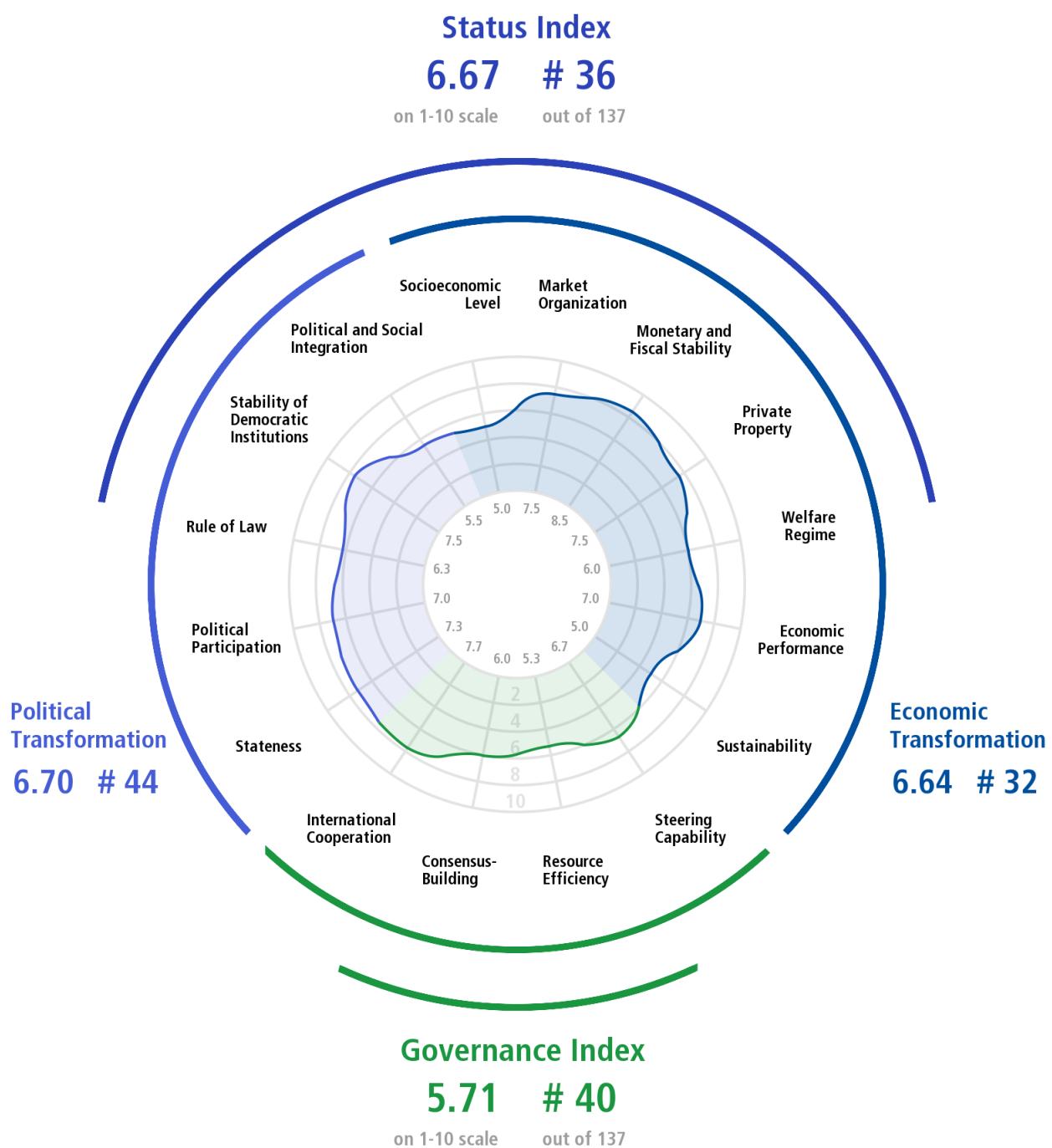


BTI 2020 Country Report

Colombia



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2020. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	49.6	HDI	0.761	GDP p.c., PPP \$	14999
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	79	Gini Index	49.7
Life expectancy	years	76.9	UN Education Index	0.683	Poverty ³ %	10.8
Urban population	%	80.8	Gender inequality ²	0.411	Aid per capita \$	17.3

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

During the period of review, the Colombian government established the path to transition from the longest internal armed conflict in Latin America to a peaceful society. This transition faces major challenges, from political polarization in Colombia's society to insufficient financial resources allocated to the implementation of the peace agreement's projects and proposals. Still, the negotiated peace was a major achievement left by the government of Juan Manuel Santos (2010-2018). The political participation of the oldest guerrilla group in Latin America, the Fuerzas Armadas Revolucionarias de Colombia (FARC), in Congress and its disarmament have been a significant advance in the recent history of Colombia toward ending its long-standing conflict.

However, the post-agreement scenario has not necessarily translated into a post-conflict environment, since violence is still present in various areas of the country, especially rural areas disputed by the Ejército de Liberación Nacional (ELN) guerrilla group, dissidents from the FARC and urban criminal gangs known as Bandas Criminales (BACRIM). The exacerbation of violence against human-rights activists and so-called social leaders during the period under review signals an important backlash on the road toward a more peaceful country where respect for human rights, civic engagement, and the defense of just causes is guaranteed.

Iván Duque, from the Democratic Center Party, won the presidential election in June 2018 with 53.9 % of the votes. Diverging notably from former president Santos, he has raised substantial concerns regarding the implementation of the peace accord with the FARC. Duque has stated that he would promote changes to the peace accord, thus generating widespread uncertainty about the future of the peace process.

Colombia has been able to recover from the major oil price shock in 2014 but must continue to pursue an economic model that does not rely only on mineral and oil extraction and takes into account more diverse sources of economic growth. The country has improved in various macroeconomic indicators such as GDP growth, while the inflation target has been maintained

within its agreed limits. Colombia has been mostly resilient to declining prices for commodities, which resulted in a strong depreciation of the exchange rate. According to the Organization of Economic Cooperation and Development (OECD), low competitiveness levels, high inequality and informality hold back larger economic growth. Colombia became an OECD member in May 2018 after a total of 23 committees gave their approval.

However, major corruption cases have been discovered, which represent a constraint and source of risk to the legitimacy of political institutions and to resource management processes. Discontent with traditional politics has been felt in Colombia and has manifested itself in the results of the presidential elections in 2018, in which the left-wing candidate Gustavo Petro won an unprecedented number of votes, and also in the relatively high turnout in the so-called anti-corruption referendum in August 2018. On other hand, general discontent with traditional politics has not translated into a larger civil movement that is able to speak with a unified voice demanding specific changes, and thus able to overcome the current polarization of the political sphere in Colombia.

Taken together, Colombia currently faces challenges regarding 1) the full implementation of the peace accord, 2) pressure from social movements, especially students, indigenous groups and farmers, 3) high levels of corruption, 4) the Venezuelan migration crisis, and 5) the remaining non-state actors that contest the state's control of territory.

History and Characteristics of Transformation

Colombia's current political and economic trends are shaped by events beginning with the period of "La Violencia" in the 1940s and continuing until the signing of the peace accord with the FARC guerrilla group in 2016 and its ongoing implementation.

From 1958 to 1974, the political elite of the Liberal and Conservative parties established a system of power alternation known as the "National Front" as a response to the wave of rural political violence. The Revolutionary Armed Forces of Colombia (FARC) guerrilla organization consolidated their presence during those years. Economically, the years between 1958 and the 1980s were characterized by a "soft" protectionist model of economic growth: the import-substitution industrialization strategy.

Even though the country showed reasonable economic growth and a stable macroeconomic environment during that time, income distribution worsened, the dependency on coffee exports increased, and the success of infant industries did not come to pass. Structural economic reforms began in the late 1980s and were deepened and extended by the liberalization reforms of President César Gaviria (1990-1994), whose so-called "apertura," or opening policies, effectively internationalized the country's hitherto fairly isolated market. However, the economy did not grow as fast as expected, and several economic sectors, such as agriculture and manufacturing, were negatively affected by Gaviria's reforms.

Even though the country's security situation deteriorated during the 1990s due to the emergence of paramilitary groups and the burgeoning illegal drug trade, the 1991 constitution represented a major advance in the process of democratization and political transformation of the country. It created crucial institutions such as the Attorney General's Office, the Constitutional Court, the democratic election of governors, and it spelled out several human rights and proclaimed Colombia as a constitutional state.

In the late 1990s and early 2000s, the Pastrana government (1998–2002) conducted an unsuccessful peace process with the FARC, which led to the radicalization of the political discourse. Alvaro Uribe (2002–2010), who was elected president on a strict anti-FARC agenda, reformed the armed forces with financial support from the United States under the "Plan Colombia" and allowed the army to deliver historical blows to the FARC. Uribe's so-called "Democratic Security Policy" was aimed at the recovery of territory for the state and the elimination of illegal armed actors. Economically, GDP grew at an average of 3.7% between 2003 and 2008, and foreign direct investment was made a centerpiece of the country's economic strategy.

Juan Manuel Santos (2010-2018) embarked on a new attempt of a peace process with the FARC in 2012. The significant efforts undertaken by the Santos' administration ended with the final peace agreement ratified by Congress and the international recognition of the president's commitment to peace by awarding him the Nobel Peace Prize, both in December 2016. In terms of the transition to a post-conflict scenario, the FARC achieved political representation in Congress and the Special Jurisdiction for Peace (JEP in Spanish) was established. There has been an increase in attacks against and assassination of social leaders and human rights activists in recent years and since the signing of the accord. According to the NGO Fundación Paz y Reconciliación, in the areas where FARC had control, criminal structures derived from FARC dissidents and the subsequent expansion of the ELN guerilla group have taken advantage of the power vacuum.

While Colombia has made important advances to end the political violence and strengthen democracy, issues such as sustainable growth, inequality, poverty and corruption have remained major challenges.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

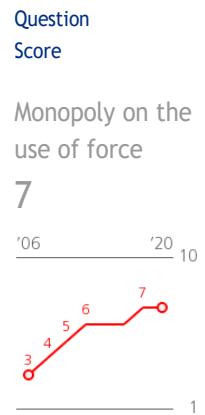
I. Political Transformation

1 | Stateness

Far from having an effective monopoly on the use of force, the Colombian state shares the capacity to impose order with various non-state actors with military capabilities and interests in territorial control.

Major efforts have been made during the last decades to diminish the power of guerrillas, paramilitary groups and other illegal armed actors. Presidents Alvaro Uribe (2002-2010) and Juan Manuel Santos (2010-2018) strengthened and expanded the presence of the state in remote areas of the country, using either force or the window of opportunity opened up by the peace accord with the FARC. Due to the demobilization of the FARC, there have been violent confrontations among illegal armed actors, gangs and clans that seek to benefit from the power vacuum left behind by the FARC. In the departments of Córdoba, Guaviare, Nariño, Meta and Norte de Santander, violence has increased as illegal armed actors pretend to gain control over drug-trafficking (both routes and crops) and illegal mining activities.

