Colombia's New Investment Push: Incentives, Stability and Investor-State Arbitration

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INTRODUCTION

Colombia is considering two legislative proposals designed to attract large-scale private investment through tax incentives, regulatory stabilization and enhanced investor protections. The government's proposed Economic Rescue Law would establish a regime offering preferential tax treatment and defined stabilization guarantees for qualifying investments. A separate bill introduced by the Conservative Party would offer broader protections, including statutory consent to investor-State arbitration before the International Centre for Settlement of Investment Disputes ("ICSID") for qualifying foreign investors.

The proposals form part of a broader effort to attract foreign capital to Colombia, particularly in infrastructure, energy, natural resources and other strategic sectors. Although neither bill has become law, both merit attention from investors considering new projects or expanding existing investments. Their differing approaches to stabilization, eligibility and dispute resolution could have significant implications for investment structuring and risk allocation.

The proposals come as Colombia prepares to launch Milagro Week in New York on November 16, 2026, an initiative connecting Colombian project sponsors with international investors and financiers. **Debevoise & Plimpton will participate in the event, drawing on its extensive experience in international arbitration and investment protection to help clients navigate the legal complexities of investing in Colombia**.

COLOMBIA'S SHIFT TOWARD PRIVATE INVESTMENT

The administration of President Abelardo de la Espriella, which took office on August 7, 2026, inherited significant fiscal challenges, limiting its ability to stimulate growth

through public spending. Central-government net debt reached 58.6% of GDP in 2025, while investment fell to 15.9% of GDP in the second quarter of 2026. Reconstruction following the August 10 earthquake has placed additional pressure on public resources.

In response, the government launched *Misión Crecer*, an agenda targeting sustained annual GDP growth of 6% through spending restraint and increased private investment in energy, mining, infrastructure, technology, agriculture and tourism. Attracting foreign capital is central to this strategy, with proposed stabilization guarantees intended to provide greater certainty over the tax and regulatory conditions affecting long-term investments.

RUGE: TAX INCENTIVES AND STABILIZATION GUARANTEES

On October 29, 2026, the government submitted Bill 477/2026C, the *Ley de Rescate Económico* (Economic Rescue Law). If adopted, Article 69 would establish the *Régimen Único para Generar Estabilidad Empresarial* ("RUGE"), offering tax incentives and 16 years of stability in specified areas for qualifying investments.

RUGE would be available to domestic and foreign investors undertaking new productive investments through a dedicated Colombian company or a branch of a foreign company with no operating revenue at the time of application. Acquisitions of existing businesses would not qualify, and land and working capital would not count toward the minimum investment. Eligibility would depend on the project's economic activity, with exclusions for commerce, financial and insurance activities, and real estate, among others. Projects located in free zones or benefiting from free-zone incentives would also be excluded.

Minimum investment thresholds would vary by sector, with corresponding implementation periods:

- **Infrastructure, energy and natural resources**: 8,140,000 tax-value units ("UVT") (approximately US$129.1 million),[1] to be invested within eight years.
- **Industry and the digital economy**: 5,530,000 UVT (approximately US$87.7 million), to be invested within six years.

[1] All U.S.-dollar equivalents in this update are illustrative, calculated using the 2026 UVT and an assumed exchange rate of COP 3,300 per US$1, and rounded. The legal thresholds are denominated in UVT, not U.S. dollars; their dollar equivalents will vary with the applicable UVT value and exchange rate.

- **Agroindustry, tourism, services and other eligible activities**: 2,580,000 UVT (approximately US$40.9 million), to be invested within five years.

Tax incentives would include:

- **Reduced corporate income tax**: 20% for projects beginning execution in 2027 or 2028, or 26% from 2029, without additional surtaxes during the stability period.
- **Favorable dividend withholding tax**: A final 8% rate on qualifying distributions to nonresident shareholders.
- **Asset-related benefits**: Accelerated depreciation and protection from national wealth taxes.
- **Customs relief**: Potential temporary preferential tariffs on qualifying imported equipment not produced domestically.

Investor commitments would generally include investing at least 40% of the committed amount within two years, sourcing 30% of qualifying purchases from Colombian suppliers, providing a compliance guarantee of at least 2% of the committed investment and paying an annual fee of 0.1% of the amount invested to date.

