

BTI 2012 | Colombia Country Report

Status Index	1-10	6.28	# 41 of 128	
Political Transformation	1-10	6.05	# 62 of 128	➔
Economic Transformation	1-10	6.50	# 41 of 128	➔
Management Index	1-10	5.40	# 52 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	46.3	HDI	0.710	GDP p.c.	\$	9462
Pop. growth ¹	% p.a.	1.4	HDI rank of 187	87	Gini Index		58.5
Life expectancy	years	73	UN Education Index	0.667	Poverty ³	%	27.9
Urban population	%	75.1	Gender inequality ²	0.482	Aid per capita	\$	23.2

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

Executive Summary

Colombia's progress toward democracy and a market economy has been mixed during the last two years. Positive developments in some areas, consolidating and enhancing prior achievements, have been overshadowed by backward steps in others. The main achievement with respect to the consolidation of democracy was the successful governmental transition, from President Álvaro Uribe to successor Juan Manuel Santos in August 2010. Despite Uribe's intention to run for a third term in office, using the instrument of a popular referendum, the Constitutional Court blocked his reelection bid and enabled Santos to be elected president. The court's decision reflects the independence of the judiciary, and signals institutional continuity.

The Uribe administration's most important contribution lay in its successful fight against the left-wing Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, FARC) guerrilla group. The FARC has been militarily weakened and its control over portions of the country's territory significantly diminished. Despite several problems affecting the process, the demobilization and reintegration of the paramilitary forces that started in 2004 has continued. As a result, the overall security situation of the country has improved.

However, given its focus on a military defeat of the guerilla at virtually any cost, the Uribe administration neglected other important areas of state activity, notably the development of effective and sustainable policies to reduce the country's chronic poverty and overcome the widespread inequality. The administration promoted market-oriented economic policies that led to modest growth rates, even during the global economic crisis. However, large parts of the population have not shared in the gains from economic growth. The challenge of combining a market economy with the need for social justice now falls to the Santos administration. Though initially considered likely to continue Uribe's policies, President Santos has shown a remarkable degree of autonomy. He needs to build on his early successes on the international front, mending relations with neighboring countries, in order to address this challenge.

History and Characteristics of Transformation

After “La Violencia,” the widespread armed conflict between the Liberal Party and the Conservative Party, the military dictatorship of Gustavo Rojas Pinilla (1953 – 1958) forced the creation of a political compromise between the two parties. However, the subsequent National Front governments (1958 – 1974) and the policy of power alternation alienated critical sectors of society that were systematically excluded from political participation. The Revolutionary Armed Forces of Colombia (FARC) are in part a response to the political exclusion during the time of the National Front. Founded in 1964, the FARC has since then inspired other groups and tapped into popular discontent mostly in abandoned, rural areas in southern and eastern Colombia. The persistence of poverty provided these groups with an ideological backbone, while the Cold War enabled them to gain military strength. The official dissolution of the National Front in 1974 did not significantly alter this situation; in fact, the rise of the illegal drug trade since the 1970s helped to finance illegal armed actors, deepened corruption and hindered the development of the state in far-flung regions controlled by drug dealers and their private armies.

Economically, the years between 1958 and the 1980s were characterized by the import-substitution industrialization strategy advocated by the United Nations’ Economic Commission for Latin America (ECLAC). Even though the country showed reasonable economic growth and a stable macroeconomic environment during this time, income distribution worsened, dependence on coffee exports increased, and infant industries failed to take off as hoped. Starting in the late 1980s, the government of Virgilio Barco (1986 – 1990) introduced some structural reforms, which were deepened and extended by the liberalizing reforms of César Gaviria (1990 – 1994).

In the political arena, the constitution was changed in 1991: The new charter introduced stronger protection for human rights, the recognition of inalienable rights, rights for individuals and minorities, and the creation of an independent central bank, among other important innovations. However, the country’s situation deteriorated due to the emergence of paramilitary groups and drug kingpins, most notably Pablo Escobar, while structural issues such as poverty and inequality persisted. The failure of a peace process with the FARC also contributed to the unpropitious circumstances. 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.

The presidency of Ernesto Samper (1994 – 1998) was plagued by political scandals, most prominently the accusation that he had financed his presidential campaign with drug money. During his tenure, the FARC delivered severe military blows to the army and the country’s international credibility fell to an all-time low, while Samper tried to continue Gaviria’s economic opening strategy with a more social focus. The vulnerability of the country’s economy made it prone to crisis: The crash of the housing market in late 1997, which prompted

Colombia's worst economic recession, was followed by a restructuring of the financial sector and the adoption of IMF policies during the presidency of Andrés Pastrana (1998 – 2002).

Pastrana held another unsuccessful peace process with the FARC between 1999 and 2002. His administration also had to face an increasing debt burden, and an inflexible public spending model adopted in 1991. Adding to these problems, right-wing paramilitary forces consolidated their influence and power in many parts of the country. Atrocities and violations of human rights were used by these groups as a means of intimidating the guerrillas and the population at large.

The failure of the Pastrana-FARC peace process led to the radicalization of the country's political discourse. Alvaro Uribe (2002 – 2010), who was elected president because of his strict anti-guerrilla agenda, reformed the armed forces with financial support from the United States under the "Plan Colombia," and enabled the army to deliver historic 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. However, Uribe's government was characterized by a controversial approach to the demobilization of paramilitary groups starting in 2003, a lack of interest in social issues, and several corruption scandals, including a bribery scandal that allowed Uribe to be reelected in 2006 and the penetration of Congress by representatives of the paramilitary groups.

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

Transformation Status

I. Political Transformation

1 | Stateness

Question

Score

The state's monopoly on the use of force has been extended, but is still challenged by guerrillas and paramilitary groups in several territorial enclaves. Between 2009 and 2010, the struggle of the Colombian government against the FARC guerrilla organization, paramilitary groups and criminal bands, first under former President Alvaro Uribe Velez and then under his successor, Juan Manuel Santos, continued. The Colombian armed forces' pressure on FARC led to a gradual consolidation of the state's monopoly on the use of force in areas where the state had historically been unable to establish its dominance, most notably in the country's southern and eastern departments and towns.

Monopoly on the use of force

6

On September 2010, Victor Julio Suarez, a military commander of the FARC and a member of the organization's top leadership ranks, was killed in a raid by the Colombian armed forces. Along with the 2008 deaths of FARC leader Manuel Marulanda and another top commander, Raul Reyes, Suarez's death is considered to be a proof of the FARC's decline since Uribe took power in 2002. However, Alfonso Cano, the group's new leader, and other middle-ranking guerrilla commanders are still at large. Suarez's death was the first military success of the Santos government against the FARC. However, the group's ability to renew itself and deal continuing military blows to the government still represents a lingering threat. The FARC has pioneered the formation of military alliances between guerrillas, such as that proclaimed with the National Liberation Army (Ejército de Liberación Nacional, ELN) on December 2009. However, the fragile alliance came undone in May 2010 after fights broke out between the two groups over the control of drug-transport corridors in eastern Colombia.

On the other hand, following the demobilization of several paramilitary groups in 2004 and 2005, some of its former members started their own organizations, labeled "emerging criminal bands" (ECBs) by the government and the media. According to

data from the National Police of Colombia, almost 12% of the groups' combatants are made up of former paramilitary group members. Between January 2009 and January 2010, more than 2,000 former paramilitary fighters joined the ranks of the ECBs, whose presence has been confirmed in at least 18 departments and several cities. They have engaged in kidnapping, extortion, drug trafficking and murder, to name just a few of their activities. According to the police, more than 2,500 ECB members were captured during 2010. However, the ECBs are not a cohesive, united bloc such as the FARC; skirmishes among the individual groups abound, leading to massacres and other major crimes. As for the mafia groups, they have an uneasy relationship with the FARC and the ECBs due to the overlapping nature of their drug-related businesses, and often possess their own military forces.

After his inauguration on 7 August 2010, President Santos stated that it was time to expand the meaning of the state's monopoly on the use of force beyond the military domain. While the Uribe government leaned toward an understanding of the monopoly of force in terms of providing security, the Santos administration intends to recover territory socially as well as to engage in other state tasks that have long been abandoned in distant regions of the country.

The constitution endows every citizen with equal rights, and the majority of the population accepts the legitimacy of the Colombian state. However, indigenous groups and Afro-Colombians have been systematically displaced due to internal strife and clashes between mafia groups, illegal armed groups and landowners over their traditional territories, whose strategic position renders them suitable for drug trafficking and resource exploitation. During the presidential campaign, Santos promised that Afro-Colombians and indigenous groups would be better integrated into society. The Law of Land and Victims proposed by the Santos administration could serve as an important step toward this goal.

The political process has been secular since 1991, when the current constitution was ratified. There are Christian and other religious movements that have achieved political representation in Congress, but there is no interference by religious dogmas in political institutions or their decisions. The Catholic Church has played a significant role in debates over gay rights and abortion, criticizing recent rulings made by the Constitutional Court. However, aside from the vocal opposition of some high-ranking civil servants to gay rights and abortion based on religious grounds, the political process has not been particularly influenced by religion.

The state's administrative structures provide basic public services throughout large parts of the country, but their operation is to some extent deficient. Geography has played a vital role in the history of Colombia's infrastructure, given the country's widely varied landscapes. Financial constraints, the persistence of armed conflict and corruption have also contributed to the underdeveloped state of the infrastructure, particularly in remote areas where paved roads, potable water and

State identity
7

No interference of
religious dogmas
9

Basic
administration
6

sanitary facilities are almost nonexistent. Corruption, negligence and deficient planning have inhibited the development of a coherent and connected system of infrastructure.

The administration of justice in small towns and municipalities tends to be slow and inefficient. On the one hand, the sheer number of cases facing prosecutors, coupled with legal loopholes and an absence of resources and personnel, often serves to slow the criminal justice process and generates a climate of impunity. On the other hand, illegal armed groups hamper the administration of justice. Death threats are a common tool of intimidation used by criminal bands as well as by paramilitary and guerrilla groups. According to the Interdisciplinary Group for Human Rights and the Inter-American Court of Human Rights, 22 activists, judges or journalists were killed during 2010. The Supreme Court of Justice expressed concern for the vulnerability of its judges and staff in April 2010, after Judge Diego Fernando Escobar was murdered in Medellín.

