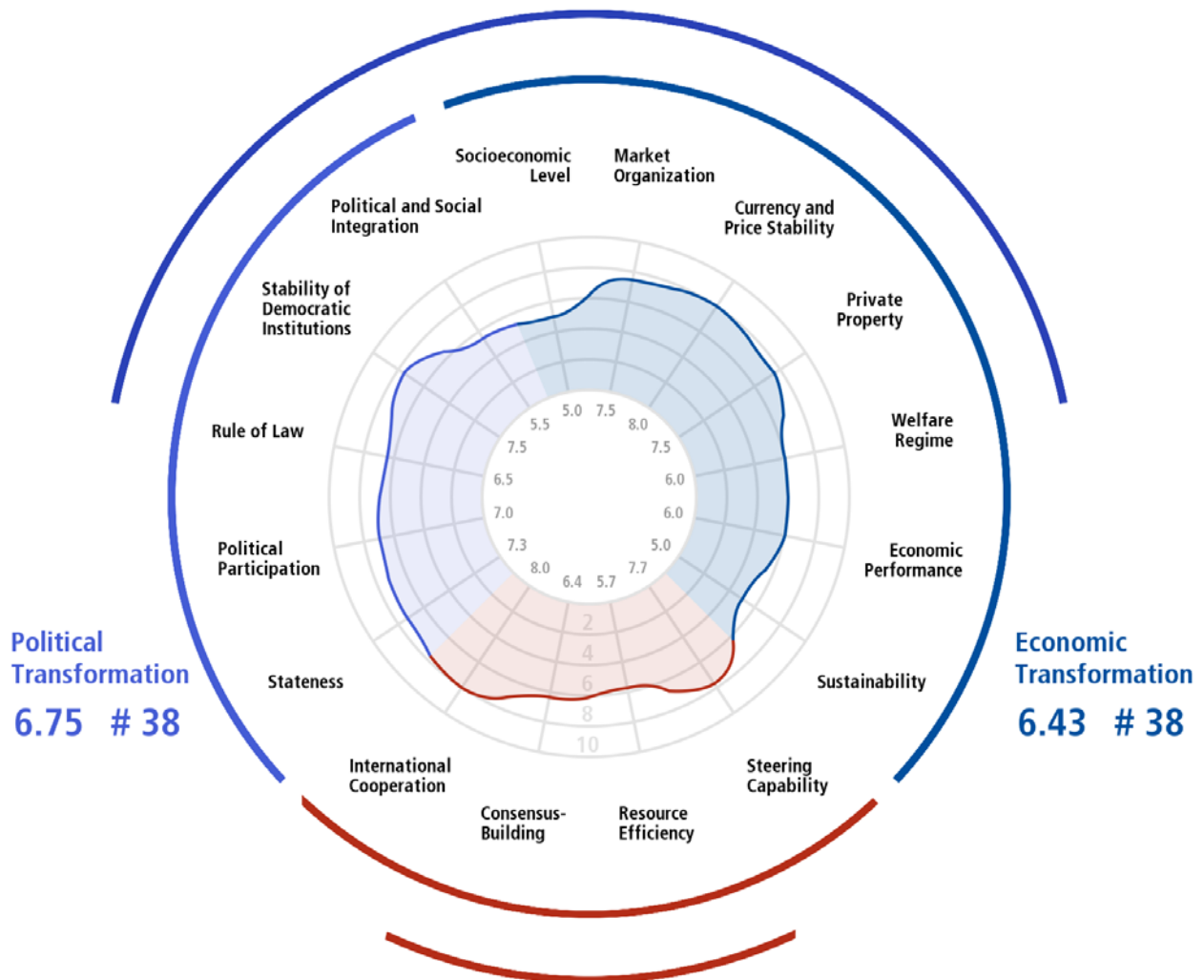


Colombia

Status Index

6.59 # 34

on 1-10 scale out of 129



Governance Index

6.14 # 20

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	48.7	HDI	0.727	GDP p.c., PPP \$	14158
Pop. growth ¹	% p.a.	0.9	HDI rank of 188	95	Gini Index	51.1
Life expectancy	years	74.2	UN Education Index	0.663	Poverty ³	% 13.1
Urban population	%	76.7	Gender inequality ²	0.393	Aid per capita \$	27.9