Two years have passed since the signing of the peace accord, a period that has been characterized by the reduction of violent deaths, but also by the increase of other types of violence. According to the Defensoría del Pueblo, the interests of illegal armed groups located in 325 municipalities of the country have endangered the lives of social leaders and human rights advocates. In the region of Catatumbo, crossfire and constant hostilities between the remains of the Ejército Popular de Liberación (EPL) and the Ejército de Liberación Nacional (ELN) guerillas have turned this region into one of the most dangerous in the country. Similarly, organized armed groups, of which the so-called “Clan del Golfo” is the most notorious, control a significant share of the drug trade and illegal mining and have a strong presence in roughly 20 of Colombia’s 32 departments. Apart from the guerrilla forces, criminal gangs and other armed groups benefit from the weak presence of state institutions. They profit from the control over illegal economic activities, through which they have undermined the property and human rights of peasants and other minority groups.



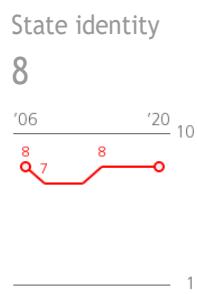
The peace accord with FARC has been a step toward the strengthening of the legitimacy of the Colombian state, as one of the leading groups that have defied the Colombian state laid down their weapons and became a political party.

Characterized as a complex and heterogeneous country, Colombia remains a regionalized country where peripheral territories suffer from the direct consequences of the internal armed conflict, the ongoing territorial and power disputes between non-state actors and the state's lack of interest in them. In those territories, some groups, especially peasants, afro-Colombians and indigenous people, have been repeatedly ignored and neglected by the state. This situation created the opportunity for non-state actors to be perceived as the visible authority in some areas and generated widespread uncertainty regarding the state's commitment to and effective role in these areas. The disenfranchisement of these minority groups has become visible by some of President Duque's decisions, especially his revision of the peace agreement with FARC and his priority for the consolidation of the rule of law, which signals a major shift from the momentum of the peace agreement where rural development and reconciliation were the main priorities.

The 1991 constitution defines the Colombian state as secular, where there is freedom of religion and discrimination based on religious motives is banned. The ministry of interior provides legal recognition to churches, religious cults and religious associations and it keeps a public record of religious entities. Until recently, there was no obvious interference of religious dogmas in the design of political institutions or in terms of public policy.

However, in recent years issues such as same-sex marriage and the possibility for same-sex couples to adopt children, which were approved by the Constitutional Court, prompted the emergence of an opposition movement inspired by religious dogma. The terminology used in the peace accord that referred to a gender approach was debated between the LGTBI and women's organizations on the one hand, and Christian churches on the other. As a result of the rejection of the original peace accord by the population in October 2016, modifications to the final accord were adopted. Some religious groups continue to argue that the defense of women's rights should be worded as the respect for human rights instead of using the gender terminology that was included in the final accord since it might be confused with the so-called "gender ideology" that these groups firmly oppose.

Legal changes in favor of same-sex couples and sexual and gender minorities, among other aspects, have also motivated the participation of Christian Evangelical churches in electoral politics. Thus, the Christian and Evangelical forces were able to gain more political visibility in the 2018 legislative elections. The new Christian political party called Colombia Justa Libres managed to win three seats in the Senate and one seat in the House of Representatives. Additionally, the "Movimiento Independiente de Renovación Absoluta," a Christian political party, won 3.3 % of the votes, a 0.5 %



increase compared with the 2014 elections. In addition, candidates who are members of other political parties but ran on a conservative platform supported by Christian churches were also elected.

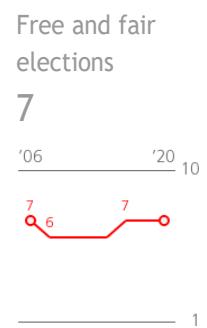
Since 1991, when the new constitution established an administrative decentralization, the Colombian state has widened its offer of administrative structures. Even though some academics and experts argue that administrative decentralization increased the level of armed conflict and corruption, others argue that without it the central state would not have been able to cover the basic needs of the population in the peripheral parts of the country.

Justice institutions cover 99% of the population, but other services such as water and sewage systems do not reach the entire population, and the difference is even larger when rural and urban areas are compared. According to the housing ministry, water systems cover 92% of the urban areas, while only 74% of rural areas have these systems. Sewage coverage is present in 92% of urban areas while it only covers 75% of rural areas. Colombia has made investments in broadening the provision of health and education, although that has not necessarily translated into the improvement of the quality of these services.

The construction of so-called fourth generation roads has been of great importance to overcome the burden of geographic discontinuity across Colombia. However, the advances of the road plan received by the new government of Ivan Duque in August 2018 are minor, with only three projects out of 30 advanced at more than 50% and 21 less than 10% developed. Corruption scandals and budgetary problems have contributed to the lag in road construction.

2 | Political Participation

Colombia has held regular, free and fair elections for almost half a century. In general, there are no serious restrictions on voting rights, party competition or election campaigns, and political posts were filled according to election outcomes. However, notable exceptions exist. According to the Electoral Observation Mission (MOE in Spanish), significant constraints and obstacles were present in the congressional and presidential elections of 2018. The MOE received 2,119 reports of irregularities in the presidential election related to voter constraint, corruption and illegal propaganda. 2,482 reports were submitted concerning irregularities in congressional elections related to corruption, extemporary use of propaganda, voter constraint, insufficient electoral material and improper political participation during election time. The departments that reported the most irregularities were Bogota, Santander, Antioquia, Valle del Cauca and Tolima for the presidential election and Bogota, Antioquia, Nariño, Tolima and Santander for congressional elections.



One of the most recent electoral scandals was the investigation against Aida Merlano, a politician from the Caribbean coast running for Senate. As the district attorney stated, she ran a vote-buying network that included the use of QR codes to follow the political leaders in charge of buying the votes. In her electoral residence, copies of IDs, guns and electoral documentation were found. More than \$2 million was used during her campaign to buy votes in the city of Barranquilla.

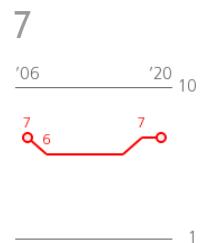
In the departments of Caquetá, Nariño, Chocó, Guaviare, Cauca, Arauca, Norte de Santander and Vichada – where illegal armed groups and criminal gangs are more consolidated – the abstention rate for the congressional elections was reduced compared to 2014 records. According to the MOE, violence and intimidation are among the reasons why people do not report more irregularities during electoral times.

In formal decision-making, democratically elected rulers have the power to govern. There is an effective subordination of the military to civilian political leadership. However, the influence of economic groups and business interest over political decisions is a matter of concern. In some rural areas, powerful elites hold influence in local governments and institutions. The election of some ministers and other public figures of the current government has been criticized, since it is used as a channel to reward political allies and the business elite. This practice is not exclusive to Duque's government, given that it has been used by other governments and it exists at other levels of the public administration. Even if rewarding political allies is not a veto power itself, it does, however, benefit groups, especially from the business elite, by better positioning specific people who align with their agenda and interests.

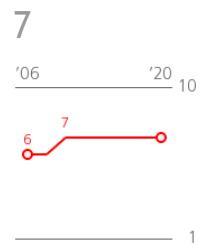
The 1991 constitution guarantees association and assembly rights. There are no legal restrictions on the conformation of political parties, NGOs or interest groups, and the Constitutional Court upholds the exercise of these rights. The peace agreement signed by the government and the FARC includes a political reform that increases state protection of independent political and civic groups. Demobilized former FARC members, not convicted of human-rights violations, are encouraged to participate in politics and run for public office. In fact, a new political party called Voices of Peace (Voces de Paz, in Spanish) has been created by citizens and ex-members of FARC.

Yet, human rights advocates and indigenous, Afro-Colombian and other community activists are being threatened by paramilitary groups, FARC dissidents and criminal gangs. Despite an interior ministry program to protect human rights defenders, trade unionists and journalists, the OHCHR documented the murder of 53 prominent activists from January to September 2018. Even though investigations have been undertaken in cases of homicides of human rights advocates, according to the International Federation of Human Rights, 90% of the cases resulted in impunity, and in only around 5% of the cases that the General Attorney's office investigated, an accusation was leveled in court.

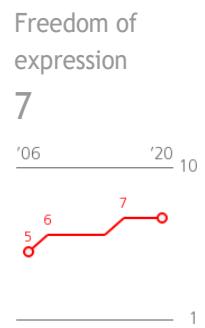
Effective power to govern



Association / assembly rights



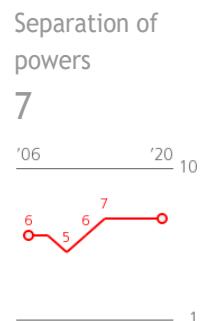
Freedom of expression is guaranteed by the 1991 constitution, but its enforcement is still suboptimal. Even though the systematic harassment and violence against journalists and left-wing political activists that was characteristic of the 1990s has ended, attacks and violations against the press are constant in Colombia. According to the Foundation for the Freedom of Press (FLIP in Spanish), in 2017 there were 310 cases of freedom of expression violations that affected 368 journalists. The organization claims that journalists in remote areas are in a vulnerable situation due to the increase in violence by illegal armed groups. Regarding the expression of opinions by citizens it is necessary to have media coverage, but according to the FLIP, the departments of Caquetá, Nariño, Antioquia, Cauca, Sucre and Vichada have more than 30% of their territory “silenced,” meaning that there is no local media coverage.



On a general basis, opinion plurality is respected, although some civil associations are concerned about the possible threats due to the ongoing project in Congress to modernize the information and communication technologies. The political and power independence of the proposed unified authority included in the bill is a subject of concern since two out of five of the proposed board members of the authority – which seeks to unify the internet, television and phone services under one authority – are going to be indirectly named by the president. One of them is the minister of information, technologies and communications and the other is designated by the president himself.

3 | Rule of Law

The 1991 constitution grants the principle of the separation of powers. Public branches work independently and serve as a check on each other, but they also can work together and cooperate. However, the degree of balance between these branches varies according to the political group in power. While former President Juan Manuel Santos had support from a majority of the Congress and therefore there was a strong balance favoring him, the current President Ivan Duque has a fragile pro-government coalition in the legislative, hindering his capacity to govern and forces him to continuously bargain with different political forces.



In 2017, the Opposition Statute was adopted, a mechanism that grants political groups operating in legal opposition to the government with financial assistance, the possibility of contorting the governments’ statements as voiced by the president in the media and the chance to set the agenda of the plenary session of Congress and of permanent commissions.

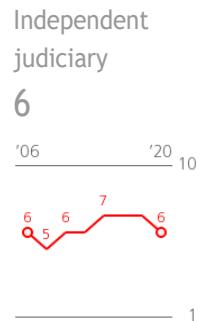
During the review period and after the signing of the peace agreement with the FARC guerrilla, the Supreme Court as well as the Constitutional Court have been harshly criticized by the opposition. Namely, former president and current senator Álvaro Uribe and his political party called “Centro Democrático” (also the party of the current President Duque) have questioned many of the High Courts’ decisions, which

have paved the way for the legislation and implementation of the accord. The debate further intensified as a result of the presidential objections presented by Ivan Duque to the Special Peace Jurisdiction in the peace agreement. The objections have been criticized given that the peace accord was already verified and approved by the Constitutional Court. Duque's actions have been received negatively since they contradict the institutional power division under which the Colombian state operates, and they place the executive power above the judicial and legislative one. The divisionary line gets even more contested in the so-called "Paz con legalidad" presidential plan vis-à-vis the post-conflict situation of Colombia. The presidential statement to "respect the independence of the judicial power" becomes delegitimized when the president's discourse and actions indicate how the Special Peace Jurisdiction must allegedly operate.