2 | Political Participation

Apart from the stateness problems, there are broadly speaking relatively few constraints on free and fair elections. Rural areas are still vulnerable to electoral fraud, with vote buying and intimidation being the most prominent issues, and limits exist on the freedom of expression, but urban areas exhibit higher levels of electoral fairness and openness. In 2010, legislative and presidential elections were held in Colombia. In the aftermath of a congressional scandal in which elected representatives were found to have ties to paramilitary groups, the 14 March legislative elections were seen as an opportunity to renew a discredited institution. According to the Electoral Observation Mission of the Organization of American States (OAS), irregularities took place in 18 departments and 15,000 polling stations, mainly related to the practice of vote-buying. Security during the conduct of elections has improved in recent times, with an 86% reduction in violent activities on the day of elections. Even though the “parapolítica” scandal mostly affected congressmen close to former President Uribe, the March 2010 elections led to the capture of both parliamentary chambers by the government coalition, mainly the “Party of the U” and the Conservative Party.

The presidential election was held on 30 May, with a runoff on 20 June 2010. Former Minister of Defense Juan Manuel Santos received the highest number of votes ever cast for a Colombian president, with 9 million votes, followed by Antanas Mockus, former mayor of Bogotá and candidate of the newly formed Green Party, with more than 3 million votes. The presidential election was characterized by the intensive use of modern communication technologies, especially social network sites such as Facebook or Twitter, thus contributing to a higher mobilization of the electorate than in previous legislative or presidential

Free and fair
elections

6

campaigns. However, the abstention rate remained high, and less than 50% of Colombians voted. This has been a persistent trait of electoral participation in the country, and was not an anomaly of this particular presidential election. While there were allegations that some polling officials –mainly located in small towns – committed fraud by modifying the number of registered voters in order to favor Santos' candidacy, these were quickly dismissed by the National Electoral Council.

Elected rulers basically have the effective power to govern, though in rural areas illegal armed actors, landowners, drug traffickers and business groups often have close ties to politicians and hold a de facto veto power. Additionally, abuses and extralegal executions by members of the armed forces – while not as common as those committed by illegal groups – receive substantial press coverage. In the well-publicized “falsos positivos” (false positives) scandal, for example, members of the armed forces killed civilians in order to present them to their superiors as FARC members in exchange for material benefits. The informal veto power held by business organizations is a prominent feature of the Colombian political system. Electoral provisions establish a mixed system of campaign funding, with both the state and individuals able to finance political campaigns. Private interests are sometimes able to influence political decision-making, redirecting it toward the attainment of particular goals. As a result, private interest groups or individuals are able to block or substantially modify proposed laws or regulations that negatively impact their interests. According to a study by Transparency for Colombia and the University of Stockholm published in November 2009, 15.8% of firms that sponsor a campaign do so because they expect something (material) in return. The Santos government proposed an anti-lobbying law designed to reduce opportunities for corruption, but also to fill a legal void given that there is presently no law or any other legal instrument regulating the lobbying activities of individuals and firms.

Effective power to govern

6

The 1991 constitution guarantees association and assembly rights. There are no legal restrictions on the formation of political parties, NGOs or interest groups, and the Constitutional Court upholds the exercise of these rights. However, members of trade unions, members of indigenous organizations, women activists and others have frequently been killed or displaced by illegal armed groups. According to Luis Vanegas, director for human rights of the United Workers Central (CUT), one of the country's largest trade unions, 38 union members and 16 teachers were killed in 2010. He also claimed that 586 union members were killed under the Uribe government. Between 1986 and 2010, 98.5% of such crimes (estimated to include the deaths of at least 2,800 union members and teachers, with 190 still missing) went unpunished as a result of the structural and contextual problems faced by Colombia's justice system. Multinational firms, notably the Drummond Company, a coal-mining firm based in the United States, are alleged to have ties to crimes against union members. Paramilitary organizations and other extreme-right armed groups often justify their killings of union members by saying they are “anti-

Association / assembly rights

7

subversion” measures. The protection of leading trade union members has been a recurrent topic in the context of the free trade agreement between the United States and Colombia, signed in 2006 but not yet ratified by the U.S. Congress due to the Democratic Party’s concern for the well-being of trade union members.

Protections for the freedom of speech and the freedom of expression are fragile. Catalina Botero, special rapporteur for the freedom of expression at the Inter-American Commission on Human Rights (IACHR), said on 16 April 2010, that death threats, stigmatization and spying on journalists by state agencies had led the country to a “red-alert status,” stating that Colombia is close to being added to the list of countries where “you can hardly say that there is freedom of expression.” In 2010, three journalists were killed in Colombia, according to The Press Emblem Campaign.

Freedom of
expression

6

Freedom of expression is threatened by state as well as non-state actors. *Semana*, a weekly newsmagazine, revealed in December 2009 that the Department of National Security (DAS) had produced a detailed manual of techniques for spying on and intimidating journalists or other individuals considered to be a nuisance or destabilizing element for the government. Illustrative in this regard is the case of Claudia Duque, who produced an investigative report on the murder of another journalist in 1999. In October 2009, it was discovered that the DAS had infiltrated her personal security plans as long ago as 2004, instigating her bodyguards to pass on her personal information to the agency. Duque and her daughter received death threats, apparently made by DAS employees. The manual revealed by *Semana* was allegedly based on the methods used to harass Duque, and which were later employed to intimidate other journalists and activists.

The actions of illegal armed groups are also a threat to the freedom of expression. On 11 October 2009, Erwin Hoyos, who had been actively campaigning for the immediate release of kidnapped policemen, soldiers, and noncombatants, had to leave the country. Reportedly, the FARC had devised a plan to kill him. On 19 March 2010, Clodomiro Castilla, director of *El Pulso del Tiempo* magazine, was murdered in Montería by unidentified gunmen. He had received a large number of death threats between 2006 and 2009, and had thus been granted government protection. However, the government decided in November 2009 that he was no longer at serious risk, and withdrew its protection. His magazine had vigorously condemned the ties between local politicians, landowners and paramilitary groups in northern Colombia. His family was forced to leave the city after his assassination.

3 | Rule of Law

The separation of powers is generally in place and functioning in Colombia. Partial or temporary restrictions of checks and balances occur, but the restoration of balance is typically sought. There is an ongoing conflict between the executive and the judicial branches of the Colombian state. The conflict has its roots in 2006, when the Supreme Court of Justice accused Uribe of colluding with the Constitutional Court in order to give the latter supreme authority over the writ of tutelage. Uribe responded that the Supreme Court was delegitimizing democracy and lying, thus opening the first episode of the quarrel between the executive and the judiciary. This feud has mainly centered on the question of jurisdiction over certain matters (extradition, appointments, etc.).

Separation of powers

6

The election in 2009 of the new attorney general, one of the most important public offices in Colombia, opened another chapter in this conflict. According to the constitution, the president must send a short list of lawyers to the Supreme Court of Justice as candidates to fill this office. The court's magistrates are meant to review the list and then vote for one of the named candidates. In August 2009, President Uribe sent his list to the Supreme Court. The court, however, rejected it, arguing that all candidates were unsuitable for the position. Among the reasons cited were their lack of experience, their absence of independence from the executive, ethical considerations, and most importantly, the fact that none was a criminal justice lawyer. The latter is an important point for the Court, because it considers that the recent National System of Prosecution (in place since 2005) obliges the attorney general to be a penal law practitioner. Uribe argued that in creating additional requirements for the position, the court was exceeding its authority and violating the constitution. On 2 June 2010, the president of the court stated that the court would not bow to the government's pressure. However, the situation drastically changed after the inauguration of Juan Manuel Santos as president in August 2010. Santos decided to change the list of names on 4 November 2010, after consultations between the interior minister and members of the Supreme Court. On 1 December 2010, the court decided that Viviane Morales would be the new attorney general, the first woman to be elected to the post.

The judiciary is largely independent, but suffers repeated assaults from two sides: illegal armed groups (guerrilla groups, paramilitaries and petty criminals), and, surprisingly, the government. Historically, guerrilla and paramilitaries have been able to undermine the already weak foundations of the judiciary in Colombia. Many judges, detectives, prosecutors and other officers of the law have been murdered. Others have been bribed, thus impairing their impartiality. Even though illegal armed group activity has diminished as a result of the improvement in security since 2002, there were still several instances during the period under review in which the

Independent judiciary

6

independence of the judiciary was assaulted. For example, Albeiro Fraija Pedrozo, a detective belonging to the Technical Investigation Team of the Attorney General's Office, was murdered on 5 December 2009. According to press reports, Fraija was killed by Los Paisas, a newly-created ECB, as retaliation for the capture of the son of a former paramilitary commander. In addition, there are allegations that some judges were bribed by these groups.

Frequent scandals have strengthened the belief held by many people and pundits that the judiciary is a corrupt and biased institution, with the goal of destabilizing democracy and protecting guerrilla groups and paramilitaries. This belief was also held by parts of the government. The "chuzadas" scandal represented another chapter in the long-standing confrontation between the Alvaro Uribe government and the Supreme Court of Justice. Uribe's government did not trust the court, suspecting that there were judges collaborating with illegal groups.

Officeholders who break the law and engage in corruption are increasingly often prosecuted under the law, but corruption is still a persistent attribute of Colombian politics. Some state agencies are plagued by corrupt practices, mishandling of resources and nepotism, among others means. Moreover, many local politicians employ illegal methods to win election to public office. Seeking to address these abuses, some entities including the Supreme Court of Justice and the Auditor General's Office took a proactive role in 2009 and 2010.

The Supreme Court of Justice took an active role in the "parapolítica" scandal. On 19 September 2009, the judiciary declared it had legal jurisdiction over several criminal proceedings against congressmen and governors implicated in the scandal. On 1 October 2009, the court ordered the arrest of Fabio Arango, a congressman, based on accusations of corrupt practices. Additionally, on 17 November 2010, the court upheld a decision to keep Yidis Medina in prison. Medina is a former member of Congress accused of having received bribes by some of President Uribe's ministers in order to approve the president's reelection in 2005, a scandal called "yidispolítica" by the public. The auditor general also took a leading role in the struggle against corruption. On 21 June 2009, he announced that his office was investigating 28 governors, who might have diverted \$12 billion in royalties derived from the exploitation of natural resources. He also stated that 70% of Colombia's mayors were being investigated. Of this group, 78% had allegedly engaged in irregular practices of project adjudication. As a result of the "yidispolítica" scandal, the Auditor General's Office barred former Minister of the Interior Sabas Pretelt de la Vega from holding public office for 12 years.

However, despite the recent avalanche of legal investigations, many corruption cases continue to go unpunished. In November 2010, *Semana* published a list of the most serious cases of government corruption, ranging from fraudulent land titles given by the state to paramilitary group leaders and drug dealers to the devolution

Prosecution of
office abuse

5

of seized property to mafia leaders. For example, the National Narcotics Directorate, in charge of 76,000 houses, buildings and other real estate items seized from illegal organizations, was described as a “playground of the mafia” by its incoming director, Juan Carlos Restrepo.