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Over the last two years, Colombia has made significant progress in deepening democracy and developing a market economy. The administration of President Juan Manuel Santos has worked toward the consolidation of democracy by integrating the FARC guerrilla group, previously Colombia's largest non-democratic actor, into Colombia's democratic system. The FARC has agreed to comply with Colombia's democratic rules and recognize the legitimacy of Colombia's democratic institutions. The peace process is now in the implementation phase after the final accord was approved by Congress in late 2016. Challenges will undoubtedly lie ahead, especially regarding reconciliation and victim reparations, but there can be no question that the country is better off following the demobilization of the FARC and reintegration of former FARC fighters into society. Concerning economic transformation, there have been positive results in some areas that have improved on previous achievements, such as the promotion of free trade and business freedoms. However, there have been setbacks in other areas, such as macroeconomic stability and trade balance. In terms of management, the Santos administration demonstrated its capacity to tackle one overarching goal, the peace process with the FARC, and work diligently toward the achievement of the goal. Even though this shows coherence regarding public policy, other areas such as infrastructure development and corruption control have been downplayed.

The Santos administration has tried to improve on previously neglected issue areas, such as education and health care. However, reforms have been slow due to personal political interests, institutional weakness and public pressure. Even though there have been several improvements in the economy, widespread poverty and inequality remain substantial challenges. Macroeconomic stability has been somewhat compromised mainly due to the international economic context. President Santos has promoted market-oriented economic policies that have largely protected the country from the global economic crisis in the late 2000s and helped to gain the confidence of private investors, which has led to an increase in foreign direct investment. However, unusually high inflation rates over recent years, a significant appreciation in the Colombian peso and low rates of economic growth have had a negative impact on international trust. The Colombian

government missed the opportunity to tackle these problems head-on by implementing a structural tax reform. The tax reform that was approved at the end of 2016 achieved less than originally expected due to the intervention of lobby groups and political pressure.

Overall, the 2015 to 2017 period showed significant improvements in the political area. Though the government is now faced with the critical challenge of ensuring the sustainability of these achievements. Meanwhile, the economic situation deteriorated in the period under review and the government will have to undertake significant efforts in order to correct these problems.

History and Characteristics of Transformation

Colombia's current political and economic trends are shaped by events that go back to the post-1974 era. This was a period characterized by a surge in political violence, the emergence of an illegal drug trade and efforts by the political elite to increase state capacity in remote areas of the country.

From 1958 to 1974, the political elite of the Liberal and Conservative parties established a system of power alternation known as the "National Front" as a response to a wave in rural political violence. The Revolutionary Armed Forces of Colombia (FARC), the country's largest and strongest guerrilla organization, consolidated their presence during those years. The FARC used their political exclusion, which was the main feature of the political system during the time of the National Front, and the persistence of poverty in regions where the state had not consolidated its presence as a justification for their acts. The official end of the National Front in 1974 did not significantly alter this situation; in fact, the penetration 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 a "soft" protectionist model of economic growth: 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 that time, income distribution worsened, the dependency on coffee exports increased, and the success of infant industries did not come to pass. Structural economic reforms began in the late 1980s, and were deepened and extended by the liberalization reforms of President César Gaviria (1990 – 1994) whose so-called "apertura," or opening policies, effectively internationalized the country's hitherto fairly isolated market.

However, the country's situation deteriorated during the 1980s and 1990s due to the emergence of paramilitary groups and drug kingpins, most notably Pablo Escobar. A failed peace process with the FARC also contributed to the dire context. 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. In addition, in the early 1990s, the state began a process of administrative

decentralization, leaving the management of public resources to regional authorities. Some experts argue that even if this process was a sincere attempt to change the high level of centralization that had characterized the Colombian state, it in fact increased corruption and strengthened illegal armed groups such as the FARC and right-wing paramilitary militias created mainly by cattle-ranchers.

In the late 1990s and early 2000s, the Pastrana government (1998 – 2002) conducted an unsuccessful peace process with the FARC, which led to the radicalization of the political discourse. Alvaro Uribe (2002 – 2010), who was elected president on a strict anti-FARC agenda, reformed the armed forces with financial support from the United States under the “Plan Colombia” and allowed the army to deliver 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.

Juan Manuel Santos, previously minister of defense in Uribe’s cabinet, was elected president in 2010, ostensibly as the heir to Uribe’s policies. However, Santos quickly established his own political agenda and embarked on a new process of peace negotiations with the FARC in 2012. The significant efforts undertaken by the Santos administration achieved a final peace agreement, which was ratified by Congress and for which Juan Manuel Santos was awarded the Nobel Peace Prize both in December 2016. While Colombia has made important advances to end the political violence and strengthen democracy, issues such as inequality, poverty and corruption stand out as the main challenges over the next few years.