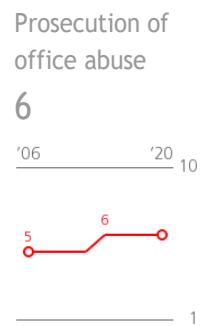
The judicial power in Colombia, as stated in the constitution, is an autonomous branch that takes independent decisions. Every citizen has the right to access the administration of justice and the judges' decisions should be guided by the law. The judiciary is composed of the Constitutional Court, the Supreme Court and the State Council.

In recent years, Colombia has faced various cases of corruption, which has touched the judicial branch. One of the most notorious cases was the so-called toga cartel that began in June 2017, when the anti-corruption prosecutor was captured and extradited to the United States. He was accused of asking a former governor for money in exchange for interfering in the investigations of misused royalties. Subsequently, further cases were brought to light in which lawyers were paid under the direction of two former presidents of the Supreme Court to refer cases to certain judges, who also were members of the cartel.

Corruption scandals and a lack of efficiency have hurt the credibility and trust in the judiciary. In the 2018 Latinobarómetro opinion survey, only 23% of respondents trusted the judicial sector, whereas 39% had no confidence in it. President Duque promised during his campaign that he would eliminate the plethora of courts and replace them with a unified court. Duque argued that corruption would be reduced as a result, due to an improvement in overseeing the judges' work. However, this controversial proposal has not been implemented yet.

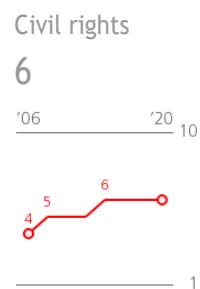


The prosecution of office abuse is a generally respected principle. Nonetheless, corruption is a resilient attribute of Colombian politics. According to the Latinobarómetro 2018 results, Colombian citizens believe that the most important problem of the country is corruption. Some state agencies are plagued by corrupt practices, the mishandling of resources and nepotism, among other issues. Moreover, many local politicians employ illegal means to ensure election to public office. The Santos government struggled to address these abuses, and entities such as the Supreme Court have been especially proactive during the period under review. Some opposition members and public opinion in general raise concerns when considering sentences for office abuse, arguing that the sentences tend to be too lenient in comparison to the crimes committed.



Officeholders who abuse their positions and engage in corruption are generally prosecuted, yet they sometimes are able to slip through political, legal or procedural loopholes to avoid prosecution. For instance, as part of the Odebrecht corruption scandal, Attorney General Nestor Humberto Martínez has been accused of conflict of interest. Martínez served as a legal adviser to the Aval Group, a business conglomerate that partnered with Odebrecht. For this reason, he had to recuse himself from the investigation against Odebrecht, and a special prosecutor was appointed. Many civil society groups and some political actors have held protests in several cities to demand Martinez's resignation.

The Colombian constitution and corresponding laws codify and safeguard civil rights and provide the channels to enforce them. The Constitutional Court allows individuals to demand protection against the violation of constitutional rights through the "Tutela" mechanism. From a historical perspective, the Constitutional Court has firmly defended the rights of ethnic, sexual and gender minorities. Constitutional and institutional guarantees notwithstanding, in practice, violations of civil rights persist, particularly in peripheral areas of the country where the state's presence is rather weak.



Issues regarding the protection of civil rights are present in varied forms depending on the area in question. In areas where the FARC used to have control, the threats against and homicides of human-rights advocates have increased at the hands of illegal armed groups. In other parts of the country, such as Bogota, the rate of violence against women increased by 17% in the first trimester of 2018 compared to the same period in 2017. Even if institutional efforts have been undertaken to condemn the attackers, every three days a woman is killed in Colombia.

According to Human Rights Watch, indigenous communities face harsh limitations in terms of their economic and social rights. In areas such as the department of Guajira, children die due to malnutrition and hunger. In addition, the NGO Colombia Diversa reported that 465 homicides of LGTBI people occurred between 2013 and 2018, of which 148 allegedly were motivated by prejudice due to sexual orientation.

4 | Stability of Democratic Institutions

Colombia's democratic institutions perform their functions in principle, but often are inefficient due to friction between institutions. The 1991 constitution established the administrative decentralization of the Colombian state, which allowed regional and local governments to formulate their own public policies under legal and constitutional terms. At first, this new form of local administration created frictions among the different levels of government and posed obstacles for control agencies which, in turn, hindered the performance of democratic institutions. However, more recently national, regional, and local levels of government started to perform in a more coordinated fashion.

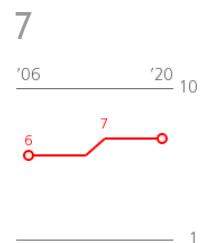
The current relationship between President Duque and Congress is rather constrained. A lack of majority and very poor ability to bargain with the different parties in the legislature have affected the performance of the government. Complicating matters, President Duque has also had to deal with divisions and criticism within both his own coalition and his own party. Apart from that, the clash between different institutions around the implementation of the peace accord has fueled a sense of uncertainty regarding the future of ex-combatants and, even worse, the reliability of the Colombian state to uphold previously contracted agreed upon compromises.

A problem that undermines the effective work of democratic institutions – along with corruption – is the waste of public resources. According to the Inter-American Development Bank, 4.8% of the country's GDP is lost due to an inefficient use of public resources, most of it channeled as energy consumption subsidies from the regional governments' budget.

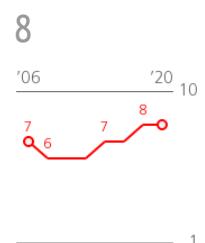
In principle, almost all relevant actors adhere to democratic institutions and regard them as legitimate. A step forward in this regard was the peace process with FARC. As a result of this, the former guerrillas obtained ten guaranteed seats in Congress. The 2016 peace agreement thus created the chance for the FARC to manifest their commitment to the legitimacy of the democratic institutions, which became manifest in July 2018 when the members of the new political party of the former guerrillas, now called People's Alternative Revolutionary Force, took their seats in Congress.

On the other hand, the remaining non-state armed actors do not adhere to the rule of law nor democratic institutions, which undermines the coverage of democracy in Colombia. Radical sectors of both right and left-wing political parties and some social movements hold anti-democratic views. At the local level, political institutions are frequently instrumentalized for particularistic – usually economic – interests.

Performance of democratic institutions

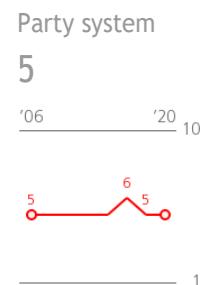


Commitment to democratic institutions



5 | Political and Social Integration

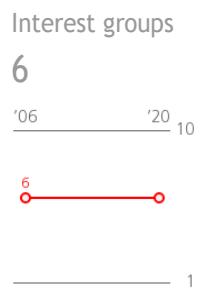
During most of the political history of Colombia, only two political parties were in charge of articulating the demands of its citizens: the Liberal and the Conservative parties. This political structure was functional for politicians but not so much for the citizens who felt that they did not have any real influence on the decisions taken by the government. The 1991 constitution included a reform that allowed new parties and independent political movements to participate in elections for political offices. From 1991 until 2003, according to data from national authorities, the number of parties increased from 2 to almost 1,000. A series of political reforms after 2003 increased the requirements for the creation and participation of political parties, and by 2018 the number was down to thirteen parties and political movements in Congress (plus three Afro-Colombian and Indigenous seats), but still signaling a high fragmentation, the strongest party occupying just 21% of seats in the House of Representatives.



One of the main criticisms of the Colombian party system is its dependency on so-called caudillos (political strongmen) and accordingly weak social roots. One of the most important political parties is the Democratic Center (Centro Democrático in Spanish), which was created around the figure of ex-president and current senator Alvaro Uribe in 2014. The influence of Uribe remains intact, since many analysts argue that the support given by Uribe to Iván Duque was decisive for his presidential election in June 2018. The presidential elections of 2018 showed that the opposition parties vis-à-vis “traditional” politics have gained support in Colombia, since former presidential candidate and current senator Gustavo Petro obtained the unprecedented support of eight million votes.

The 2018 presidential and legislative elections, the anti-corruption referendum, among other relevant decisions in the period under review, exemplified different degrees of polarization in Colombia. The election of Ivan Duque as president clashed with some important projects of the Santos administration, especially regarding the peace agreement. Regarding this election, it is important to note that the political left and other non-traditional sectors of the population voted in unprecedented numbers. The results of the anti-corruption referendum show that a large part of society demands a solution to one of the worst problems in Colombia, but that it has not yet gained enough support due to traditional beliefs or skepticism.

There is a wide-ranging network of interest groups, from business and professional associations to unions to social and grassroots movements. However, business and private sector interests are dominant. The “Consejo Nacional Gremial” (National Business Council) gathers the leading industrial groups, agribusinesses, banks, commercial groups and landowners. This council is a crucial arena for the coordination of private sector interests. They have a strong impact on public decision-making and policies.



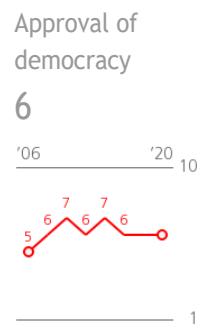
Since the 1950s, the Colombian political elite constructed and preserved a political system in which the only mediation between society and the state were (two) political parties. Cooperative associations such as labor unions and students' associations have been common but have had little impact on developing public policy and were mostly excluded from the political arena. With the changes introduced by the 1991 constitution, most of these associations became political parties – a transition that emphasized the idea that the legitimate link between society and the political system were parties.

The initial peace agreement between the government and FARC was subject to modifications because its adoption had not been approved. The modifications conceded by the government included proposals from many groups, though mainly on the political right. The final accord included a chapter that calls for an increase in the participation of cooperative associations, especially in the formulation of local and regional public policy. This was considered an important step to balance the influence that economic interest groups have in Colombian politics such as in Congress and the executive branch.

In the period under review, two main interest groups were especially salient and presented widely noticed claims to the government. Students mostly from public universities held several demonstrations in 2018 demanding an adequate, long-term budget for public education. For more than two months, the students constantly sought an agreement and a commitment from the Duque government to raise the financial resources of public universities. The agreement reached on 14 December 2018 constitutes an improved version of the agreement reached in the preceding months.

On the other hand, the victims of the armed conflict asked the Duque government to abstain from objecting to the Special Peace Jurisdiction (SPJ). A petition signed by 227 social organizations summarized the victims' concerns about the negative effects that a delay of the SPJ have on their vulnerable situation.