Civil rights are not fully respected in Colombia. As a consequence of the armed strife, the country has among the world’s highest rates of homicides, internal forced displacement, and human rights violations. In drug-producing regions, illegal armed groups systematically violate civil rights. Nor does the government have an unblemished record when it comes to the respect for civil rights.

Civil rights
5

Homicide rates declined from 66.2 murders per 100,000 inhabitants in 2001 to 39 murders in 2010. President Uribe’s “democratic security policy” allowed the state to push subversive groups back toward the southern jungles and the frontier regions. However, criminality still abounds in several cities and municipalities. Security in rural areas remains a problematic issue. On 16 November 2010, Ombudsman Volmar Pérez expressed his concern over the upsurge of massacres in towns in the departments of Córdoba, Arauca, Nariño and Norte de Santander. These departments are strategic corridors for drug transport and production, prompting ECBs and guerrilla groups to struggle among themselves for control.

Internal forced displacement is another expression of the armed conflict and of the violation of civil rights. According to the United Nations High Commissioner for Refugees, Colombia has 3.5 million displaced people, the second-highest such number worldwide after Sudan. The high number of internal refugees has overwhelmed the government, and many of them have no access to social security, health care or education. The incidence of kidnapping has diminished in recent years. Nonetheless, soldiers, policemen and other individuals remain under threat from the guerrilla and paramilitary forces. The FARC has used captured individuals, especially politicians and members of the armed forces, as tools to exert pressure during negotiations with the government. The so-called humanitarian exchange, in which the government and the FARC are supposed to trade prisoners, is a contentious issue in Colombian politics. The “falsos positivos” scandal was the most flagrant recent violation of civil rights committed by the armed forces. As of the time of writing, 28 soldiers were being prosecuted by the Auditor General’s Office, 11 more were in prison and 803 investigations were underway.

The Constitutional Court ruled on 17 November 2010 that internal refugees and victims of forced disappearance must be included in the emergency and support plans devised by the government. However, there are several issues preventing the access of victims to justice and compensation. Byzantine bureaucratic procedures, widespread public ignorance of its rights, and corruption are significant obstacles for the victims of violence and their families. The Law of Victims proposed by the Santos government aims at correcting these problems. The law has four principal

aspects: health care and education, debt relief, land restitution and the creation of a National System of Comprehensive Care and Reparation for Victims. Reparations for victims are supposed to be achieved within 15 years after the law's approval by Congress.

4 | Stability of Democratic Institutions

The functioning of democratic institutions in Colombia is sluggish and characterized by frictions between state powers. Congress and the judiciary are rather slow-moving organizations. This is true of the legislature because of parliamentary intrigues, willful blocking of government initiatives and multiple scandals. Judicial sluggishness is attributable to the structural and environmental challenges. Finally, the executive when led by former President Uribe added even more friction to the fragile relations between state powers.

Congress' slow operations are widely considered a feature of its inefficiency. Recently, discussion of a proposed Anti-Corruption Statute, a key element of President Santos' reform agenda, was blocked by the Conservative Party, a member of the government coalition. Political commentators noted that this might be a consequence of the restructuring of some state agencies, a process that left conservative political leaders without prominent public offices. The sluggishness of the judiciary is also a significant problem. On 17 January 2010, 17 soldiers accused of being involved in the "falsos positivos" scandal were freed after 209 days without trial. The victims' families criticized the efficacy of justice. Criminals caught in the act are often set free because of bureaucratic procedures, leading the police to publicly question the effectiveness of the judiciary. Trials are lengthy processes, and impunity prevails (in cities such as Bogotá, it is reported that impunity rates are as high as 97%; that is, only three of every 100 complaints are actually resolved). The strong popularity of the Uribe government has allowed the executive to clash openly with legislative and judiciary powers without fear of public disapproval.

The majority of political actors accept democratic institutions as legitimate. However, the main problem is the institutions' flawed design and function, rather than their acceptance by social and political groups. Guerrillas, as an exception, do not consider the current political structure as legitimate or representative, and thus fight militarily for its collapse. Their power is a threat to the existence of current democratic institutions, insofar as they have destabilized and weakened them. Right-wing paramilitary groups and ECBs have also undermined the legitimacy of some institutions (as shown by the "parapolítica" scandal in Congress). Finally, some actions or statements of the Uribe administration can be interpreted as a lack of commitment to democratic institutions.

Performance of
democratic
institutions

6

Commitment to
democratic
institutions

6

5 | Political and Social Integration

The Colombian party system is highly fragmented and personalized, and characterized by a weak capacity to aggregate societal interests. The electorate tends to be ill-informed and somewhat apathetic. As a result, legislative elections almost never evoke the interest and public attention that presidential elections have; general disaffection with political parties is a trait of Colombian politics. Illegal armed groups' infiltration into and influence over political parties undermined their reputations and their ability to serve as vehicles of popular expression. However, the Green Party tapped into this disaffection during the 2010 elections and was able to achieve some electoral success.

The fragmentation of the party system is rooted in the decentralization of traditional parties after 1990. Candidate-centered groups replaced programmatic considerations and traditional allegiances. These parties often had short-lived political participation and volatile electoral support, even when backed by the traditional parties (the Conservative Party and the Liberal Party). Clientelism is a widespread phenomenon, leading to networks of candidate-centered movements and associations without societal support or programmatic objectives. Illegal armed groups seized the opportunity offered by the disintegration of the traditional parties and since 2002 have been able to infiltrate campaigns, negotiate electoral support and engage in fraudulent practices. The “parapolítica” scandal is a result of the excessive personalization of the party system and its multiple vulnerabilities, especially in rural areas. The disintegration of the Liberal and Conservative parties ran in parallel to the ascendance of new political forces espousing the ideology of President Uribe (“uribismo”), mainly the Party of the U and Cambio Radical, the latter of which defected from the government’s coalition in 2005. The Conservative Party moved to fill its place in 2006, aiming to capitalize on Uribe’s popularity, and won several seats in the 2010 legislative elections. The 2010 legislative elections were a clear victory for the “uribismo” movement, with the Party of the U and the Conservative Party outnumbering the combined forces of the left-leaning Polo Democrático Alternativo (PDA), Cambio Radical, the Liberal Party and the Green Party.

However, party discipline does not properly function. On 19 June 2009, Congress approved a political reform proposal (introduced by the Uribe government) which allowed congressmen to switch parties without any kind of penalties or restrictions, a tactic which enabled opportunistic behavior and benefited the government when 10 congressmen subsequently switched to the government’s party (Party of the U) before the 2010 legislative elections. An additional five legislators switched to the Conservative Party.

Party system
5

Collective action is still a difficult endeavor in Colombia due both to security concerns and many groups' lack of internal cohesion, factors which together prevent the aggregation and mediation of diverse interests. The country has a variety of interest groups, ranging from trade unions and peak business associations (gremios) to indigenous and Afro-Colombian groups, and to local NGOs and social movements. There is no widespread mobilization of nationalistic or ethnic interests. However, many groups lack the visibility or the resources needed to mediate effectively between society and the political system. Trade unions collectively bargain with the government over the issue of adjusting the minimum wage. However, they act separately the remainder of the time, often expressing conflicting interests and preferences. Social movements are vibrant, but often have an unstructured, spontaneous character. For example, indigenous groups staged various protests in 2009. They marched from different regions of the country to the capital city protesting against the violent actions committed by legal and illegal armed forces. But after the demonstrations and some conversations with government officials, the group in charge of the collective action, called "minga," quickly fell apart.

Interest groups
6

According to the LAPOP survey, Colombians mostly approve of democracy but are dissatisfied with its functioning. In the most recent survey, 72.3% of interviewees agreed with the statement that "democracy is preferable to any other kind of government," 60.5% of respondents felt proud of the country's political system (one of the Latin American region's highest levels), and 60.3% supported the current political system (compared to a continental average of 53.9%). Approval of the idea of democracy remains fairly deeply embedded in Colombia's political culture. Some of its main elements are questioned, but prospects for a radical change in terms of the public's political principles are slim. However, Colombians are unhappy with the functioning of democracy. Just 51.9% are satisfied with its current operation, putting the country slightly below the Latin American average (52.4%). Since 2004, satisfaction with democracy has remained almost unchanged, ranging from 50.8% (in 2007) to 51.9% (in 2004 and 2010). Worryingly, the survey finds that Colombia is one of the countries in the Americas where undemocratic attitudes are most tolerated: 42.6% support the establishment of restrictions for the opposition (the average is 36.26%), and 43.6% agree with the statement that "those who are not with the majority are a threat" (the average is 37.32%).

Approval of
democracy
6

Trust between citizens in Colombia is higher than in other Latin American countries, according to the LAPOP survey. In the survey, 45.6% of interviewees said they saw their community as "somewhat trustworthy," 25.6% as "quite trustworthy," 21.5% as "barely trustworthy," and 7.3% as "not trustworthy." Additionally, 62.8% of Colombians hold some degree of interpersonal trust, thus ranking the country at third place in South America (behind Uruguay and Chile). Since 2004, levels of interpersonal trust have remained fairly constant. In terms of

Social capital
5

voluntary associational activities, many people tend to be rather passive (see Interest groups), even though there is a considerable number of organizations and associations, mainly operating in urban areas. In the LAPOP survey, 29.5% of interviewees had participated in community activities such as helping to solve problems in their neighborhood during the previous year (South America's average is 34.2%). Only 7% of respondents participated in a protest or demonstration during 2009, meaning that protests and demonstrations were restricted to specific social sectors (students, trade unions, victims, etc.) while the average Colombian hardly participated.

II. Economic Transformation

6 | Level of Socioeconomic Development

Colombia's Human Development Index (HDI) score for 2009 was 0.689, below the Latin American average of 0.706. Colombia has improved its HDI scores during the last 10 years, even though at a slow pace. It is worth pointing out that since the HDI's inception in 1990, Colombia has never surpassed the region's average, despite gradually closing the gap since 2000. Poverty levels have fallen steadily since 1995, according to World Bank data. In 1995, 60% of the total population lived below the poverty threshold, as compared to 45.1% in 2006. Yet rural zones in particular continue to lack access to some public and basic services. Poverty is still a chronic feature of Colombian society. In 1990, 68% of the rural population had access to potable water; in 2008, that number slightly rose to 73%. A deconstruction of the HDI shows that the country performs relatively well in health care, but has lackluster scores in education and income-related matters.