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

Transformation Status

I. Political Transformation

1 | Stateness

From 2010 to 2016, the Colombian government was able to strengthen the state's monopoly on the use of force achieved during Alvaro Uribe's presidency (2002-2010). Through the efforts made by President Juan Manuel Santos, the presence of the state has expanded across large swathes of the territory historically controlled by illegal armed actors. Some threats persist, such as the so-called Criminal Groups (BACRIM in Spanish) that emerged after the demobilization of the right-wing paramilitary militias in 2005. These groups are mainly sponsored by the lucrative business of drug-trafficking, but their resource portfolio includes income from multiple legal and illegal sources, for example, gold mining.

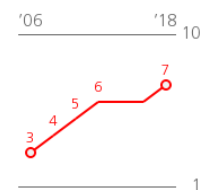
In 2013, President Santos began peace talks with the Revolutionary Armed Forces of Colombia (FARC in Spanish). Even if the process was lengthy and controversial, at the end of 2016, with the signature of the final agreement, the FARC agreed to demobilize and assemble in 23 concentration zones throughout the country. In addition, the FARC has committed to hand over their arms within a period of 90 days after the signing of the final peace agreement and under an international verification of the process.

The main domestic opponent to the peace process is ex-president and current state senator Alvaro Uribe and his recently created political party, the Democratic Center (Centro Democrático in Spanish). According to Uribe and other opponents of the peace process, assembling the FARC in the concentration zones is a threat to the state's monopoly on the use of force, since they claim that the factual authorities in those territories will be the FARC. In addition, there are some doubts about the commitment of some "frentes" of the FARC with regard to the demobilization process: there is at least one "frente" that has stated that it would conduct further attacks and has done so already. Moreover, as the implementation of the Peace

Question
Score

Monopoly on the
use of force

7



Agreement progresses, other armed groups will try to fill the power vacuum left by this guerrilla group.

In February 2017, the Colombian government and the National Liberation Army (Ejército de Liberación Nacional ELN in Spanish) started peace talks. The negotiation faces many challenges, such as the lack of a truce between the actors and the overlap with the upcoming presidential campaign, which may not offer the most appropriate environment for a peace process.

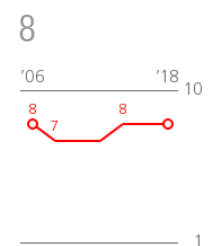
Furthermore, it is not clear whether the ELN is committed to the negotiations or aims at getting stronger to dominate the zones that until now have been under the FARC's control. After a sharp decline in the number of armed actions between 2009 and 2010, the ELN has become more active. Since 2013, the numbers of armed actions have been higher, with a subtle decrease after the announcement of peace talks. However, in general, this is a weak guerrilla group that during the last years has lost power over territories that traditionally were under its control.

The Colombian constitution endows every citizen with equal rights, and the majority of the population accepts the legitimacy of the Colombian state – insofar as the state makes itself present. According to the 2015 results of Latinobarómetro, 55.4% of Colombians accept that democracy is preferable to any other form of government. On the other hand, for 11.2% of Colombians, an authoritarian government would be a better form of government. Meanwhile, 24.7% of Colombians do not have any preference about the form of the country's government. Even if these results show that a significant portion of the population agree about citizenship and accept the nation-state as legitimate, at least a quarter remains ambivalent regarding either state identity or political regime type.

The portion of society that is not concerned about the form and legitimacy of the state is the one that has been systematically displaced due to the internal conflict and endured the effects of the fighting of armed groups over territories. Most of these people are indigenous, Afro-Colombians and/or peasants, for whom illegal armed actors have been the traditional political authority in the regions where they live. This situation has given them reasons to question to what extent they are included in the concept of the nation-state. Besides, the 2015 Latinobarómetro results show that 8.2% of Colombians feel that they are socially discriminated against on the basis of their race.

The peace process provided a chance for the FARC, the largest illegal armed force, to finally recognize the legitimacy of the Colombian political institutions by accepting that the ratification of the peace agreement will be done by a plebiscite. This was deemed as an important step in order to include the whole population, from regular citizens to ex-combatants, under the concept of the nation-state.