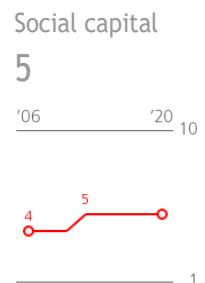
According to the 2018 Latinobarómetro results, 54% of the Colombian population believe that democracy is preferable to any other political system and 81% believe that, although it has some problems, it is the best system. Although these results show a positive image of democracy in the country, just a quarter of the population is satisfied with it, which underlines the fact that people think that democracy can, eventually, solve their problems.



The 2018 results of the National Civil Perception Poll of the National Planning Department show that 62% of the people believe that public entities take public opinion into account, 62% trust public officials and 65% perceive coordination between public entities. These results present a positive and improving quality of the service provided by public entities in Colombia.

According to the 2018 Latinobarómetro, trust in specific institutions is rather low with the exception of the electoral authority, though mostly near the average of the Latin American countries surveyed: government 22% (LAC: 22%); election authority 48% (LAC: 28%); parliament 20% (LAC: 21%); judiciary 23% (LAC: 24%); political parties 16% (LAC: 13%). The most-trusted institutions are the Catholic Church with 69% (LAC 63%); and the military with 56% (LAC 44%). Somewhat in-between are the police (47%) and the media (43%).

Interpersonal trust in Colombia is still very low. In the 2018 Latinobarómetro survey, only 20% of respondents stated one could trust most people. Meanwhile, according to the fourth measurement of social capital by the NGO Contrial, there has been an increase in the consciousness of the population in terms of the political reality, but civil and political participation is still weak, which in turn endangers the proper functioning of democracy.



The previous government of Juan Manuel Santos emphasized the importance of the construction of social capital, especially in the peripheral parts of the country, in order to stimulate the consolidation of democracy and economic development. Current President Duque promised that he would create more jobs in the rural areas to increase social capital, which would have to be confirmed in the years to come. These goals were contained in several chapters of the peace accord that consider the integration of citizens in the formulation of local and regional policy. One of the main features of the peace agreement is that it gives paramount importance to rural problems and tries to fix them by restoring communal property rights. This is deemed an important step in the (re)construction of social capital, especially among those communities that suffered the most from the consequences of the armed conflict.

II. Economic Transformation

6 | Level of Socioeconomic Development

In 2017, Colombia's Gini coefficient was 50.8, making it the second most unequal in Latin America. According to the Economic Commission for Latin America (ECLA), the richest 1% in Colombia accumulate 20% of the total income. These results show that the country still faces a significant challenge in reducing the gap between rich and poor. The same applies to gender inequality, as indicated by the score of the Gender Inequality Index (0.383), although Colombia is sits in the middle of the BTI countries in this respect.



Yet, at the same time, poverty rates are falling and inequality decreasing in Colombia, a trend that is present more broadly in Latin America generally. According to the ECLA, poverty decreased in 40 years from 56.1 to 33.9%. This reduction is explained by the expansion of social spending, better distributive politics and economic growth. Rural poverty and extreme rural poverty are higher than urban poverty and extreme urban poverty. The Multidimensional Poverty Index calculated by the National Department of Statistics (DANE in Spanish) shows that the incidence of poverty is consistently higher in rural compared to urban areas.

According to the United Nations Human Development Report of 2017, Colombia's Human Development Index score was 0.747. The country is ranked 90 out of 189. For 2017, life expectancy at birth was 74.6 years, an increase of three years since the year 2000, and the expected number of years of schooling was 14.4 compared to 11.5 in the year 2000. Nonetheless, the loss to human development (HDI) due to inequality is considerable with 23.6%.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	293481.7	282825.0	311789.9	330227.9
GDP growth	%	3.0	2.1	1.4	2.7
Inflation (CPI)	%	5.0	7.5	4.3	3.2
Unemployment	%	8.3	8.7	8.9	9.1

Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	4.0	4.9	4.4	3.4
Export growth	%	1.7	-0.2	2.5	1.2
Import growth	%	-1.1	-3.5	1.2	8.0
Current account balance	\$ M	-18563.5	-12008.1	-10341.4	-12908.5
Public debt	% of GDP	50.4	49.8	49.5	52.2
External debt	\$ M	114623.0	121950.9	127202.4	134939.8
Total debt service	\$ M	14225.0	15821.7	22223.5	24465.2
Net lending/borrowing	% of GDP	-1.4	-2.7	0.2	-
Tax revenue	% of GDP	15.8	15.0	15.2	-
Government consumption	% of GDP	14.8	14.5	14.9	15.3
Public education spending	% of GDP	4.5	4.5	4.5	-
Public health spending	% of GDP	3.8	3.7	-	-
R&D expenditure	% of GDP	0.3	0.3	0.2	-
Military expenditure	% of GDP	3.1	3.1	3.2	3.2

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The country is committed to free trade, business freedom, openness and maintaining macroeconomic stability. Several reforms following from the 1991 constitution onwards have created institutions that oversee free competition, such as the Superintendence for Industry and Commerce (SIC in Spanish) and a myriad of laws codifying economic practices. According to the 2017-2018 World Economic Forum report, Colombia has advanced on basic and higher education; and innovation and health have had a positive impact on entrepreneurial activities. On the other hand, the weakening of the macroeconomic environment, the impact of organized crime on market activities and the deteriorating management of public resources have had a negative impact on Colombia's investment environment.

According to the Heritage Foundation's 2018 Economic Freedom Index Report, Colombia scored 68.9 points out of 100, 0.8 points less than the 2017 results. Colombia needs more profound reforms to reduce corruption and strengthen the rule



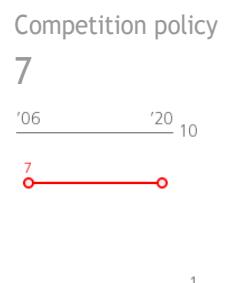
of law since the biggest burden for economic freedom is related to judicial effectiveness and government integrity. According to the Doing Business 2019 report, it takes eight procedures, 11 days and 14% of per capita income to start a business in Colombia, having a rank of 100 out of 190 assessed countries. However, a subnational Doing Business study completed in 2017 also showed that there are very large differences between the regions. The 2019 report also highlights the importance that the Colombian government gives to the results of these reports when designing and evaluating business regulations and policy, such as forming a regulatory reform committee to ensure coordination of efforts across agencies, which are expected to have a positive impact on economic performance and competitiveness.

On the other hand, Colombia has traditionally had a rather large informal sector. Data from the ILO reported that roughly 60% of Colombia's population earn their livelihoods in the informal economy in recent years, though showing a slight decrease from 67.3% in 2010 to 61.1% in 2017. According to the National Department of Statistics (DANE), informal employment constitutes 47% of the labor force in 13 of the country's biggest cities. Informality is even larger in the cities of Cucuta, Sincelejo and Santa Marta.

The legal framework for Colombia's anti-monopoly policy is long-standing. It is based on law 155 of 1959 that regulates the antitrust regime. Likewise, article 333 of the 1991 constitution mandates that the state intervene in the economy to prevent practices such as unfair competition and anti-competitive conduct. Further developments in legislation have been established with the laws 446 of 1998, 962 of 2005 and 1341 of 2009. In this regulatory regime the Superintendence of Industry and Commerce (SIC in Spanish) has been established as the institution that oversees the prevention of monopolies, predatory pricing and the sanctions for unfair market-competition practices.

The SIC is committed to international competition policy norms, such as the OECD's Competition Committee and the International Competition Network (ICN). Other regulatory institutions focus on specific sectors, but pursue investigations jointly with the SIC. Broadly speaking, these institutions satisfactorily identify and prevent the uncontrolled expansion of cartelistic structures. Though the SIC has been strengthened over time, it is still not fully in line with international standards. For example, the SIC cannot review regulatory projects of public entities at a regional and municipal level or regulations already in force that may restrict competition.

In general, cartelization and market manipulation are practices that are firmly prosecuted, and benefits are offered to those companies that denounce the existence of cartels. The SIC investigated and dismantled a cartel of paper product companies such as "Kimberly Colpapel," "Familia" "Papeles Nacionales" and "Drypers" and, at the time of writing, is investigating a food cartel that was delivering to the military. In the period under review, the SIC raised charges against 23 enterprises for having



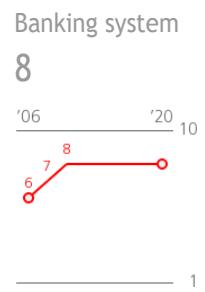
systematically colluded in a cartelized fashion in 101 contracts with the state between 2014 and 2017.

The Global Competitiveness Report 2017 to 2018 ranks Colombia 71 out of 137 economies concerning the effectiveness of anti-monopoly policy with a score of 3.7. In its last report in 2015, the OECD concluded that Colombia is well-positioned, respecting compliance and competition rules.

The liberalization of foreign trade was the cornerstone of the economic reforms that began in the early 1990s and continued in the 2000s. Tariffs were drastically reduced and imports were largely liberalized, burdensome custom procedures were reduced and infrastructure and port operations improved. According to the World Trade Organization (WTO), the number of tariff lines in Colombia increased from 7,292 in 2012 to 7,708 in 2017. The average protection for agricultural goods is three times higher than for non-agricultural products. According to the WTO World Tariff Profiles 2018, the simple average applied most-favored nation tariff was 5.7%. Since Colombia has various multilateral and bilateral trade agreements, a product may be subject to different duties, a situation that generates tariff overlapping.



Non-tariff barriers, such as procedures, have a more negative impact on importers and exporters than strict regulations on trade. Procedures like the indefinite detainment of merchandise when documentation is missing or improperly filed, arbitrary interference of officials from the Colombian Tax Customs Authority (DIAN in Spanish) and the high cost of returning the merchandise, and finally the robbery of trucks transporting products for illegal markets, are among the most common non-tariff barriers.



Banks are the most relevant financial intermediaries in Colombia, and the banking system consolidated at the beginning of the 21st century. The deepening of new financial instruments, specifically the ones contained in the IMF's 1999 Financial Sector Assessment Program, drove the banking sector toward modernization. There are several laws and institutions that regulate different banking activities. In 2005, Law 964 merged the Banking Superintendence with the Stock Exchange Superintendence and gave birth to the Financial Superintendence of Colombia (SFC in Spanish) which, according to an IMF assessment, effectively supervises all financial institutions.

The bank capital-to-assets ratio has increased in the last years, from 14.2 in 2010 to 16.1% in 2017. There has been an increase in the non-performing loans ratio, from 3.1 in 2016 to 4.2%, which indicates a slowdown in credit provision. Banks usually perform well, are constantly supervised and the deposits are larger than the loans, which decreases exposure to risks.

8 | Monetary and fiscal stability

The 1991 constitution established the inflation control as the main priority of the central bank (Banco de la República) and provided it with administrative autonomy. The directive board of the central bank is the monetary authority and the institution is independent from the three branches of power. The independence of the central bank constitutes a significant characteristic that enables the stability of monetary policy without the effects of subordinating it to government plans.