Scope of stabilization. The 16-year guarantee would protect specified tax and customs benefits, the preferential income-tax rate and certain rights to repatriate capital and remit profits. It would also protect against new national taxes on the project vehicle's income or profits. However, VAT, regional and local taxes, royalties and environmental and labor regulations, among other matters, would remain outside its scope. Subsequent legislation could also override the guarantee if it expressly applies to qualifying projects and provides transitional arrangements.

RUGE would thus offer targeted fiscal incentives and regulatory predictability, but not comprehensive protection against future legal changes. **Unlike the separate Investment-Protection Bill, RUGE would not expressly provide for investor-State arbitration**.

THE INVESTMENT-PROTECTION BILL: BROADER STABILITY AND INVESTOR-STATE ARBITRATION

On November 10, 2026, the Conservative Party introduced Bill 500/2026C, developed in consultation with the *Consejo Gremial Nacional* (National Business Council). The bill

would establish a Special Regime for Investment Stability and Protection, offering up to 30 years of protection for qualifying investments.

Unlike RUGE, the proposed regime would cover both new investments and the expansion, modernization or rehabilitation of existing projects. The minimum investment would be 9,546,722 UVT (approximately US$151.4 million), subject to potentially lower thresholds. Investors would generally have eight years to complete the investment, extendable by up to four years. Investors would need to identify the legal and economic conditions they seek to stabilize when applying for admission to the regime.

Investment protections. The bill would provide three principal safeguards:

- **Regulatory stabilization**: Protection for identified tax, customs, foreign-trade and economic-regulatory conditions, including certain rules affecting project revenues and costs.
- **Investment-treatment standards**: Fair and equitable treatment, full protection and security, and protection against uncompensated direct or indirect expropriation.
- **Economic restoration**: Potential compensation for proven harm where constitutional requirements or judicial decisions prevent continued application of stabilized conditions.

The proposed stabilization would extend to subsequent adverse interpretations of protected rules and allow investors to benefit from more favorable later provisions. However, specified labor, social-security, environmental, health and public-order regulations would remain outside its scope. The regime would not restrict the State's regulatory powers generally or guarantee commercial returns.

Investor-State arbitration. Significantly, the bill would expressly provide Colombia's consent to arbitration before the ICSID, potentially allowing qualifying foreign investors to bring claims independently of an investment treaty or separate arbitration agreement.

The proposed consent would be subject to several conditions:

- **Eligibility and scope**: The investor must qualify as a national of another ICSID Contracting State, and the investment must have been admitted to the Special Regime. Arbitration would cover disputes arising under the regime, including stabilized conditions and applicable investment protections, but exclude acts, measures or omissions occurring before the law enters into force.

- **Prior consultations**: Investors would need to undertake 60 calendar days of direct consultations following written notification.

- **Waiver of domestic proceedings**: Investors commencing arbitration would have to waive domestic proceedings concerning the same measure.

- **Acceptance of consent**: Investors could accept the statutory offer, either through written notice to the Ministry or by filing an arbitration request, without generally exhausting domestic administrative remedies.

Colombia already has an extensive network of bilateral investment treaties and trade agreements with investment protection provisions in force. The bill would preserve more favorable rights under those treaties and investment contracts. Its proposed statutory consent to ICSID arbitration would therefore provide an additional potential avenue for investor-State dispute resolution, complementing rather than replacing existing treaty-based protections.

IMPLICATIONS FOR INVESTORS

- **A new investment framework**: Colombia's proposed regimes signal a shift toward attracting private capital through tax incentives, regulatory stability and enhanced investor protections, particularly for large-scale, long-term projects.

- **Significant protections, but no guarantees yet**: Both bills remain before Congress. While RUGE would offer defined stabilization guarantees, the separate Investment-Protection Bill would go further, including express consent to investor-State arbitration. The scope and availability of these protections will depend on the legislation ultimately enacted.

- **Investment structuring will be critical**: Investors should assess the proposed regimes alongside Colombia's existing investment treaties, with particular attention to ownership structures, eligibility, timing and dispute resolution. Early consideration of these issues may determine whether an investment can benefit from the protections ultimately available.

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