State identity



The constitution defines the Colombian state as secular, and until recently there was no evident interference of religious dogmas in the design of political institutions or public policy. However, in 2016, issues such as same-sex marriage and the possibility of same-sex couples adopting children, which were approved by the Constitutional Court, prompted the emergence of an opposition movement inspired by religious dogmas. One of the exponents of this movement, state senator and former attorney general, Viviane Morales, presented a project in the Senate that called for a referendum in which citizens would answer if they agree with same-sex couples adopting children. At the end of 2016, Congress approved the project. However, some legal experts argue that such a referendum runs against the spirit of the constitution since it submits the rights of a minority group to the opinion of the majority of citizens. Consequently, minority groups count on the Constitutional Court to declare the planned referendum unconstitutional.

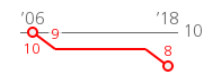
On the other hand, in late 2016, the powerful Auditor General (Procurador General) Alejandro Ordóñez was removed from his position by the State Council Court, alleging a conflict of interest in his re-election by the Senate two years earlier. Ordóñez was known for openly manifesting his conservative religious beliefs and letting them influence his decisions as auditor general, most notoriously in his opposition to gay rights. He was eventually replaced by Fernando Carrillo, the former Colombian ambassador to the Vatican, who even if he shares some of the religious beliefs as Ordóñez is not believed to have the intention of forcing his religious beliefs onto his political decisions.

Finally, during the campaign for the peace accord plebiscite, some voices, particularly from religious groups, criticized the agreement for its the gender-focused approach. According to these critiques, the approach did not intend to promote women's rights but to impose the views and agenda of the LGBT community on Colombian society. This critique was supported by the then auditor general, Alejandro Ordóñez. The former minister of education, Gina Parody, was one of the targets of this campaign. The campaign argued that Gina Parody, because she was openly gay, was trying to force a LGBT-focused education agenda on unsuspecting children. Far from being an irrelevant issue, after the results of the plebiscite, the government and the FARC held meetings with representatives from both the LGBT community and the conservative campaign group in order to clarify the objectives of the gender approach measures (e.g., concessions to the conservatives involved replacing "gender equality" with "equal opportunity for men and women") and thereby maintain support for the agreement.

Since 1991, when the new constitution established the principle of administrative decentralization, the Colombian state has widened its offer of administrative structures: justice institutions cover 99% of the population, 98% of municipalities have water and sewage systems, and health care institutions are present across all municipalities, according to data from the National Planning Department, and the

No interference of religious dogmas

8



1

Basic administration

6

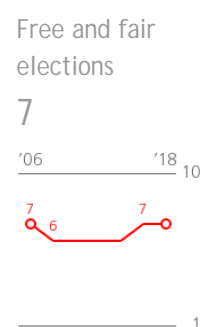
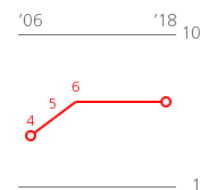
Health Ministry. Even though some academics and experts argue that administrative decentralization increased the armed conflict and corruption, others argue that without it the central state would not have been able to cover the basic needs of populations in peripheral parts of the country.

The government of President Santos has emphasized the importance of infrastructure for the country's economic development. Given geographical obstacles, Vice-President Germán Vargas Lleras has assumed the leadership of an infrastructure plan that seeks to build or improve roads aimed at connecting remote areas of the country as well as housing projects for the vulnerable population in major and intermediate cities. The results of the plan so far have been considered positive but still fall short of what was expected, mainly because of budgetary problems caused by the fall in international oil prices. The government has responded to this issue by inviting the private sector to participate in the construction of infrastructure through public-private alliances (APP in Spanish) that offer fairly significant gains for the involved companies.

Despite the efforts to improve infrastructure and services, corruption remains a salient problem. At the time of writing, many countries in Latin America are caught in a vast corruption scandal involving infrastructure projects. A Brazilian company called Odebrecht paid bribes to politicians in several countries (e.g., Brazil, Peru and Colombia) to secure the tenders for the building of public infrastructure. In the case of Colombia, there is evidence that suggests the participation of this company in the presidential campaign of 2014.