In 1999, Colombia adopted the inflation-targeting scheme by which the country's history of (moderate) inflation was divided in two periods: somewhat high and volatile inflation up to the end of the 1990s and low and stable since 2000. The inflation-targeting scheme consists of a public announcement of the yearly inflation goal, which started being met from 1999 onwards, thus contributing to GDP growth close to its potential capacity. Inflation showed an increase since 2012 (2.0%) until 2016 (7.5%), reaching 4.3% in 2017 (according to World Bank data). According to ECLAC data, inflation amounted to 3.3% in 2018, after 5.7% in 2016 and 4.2% in 2017. The directive board of the central bank sets the inflationary target based on the projected inflation rate on consumer prices, seeking to align price stability with growth and employment.

According to the central bank of Colombia, the country faced two shocks in its recent history. The 2008/09 financial crisis was considered a transitory shock, while 2013/14 was a persistent shock that decreased exports and affected the current account balance. Since the country has a floating exchange-rate system, the latter shock was faced mainly by the devaluation of the Colombian peso, which lost 60% of its value. Compared to 2010, the real effective exchange rate index remained stable until 2014 (96.2), but then rapidly declined (65.1 in 2017). Due to the flexible exchange-rate regime, the country was able to respond faster to the shock. Policy intervention regarding interest rate modification was implemented and inflation was closer to the 3% target, GDP growth began to recover, and the current account deficit went back to the level held before the shock.

Historically, Colombia has been very committed to macroeconomic stability, and several governments have contributed to the country's remarkable record in this regard, at least within the Latin American region. However, negative international economic conditions have repeatedly affected the stability of the Colombian economy.

In 2011, Colombia adopted the 1473 law by which the fiscal rule was created. The fiscal rule seeks the reduction of the deficit to reach 1% in 2022. The fiscal rule has been modified to deal with contraction periods of the economy. In 2018, the Consultative Committee of the Fiscal Rule modified it to allow the level of a 2.4% deficit in 2019 (previously 2.2%). Net borrowing declined from high levels (-6.9%



of GDP in 2014) to -2.5% in 2016 and -2.4% in 2017. CEPAL reports a primary fiscal balance of -1.1% of GDP in 2017 and -0.5 in 2018.

Fiscal stability and the respect for the fiscal rule are given paramount importance, since they are related to the investment grade the country is given. The central government debt (CEPAL data) increased slightly, but steadily since 2012 (34.6% of GDP), reaching 45.3% in 2017 and 48.6% in 2018. The country is rated by Fitch a BBB stable, a Baa2 negative by Moody's and a BBB- stable by S&P.

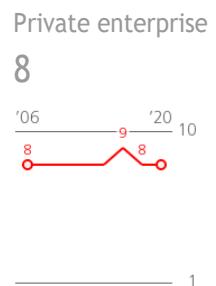
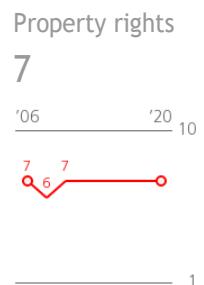
9 | Private Property

There are two defining features of property rights in Colombia: property rights in cities and property rights in rural regions. In urban areas, the acquisition, benefit, use and sale of these rights are generally well-defined and properly enforced by government authorities. In rural areas, however, the internal conflict has deteriorated the protection and usufruct of property rights. There have been around four million displaced people due to land dispossession generated by illegal armed groups. Land dispossession, in turn, is closely related to the use of violence and assassinations, contributing further to internal displacement. According to the Land Restitution Agency (Unidad de Restitución de Tierras), there have been 116,866 land restitution requests out of which 8,221 were solved. This situation shows the challenge the state faces vis-a-vis land restitution to the victims of the internal armed conflict. This is particularly acute with regard to resource-rich areas, where the large-scale production of narcotics occurs.

Recently, President Duque's "Centro Democrático" political party introduced a bill to modify the victims' restitution law. This proposal has been widely criticized due to the requirement it includes to fully clarify the dispossession as a *sine qua non* condition in order to issue a decision by the judges.

In principle, private companies are viewed institutionally as the primary engines of economic production, but are at times insufficiently protected by existing legal safeguards.

The 2017 World Bank Doing Business report highlights the fact that the Santos administration continued the trend of reducing regulatory complexity and costs, while strengthening legal institutions for the creation of private businesses. However, the report states that most of the entrepreneurs that were consulted about the ease of opening a private business in the country have identified corruption and legal insecurity as the main obstacles for private sector growth. The 2019 report confirms this somewhat erratic picture. While Colombia ranks far above average concerning the protection of minority investors (15 out of 190), resolving insolvency (40) and registering property (59), it performs poorly on enforcing contracts (177).



Regarding privatization processes, article 60 of the Colombian constitution authorizes the state to sell its shares if legislative approval is granted. Various privatization processes have been conducted. The ISAGEN privatization case in 2016 encountered political opposition due to the lack of proper market competition among interested enterprises. The most recent privatization process was the sale of 20% of Bogota Energy Enterprise stocks (EEB in Spanish) from which the city is expecting to receive resources to invest in competitiveness, renewable energies and debt payment for EEB.

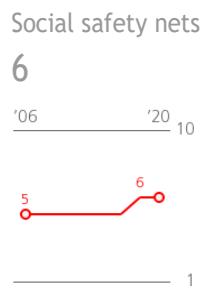
10 | Welfare Regime

The Colombian state created a wide social safety net with the 1991 constitution. In order to impose some coherence among all the different programs, the government created the SISBEN (Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales, in Spanish). SISBEN operates by assigning every citizen a score that made him or her eligible to participate in programs such as Familias in Acción (a conditional cash-transfer program).

Safety nets focused on health services are regulated by Law 100 of 1993, which established a scheme for private health care entities (Entidades Promotoras de Salud, EPS) and divided the welfare system into subsidized and contributory regimes. The contributory regime is made up of people who are able to afford, through their work income, the costs of health care provision. The subsidized regime, on the other hand, is made up of poor and disadvantaged people, and is funded by the government through the Administradora de los Recursos del Sistema General de Seguridad Social en Salud (ADRES) and those in the contributory regime.

The current government has received a weak health system that is in a financial crisis. The ADRES has an estimated debt of nearly \$850 million with the EPS, which have faced resource constraints that have reduced the quality and quantity of service provision. In 2017, 94.9% of the total population had health security (from both contributory and subsidized regimes), but many people do not have true access to services. This is reflected in the three-month period it takes on average for a patient to be diagnosed with cancer in Colombia or the 367,000 complaints registered during 2018, most of them motivated by the lack of access to the health services patients require.

Regarding unemployment, the state provides unemployed people with a six-month insurance to cover health and pension costs. Old-age handicaps are regulated by the pension regime that also has the contributive and subsidized division. Within the contributive division there are two major systems whose main difference is the requirement of accumulated capital (in the Individual Savings Regime) and the time required (in the Average Premium Regime). Discussions about pension reform,

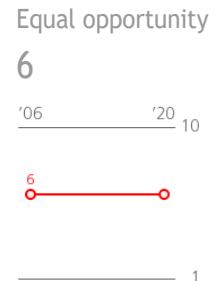


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including increasing the age of retirement, are currently underway and a proposal from the government is expected during the remaining tenure of President Duque.

One of the main limitations for social safety net coverage related to unemployment insurance and pensions is that it excludes the roughly 60% of the population working in the informal sector.

Even though recent Colombian governments have undertaken significant efforts to increase the equality of opportunities in a broad range of areas (economic, political, and social), the country remains one of the most unequal in the region and in the world. The 1991 constitution prohibits discrimination based on race, gender, religion, language, opinion and so on, and many other provisions seek to protect indigenous groups and Afro-Colombian communities from political and social discrimination. Nevertheless, the main issue is the enforcement of these specific laws.



Discrimination based on gender is present in various aspects of society. While Colombia ranges in the middle of BTI countries concerning female labor force participation (42.9%), according to the National Consultancy Center (Centro Nacional de Consultoría) 2017 report, only 23% of women have a full-time job, while 34% dedicate their time to household duties. In public office, only 21% of Congress and 17% of departmental assemblies are composed of women. According to the World Economic Forum 2018 Global Gender Gap Report, Colombia has improved discrepancies in areas such as education and health. In education, women even slightly outperform men concerning literacy rate (94.4 vs. 94.1), and secondary and tertiary enrollment (with a ratio of 1.1 and 1.2, respectively). However, overall there is a lack in political empowerment, economic participation and opportunity for women.

Access to equal opportunity is jeopardized by the insufficient coverage of basic services such as education and health. This is reflected in the Multidimensional Poverty Rate, which is 36.6% in rural areas compared to only 11% in urban areas.

The Venezuelan crisis, which resulted in massive migration in the last years, has generated immense challenges for Colombia. Some Venezuelans face discrimination and a xenophobic sentiment is present in some segments of society – a situation that endangers the respect for their rights and the provision of assistance due to the vulnerable situation these migrants endure.

11 | Economic Performance

During the period under review, Colombia's economic performance recovered somewhat from the weaker performance in the previous period. According to the OECD, the Colombian economy has been resilient to the negative commodities shock, which resulted in a strong depreciation of the exchange rate. However, low competitiveness levels, high inequality, informality and poor participation in global value chains hold back larger economic growth.

According to CEPAL, GDP per capita growth decreased due to the shock since 2014 from 3.4% to a mere 0.9% in 2017, but then recovered to 1.9% in 2018. GDP growth was mainly determined by public administration and defense and manufacturing industries. Overall, GDP per capita (PPP) reached \$14,552, indicating a steady increase over the last decade.

Inflation has decreased over the last two years. In 2017, inflation was 4.3% and in 2018 3.2%, which is close to the inflation target of 3% set by the central bank. According to the National Statistics Department (DANE, in Spanish), the unemployment rate increased from 8.4% in 2017 to 8.8% in 2018. The current account deficit increased from 8.850 in 2017 to 9.019 million USD in 2018.

Foreign direct investment stock as a percentage of GDP was 58.8% in 2017 according to UNCTAD. Inward foreign direct investment flows increased during the 2015 to 2017 period, and outward flows decreased in the same period. Colombia has been able to somewhat reduce its public debt as a percentage of its GDP during the period under review. While in 2015 public debt represented 50.2% of GDP, in 2017 it was only 48.5%. According to CEPAL, the global fiscal balance, which went up to -4.1% of GDP in 2016, recovered to -3.7% in 2017 and -3.1% in 2018.

12 | Sustainability

Colombia is a biodiversity hotspot, as the country's variety of topographic features enables the existence of a large diversity of fauna and flora. The state has made efforts aimed at the conservation of animals and plants, which are considered among the country's principal assets. In 1993, law 99 set the framework of the Colombian environmental policy. One of the most pressing environmental problems in recent years was the negative externalities caused by oil exploration. In order to tackle this problem, the government of former President Santos created the National Agency for Environmental Licenses (ANLA, in Spanish), which is in charge of approving new mining explorations in areas where diversity could be endangered, thus increasing the requirements for exploitation.

Output strength



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Environmental policy



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However, the efficiency of these types of agencies is hindered by the subordination of environmental protection to economic growth, a weak institutional framework and the lasting impact of the internal conflict on the environment. Extractive projects have proved to be a source of contestation for local communities vis-à-vis the national government. A recent decision of the Constitutional Court ruled against public consultation of mining projects, which is one of the main participatory strategies that local communities have used to halt the development of mining and oil projects on their territory.