Poverty often prevents youngsters from attending higher or technical education. The minister of education said in November 2010 that 45% of students enrolled in higher education programs drop out before graduating. Many have to work in order to support their families. Almost \$120 million in government investment is lost every year as a result of high school dropouts. In terms of income inequality, the most recent Gini coefficient for Colombia is 0.56. The poorest 10% of the population possesses just 0.8% of national income (2006 data). For the poorest 20%, the percentage increases marginally to 2.3% of total income.

Question
Score

Socioeconomic
barriers

5

GDP	\$ mn.	207410.7	244645.7	235836.6	288189.0
GDP growth	%	6.9	3.5	1.5	4.3
Inflation (CPI)	%	5.5	7.0	4.2	2.3
Unemployment	%	10.3	11.4	12.0	-
Foreign direct investment	% of GDP	4.4	4.3	3.0	2.3
Export growth	%	6.9	6.1	-2.8	1.2
Import growth	%	14.0	8.8	-7.9	18.1
Current account balance	\$ mn.	-5977.1	-6822.8	-5010.7	-8855.0
Public debt	% of GDP	32.7	31.0	36.2	36.5
External debt	\$ mn.	43696.9	46428.3	52119.9	63064.1
Total debt service	\$ mn.	8635.1	7905.3	8826.3	9780.6
Cash surplus or deficit	% of GDP	-1.8	-6.8	-4.0	-
Tax revenue	% of GDP	13.6	12.3	11.8	-
Government consumption	% of GDP	15.5	15.3	15.8	16.2
Public expnd. on edu.	% of GDP	4.1	3.9	4.8	-
Public expnd. on health	% of GDP	6.1	5.9	6.4	-
R&D expenditure	% of GDP	0.16	-	-	-
Military expenditure	% of GDP	3.3	3.6	3.7	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Market-based competition is at the core of Colombia's economy. There are several institutions that oversee the market, such as the Superintendence for Industry and Commerce, as well as several laws regulating it. According to the World Bank's Doing Business 2010 report, Colombia is ranked at third place in South America, behind Mexico and Peru, in terms of the ease of doing business. The report notes that Colombia has been one of the top 10 economies in terms of reform progress for three consecutive years. Since 2005, the country has simplified the registration of property, the opening and closing of businesses, construction permits and other tasks. The indicators also reflect the country's adoption of best practices, thus

Market-based
competition

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boosting its economic attractiveness. For instance, it takes just 12 days to register property, eight days to start a business, and 38 days to open a warehouse.

However, several problems still plague the country's economy. Competitiveness is not distributed equally throughout the territory. The lack of coordination between the national and the local levels hampers competitiveness and economic development. In the World Economic Forum's (WEF) Global Competitiveness Report for 2010 – 2011, Colombia is ranked at 68th place (out of 139 countries). The country is praised for the quality of its macroeconomic environment, large market size and rather sophisticated businesses, but is hamstrung by ongoing concerns over security and weak institutions. The WEF report also states that further investment is required to upgrade infrastructure networks to first-class standards, while noting that factor markets continue to suffer from extensive inefficiencies and rigidities, particularly the goods market. Corruption, tax rates, access to financing, inefficient government bureaucracy and an inadequate supply of infrastructure are some of the main obstacles the country currently faces.

The large size of the informal sector is worrisome, too. According to ECLAC data, Colombia has the highest rate of informal employment in South America, ranging from 40% to 60% of total employment. Underemployment, on the other hand, rose between 2009 and 2010: In 2009, 29.4% of people reported being underemployed, while by 2010, this number rose to 33%. This situation negatively influences productivity, as noted by the private Council of Competitiveness. This group's 2010 – 2011 report indicates that 64% of the country's firms do not meet taxation, labor or commercial requirements set by law; moreover, 61% of employees do not contribute to the social security system.

The legal framework for Colombia's anti-monopoly policy dates back to 1959. The Superintendence of Industry and Commerce is in charge of preventing monopolies, predatory pricing and other market abuses. Other institutions such as the Telecommunications Regulatory Commission (CRT) are sector-focused, but undertake investigations jointly with the superintendence. Broadly speaking, these institutions satisfactorily identify and prevent the uncontrolled expansion of cartelistic structures. However, there are sectors and economic activities where monopolies are allowed by law, as in the banking sector and professional sports, among others.

Natural monopolies are regulated by law, and there are several provisions aimed at containing consumer abuse or excessive concentration of market power. Nonetheless, some cases have attracted public attention, and the concentration of market power is a looming threat in some sectors of the economy. In the case of coal mining, the multinational company Drummond announced in November 2010 its intention to sell assets. The media reported that if Glencore or Xtrata, dominant players in the coal mining market in Colombia, sought to buy Drummond's assets, a

Anti-monopoly
policy

7

monopoly might emerge: 38% or 42% of Colombia's coal production would be dominated by the buyer of Drummond's assets, depending on the buying firm. In fact, mergers and acquisitions in the mining sector have been common, with many small firms absorbed by large companies since 2007. Some sector-focused regulatory organizations are accused of favoring specific individuals or firms, as shown by the protest against the National Commission of Television's September 2010 decision to maintain a law that financially benefited a single individual, a friend of two former members of the commission.

The liberalization of foreign trade was the cornerstone of the economic reforms that began in 1990 under the government of Cesar Gaviria. Tariffs were drastically reduced and imports were liberalized to a large extent. According to the WTO, the country's weighted average tariff as of 2009 is 11.4%. There are few duty-free imports, and the agricultural sector is relatively protected through differentiated tariffs. For instance, the data show that the majority of agricultural products have a relatively high import tariff: 63.2% of all products face a tariff of 10% to 15%, while 24.7% of all products have a tariff of 15% to 25%. Nonagricultural goods are more liberalized: The largest share of products are subject to a 0% to 5% tariff (for 38.3% of all items), followed by a tariff of 10% to 15% (for 22.4% of all products). However, loose regulations, uncertainty about intellectual property rights and market access, among others, add to the cost of trade. Security issues and the inadequacy of infrastructure also hinder the further development of foreign trade.

Colombia's foreign trade strategy is based on export-oriented growth, helped by various instruments and policies. While some policies have survived from the previous era of import substitution, others are more recent and ad hoc, depending on market conditions and constraints. These include the adjustment of tariffs, loans for non-traditional exporters, and other such measures. There is a traditional pattern in the country's foreign trade structure: Value-added goods are usually imported, and raw materials and commodities exported. Remarkably, imports from China grew by 43.3% in 2009, while Colombia maintains a trade surplus with the United States, the Netherlands, Venezuela, Ecuador and Peru, and a trade deficit with Mexico, China, Germany and Brazil.

The Uribe and Santos governments both have promoted free trade agreements with several countries. However, the agreement with the United States signed in 2006 has still not been ratified by the U.S. Congress. Meanwhile, Colombia has tried to secure the yearly renewal of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) of 1991, which unilaterally grants duty-free access for 6,000 Colombian products to the U.S. market. In April 2011, U.S. President Barack Obama stated that he was going to present the free trade agreement with Colombia to the U.S. Congress; at the time of writing, the ATPDEA agreement is no longer applied by the U.S. economic authorities. Colombia also signed a free trade agreement with the European Union in May 2010, which will replace the Generalized System of

Liberalization of
foreign trade
7

Preferences Plus (the European counterpart of the ATPDEA). However, the ratification of the treaty by the European Parliament is still pending. Once the agreement is ratified, 99.9% of Colombia's exports to the European Union would be duty-free. Agricultural products such as bananas (today the source of contention between Colombia and the European Union, resulting in an official WTO complaint by Colombia in 2007) would also receive preferential access to the EU market. Additional free trade agreements are currently being negotiated with Singapore, South Korea and Panama.

Banks are the most important financial intermediaries in Colombia. The banking system was consolidated after the 1999 economic crisis, an event that led to one of the worst economic downturns in the country's history. Business confidence, growing purchasing power, a deepening of new financial instruments (e.g., microfinance), and the implementation of international recommendations, specifically the ones contained in the IMF's 1999 Financial Sector Assessment Program, have driven the banking sector toward modernization and stabilization.

Colombia has several laws regulating the banking system: The capital-adequacy ratio per bank must at least be 9%, a higher percentage share than in Chile or Mexico but lower than in Argentina or Brazil; credit loans are classified within five categories according to their probabilities of becoming nonperforming; and contributions to the Fund for Solidarity and Guarantees for Financial Institutions (FOGAFIN), which protects depositors against bankruptcy, are mandatory. Since 2005, the Financial Superintendence has supervised compliance with these regulatory requirements, and frequently engages in policies aimed at eliminating behaviors deemed abusive. Disclosure rules are usually observed, but banks and other financial institutions must also provide the judicial authorities with information when asked. This policy is used to fight against money laundering and organized crime.

According to the IMF, the country's financial system did not experience major strains related to the global crisis, as capital adequacy remained strong and nonperforming loans increased only slightly. The capital-adequacy ratio was above the average of both emerging markets and a sample of 21 investment-grade emerging countries. The ratio is now higher than in 2004. However, the IMF also noted that a larger store of foreign reserves would be desirable for the country: Colombia's reserves are barely worth five months of imports, compared with 10 months for Argentina and Uruguay, countries also classified as "below-investment grade." Colombian banks tackled the financial crisis through a process of capitalization: on February 16, 2010, banks reported that their profits rose by 12.6%

in 2009. On 26 November 2010, the Financial Superintendence reported that

financial institutions as a whole registered profits of \$6.78 billion. The bank capital-to-assets ratio increased to 15%, well above Latin America's average of 10%.

8 | Currency and Price Stability

Colombia uses inflation targeting, which has in fact been quite successful. The central bank (Banco de la República) is formally independent from executive control under the 1991 constitution. It is the institution in charge of monetary, credit and exchange rate policies. However, the central bank is required by the constitution to work in collaboration with the government to ensure economic growth and stability. Annual inflation has been low: The inflation rate was 6.6% in 2008, 5.5% in 2009, and was projected to be 3.2% in 2010. In January 2011, the central bank announced that the inflation rate was in fact 3.17% during 2010. For 2011, the central bank has set a target between 2% and 4%. The bank's board of directors has noted that a 3% rate might be plausible for 2011.