2 | Political Participation

Colombia has held regular, free and fair elections for almost half a century. A few constraints persist in rural and peripheral areas, such as vote-buying, corruption and intimidation, but the number of cases is relatively small, concentrated in certain areas and exhibit a downward trend. Nevertheless, the institutions in charge of law enforcement and prosecution against electoral offenses are deemed ineffective and highly influenced by political interest. For example, the National Electoral Council (Consejo Nacional Electoral CNE in Spanish) has only effectively sanctioned one candidate, from a small political party called Alternative Indigenous and Social Movement (MAIS, Movimiento Alternativo Indígena y Social), since its creation in 1991. All this, despite the several reports about fraudulent election practices declared by the media, NGOs and civil society. Some parties have expressed their dissatisfaction with the way that they can access media, stating that there is a bias against the opposition to the government. In the recent political campaign, the Democratic Center Party declared that the government benefited from the media while they did not enjoy the same privileges. However, the CNE establishes the



amount of time that each campaign enjoys in the media for political purposes, thus guaranteeing equal treatment for the government and the opposition.

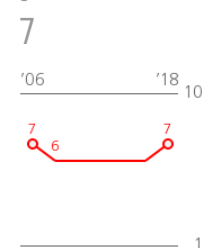
The 2015 Latinobarómetro data show that 72.5% of citizens do not feel that they are represented by politicians in Congress, while 65.8% do not think that the government represents them. These percentages have barely changed in recent years, showing that even if citizens trust the electoral system, politicians do not seem to represent and articulate their demands for effective public policy.

Formally there are no individuals or groups with veto powers, except for the ones included in the constitutionally established system of checks and balances. This system includes the possibility of impeachment against democratically elected executive functionaries that are judged to have not complied with the policy program that they defined in order to be elected. This mechanism has been deemed essential to the democratic process since it provides strong incentives for mayors and governors to accomplish their objectives. However, since 2011 the mechanism has been implemented at times with political aims in mind as an informal veto mechanism. A campaign for the impeachment of the former mayor of Bogotá, Gustavo Petro, was almost successful, and, at the time of writing, a new campaign against the current mayor, Enrique Peñalosa, is underway. These campaigns threaten the stability of local government, and hinder the capacity of mayors and governors to govern effectively.

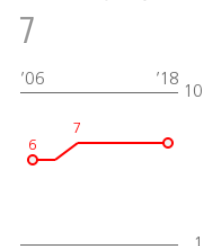
Another source of informal veto powers are lobby groups. Their power became manifest at the end of 2016 when the government presented Congress with a proposal for a tax reform that included a tax on sugar-sweetened beverages. Just a few days after the reform was introduced in Congress, and in light of empirical evidence of the positive effects of these type of taxes on public health presented by the Ministry of Health, the tax was excluded from the reform package without much discussion. The press, and opposition senators and representatives suggested that the decision was heavily influenced by lobby groups acting on behalf of the beverage and sugar industries. These economic groups are known for their financial contributions to political campaigns.

The 1991 constitution guarantees association and assembly rights. There are no legal restrictions on the conformation of political parties, NGOs or interest groups and the Constitutional Court upholds the exercise of these rights. The peace agreement signed by the government and the FARC includes a political reform that increases state protections for independent political and civil society groups. Demobilized former FARC members, not convicted of human-rights violations, are thereby encouraged to participate in politics. In fact, a new political party called Peace Voices (Voces de Paz, in Spanish) has been created by citizens and ex-members of the guerrilla group. The party will be guaranteed three seats in Congress (without any votes obtained until

Effective power to govern



Association / assembly rights



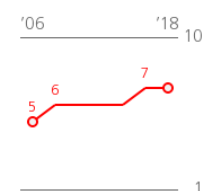
2018) and will have secured participation in parliament for two consecutive electoral terms after 2018.

The state's commitment to protect independent political groups has been an important project of the government of President Santos. According to data from the Ministry of Justice, the number of investigations from 2011 to 2016 for violent threats against union members has increased from 74 active cases to 489. Even though some perils for the exercise of association and assembly rights persist, as highlighted by a recent spike in killings of political activists and trade-union leaders, the systematic harassment, and violence against journalists and opposition members that was common in the 1990s has ended.

Freedom of expression is guaranteed by the 1991 constitution, but its enforcement is still suboptimal. Even though the systematic harassment and violence against journalists and left-wing political activists that was characteristic of the 1990s have ended, attacks and violations of press freedoms are constant in Colombia. According to the Foundation for the Freedom of Press (FLIP in Spanish), in 2016 there were 216 violations of press freedoms and 262 journalists were victims of intimidation in Colombia, such as threats (108 victims), obstruction of journalism (44 victims), stigmatization (22 victims) and kidnapping (7 victims). The organization claims that the government frequently tries to influence the opinion of the media. However, the government has always permitted the existence of newspapers and radio stations that transmit alternative political and economic views.