Deforestation in Colombia increased in the last two years. In 2017, around 219,000 hectares were deforested, and the number increased to 280,000 hectares in 2018. Although regulation prohibits deforestation, most is conducted by illegal groups.

On a yearly basis more than 30,000 tons of waste is produced in Colombia, from which only 17% is recycled. Proper and clear legislation on recycling is missing. Law 1801, which came into force in 2017, established sanctions on violations of its dispositions, which seek to protect fauna and flora and hydric bodies. One of the most recent measures adopted by the state was the creation of a tax on the use of plastic bags. The tax was motivated by the need to reduce contamination and environmental damage caused by the widespread consumption of plastic bags.

The 2018 Yale University Environmental Performance Index ranks Colombia 42 worldwide with a score of 65.55, which is a major improvement compared to 2014 when Colombia was ranked 85 worldwide with a score of 63.

Under former President Santos, Colombia has set a goal for 2025: to be the most educated country of Latin America. There are both persistent qualitative and quantitative problems associated with educational policies in the country. On the one hand, even though enrollment rates are at acceptable levels, people living in rural areas often do not have sufficient access to education. On the other, despite increased enrollment in both primary and secondary education institutions, relatively few people have access to tertiary education. Public expenditure on education has been 4.3% of GDP in 2017 according to World Bank data, which showed a slight decrease of the budget allocated to education compared to 2016. According to the education ministry, one of the biggest challenges is sustainable resources for science and technology improvement.

Education policy / R&D

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The government recognized that the country has a 60% deficit in education infrastructure, which the state is seeking to cover with the implementation of the Education Infrastructure National Plan. Other plans such as the Professors Excellence Scholarships seek to provide resources to improve teachers' profiles.

Education completion rates are heavily influenced by the background of the students. Primary, secondary and tertiary completion rates are lower for the poorest segments, compared to the wealthiest ones. Completion rates are also influenced by territorial

divisions, since rural students' rates of completion are lower than for urban students. According to the most recent results of the Global Education Monitoring Report, the dropout rates for youth are 24% for the poorest and only 4% for the richest. Colombia ranks 56 out of 133 in the U.N. Education Index, with a score of 0.676, 15 in the region and at a similar level as Mexico (0.678) and Brazil (0.686), but with comparably modest progress throughout the last decade.

One of the crucial challenges faced by Colombia is increasing resources for science and technology. Far less than 1% of Colombia's GDP (0.2% in 2015 according to the most recent World Bank data) is used to finance research and development. At the beginning of 2019, the creation of a new ministry for research, science and technology was approved by Congress. The goal of this new institution is to boost research and innovation. Higher education coverage rate increased from 37% in 2010 to 52% in 2017.

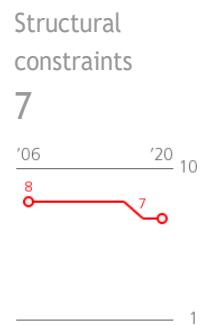
At the end of 2018, due to sustained public pressure led by university students, the government of Ivan Duque agreed to commit more resources to cover the financial deficit faced by public higher education institutions. It was agreed that more than \$14 billion will be spent on public education at the university level during the period from 2019 through 2022. These resources are going to be used to improve public universities' infrastructure and equipment, finance postgraduate scholarships and improve the research capacities of public universities, among other areas. However, the challenge remains to ensure that the administration and distribution of these resources are done properly.

Governance

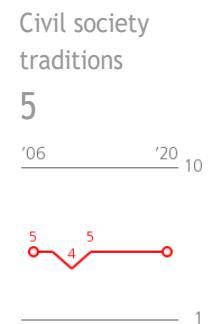
I. Level of Difficulty

Colombia has several structural constraints, including social inequality, poverty, informal employment, and poor education and health care services, especially in rural areas. Even though the former government of Juan Manuel Santos made significant efforts to resolve the long-standing internal conflict, which has been considered the biggest structural constraint, many of its effects such as the emergence of FARC dissidents, and the continued strength of former paramilitary and mafia groups persist, particularly in rural areas. The state's response to illegal armed groups and a sustained vision on how violence should be addressed is also considered a structural constraint since it has been managed as a (fluctuating) government policy, which varies from period to period and has not been considered as a state policy. This is reflected by the different approaches taken by former President Uribe, characterized by a primarily military and confrontational response to the guerrillas, as opposed to Santos, who opted for the negotiation of a peace agreement, and finally current President Ivan Duque who broke the negotiation process with the ELN in January 2019, which may impede the continuous advancement to solve this long-standing structural constraint for good.

Illegal activities permeate both public and private administrations and are characterized by an unregulated patronage system and widespread corruption. The recent scandals related to bribes paid by the Brazilian infrastructure company Odebrecht to high-level functionaries and congressmen have demonstrated two major problems: public resources are easily captured, and the punishment of high-level officials related to corruption has been insufficient. Natural disasters, such as earthquakes and floods, coupled with the political polarization of society further complicate good governance and the steering capacity of political, economic and social elites.



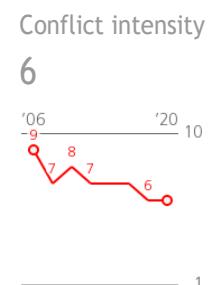
Colombian citizens do not possess a strong tradition of public engagement. The political landscape of the country was traditionally shaped by the Liberal and Conservative parties, which in turn were dominated by national and regional political elites. In that scenario, citizens were consistently excluded from participation in public life. During the 1980s and 1990s, the rise of drug cartels led by kingpins Pablo Escobar and the Rodriguez Orejuela brothers, and the relationship between politicians and drug-traffickers and other illegal actors, worsened the country's situation. Even though the 1991 constitution led to the formation of new civic groups defending several aspects of the constitution, the notion of civil society as such was not strengthened due to societal polarization and a general discontent with political parties.



During the period under review, social organizations have started to galvanize different political agendas into a civic movement. Various social mobilization for increased financing of public university education and the widespread support for the anti-corruption referendum in August 2018 demonstrate civic engagement with issues that affect society as a whole. However, safety conditions of social leaders and human rights activists have significantly deteriorated, which imperils civic engagement especially in the rural areas of Colombia.

Accordingly, social trust has been and remains low. The 2018 Latinobarómetro Survey states that only 20% of respondents considered that one could trust most people. Lamentably, however, this is even the Latin American top position, along with Uruguay and Guatemala – which overall bears questions if the “trust” asked for is interpreted as bridging (across groups) or bounding (only within groups).

Colombian armed conflict ravaged the country for the past 70 or so years. Despite the reduction in homicides and kidnappings during the Santos administration, violence is still one of the country's most characteristic features. In addition, inequality creates a noticeable cleavage between the richest and the poorest strata of the population. The benefits of improved economic performance still lack equal distribution, and extreme poverty is concentrated in rural areas.



Despite the peace agreement with the FARC and the related reduction in the number of violent deaths, conflict-related issues have somewhat worsened due to the confrontation of illegal armed groups in multiple zones of Colombia. From the departments of Putumayo to Antioquia and from Nariño to Norte de Santander armed confrontations, motivated mainly by territorial and illicit drug market control, have displaced groups of peasants, indigenous people and social leaders. According to the United Nations High Commissioner for Refugees in Colombia, there were more than 30,517 internally displaced people in 2018, which adds to the already 7.7 million of displaced people by the internal armed conflict since 1985.

The government of former President Juan Manuel Santos acknowledged the importance of the armed conflict as a significant constraint on economic

development, and in 2012 embarked on a peace process with the FARC guerrilla, by then the largest and most powerful of the guerrillas still active in Colombia. By the end of 2016, the process reached an agreement that was finally ratified by Congress. Even though the accord is naturally not perfect, it dramatically diminished the number of violent deaths. However, due to the presence of FARC dissidents and remaining guerrilla groups such as the ELN, armed confrontations continue.

Even after integrating the FARC guerrillas into the realm of legal politics, Colombia still has a long way to go in order to eliminate the use of violence for political or economic ends. This is relevant since the FARC was not the only illegal armed group that challenged the state monopoly of force in Colombia. The ELN is another armed group that the previous government also negotiated with but did not reach an agreement. President Ivan Duque broke the negotiation process as a response to the bomb attack on the police academy General Santander in Bogota on January 17, 2019. The ELN was blamed for this attack by official state institutions and four days after the attack the ELN accepted responsibility for it.

II. Governance Performance

14 | Steering Capability

The administration of former President Santos (2014-2018) defined an overarching strategic priority: the peace process with the FARC guerilla. Since the negotiations went public in the middle of 2012, Santos stated that all other aspects of government, such as macroeconomic stability or infrastructure development, were subsumed under this priority. The government demonstrated a remarkable ability to pursue its priorities given that the political opposition, led by former president and current senator Alvaro Uribe, sought to derail the peace process by all available means.

Upholding the peace agreement but introducing significant modifications was a presidential campaign promise of Ivan Duque. He has repetitively stated that changes to the agreement have to be made, but precision and specificity is still lacking in terms of the government's position toward the peace agreement. On the other hand, Duque has prioritized the fight against drug trafficking, an issue on which the government, among other things, has enacted a new policy to confiscate the minimum amount of drugs in public areas.

President Duque has maintained his presidential promise that his government would have toward the armed groups and violence in the country. The current government has launched and strengthened military operations that seek to capture “high-value targets” such as the leaders of dissident and other illegal armed groups. The



assassination of a prominent FARC dissident named “Guacho” was one of the most successful military operations of the Duque government so far.

On the other hand, President Duque has shown a hardline stance in his dealing with the ELN guerilla group. He declared that the liberation of all kidnapped people and the suspension of armed confrontations were necessary conditions in order to reactivate the negotiations with the ELN after he took office in August 2018. Following the bomb attack committed by the ELN in Bogota in early 2019, Duque declared the end of the negotiation process in Havana and asked the Cuban government to extradite the ELN representatives from the island to Colombia. Duque also stated that Colombia would denounce states that support or allow the presence of members of the ELN. This position is related to Colombia’s accusations regarding Venezuela’s support for ELN members on its territory.

In terms of the economy, the Santos administration set a secondary priority at the beginning of 2016 to institute a structural tax reform in order to cover the public deficit. The government assembled a commission composed of experts that produced a document with several recommendations. However, the reform could not be presented to Congress for approval in the middle of 2016 since it would have created an unfavorable context for the ratification of the peace agreement with the FARC in October 2016. The reform was finally approved by Congress at the end of 2016, but the timing made it difficult for the government to maintain the consistency and coherence of the reform. According to the rating agency Standard & Poor’s, the reform was not as structural as promised, but nevertheless showed the intentions of the Santos administration to tackle the arcane tax structure of the country.

The same is true for the tax reform put forward by President Duque in late 2018, since it also envisaged structural reform, but due to the success of lobbying efforts and political negotiations it did not include some of the initial proposals of the government, for example a tax on basic goods. Although the current administration has had some initial successes, such as forming a mostly technocratic cabinet, it has been criticized due to some communication problems and the lack of political support to create major structural reforms.