However, the appreciation of the local currency has been a major concern for Colombia's exporters, the central bank and the government, as well as a factor driving the increase in external debt. Between January and October 2010, the peso appreciated by 8.9% vis-à-vis the dollar and by 8% vis-à-vis the euro. The global weakening of the dollar and the continuous flow of foreign direct investment to Colombia since 2007 are the principal causes behind the peso's strong appreciation. The government and the central bank together have taken various measures seeking to counter the peso's appreciation, but have largely failed to arrest the trend. Most experts agree that public spending must be trimmed and private external indebtedness reduced in order to achieve exchange rate stability at a sustainable level. International financial obligations of private firms grew by 39% as of August 2010, while these obligations grew by only 2.6% for the public sector. Private firms, drawn by low interest rates in Europe, Japan and the United States, as well as by the appreciation of the peso, avidly sought foreign credit and loans. This drove up the country's external debt, which now stands at \$31.7 billion or 21.3% of GDP.

Colombia has a stable macroeconomic environment, even though some problems remain. The overall fiscal deficit rose from broad balance in 2008 to 2.8% of GDP in 2009, while the structural deficit deteriorated from 1.2% of GDP in 2008 to 2.2% in 2009. For 2010, the IMF expects a 3.5% deficit. Colombia's public debt amounted to 34.1% of GDP in 2009, and 33.6% of GDP in 2010. However, there are additional financial pressures by state firms such as the national oil company Ecopetrol that will affect public finances in the short and medium term. During the Uribe administration, high military spending and pension payments were among the state's main economic burdens. On the other hand, the constitution requires the

central government to transfer royalties to the regions where natural resources are

Anti-inflation /
forex policy

9

Macrostability

8

exploited. This amount cannot be reduced, and thus represents an inflexible component of public spending.

On 7 July 2010, the Ministry of Finance announced that the government would present a project based on a “fiscal rule” to Congress, whereby surpluses derived from oil revenues would be used to pay the public debt, savings would be encouraged in order to fund investments during harsh economic times, and the tax structure would be severely reformed. The Santos government adopted the “fiscal rule” initiative, which as of the time of writing was being discussed by Congress along with a law seeking to redesign royalty allocations. The latter has been fervently opposed by some resource-rich municipalities and regions, given that the law requires spending to be focused through the creation of several funds. To date, regions have had a relatively free hand in deciding how to invest the royalties. However, corruption has often prevented the execution of sanitation, health care and infrastructure projects, thus keeping poverty levels in resource-rich regions rather high.

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, benefits, use and sale of these rights are generally well defined and properly enforced by government authorities. In rural areas, however, internal conflict has undermined the protection and usufruct of property rights. This is particularly acute in resource-rich zones, where land is well-suited to the large-scale production of narcotics. Armed conflict has led to forced displacement in rural areas: Many indigenous and Afro-Colombian groups have had their property forcefully seized by subversive actors (guerrillas and paramilitary organizations). In the Choco department, Afro-Colombian communities lost their ancestral territories, which are now used to produce drugs and are strongholds for criminality. The government has passed several laws aimed at addressing this problem (notably Law 70 of 1993), but land is still highly concentrated in the hands of illegal groups and their allied landowners.

According to the Committee for the Monitoring of Forced Displacement Policy, 6.6 million hectares in Colombia have been abandoned or seized by illegal groups since 1990. The Santos government has decided to tackle the issue by restructuring the flawed legal framework. The so-called Law of Land and Victims aims to provide restitution for displaced people, democratize rural property, and simplify the process by which owners can demonstrate their title to land. At least 2 million hectares must be returned to those who were dispossessed of their lands. The government has also promised to speed up the process of land restitution for properties already seized from illegal forces (789,000 hectares), considering that a

Property rights

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mere 2% of properties have actually been returned to peasants, and that one-third of the land has had to be returned to those from whom it was seized.

The Uribe government considered private companies to be important engines of economic production, and aimed to simplify the process of opening and closing a firm. According to the World Bank's Doing Business 2010 report, in July 2007, it took 19 procedures, 32 days and expenditure of 38% of the country's per capita income to open a new business. Today, the report states that among the 21 Colombian cities studied, starting a business on average takes 10 procedures, 20 days and costs 16.3% of the national per capita income. Private enterprise has been supported by tax cuts, a stable macroeconomic environment and security improvements, rendering Colombia one of the most investor-friendly countries in South America. Nevertheless, an average Colombian city would rank 80th out of 183 economies analyzed by Doing Business with regard to the ease of opening a business. In addition, there are huge regional disparities attributable to varying institutional frameworks and performances. Legal requirements are not uniformly adopted, resulting in cumbersome processes that drive some entrepreneurs toward bribery.

Private enterprise
8

Privatization in Colombia has generally been conducted on a market basis. However, privatization is a contentious issue in Colombian society and politics, with high-profile deals (e.g., water or health care firms) often contested more than others. After coming to power in 2002, the Uribe administration privatized a number of public enterprises, seeking to reduce the country's fiscal deficit and public expenditure level. Water and telecommunications functions, among others, were privatized over the protests of trade unions. On 11 February 2010 President Uribe declined to privatize public hospitals – a controversial topic in Colombia given the constraints faced by health entities and uncertainty over treatments.

10 | Welfare Regime

There are some social safety nets in Colombia which compensate for the social risks of the economic system. After the economic reforms of the early 1990s, health care and pensions can be provided by both the private and public sector, and in recent years the government has developed focused programs to alleviate poverty. Nonetheless, the current welfare panorama is rather bleak. Funding constraints, insufficient health coverage and the need to reform pension structures are among the issues plaguing the country's welfare system.

Social safety nets
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Law 100 of 1993 created private health care entities (Entidades Promotoras de Salud, EPS), and divided the system into contributory and subsidized regimes. The contributory regime is made up of people who are able to afford the costs of health care provision. The subsidized regime (covering 23 million people) is made up of

poor and disadvantaged people, and is funded by the government and those in the contributory regime. The law also established a basic set of medicines and services for each system (Plan Obligatorio de Salud, POS). However, legal decisions have in recent years dramatically increased the number of basic services for each regime, as well as the costs incurred by the EPS. In order to support this increase, the entities have resorted to the Fondo de Solidaridad y Garantías (FOSYGA), a state fund which subsidizes each EPS in the amount of the additional costs created by the rulings. A considerable financial strain was thus put on both the EPS system and the FOSYGA, and the welfare regime entered into a state of financial crisis in 2009 and 2010. The Uribe government issued several decrees and declared a state of “social emergency” in January 2010. Amid a climate of social protest, the Constitutional Court declared the government decrees to be unconstitutional. Little has changed since that time, and health care provision is still deficient, centered in cities and urban zones, and marred by corruption in its administrative processes. Public hospitals are nearly bankrupt. Of the 23 million people covered by the subsidized regime, only 18 million actually benefit from it.

Pensions are also divided into two regimes: public and private. Public pensions are funded by the government, and private pensions combine a pay-as-you-go system (regimen de prima media) and a capital-based scheme (administered by many pension funds). Given that the law mandates a minimum pension, the state is bound to pay a minimum amount even to those who have not contributed to the system, creating another fiscal burden. On the other hand, there are many special conditions. As a result, there are many disparities with regard to the age of retirement, funding, contributions, and other details. Widespread uncertainty best describes the “pension bomb” diagnosed by many analysts and authorities. According to the minister of social protection, 80% of state pension subsidies benefit just 20% of pensioners, and 7.5% of the country’s tax income is used to pay the pensions of only 200,000 people. This means that barely 0.44% of poor and pensioned Colombians are actually supported by the government. Therefore, inequality is the most prominent feature of pension arrangements, considering that the loopholes within the public sector (people retiring early with outsized pensions) and the lack of adequate regulation further add to the danger of an already large “bomb.” Corruption within the pension administration system is also frequent (e.g., pensions granted when recipients do not meet requirements, or on other fraudulent bases).

Finally, there are other social safety nets. For instance, Familias en Acción, a program sponsored by the Presidential Office and its agencies, provides conditional cash transfers to poor families. Unfortunately, these programs also have their own share of problems. In remote regions of the country, the lack of regulation likely enables social programs to be utilized for political purposes. Other social safety nets include the CPE, defined as business organizations whose members are simultaneously managers, economic contributors and providers of labor. In return,

they receive access to credit, job opportunities and other benefits. According to the Superintendence of the Solidarity Economy, there are 4,111 CPE in Colombia with a total 600,000 members, mainly medical workers, peasants and agricultural laborers. Nevertheless, only 2,230 associations actually contribute to social security. As a result, the CUT has consistently voiced concerns over perceived violations of workers' rights, given that CPE do not pay Christmas bonuses, provide vacations or health care, or cover legal expenses.

Colombia is one of the most unequal countries in Latin America. In legal terms, the country has provisions forbidding and punishing exclusion, the 1991 constitution prohibits discrimination based on race, gender, religion, language, opinion and other potential cleavages, and provisions exist that aim at the inclusion of indigenous groups and Afro-Colombians, such as guaranteed seats for these groups in Congress. However, enforcement of these laws is a problem. As a result, a persistent level of inequality is embedded in Colombian society.

The situation of women is illustrative, given that their representation in societal and political spheres is still highly unequal. On the one hand, women have no formal access barriers to education; since 2002, more women than men have finished undergraduate programs. But job opportunities tend to be difficult to come by for women: The most recent data collected by the World Bank (2008) shows that the female unemployment rate averaged 14.5%, nearly double that of males. In addition, 46% of jobs held by women are considered vulnerable. The 2010 Global Gender Gap Report ranks Colombia at 55th out of 134 countries, with a 0.693 coefficient. The report also ranks the country relatively poorly (83rd place) in terms of the political empowerment of women. Law 581 of the year 2000 mandates that 30% of all public offices, including management and leading positions, must be held by women. However, at the time of writing, only seven of 32 departmental governments were led by women (21.8%); the judicial and legislative branches have failed to meet the quota as well (with an average of 25%), though the executive has exceeded its quota under the law (40%).

Young people also have unequal access to opportunities, with unemployment being a key concern. The Colombian Statistical Office reports that young people (14 – 26 years) show an unemployment rate of 21.4%, double the country's average and the second-highest such rate in South America. President Santos presented a project to Congress on 19 August 2010 (Law of the First Employment) which proposes tax cuts for small and medium-sized firms that employ young people, implements apprenticeship contracts, contains processes for labor formalization and reforms labor regulations, among other components. The law aims to create 2.5 million jobs and to formalize 500,000 jobs.

Finally, the reality of life for indigenous groups and Afro-communities does not

reflect the equality of opportunities enshrined in the constitution. In the case of Afro-Colombians, only 2% actually have access to tertiary education. Moreover, 11% are illiterate and 61% are considered poor; 12.7% live in extreme poverty, without access to public services. Average life expectancy is as low as 58 years in the Choco department, while the national average for Afro-Colombians is a mere 64.6 years for men and 66.7 years for women (the national average is respectively 70.3 and 77.5). Racism often prevents Afro-Colombians from claiming their rights, while forced displacement, illegal recruitment and historical neglect by the state are factors that contribute to their situation.

