

# Analysis of presidential election results in Colombia

19 June 2022

The left-wing candidate Gustavo Petro won the presidential election in Colombia with 50.48% of the votes against 47.26% for Rodolfo Hernández (according the preliminary count of 99.82% of the ballots). Control Risks analyzes the main implications of a Petro victory for businesses.

## General outlook for the Petro administration



Governability

- **Limited popular mandate** and a **fragmented Congress** will prevent stable legislative majorities, **limiting the ambition and viability of Petro's reform** agenda. Alliances forged during the campaign will condition political decisions.
- **Possible use of a state of exception** to evade legislative control will fuel **institutional clashes** and **uncertainty**.
- Likely appointment of **technical officials** in key public entities will **mitigate fears of government inefficiency** and **calm markets**.
- The Constitutional Court, Attorney General, Inspector General, and Comptroller will act as **effective counterweights** against radical proposals and abuses of power.
- Traditional **media will be hostile** towards the government, and disinformation will fuel polarization.



Security

- **Protests will be minimal** in the short term due to high expectations for social progress under Petro, but will **increase gradually** as the administration **struggles to pass its reform agenda**.
- **Security threats will remain elevated** in rural and urban areas in the **absence of a solid security policy**.
- **Outreach to the National Liberation Army (ELN)** guerrilla group will lead to **unilateral truces** by the group, **reducing terrorist attacks**.
- **Tensions between the executive and security forces will increase** due to proposals to strengthen **civilian control and reform the forces**.




Business environment


- The **extractive industries will face greater regulatory, contractual and licensing risks**, affecting investor confidence.
- **Increased uncertainty and reduced investment** in oil and mining will lead to a further **depreciation of the peso**.
- **Targeted protectionism and interventionism** (price controls, tariffs) will produce mixed results and generate policy uncertainty.
- **Inflation will remain at high levels** well into 2023 due to increased public spending, depreciation of the peso, and higher tariffs.
- **An antagonistic relationship with the business community** will weaken mechanisms of dialogue and consultation with the private sector.

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The alerts below are a tool to **help companies monitor risk** in the first six months of the new government. Each box contains specific alerts that indicate different levels of risk in three areas:

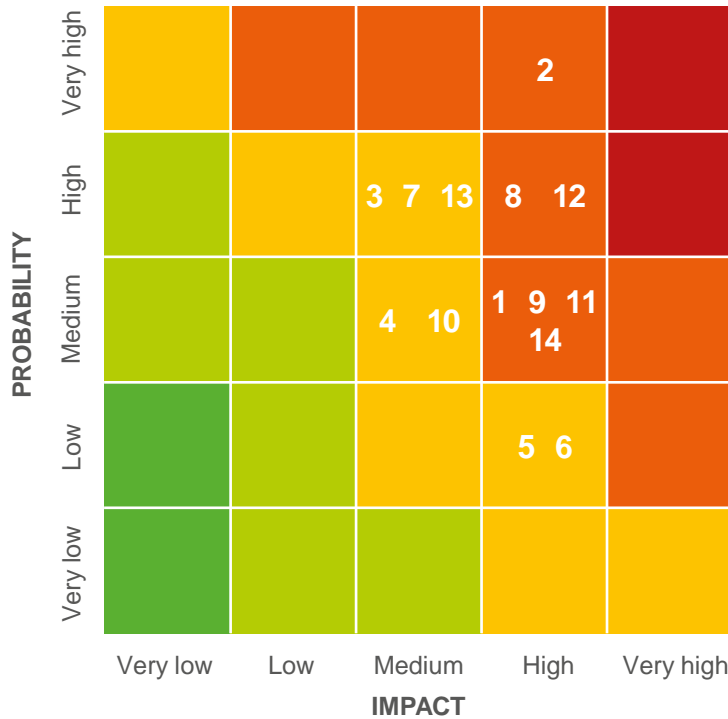
	High	Medium	Low
 <b>Governability</b>	<ul style="list-style-type: none"> <li>Abuse of presidential power under a state of exception</li> <li>Disregard for Constitutional Court decisions</li> <li>Proposal for a Constituent Assembly and/or referendum</li> </ul>	<ul style="list-style-type: none"> <li>State of emergency, with oversight from the courts</li> <li>Tense relationship with Congress</li> <li>Clashes with government oversight bodies</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue and negotiations with diverse political sectors</li> <li>Moderation of government's legislative proposals</li> <li>Experienced, technical team of top advisors</li> </ul>
 <b>Security</b>	<ul style="list-style-type: none"> <li>Institutional clashes with the armed forces</li> <li>Weak action against drug trafficking</li> <li>Limited response of security forces to social protests</li> </ul>	<ul style="list-style-type: none"> <li>Tensions with the police over reform proposals</li> <li>Difficulties negotiating with armed groups</li> <li>High levels of urban insecurity persist</li> </ul>	<ul style="list-style-type: none"> <li>Limited social protests</li> <li>Negotiations with ELN and FARC dissidents</li> <li>Effective implementation of the peace agreement</li> </ul>
 <b>Business environment</b>	<ul style="list-style-type: none"> <li>Price controls to combat inflation</li> <li>Appropriation of extrabudgetary funds</li> <li>Cancellation of mining and oil contracts</li> </ul>	<ul style="list-style-type: none"> <li>Moratorium on new mining and oil licenses</li> <li>Tax reform fails to pass Congress</li> <li>Clashes with the Bank of the Republic (central bank)</li> </ul>	<ul style="list-style-type: none"> <li>Tax reform approved with broad political support</li> <li>Statement of support for central bank independence</li> <li>Support for mining that advances energy transition</li> </ul>

## Immediate social repercussions from Petro's victory

	Risks	Main assembly points	Implications for businesses
 <b>Social protest risks</b>	<ul style="list-style-type: none"> <li>Marginal risk of social protests by Hernández supporters.</li> <li>Marches in support of Petro's victory generate social tensions in the streets.</li> </ul>	<ul style="list-style-type: none"> <li>Bogota</li> <li>Bucaramanga</li> </ul>	<ul style="list-style-type: none"> <li>Minor disruptions</li> </ul>

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## Petro administration risk matrix



### Risk category

1. Acceleration of inflation
2. Fiscal reform that increases the tax burden for companies
3. Depreciation of the peso
4. Price controls
5. Nationalizations and expropriations
6. Constituent Assembly or referendum
7. Protectionist policies
8. Changes in the regulatory framework for the extractive sector
9. Changes to the pension system that limit private sector participation
10. Regulatory and institutional changes affecting investment in infrastructure
11. Changes to the health system that limit private sector participation
12. Deterioration of the security environment
13. Social unrest
14. Erosion of institutional checks and balances

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