Another secondary priority of the Santos government was the development of public infrastructure. Former Vice-President German Vargas himself assumed the leadership of this project, fostering major investments in road construction and public housing. The current administration of Ivan Duque has made road and transportation connectivity a main goal too. The ministry of transport has created surveillance and auditing platforms for road project progress, which is precarious since only six out of 30 road projects have made considerable progress.

The question whether the Colombian executive branch under former President Santos was able to achieve its strategic priorities is debatable. On the one hand, the peace process with the FARC, the flagship project of the government since 2012, did end with the signing of a final agreement in September 2016. However, the government committed itself early on to ratify the agreement via a popular plebiscite in order to increase its political legitimacy. In spite of the campaign that the government undertook in favor of ratification, the results of the referendum in October 2016 gave a close victory to the opposition under former President Uribe. The government then turned to Congress in order to ratify a revised peace agreement in December 2016. Even though the result in legal terms was the same, the political legitimacy of the new agreement is rather fragile and has thus been contested ever since.

In addition, the flagship project of the previous government has been threatened with possible modifications by the current administration since President Duque's position – under significant influence from his political mentor and former President Alvaro Uribe – on a negotiated peace characterized by skepticism. As a result, Duque's approach to security issues has focused on combating drug trafficking, capturing leading members of criminal groups and tackling illegal mining activities. The recently issued policy called "Paz con Legalidad," which refers indirectly to the peace agreement and presumes the lack of legality in the already existing peace accord, generates some uncertainty in terms of the accord's implementation since it creates specialized agencies on specific points of the agreement and thus undermines the comprehensive work of involved ministries.

Some political successes of Duque's administration have confirmed the overall determination of the executive branch for its goals. For example, this is reflected in the administration's position toward the Venezuelan regime. President Duque has recognized Juan Guaidó as the legitimate interim president of Venezuela in January 2019. This recognition is seen as one step forward for the executive in foreign policy goals since the Duque government, in bilateral and international matters, has stated that Colombia will continuously support a regime transition in the neighboring country.

Political elites try to adjust policies in light of new circumstances. Nevertheless, these changes tend to be slowly implemented and ineffective as a result of weak follow-up programs, an often-corrupt bureaucracy, financial constraints and the legacies of the internal conflict. As a result, learning from past experiences is not a predominant trait of the country.

In order to correct the policies' evaluation deficit, the government has created the Public Policies Follow-Up and Evaluation Unit, which is in charge of reviewing, evaluating and strengthening a results-based policy learning of the state. It focuses on the National Development Plan (Plan Nacional de Desarrollo, PND), the

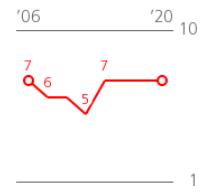
Implementation

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Policy learning

7



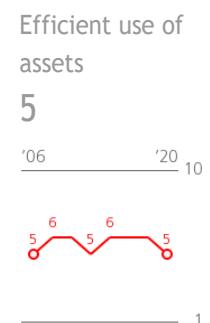
Sustainable Development Goals, the National System of Management Evaluation and Results (SINERGIA) and the evaluation of strategic public policies.

Former President Santos' administration has shown some flexibility in terms of government policies. The shift from Uribe's "democratic security policy" to open peace talks with the FARC has demonstrated innovation in terms of policy learning. The asymmetry of military power created by the strategies of former President Uribe enabled Santos to start the dialog with the guerrilla. Current President Ivan Duque's position on a negotiated peace has again shifted the official position, allowing for the reemergence of previous, mostly military approaches to deal with illegal armed groups such as the ELN. This shift, complemented by the government's hesitation regarding the full implementation of the peace agreement with the FARC, has raised significant doubts on the continuity of state policies vis-à-vis the security situation of the country.

In terms of the tax reform adopted in late 2018, the tax reduction for private enterprises demonstrates the commitment of the government to provide a better environment for new businesses in the country. The intellectual framework for the economic platform of the Duque administration – coined the orange economy – seeks to create the public conditions for private innovation and the development of new technologies. However, the specific results of this new approach remain to be seen.

15 | Resource Efficiency

Despite former President Santos' efforts regarding the efficient use of administrative personnel, the Colombian government still tends to favor political expediency over meritocratic criteria. Recruiting procedures that are fully transparent and free from external influence are not a prominent feature, as seen, for instance, in the diplomatic service. This is evident in the appointment of several recent Colombian ambassadors by current president Duque, who named political allies such as Alejandro Ordoñez and Francisco Santos as ambassadors to the Organization of American States and to the United States of America, respectively.



As for the efficient use of budget resources, it is clear that Colombia still has a significant amount of debt and maintains a noticeable fiscal deficit. In fact, during the period under review, debt has increased. According to the Colombian central bank, debt has increased from \$123.9 billion in October 2017 to \$129.2 billion in October 2018. However, the debt burden is manageable due to the country's international credibility in terms of economic leadership, at both the local and the regional level.

Regardless, there is no circumstantial evidence of major improvements in the use of budget resources. The major concern is that these resources are frequently not invested for the improvement of infrastructure and human livelihood but to increase

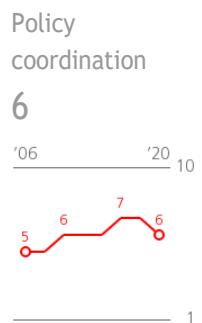
political support in the regions. A colloquially used term to refer to this long-standing clientelist practice is “mermelada” (or marmalade in English), which refers to public resources that are transferred to regional elites in order to shore up their political support for the central government. In Colombia, the use of mermelada is not new – it was commonly used under the name of parliamentary assistance (auxilios parlamentarios) by which legislators received money transfers in return for interventions in the budget approval. In 2018, the Supreme Court opened an investigation against many congressmen for bribery and graft, among other accusations. The resources used in this type of clientelist exchange come from regional or national royalties and constitute another form of inefficient use of public resources. According to an IADB study of 2018, the mismanagement of resources amounts to 4.8% of Colombian GDP, which is above average for Latin American countries studied.

The current government of Ivan Duque has faced political confrontations that have forced it to revise its initial plans. This is reflected in the process that the tax reform faced in late 2018 due to the controversial proposal to tax basic goods, which are part of the so-called family basket. The proposal launched by the finance ministry had to be removed in order to set the tax reform on its legislative path.

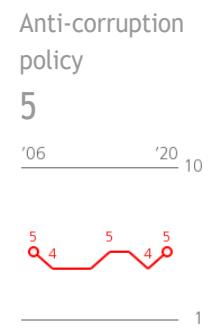
In addition, two other major government initiatives have been widely criticized: first, the task given to the police to confiscate even the minimum amount of drugs allowed in public areas. President Duque has repetitively stated the determination of his administration to eradicate drug micro-trafficking and has enacted a provision for the police to confiscate minimum dose-possession that was previously legal. Some experts have argued that the penalization of drug possession is not successful, which may reduce the coherence and effectiveness of the policy.

Second, the response by the government to the bomb attack on the police academy General Santander that occurred in early 2019 was to break up the peace negotiation process with the ELN. This decision was followed by the government’s demand to extradite ELN representatives from Cuba to Colombia, deliberately passing over and ignoring the protocol regarding the rules for the suspension of the negotiation. The subsequent debate has revived the confrontational positions on what the government should do to end the armed conflict with the remaining actors. In fact, some analysts fear that a return to an open military confrontation between the government and the ELN is now likely and that the achievements of the peace agreement with the FARC in terms of reduced violence could quickly evaporate.

Resource mismanagement makes effective coordination of policies more difficult. Additionally, corruption has long plagued several governmental agencies and they are simultaneously regarded as inefficient by the central government.



There is a variety of legal and institutional mechanisms to contain corruption. Law 1474 (2011), known as the anti-corruption statute, encompasses a wide range of provisions against corruption in both the public and the private sector. Along this line, law 1778 (2016) provides tools to combat transnational corruption. According to the OECD's 2018 Phase 2 Follow-up Report, Colombia has made considerable progress in its anti-corruption framework, with 28 of its 50 recommendations fully implemented. The agencies that are supposed to control corruption are the general comptroller, in charge of auditing public spending, the Attorney General, in charge of the disciplinary control of public employees, and the National Electoral Council, in charge of controlling political parties, including their campaign spending. However, these agencies suffer from several problems mentioned earlier and, even though they try to do their job properly, there are several obstacles that prevent corruption from being effectively controlled.



Overall, corruption is rampant in Colombia's public sector. Somewhat ironically and telling at the same time, the former anti-corruption prosecuting state attorney, Luis Moreno, was sentenced to prison and later extradited to the United States for committing money-laundering to pay bribes to political actors. Related corruption scandals such as the notorious Odebrecht case, the so-called toga cartel in the judicial branch, or the hemophilia cartel, built around the false provision of health services in the department of Córdoba since 2015 to patients that were healthy but reportedly to be hemophilic, are prominent examples of the culture of corruption present within many Colombian public institutions.

The so-called anti-corruption plebiscite in August 2018 did not pass due to abstention, and although the current administration has declared its strong commitment toward the implementation of certain anti-corruption measures contained in the plebiscite, specific and lasting actions have not yet been taken. A part of the anti-corruption plebiscite, the proposal to make officeholders' asset declarations public has not been implemented.

In the period under review, the Colombian National Audit Office (Contraloria) emphasized inadequate resource management regarding specific unfinished projects in various regions of the country. It also signaled the need to improve the allocation of resources to projects and subsidies that are received by the least favored part of the population. In addition, the institution noted the existence of corruption in the Sistema General de Participaciones, which is meant to transfer national resources to territorial entities to finance the services for which the latter are responsible.

16 | Consensus-Building

Colombia's major political and economic actors generally agree on the consolidation and improvement of liberal democracy as a strategic, long-term goal. Except for the remaining guerrilla and paramilitary forces, political actors agree that democratic procedures are the most revered principle of Colombian politics. However, in the case of political parties, there are significant divisions regarding specific issues, especially in terms of social policies such as education and health.

The market economy is widely considered an ideal framework for achieving both economic growth and development goals. However, political parties hold somewhat different notions on both concepts. As a result, there is a sharp division between left-wing, right-wing, and center-leaning parties. In economic terms, the country's largest economic organizations, most politicians and political parties agree that the law of supply and demand provides the tools that most efficiently drive the process of economic growth. Nonetheless, there are some contrasts concerning the use of the market. On the one hand, many think-tanks and economic groups believe that the government should allow the market to operate without major state intervention. On the other hand, trade unions and left-leaning political organizations claim that neoliberalism plays an important role acting against the interests of the poor and other excluded groups. Thus, they believe that government should play a more proactive role in providing relief and opportunity to those left behind by the logic of the market.

The most prominent anti-democratic actors in Colombia are illegal armed forces, such as the remaining paramilitary and guerrilla groups. Despite the demobilization of various guerrilla groups and, more importantly, paramilitary combatants, several of their former members have since rejoined the so-called Emerging Criminal Groups (BACRIM in Spanish) and/or engaged in illegal activities, such as drug trafficking and criminal violence in urban areas. The FARC dissidents and the strengthening of the ELN presence in various places show that even if they do not have a clear political goal like the FARC did, they indeed contest the institutional presence of the state.