11 | Economic Performance

The global financial crisis did not undermine Colombia's economic performance as badly as that of its neighbors. Broadly speaking, the country withstood the economic recession with comparatively minor damage. GDP grew 0.4% in 2009 and 4.3% in the first half of 2010. The central bank expects 4.5% growth in 2011, a demonstration of continued economic recovery. However, Colombia's three main economic problems have persisted: a high budget deficit, sustained by the inflexible components of public spending; widespread tax evasion, causing low tax revenues; and the large size of the informal sector which hinders the creation of formal employment.

During the first half of 2010, foreign direct investment (FDI) amounted to \$4.12 billion. In 2009, the country received \$7.17 billion in FDI, a modest decrease as compared to previous years. Investment is primarily focused on the oil and mining sectors, leading to disregard for other economic activities. For instance, investment in the manufacturing sector declined considerably in 2009, while investment in the electricity, water and gas industries fell even in 2010. While inflation remains under control, public spending has led to a considerable fiscal deficit. Both central government income and expenditure levels almost doubled between 2004 and 2009; as a result, the fiscal deficit has remained essentially constant. In 2009, government took in around \$10 billion less than it spent. Colombia's total debt amounted to \$64.84 billion as of December 2010; the public sector's share was \$39.32 billion (13.3% of GDP).

The volatility of the exchange rate in 2009 and 2010 and the high levels of unemployment and underemployment (10.2% as of October 2010, equivalent to 2.26 million people) pose a threat to macroeconomic stability. Although the Santos administration has implemented several programs aimed at ameliorating these

problems, corruption and bureaucratic obstacles, structural constraints, and the

Output strength

7

state's unfinished attempts to recover territory remain considerable barriers to the implementation of effective and sustainable economic reforms.

12 | Sustainability

Colombia is widely considered to be a biodiversity hotspot, given that the variety of its topographic features enables the existence of a large diversity of animals and plants. The state has taken protective measures aimed at the conservation of flora and fauna, which are considered to be one of the country's principal assets. However, the efficiency of these policies is hampered by the subordination of environmental protection to economic growth, a weak institutional framework, and the impact of the armed conflict on the environment.

The Ministry of Environment, Housing and Territorial Development is considered to be a low-profile entity. As a consequence, environmental policies, while given a high rhetorical importance by the government, are still of secondary importance compared with the issues of economic development and security. The ministry has had to compete with other agencies for resources, as well as contend with the excessive development of the mining sector. In 2009 the state agency Ingeominas issued mining licenses that enabled resources in natural and protected parks to be exploited. As a result, the Ministry of the Environment clashed with Ingeominas and the Ministry of Mining and Energy; as of the time of writing, the matter remained unresolved. The delimitation of forest reserves, the crux of the controversy, remains incomplete despite a law requiring this task that dates back to 1959.

The Environmental Performance Index ranks Colombia at first place in the Americas with regard to environmental protection, and at 10th place worldwide. However, there is little room for complacency: Colombia's per capita industrial greenhouse gas emissions remain considerably high. Also worrisome is the fact that water quality is not uniformly high throughout the country; indeed, only 54.6% of the water used by the population is considered potable. In 2010, the government decided to impose taxes on households and firms that use large quantities of water. However, regulation of mining and resource-intensive companies is on the whole rather weak. National parks are understaffed and endangered not only by the behavior of illegal armed groups (which use their lands to create centers for narcotics production or as strategic strongholds), but also by the government's relative neglect. For many Colombians, environmental concerns have a low priority. However, recent climatic developments, such as the strong rainfalls in late 2010 that prompted the government to declare a state of social emergency, have made people aware of the impact of human activities on the ecosystem. A mudslide in the town

of Bello, near Medellín, killed more than 120 people in December 2010, and was

Environmental
policy

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clearly related to local authorities' neglect of environmental damages caused by industrial activities.

There are both qualitative and quantitative problems with educational policies in Colombia. On the one hand, even though enrollment rates are at acceptable levels, people living in rural areas often lack sufficient access to education. In addition, despite a 119.9% gross enrollment ratio in primary and 90.6% rate in secondary education, relatively few people have access to tertiary education (35.4%) compared with other South American countries such as Venezuela (78.6%), Argentina (67.7%), Uruguay (64.3%), Chile (52.1%), Ecuador (42.4%), and Bolivia (38.3%). R&D policies tend to be ad-hoc and poorly funded.

The country lacks a universal system of education despite rulings of the Constitutional Court in this area. Given substantial financial constraints, a lack of quality and insufficient opportunities, access to tertiary education is an insuperable barrier for many people. In addition, tertiary education is centered in urban areas, though a national system of apprenticeship does exist (SENA). The latter is routinely accused of tolerating corruption and focusing on the quantity of graduates rather than the quality of education. Private universities charge high tuition fees, while students and staff at public universities constantly complain about underfunding. Teachers in rural areas often lack appropriate teaching materials, including books, buildings, computers and even basic training. As a result, there are marked contrasts between urban and rural areas in terms of academic results. Less than 4% of GDP is spent on the improvement of education. The quality of education also shows considerable flaws. Beginning in 2002, Law 230 mandated that less than 5% of enrolled children could fail the academic year. As a result, many children were regularly passed to the next level of schooling without the required knowledge or abilities. In 2009, this law was replaced by Law 1290, but the government now faces the prospect of massive school dropouts and academic failures. In December 2010, the PISA reports showed Colombia to rank at 52nd place out of 65 countries in terms of reading skills, 58th place in mathematics, and 54th place in science.

In terms of R&D, UNESCO data shows that Colombia spends less than 0.2% of GDP on research (0.16% in 2007, with an average of 0.18% between 2005 and 2009). Scientific research is hampered by a lack of infrastructure and funding. There is in fact a state entity for scientific research (COLCIENCIAS), but it lacks sufficient funding and efficiency to enable it to make a substantial contribution to academic research in Colombia. Few scholarship programs exist in the country, and doctoral programs are expensive and scarce.

Education policy /
R&D
5

Transformation Management

I. Level of Difficulty

Colombia faces a number of serious structural constraints. The longstanding armed conflict, chronic poverty, economic and social inequality, the high rate of un- or underemployment, and the low quality of education figure prominently in this list. Historically, poverty and the armed conflict have been linked, to the extent that deprivation and the state's effective absence in many parts of the country served as ideological vehicles for illegal armed actors. Today, the prevalence of narcotics and the corrosion of the rule of law deepen the problem. Illegal activities permeate both public and private administrations, with guerrilla, mafia and paramilitary penetration in many entities of the state and the private sector. Recent natural disasters, coupled with the already high budget deficit and the polarization of society, might further complicate governance and the steering capacity of social and political elites.

Structural
constraints
8

Colombia has a long tradition of civic engagement dating back to the 1850s, but this tradition has been undermined by the violent conflict that has persisted since the bloody struggles between liberals and conservatives. The process leading to the formulation and implementation of the 1991 constitution reinvigorated civil society in multiple ways, triggering the formation of many new groups focused on the defense of specific aspects of the new document. However, civil society gradually weakened under the pressure of societal polarization and the intensification of the internal armed conflict since the mid-1990s, which caused the decline of civic associations, public engagement and participation. The killings of union members, NGO leaders and other members of civil society negatively influenced the country's political culture, to the point that working in some regions became a life-threatening endeavor for members of civil society. Civil society has recovered somewhat in recent years despite a partially hostile environment, in which some organizations, especially those focused on human rights, have been labeled as active or passive associates of the guerilla forces by some government representatives. There are today several national and international organizations working actively in Colombia despite security concerns in some departments and

Civil society
traditions
5

towns. However, the progressive increase in the number of non-governmental entities in the country does not mean that Colombians vigorously participate in civil society or political activities.

The armed conflict, which has been ravaging the country since the 1940s, is the main confrontation in contemporary Colombia. Despite a reduction in the number of homicides and kidnappings under the Uribe government, violence is still one of the country's distinguishing traits. According to Vision of Humanity's Global Peace Index 2010, Colombia is ranked 138th out of 149 countries with respect to the intensity of organized internal conflict. Beyond this, inequality creates a salient poor-rich cleavage; the benefits of moderate economic growth have not been equally distributed, and extreme poverty is still quite visible in cities and towns. Chronic poverty is a factor constantly reinvigorating violent conflict. Citizens' lack of opportunities and formal education is exploited by illegal forces. Urban suburbs and poor rural zones are recruiting hotspots for drug dealers, guerrilla leaders and ECBs. In addition, the persistence of poverty is used as a justification for the armed struggle of guerrilla groups such as the FARC.

Conflict intensity
7

II. Management Performance

14 | Steering Capability

Economically, both the Uribe and the Santos administrations have focused on the maintenance and advancement of free-market principles and policies. Economic policies such as tax breaks, the prioritization of exports and the stabilization of the exchange rate have been pursued in concert with other state agencies. There is a broad consensus among the country's elites as to desirability of the market, and a consistent strategy of liberalization has accordingly been practiced since the early 1990s. The Santos cabinet seems to have a more pronounced emphasis on social economy issues such as poverty and inequality, areas often neglected by the Uribe government.

Question
Score

Prioritization
7

Politically, the final months of the Uribe administration centered on the one hand on damage control associated with corruption scandals, and on defense of the so-called reelection referendum on the other. Short-term goals trumped long-term considerations of political reform owing to the vested interests Uribe had in both. Additionally, Uribe's management style saw little utilization of expert or technocratic advice in the formulation of crucial policies. The main priority of the Uribe administration was undoubtedly the "democratic security policy," aimed at

the military defeat of the FARC and the disbandment of paramilitary forces. Despite the close relationship between Uribe and Santos, the latter's administration appears to have a more pragmatic political agenda, as well as a more conciliatory attitude, as seen in the reestablishment of diplomatic relations with Venezuela and Ecuador, and the creation of the National Unity Accord. Evidence-based policymaking has been one of the core elements of the Santos presidency, as has input by technocrats and experts on governmental policies.

Whether the Colombian executive has been able to achieve its strategic priorities is debatable. For instance, the "democratic security policy," the flagship project of former President Uribe, was heavily criticized for the damage it caused to civilians, the deterioration in urban security allegedly caused by the focus on rural areas previously ruled by illegal forces, and the "anything goes" attitude adopted by the executive. In addition, considerable obstacles consistently hinder full implementation of government policies. In the case of the "democratic security policy," the government had to face an adaptable guerrilla force as well as an incomplete institutional framework for transitional justice, as demonstrated by the poor implementation of the Justice and Peace Law. In addition, corruption plagues almost every domain of political activity and institution, and is entrenched even in those entities closest to the presidential office. The effective implementation of policies thus becomes a difficult endeavor.