Freedom of expression

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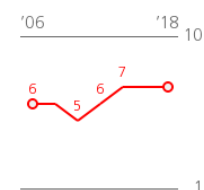


3 | Rule of Law

The administration of President Santos has made efforts to consolidate the function of checks and balances which had deteriorated during the mandate of former President Uribe before 2010. During his first term (2010-2014), President Santos implemented administrative reforms that increased the independence of the judiciary and the transparency of state operations. However, the political agenda that emerged during the second term of President Santos increased suspicions that the executive was interested in influencing the decisions of the courts. Since President Santos had long committed to the ratification of the peace agreement with the FARC via a plebiscite, the courts relaxed the conditions under which the plebiscite could be approved. Also, following the negative result of the plebiscite, the courts accepted that Congress could approve the new agreement instead of initiating a second plebiscite on the revised agreement. The lower house approved it with a 130-to-0 decision (36 opposition deputies abstained), which came one day after the Senate approved the agreement. This showed that the judiciary and Congress were acting under the coordination of the executive even in the face of institutional obstacles.

Separation of powers

7



President Santos has undertaken special efforts aimed at mending the relationship between the executive and the judiciary that had deteriorated during the administration of former President Uribe (2002-2010). Even though the relationship has been re-established to a large degree, this does not mean that the judiciary is now independent. The political opposition, on the contrary, claims that the government has used its influence over the judiciary for political purposes. Cases such as the investigation of former senator Luis Alfredo Ramos, who was eventually found innocent, and Andrés Felipe Arias, the former minister of agriculture who was found guilty of corruption by the Supreme Court of Justice and received a lengthy prison sentence before fleeing to the United States, are presented by the opposition as examples of a political witch-hunt against high-ranking followers of former President Uribe.

The removal of Jorge Pretelt, as a Constitutional Court judge, and the appointment of Aquiles Arrieta by the court, was deemed a strategic move by President Santos to guarantee that the court will declare the mechanism for ratification of the agreement between the government and the FARC constitutional. At the end of 2016, the media and other analysts discussed the need for a reform of the mechanism for appointing judges of the courts. Since some judges are nominated by the president of Congress, there might be perverse incentives that undermine the independence of the judiciary.

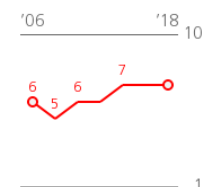
On the other hand, in August 2016, Nestor Humberto Martínez, former minister of President Santos, took office as the new attorney general. Some sectors have questioned his independence and possible conflict of interest, given his close ties to the president, the Vice-President Germán Vargas Lleras and prominent companies, which are involved in active lawsuits.

For most citizens, the perception of the judicial system's efficiency is negative. In the Latinobarómetro 2015, 37% think that the judiciary performs in a deficient way and 18.5% believe it is very deficient. A lack of infrastructure, personnel and transparency prompt the perception among citizens that the judicial system does not deliver.

The prosecution of office abuse is a generally respected principle. Nonetheless, corruption is a resilient attribute of Colombian politics. Some state agencies are plagued by corrupt practices, the mishandling of resources and nepotism, among other issues. Moreover, many local politicians employ illegal means to ensure election to public office. The Santos government has struggled to address these abuses, and entities such as the Supreme Court of Justice have been especially proactive during the period under review. The most recent example involves the former governor of the department of La Guajira. Governor Oneida Pinto was elected in 2015, but the State Council removed her from the post arguing that there were administrative deficiencies in her campaign. This shows an improvement in the system, which in the past would not have removed her from the post.

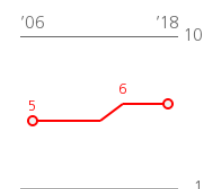
Independent
judiciary

7



Prosecution of
office abuse

6



Officeholders who abuse their positions and engage in corruption are generally prosecuted, yet they sometimes are able to slip through political, legal or procedural loopholes to avoid prosecution. Some members of the opposition and public opinion, in general, have raised concerns when considering imposed sentences for office abuse, arguing that sentencing tends to be too lenient in comparison to the crimes committed.