Former President Santos was able to induce the largest guerrilla group, the FARC, to comply with democratic rules through a peace agreement. The seats given to FARC representatives in Congress reflect the triumph of channeling their political demands through democratic institutions. It was expected that the ELN followed their example and concluded the negotiations with the government held initially in Quito and later in Havana, but as a response to the ELN bomb attack in January 2019, President Duque called off the negotiation process.

Landowners are a somewhat controversial group. Some of them can indeed be considered anti-democratic actors as they oppose land restitution for displaced people as a result of the peace agreement with the FARC, their long-standing enemy.

Consensus on goals



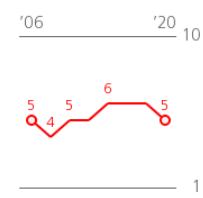
Anti-democratic actors



The country's political leadership has been unable to depolarize structural conflicts, particularly in terms of drug-trafficking and political violence. Despite the demobilization process of the paramilitaries that started in 2006, the re-occurrence of violence through mafia groups and emerging criminal organizations (BACRIM) has led to a substantial rise in urban insecurity. In the post peace agreement situation, violence is characterized by the capture of the power vacuum left behind by the FARC and the spread of other guerrilla groups such as the ELN and former paramilitary forces.

Cleavage / conflict management

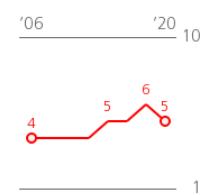
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Political polarization regarding the peace agreement with the FARC was heavily present in the 2018 presidential campaign and is still an issue in the current administration of President Ivan Duque. The return of the discourse of military response to end the conflict shows the government's urgency to reflect a strong-minded mandate, similar to the administration of former President Uribe, which is supported by a significant segment of Colombians. The discussion around the legitimacy of the state and the approach the government should take toward armed confrontations with non-state actors represent a dividing line that has not been overcome by any government in Colombia.

Civil society participation

5



Civil society participation in Colombia is not a prominent trait of the political and social scenario. Despite the existence of a vibrant range of organizations in many areas, there is a lack of freedom of association, and an active civil society runs the risk of physical danger due to the pressure of illegal armed groups, especially in rural areas where the presence of the state is still weak or even nonexistent. The situation of civil servants and human rights advocates have significantly deteriorated during the period under review, especially in rural areas, as a result of the fight for territorial dominance between several illegal armed groups.

The two main problems related to weak civil society participation and political influence are the regional and sectoral fragmentation of their organizations and the fact that resources are heavily skewed in favor of organizations representing the better-off sectors of society (business organizations, for example) who have a strong influence over government policy – as opposed to organizations representing workers, the poor or disenfranchised sectors of society.

Reconciliation

6



Former President Santos' administration was mainly characterized by the negotiation of the peace agreement with the FARC guerrillas. The final agreement has at its core the construction of a peaceful future for Colombia based on reconciliation, transitional justice, and victims' reparation, among other principles. The Special Peace Jurisdiction (JEP in Spanish) and the Truth Commission are institutions that seek to generate the necessary provisions in order to recognize the historic armed conflict and the victims it generated, to clarify the crimes and to tell the truth about the conflict.

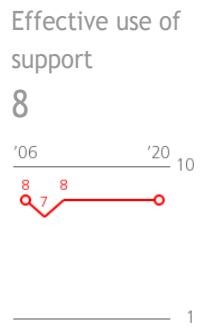
Duque has stated that he recognizes the need for victims' reparation and truth clarification and has repetitively declared that he encourages procedures of reconciliation but would not tolerate injustice. The most recent developments regarding the "Paz con Legalidad" policy, the presidential objections to the Special Peace Jurisdiction, and the appointment of Rubén Dario Acevedo as the director of the National Center for Historical Memory (NCHM) reflect the government's position regarding the management of the peace process with the FARC. The objections to the SPJ on issues such as the lack of precision regarding procedures, the lack of criminal prosecution against leading members of the former guerilla, among others will delay the implementation of the SPJ by which the victims' rights are to be addressed. The appointment of Acevedo in March 2019 was highly criticized since he has publicly denied the existence of an armed conflict in Colombia. As a result, some victims' associations decided to remove their historical files from the custody of the NCHM.

17 | International Cooperation

International cooperation and assistance have been of great importance for development in Colombia. Strategic partners such as the United States, several European countries and South Korea have continuously provided technical assistance and, due to the commitments reached in the peace agreement with the FARC guerilla, international cooperation has played an even greater role in improving the domestic situation.

Under the National Development Plan and the 2015 to 2018 International Cooperation Route Map, the government prioritized the areas of peacebuilding, sustainable rural development and environmental conservation and sustainability. According to the Presidential Cooperation Agency (APC), in 2017 the country received foreign aid of \$664 million, which is the highest amount the agency has recorded since its creation in 2011. These resources are channeled to national and territorial organizations throughout the country and registered in the APC-Colombia information system. Of this amount, 30% was allocated to sustainable rural development, which meant increasing cooperation aligned to the implementation of the first point of the peace agreement; 48% was aligned to peace-building, which is the main reason and commitment of cooperation in Colombia; and 14% was aligned to conservation and environmental sustainability. In its Accountability Report for 2017, APC reports that 95% of the amount had been executed but does not refer to an evaluation of the projects.

However, concerning the effective use of the financial resources that the country received from abroad, the picture is somewhat mixed. While many peace-building projects would otherwise not have been feasible to realize, sometimes nontransparent mechanisms for the distribution of resources impede their success in the long run.



Accordingly, in 2018, Norway, Switzerland and Sweden called the government for clarity in the management of the so-called post-conflict fund (Fondo Colombia Sostenible, FCS). They expressed a general concern about the management of the FSC and also called for the strengthening of the functioning of its governance and participation bodies.

The political, economic and social crisis in neighboring Venezuela has forced numerous Venezuelans to leave their country, which in turn has challenged the Colombian state's capacity to effectively manage these migrants within its territory. Due to the constraints the migration crisis has generated, Colombia has sought and received international support to adequately assist the Venezuelan refugees.

For the most part, the government acts as a credible and reliable partner. Former President Juan Manuel Santos set the accession of Colombia to the Organization of Economic Cooperation and Development (OECD) as a priority for his foreign policy agenda. In May 2018, Colombia was finally accepted into the organization, which was possible due to the credible reforms and changes adopted by the government to align with the recommendations and good practices of the OECD. With the announcement of its membership, Colombia's status as an investment destination has improved.

Due to its previous record of human rights violations, the Santos administration has – somewhat successfully– tried to “clean” the country’s image on the international stage. The normalization of diplomatic relations with neighboring countries and above all the peace agreement with the FARC have enabled Colombia to regain political trust and credibility, though this situation has remained fragile. In March 2018, the Inter-American Commission for Human Rights urged Colombia to adopt urgent measures to protect human rights defenders and social leaders. The Inter-American Commission submitted the case to the Court’s jurisdiction on 29 June 2018 in the understanding that Colombia had failed to comply with the recommendations held in the Merits Report and the violence against social leaders increased in the last two years.

International NGOs such as Amnesty International and Human Rights Watch have noted that violence in the post-peace agreement scenario has continued, endangering the lives of human rights advocates and so-called social leaders in disputed remote areas of Colombia. These non-governmental organizations are critical of the state’s insufficient commitment and actions to protect human rights activists and to effectively implement the peace agreement with the FARC.

Due to the ELN-perpetrated bomb attack on a police academy in Bogota in early 2019, the negotiation process with this guerrilla group ended. President Ivan Duque requested the extradition of the ELN representatives in Cuba, which has raised

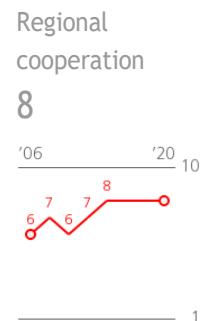


concerns regarding Colombia's international credibility and compliance with the obligations established in the negotiation protocol in case of the rupture of the talks.

Historically, Colombia's participation in regional organizations, such as the Andean Community (CAN), was somewhat sporadic, recalcitrant and often conflictual. However, the country has increasingly become more willing to cooperate with South America, such as, in the Pacific Alliance, yet without giving up its close relationship with the United States. As stated in the 2018 Principles of Colombia's Foreign Policy, the state promotes political dialog and cooperation in subregional and regional organizations. The Duque government has prioritized international and especially regional action to protect human rights and promote good practices as relevant topics in the international arena.

In January 2019, President Duque stated that Colombia recognizes Juan Guaidó as the legitimate interim president of Venezuela and that Bogota – in the context of the regional Lima Group – will continue to support the process of democratic transition in Caracas. On the other hand, the Duque government permanently withdrew Colombia from the Union of South American Nations (UNASUR) in August 2018, criticizing the inactivity and passivity of UNASUR as exemplified by its tolerance of the political regime of Nicolas Maduro in Venezuela.

In turn, President Duque promoted the creation of Prosur, a new regional cooperation forum. The presidents of Colombia, Chile, Argentina, Brazil, Ecuador, Paraguay and Peru finally met in March 2019 in Santiago de Chile for the first ever Prosur meeting. This new entity is supposed to act as a coordination forum for the promotion of democracy in the region, and most urgently in order to discuss the political transition in Venezuela. However, several analysts have questioned the practical relevance of the forum vis-à-vis the ongoing work of other regional bodies such as Mercosur or the Comunidad Andina de Naciones.



Strategic Outlook

In the period under review, Colombia had a change in government, which did not significantly change the internal dynamics of the country. Colombia faces a key challenge regarding the proper implementation of the peace agreement with FARC, since the new government of Ivan Duque has repeatedly stated its desire to change some provisions of the agreement. Colombia should continue to strengthen its transition process with the help of international cooperation and assistance, since it is of paramount importance for the successful implementation of development projects, especially in rural areas and conflict-affected zones.

The transition from an internal armed conflict to a peaceful society has not yet been achieved, since pockets of violence still exist, and powerful non-state actors challenge the state's legitimacy in several areas of the country. Ending the negotiation process with the ELN guerrilla group and the persistence of armed confrontations are key challenges the current administration and future ones will face. The dramatic increase in assassinations of human right activists and threats to their personal integrity are the result of conflicts between various actors that seek territorial dominance in rural zones. The effective protection of human rights advocates and social leaders needs to be given priority by the government, since they represent agents of a much-needed positive cultural change in remote areas of the country.

Multiple corruption scandals still represent a significant burden for the country and signify a need to improve in multiple areas, since the damage that corruption constitutes for the management of public resources holds the country back from achieving its full development potential. Civil discontent, diverging political positions and criticism of political elites are all growing in the big cities of Colombia, but they have not yet been condensed in a unified voice sufficiently strong to challenge the traditional status quo in politics.

Yet, Colombia has been improving in multiple areas such as international cooperation and economic performance as well as keeping inflation under control and having tolerable levels of unemployment. The country was not deeply affected by the recent commodities shock and in 2018 had a better economic performance compared to the previous year. Still, Colombia needs to undertake major efforts to stop relying on commodities' production and oil extraction, and it should seek to reach a more diverse and sustainable economic growth model.