The reestablishment of diplomatic relations with Venezuela and Ecuador is perhaps Santos' most important accomplishment to date. However, the government's response to the damage caused by the winter season in 2010 shows not only that environmental sustainability is a secondary priority for the state, but also that the government lacks a coherent response plan in dealing with the destruction in many parts of the country. The National System of Disaster Attention and Prevention (an entity attached to the Ministry of the Interior) frequently calls for action to be taken regarding families living in vulnerable areas, but a consistent lack of follow-up and of resources hampers the development of stable and coherent policy.

Political elites try to adjust policies to reflect relevant circumstances, precedents and changes. However, change is often slow and ineffective as a result of weak follow-up programs, recalcitrant bureaucracies and financial constraints. Learning from past experiences is not a characteristic trait of the country's political leadership. Historically speaking, many protracted issues have been tackled through ad-hoc responses, as a result of which the country has lacked a serious discussion of necessary reforms and their effective implementation. For instance, little was learnt from the mismanagement of the natural disasters in 2009 when confronting the disasters in 2010. On the other hand, the case of the "democratic security policy" might serve as one of the few examples of a policy whose design and implementation was based on innovation, at least to a certain extent. The Uribe government implemented this policy consistently despite many problems, and –

Implementation
6

Policy learning
5

using aid provided by the United States through the “Plan Colombia” – made a substantial change in the Colombian state’s approach to the anti-subversive campaign after the failure of earlier strategies. The Uribe government rarely sought the advice of outside experts or practitioners, with the partial exception of the Mission on Foreign Policy, an advisory body containing academics, former politicians and civil society members. A report produced by the mission in April 2010 was not taken seriously by the Ministry of Foreign Affairs, and it seems that the Santos government has adopted a “cherry-picking” strategy concerning the recommendations contained in the document.

15 | Resource Efficiency

The government makes efficient use of only some of the available human, financial and organizational resources. Within the administration, the Colombian government often tends to adopt hiring procedures based on political discretion or expediency rather than meritocratic or technical criteria. Recruiting procedures that are legally transparent and free from external influence serve no real purpose, considering the role that influence and personal connections play in the selection of civil servants. During the Uribe administration, one of the most blatant examples of this situation was the parochial and political manner in which the former president filled high-ranking Foreign Service posts with actors, radio personalities and those politically closest to him. Even more worrisome, many of these appointments were used as tools by the president in order to shield people allegedly involved in criminal activities from prosecution at home.

With respect to budget efficiency, it is clear that Colombia has a considerable amount of debt and a problematic fiscal deficit. The debt burden is somewhat manageable given the international credibility of the country’s political and economic leadership. However, the budget planning process contains serious inefficiencies. For example, on 22 September 2010, the *El Espectador* newspaper revealed that a group of congressmen planned to block the budget planning process if the Santos administration did not approve more than \$20 million for vehicles used by legislators and their staff. The Ministry of Finance was forced to yield to these demands. The constant struggle between regional blocs for resources puts pressure on the government and creates additional fiscal burdens. For 2011, more than \$2 billion of the national budget (2.7% of the total amount) was appropriated by regional coalitions. The major concern is that these resources are often not invested in the improvement of infrastructure or human livelihoods.

There are a number of governmental policies and programs that require a minimum of interagency cooperation. While some policies are relatively successful, the frequent absence of written or formal rules of procedure, civil servants’ tendency to act beyond their authority, and the prevalence of resource mismanagement make

Efficient use of
assets

5

Policy
coordination

6

effective coordination difficult. For example, an early childhood program jointly conducted by the Colombian Welfare Institute (ICBF), the Ministry of Social Protection and local governments is a relatively successful policy aimed at improving poor children's quality of life. But even this success has been partially hampered by mismanagement and corruption. For instance, the media reported in October 2009 that the special food provided to the children by the ICBF was used by landlords and local elites as swill, while tons of food were lost or seized by illegal groups, with the alleged complicity of mayors and local elites. No monitoring mechanism was put in place by the ICBF, and as a consequence, more than a ton of food was lost in one municipality alone.

The 2010 winter season showed that the Disaster Risk Management program, jointly undertaken by the Ministry of the Interior, the Ministry of Finance and the National Planning Department (DNP), is an almost irrelevant policy. There is no visible head or network of directors able to coordinate efforts, resources are slow to be mobilized, and the program does not enable quick responses to environmental emergencies, despite this being the reason for its very existence. Interagency frictions are frequent, as budgets are commonly allocated on an arbitrary basis, and there are no clear guidelines on how resources should be spent. In the case of the Disaster Risk Management program, there was no attempt at coordination with the autonomous regional corporations (CARs), decentralized agencies in charge of preventing environmental disasters in towns and municipalities.

The government is only partly willing and able to contain corruption, and the few integrity mechanisms that have been implemented are mostly ineffective. Corruption is a chronic and prominent characteristic of Colombian political and social life. Seeking to combat this fact, the government has implemented policies at the national and local level, and established various institutions including the so-called anti-corruption tsar. Indeed, there are today a myriad of laws and other integrity mechanisms aimed at containing corruption. However, the measures adopted by the political leadership have not produced any real effect on corruption, due to the prevailing culture of tolerance, the absence of adequate and/or effective monitoring mechanisms, a nontransparent public procurement system, and structural constraints including clientelistic structures and pressure exerted by illegal groups, among others factors. There are no rules mandating asset declarations.

Although President Uribe announced on 7 November 2009 that he would create a special "anti-corruption task force" led by the National Police and attached to the anti-corruption tsar and the vice-presidential office, the idea quickly disappeared from public discourse, and no further action was taken. As part of President Santos' reform agenda, the government presented the Anti-Corruption Statute to Congress in late 2010. The statute proposes reform of the office of the so-called anti-corruption tsar (a basically powerless office), regulation of lobbying activities in

Anti-corruption
policy
4

Congress and more effective penal processes. It also provides for the creation of a Citizens' Committee for the Fight against Corruption, composed of representatives from business associations, NGOs focused on anti-corruption issues, universities, the media and citizen oversight committees, as well as the director of the Presidential Program Against Corruption. In addition, the statute includes monitoring mechanisms designed to prevent illegal concessions and contracts, provisions forbidding contractors to provide financial contributions to political campaigns, and 18-year prison terms for those found guilty of corrupt behavior. Congress approved the statute in May 2011.

16 | Consensus-Building

The country's major political and economic actors generally agree on the consolidation and improvement of liberal democracy and the market economy as strategic, long-term goals. Nonetheless, the political parties hold somewhat different notions of both concepts. Concerning democracy, the case of the reelection referendum revealed contrasts in opinions toward constitutionalism and the rule of law. The Party of the U vocally stated throughout 2009 that given President Uribe's popularity, the Constitutional Court should yield to popular demand and approve the reelection referendum. The PDA and the Liberal Party, on the other hand, vehemently rejected this argument. Democracy, in this latter view, entailed rigorous adherence to the constitution and the rulings of the Constitutional Court on the issue of presidential reelection. In addition, the PDA leadership contends that democracy embodies not only negative liberty, but also positive liberty in terms of a social conception of democracy aimed at greater social inclusion.

In terms of the market economy, the country's largest economic organizations, most politicians and most political parties agree that the law of supply and demand provides the tools most efficiently able to drive the process of economic growth. However, there are some differences of opinion with respect to use of the market. While many think-tanks and economic groups, including the exporters' business association, believe that the government should allow the market to operate without major intervention, trade unions and left-leaning organizations suggest that an unfettered version of neoliberalism is detrimental to the poor and socially excluded. They therefore believe that the government must provide relief and opportunities to those left behind by the logic of the free market.

Finally, it must be mentioned that other actors with the power to disturb the functioning of the state, mainly the guerrilla groups, hold different views of both democracy and the market economy. The FARC argues that the government and the present state structure must be overthrown and a "Bolivarian" state created in its stead; communism would in this scenario be the ruling principle in Colombia, and

Consensus on goals

7

liberal democracy and the market economy would consequently disappear. However, no other major political, economic or social actor in Colombia shares these beliefs.

The most prominent and powerful anti-democratic actors in today's Colombia are illegal armed forces, particularly paramilitary and guerrilla organizations. Despite the demobilization of guerrilla and (to a greater extent) paramilitary combatants in recent years, some have since rejoined ECBs or continue to engage in petty crime in cities and towns. According to the Second National Report on Disarmament, Demobilization and Reintegration, as of December 2010, at least 15.5% of demobilized combatants (8,525 people out of 55,000 combatants demobilized between 2003 and 2006) have relapsed into illegal activities. Furthermore, 6,000 have joined the ranks of the ECBs. The government has not been able to cope effectively either with those who have decided to give up armed struggle or with those who remain fighting as a part of the FARC, ELN or other illegal armed forces. As a result, anti-democratic actors still exert considerable leverage within the political and social arenas. The income derived from illegal drug trade fuels the internal armed conflict, while the "parapolítica" scandal shows that the influence of these actors is still strong vis-à-vis the government and society. FARC leaders have repeatedly stated that they will never abide by the current laws, and that an overhaul of the current state structure is the only acceptable outcome for them.

Anti-democratic
actors

6

The country's political leadership has rarely shown the ability to depolarize structural conflicts or prevent their escalation, particularly in drug-producing and violence-ridden areas. While the Uribe administration did reduce the influence of guerrilla and paramilitary groups, the resurgence of violence perpetrated by mafia and ECB organizations has led to a sharp rise in urban insecurity. Various cleavages still exist in contemporary Colombian society: especially rich vs. poor, urban vs. rural, left vs. right, and the alarming situation of Afro-Colombians and indigenous communities as compared to the general populace. These persistent cleavages have served illegal left-wing groups as ideological justifications for their armed struggle. Left-leaning political parties and organizations have traditionally been isolated from the political mainstream, as traditional parties and other established political and economic actors either link them directly to the FARC – a mostly unjustified accusation – or accuse them of having an ideological affinity for the guerrillas.

Cleavage /
conflict
management

5

The conflict management strategy pursued by the Uribe and Santos administrations has been defined by an increasing reliance on the military. Therefore, a peaceful, negotiated solution to the armed conflict is today considered by the country's political and economic elites to be "appeasement" of the FARC. Legal and illegal actors have thus exploited existing cleavages in society in order to deepen the country's polarization and militarization, instead of finding ways to overcome the

cleavages.

