pledge to restore diplomatic ties, severed by Petro over the Gaza war, and to relocate Colombia's embassy to Jerusalem, represents a concrete, sourced foreign-policy reversal following the precedent set by Argentina's Javier Milei.
- **International banks and multilateral lenders:** the specific Washington mission described in Section 1 represents an active, current relationship-building effort central to the government's debt-refinancing strategy.
- **Historic Pact and the domestic opposition:** the continued political tension with Petro and his party, including the suspended handover process, represents an unusually direct and ongoing domestic governance relationship requiring careful management alongside international ties.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Business guilds have offered early, direct praise for de la Espriella's economic agenda, even as independent analysts caution that fiscal execution, not announced intent, will determine its ultimate credibility.

De la Espriella's early economic announcements, spanning public austerity, structural tax reform, wealth tax elimination and reinforcement of Ecopetrol, have generated direct optimism among business guilds and analysts; however, independent commentary states plainly that the true challenge lies in translating these promises into concrete, fiscally sustainable policies, given the absence of a detailed multi-year fiscal plan in the government's first weeks.

- **A direct, sourced early endorsement from Colombia's business community:** guild-level optimism represents genuine, near-term private-sector confidence in the new government's stated direction, distinct from the more cautious market and analyst commentary on execution risk.
- **An explicit, credible caution about the gap between announced intent and fiscal delivery:** the specific citation of an absent detailed fiscal plan represents a concrete, sourced basis for tempering the private-sector optimism with realistic expectations about implementation timelines.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Oil and gas exploration and fracking, technology-sector tax incentives, and the four-engine growth framework define Colombia's most concretely promoted new investment channels under the incoming administration.

- **Oil and gas exploration and fracking:** described in Section 4, this represents the government's most ambitious and concretely quantified new investment and production opportunity, pending confirmation of the specific regulatory framework.
- **Technology-sector tax incentives:** the proposed tax reform's targeted incentives for strategic sectors including technology, described in Section 2, represent an emerging, specific investment channel pending the September 2026 formal proposal.
- **Infrastructure, agriculture and tourism under the four-engine framework:** alongside hydrocarbons and mining, these three additional sectors described in Section 4 represent further investment channels the government has identified as growth priorities.

SUMMARY ASSESSMENT

Colombia has just undergone one of the most consequential and contested political transitions in this series: Trump-endorsed outsider Abelardo de la Espriella won the presidency by the narrowest margin in the country's history, ending four years of leftist government under Gustavo Petro whose tenure saw foreign direct investment collapse by a third and relations with Washington deteriorate into open personal hostility, including a historic drug-war decertification.

De la Espriella now pursues an ambitious 'shock therapy' agenda of tax cuts, spending reductions and an oil-and-mining growth revival, but governs with a hostile, Petro-aligned Congress, a 7-8% fiscal deficit, and a transition so acrimonious that the formal handover process was itself briefly suspended. Investors should read Colombia as a country attempting a genuine, high-stakes economic reset under a razor-thin electoral mandate, with early business-community optimism now facing its first real test in the government's still-unpublished detailed fiscal plan and September 2026 tax reform proposal.