Civil society participation in the political process is not a salient characteristic of Colombian politics despite the existence of a vibrant range of organizations. During President Uribe's tenure, even technocrats were isolated from the execution of economic policy given the president's managerial style and his overt preference for short-term, populist strategies. In fact, some presidential advisors had more influence on policy formulation than some ministers, let alone civil society. Uribe's "consejos comunitarios," weekly meetings of the president and his staff with townspeople around the country, were heavily criticized by analysts and the opposition alike given that the solutions promised by Uribe to the problems faced by common people were often ineffective and/or unsustainable. In fact, the "consejos comunitarios" were used as a tool for increasing Uribe's popular support instead of being employed as effective channels of communication with society at large.

Civil society
participation
4

For his part, President Santos created the "crystal urn" mechanism enabling people to present issues affecting their communities. Using social networks such as Facebook and Twitter as vehicles for diffusion, Santos aspires to create a channel of direct communication with the people. However, more traditionally institutional consultation mechanisms with NGOs, business groups, political parties and civil society actors are rather scarce and ad hoc at best. In contrast to his predecessor, President Santos has been more tolerant and appreciative of NGOs and civil society organizations, but as of the time of writing, no strong government-civil society nexus had yet been established.

Coping with justice, reconciliation and reparation has proven to be a difficult task for Colombian society and policymakers alike. While the government has implemented a demobilization, disarmament and reintegration program since 2003, the reconciliation promised by this strategy has not been completely achieved. The so-called Law of Justice and Peace, put in place in 2005 in the context of the demobilization of paramilitary groups, has been a mixed blessing. While some indictments have been made since that time, and some former paramilitary combatants have confessed their responsibility for atrocious crimes, very few convictions have been made under the auspices of this law to date. In addition, many former paramilitary combatants covered by the Law of Justice and Peace have left the process to join ECBs or other criminal groups. The application of the law has also led to discord among state entities: In May 2009, the government extradited many high-ranking paramilitary leaders to the United States, alleging that they had failed to abide by the law. The Constitutional Court and several victims' organizations protested against this measure due to the lack of confessions by those commanders. Overall, the principles of truth and reparation have mostly been disregarded during the application of the Justice and Peace Law.

Reconciliation
6

The effort to regain peace in Colombia has faced a number of structural problems, including the perceived incompatibility of justice with reconciliation, and uncertainty regarding the institutional framework of transitional justice. On 13 December 2010, the Senate approved a provision that would include those affected by legal or illegal forces since 1991 under the Law of Victims, a necessary step in the process of addressing and satisfying victims' claims. On 27 November 2010, the Constitutional Court ruled that the opportunity principle granted by the Attorney General to 18,000 paramilitary combatants not previously included in the Justice and Peace process was unconstitutional. As a result, these combatants can now be jailed from eight to 18 years, while their commanders face a maximum eight-year prison term. Congress promptly passed a law on 8 December 2010 exempting combatants from prison only if they promise never to commit a crime again.

Reconciliation with guerilla organizations is hindered by the distrust engendered by the failed peace processes of the 1980s and 1990s. Even though President Santos has repeatedly stated that he has "not closed the door (for a peace process) with a key," and the FARC has said that it would be ready to negotiate, a peace process similar to the one of 1999 – 2002 is difficult to imagine in post-Uribe Colombia.

17 | International Cooperation

Colombia's government actively cooperates with international actors in the pursuit of political and economic reform. Through the Acción Social program, the government channels official development assistance (ODA) toward three main goals: 1) the attainment of the U.N. Millennium Development Goals, 2) the fight against the drug trade and environmental damage, and 3) reconciliation and governance. According to the World Bank, 2008 ODA for Colombia amounted to \$970 million, 0.4% of the country's total gross national income. Technical cooperation grants amounted to \$264 million.

In economic and social affairs, the Colombian government constantly seeks the advice of international institutions and potential donors; during social emergencies in particular, financial support is also sought. In terms of political and social development, Colombia maintains strongest ties with the United States, followed by the European Union and the United Nations, among other partners. USAID has managed the funds of Plan Colombia, and has sustained several humanitarian and relief projects. Since 2003, the European Union has installed and supported "Peace Laboratories" in a number of departments and towns. This project seeks to improve social and economic conditions in vulnerable communities across Colombia; poverty reduction, democratic governance and strong institutions are key objectives.

However, some donors have voiced concern about the political process in

Effective use of
support
8

Colombia. The European Parliament and several NGOs have complained about the serious human rights violations that occurred under the Uribe government. Similarly, the U.S. Democratic Party has blocked the free trade agreement between the United States and Colombia since 2008, citing the killings of trade union members and the precarious situation of civil liberties in the country. The financial resources devoted to Plan Colombia have decreased since 2007. In February 2010, President Obama asked the U.S. Congress to cut \$55 million from the plan's 2010 budget (a 10% decrease), a trend which is likely to continue in the foreseeable future.

Economically speaking, Colombia's credibility has remained mostly unaffected, as the country fared rather well during the global economic crisis of the late 2000s. Both the Uribe and the Santos administrations took pains to retain the country's credibility as an economic partner on the international stage. This position paid off in 2010 when the country was given "investment grade" status by Fitch Ratings, Standard & Poor's and Moody's. In fact, projecting the image of an investor-friendly country has been a staple of the economic management strategy of both the Uribe and Santos administrations.

Credibility
7

Politically, however, the country's credibility has been tarnished by continuing human rights violations as well as rising tensions with Venezuela and, to a lesser degree, Ecuador. The "falsos positivos" scandal and other problems during the Uribe administration took their toll on the government's international reputation. NGOs and other civil society organizations criticized the tolerance shown toward these scandals, and the impunity for perpetrators. The Santos administration has promised that prosecutions and indictments will continue against the perpetrators of human rights violations. Yet the creation of efficient mechanisms for the protection of human rights has been hampered by financial constraints and the recalcitrance of powerful state agencies that seek a military solution for the armed conflict, even at the cost of undermining the country's international credibility.

Colombia has a prominent role in international organizations. As a nonpermanent member of the United Nations' Security Council in 2011 and 2012, Colombia will continue to lead the fight against illegal drugs, and will most likely reject any proposals for their legalization or decriminalization.

For most of 2009 and 2010, Colombia was somewhat isolated from the rest of the South American region. Political tensions with Venezuela and Ecuador increased after Colombian military forces killed a prominent FARC leader on Ecuadorian territory in 2008. In turn, both countries broke off diplomatic relations with Colombia. In addition, Venezuela imposed a trade embargo on Colombia. As a result, the envisioned construction of cross-border infrastructure projects was halted, and regional political elites' mistrust toward Colombia deepened. When Colombia agreed to allow the United States to use seven Colombian military bases

Regional
cooperation
7

scattered throughout the country, Chavez accused Uribe and the United States of preparing a war against Venezuela, and of introducing a destabilizing element into the region. During an emergency summit of the Union of South American Nations (UNASUR) on 28 August 2009, many South American heads of state expressed their concerns and reservations concerning the military agreement between Colombia and the United States.

Colombia's relative isolation in the region was only reversed as a consequence of President Santos' inauguration in August 2010. Between August and December 2010, the Santos administration fully reestablished diplomatic relations with Venezuela and Ecuador. Chavez's strident anti-Santos rhetoric, a recurring feature during the presidential campaign in early 2010, soon ceased, and bilateral relations have been recovering ever since, both politically and economically. In addition, the Colombian government shared the information demanded by Ecuador regarding the 2008 raid, thus fostering the normalization of relations with that country.

Traditional regional integration mechanisms such as the Andean Community of Nations (CAN) have remained in place, but have generally weakened. In March 2010, Colombian voters chose representatives to the Andean Parliament for the first time. Colombia's role in the CAN has been rather passive during the recent past. After the reestablishment of diplomatic relations with Venezuela and Ecuador, the Santos government negotiated an economic agreement with the former country that will replace the commercial agreements in place between the two countries under the CAN framework, which expired in April 2011.

Strategic Outlook

Colombia's continued path toward democracy and a market economy faces several major challenges, including the ongoing internal armed conflict, the high level of corruption, and the resurgence of paramilitary and criminal organizations.

Politically, the successful implementation and refinement of President Santos' reform agenda is likely to shape the political and economic panorama in the foreseeable future. Major challenges ahead include the need to manage the reparations process proposed by the Law of Victims, as well to correct the defects of the existing process of demobilization and reconciliation with former illegal armed actors. In this regard, effective monitoring and follow-up policies supported by foreign donors might help, even though security concerns, corruption and the overall lack of resources call the efficacy of these programs into some doubt. The much-delayed agrarian reform is unlikely to emerge, but the government is taking steps toward a progressive, more equitable land policy.

The Uribe administration's neglected or unfinished tasks, including improving the health care and education systems, reforming pension structures, and shrinking the persistent fiscal deficit must be tackled soon. The Santos government has put forward a wide range of reform plans, but structural constraints will render the implementation of these reforms an uphill battle. The government faces protracted issues such as bankrupt hospitals and the coming "pension bomb."

In order to see necessary political and economic reforms through, the Santos government must address the deepening of corruption that occurred during the Uribe presidency. The success of this will depend on the thoroughgoing application of the Anti-Corruption Statute. However, the degree of corruption embedded in both the public and private sector will require more than just the strengthening of the existing legal framework. First and foremost, a popular culture that tolerates and benefits from corruption must be addressed. Innovative programs to combat corruption that proved successful in other countries could be applied in Colombia with the help of international donors.

A renewed peace process with the FARC guerrilla group is unlikely to occur during the next few years, given both the conditions demanded by the FARC and the popular opposition to a peace process similar to the one held between 1999 and 2002. Instead, the government's military struggle against the guerrillas is expected to continue. However, President Santos is under certain circumstances more likely to embrace peace talks with the FARC than was his predecessor Uribe.

The resurgence of insecurity and the return of demobilized paramilitary combatants to newly founded illegal armed groups and other criminal organizations might result in an increase in homicides and drug exports. The government therefore needs to focus on complementing the

coercive aspect of state-building with accompanying policies and strategies on the social front, including more and enhanced policies for societal reconciliation and the promotion of economic opportunities for low-income and poor strata of society.

On the economic front, confronting the damage caused by the 2010 winter season poses a significant challenge for the government. Inflationary pressures, resource allocations not included in the budget and the destruction of infrastructure are some of the consequences that will need to be addressed in 2011 and beyond. In addition, state debt is expected to grow, as financial resources for reconstruction need to be acquired mostly from abroad.

Finally, the exponential growth of the mining sector – the main driver of economic growth in recent years – has to be managed carefully in order to avoid a renewed “Dutch disease” problem for the economy, and also to address environmental protection concerns.