The recent peace process with the FARC has had a positive impact on the protection of civil rights. The number of murders and kidnappings steadily declined between 2014 and 2016, according to data from the Ministry of Defense and the National Police, and the number of victims associated with the internal conflict reached a record low in 2016. Even though the situation is better off than in the 1990s, there has been an increase in the murder of social and political leaders since the beginning of the peace talks with the FARC and after the signing of the peace accord. According to a report by the Institute of the Peace and Development (Instituto para el Desarrollo y la Paz INDEPAZ), in 2016, 117 social and human-rights activists were murdered, and five were victims of forced disappearance. Between signing the peace accord and the end of January 2017, 40 leaders have been assassinated. This situation is not incidental and poses a significant threat to the implementation of the peace accord, and the future of opposition groups and transitional justice.

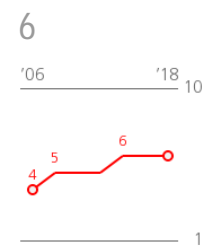
The signing of the peace agreement allows for a change in the focus of civil rights from the conflict zones to the cities. In this context, the government has addressed some pressing issues such as the violence perpetrated by the so-called criminal gangs (BACRIM in Spanish), the threats against the freedom of the press, the consequences of forced displacement and poverty. One example of a problem related to civil rights and associated with the internal conflict is the overcrowding of jails. According to data from the National Penitentiary Institute (INPEC in Spanish), the level of overcrowding in 2016 was 54.5%, and some prisons reach a level of 400%.

According to data from the Colombia Diversa Institute included in the 2015 Report of Violence Against LGBT People in Colombia, violence and discrimination based on gender and sexual orientation has increased. In 2015, there were 110 LGBT members murdered and 39% of the cases were motivated by prejudices against sexual orientation or gender identity.

4 | Stability of Democratic Institutions

The 1991 constitution established the administrative decentralization of the Colombian state, which allowed regional and local governments to formulate their own public policies under legal and constitutional terms. At first, this new form of local administration created frictions among the different levels of government and posed obstacles for control agencies which, in turn, hindered the performance of democratic institutions. However, since Alvaro Uribe's presidency (2002-2010),

Civil rights



Performance of democratic institutions

7

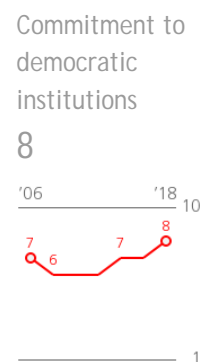
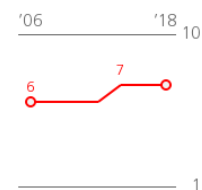
national, regional and local levels of government started to perform in a more coordinated fashion, and President Santos has consolidated this trend. Reforms in public administration that increased the transparency of administrative decisions helped, too.

The perception that citizens have about the efficiency of Congress is divided. According to 2015 Latinobarómetro data, 38.6% say that the work of Congress is deficient and 14.1% think it is very deficient, while 31.3 % say that it is good and only 2.1 % think that it is very good. This rather negative perception is the result of multiple scandals and intrigues that have characterized Congress in the past. For example, the “para politic” scandal which highlighted the close political, economic and personal relations between various congressmen and illegal armed groups in addition to the long-standing influence that economic groups and lobby agencies had over members of Congress.

The judiciary, in general, is able to act, even if the executive branch has some influence over its decisions. During Alvaro Uribe’s presidency, the relationship between both branches was characterized by confrontation. While President Santos has certainly improved the relationship, it is now sometimes regarded as too close. During the period under review, there were suspicions of the influence of the executive branch on judicial decisions, especially in the case of the constitutional analysis of the plebiscite used for the ratification of the peace agreement between the government and the FARC.

Colombia has had a robust democracy since the 1950s, with regular and free elections, and only minor threats to the transparency of the elections in peripheral areas committed by illegal armed actors. The most visible figures of the political scenario agree that democracy is the best way to organize society (and according to the 2015 Latinobarómetro data, 55.4% of citizens support democracy and 77.1% are satisfied with the way in which democracy works). During the period under review, the only relevant actors that did not accept the legitimacy of the democratic institutions were the guerrillas (FARC and ELN) and remains of the right-wing paramilitary militias. The paramilitaries were officially demobilized in 2005 and, even though criminal gangs emerged in their aftermath, the political threat per se disappeared.

The 2016 peace agreement created a chance for the FARC to manifest their commitment to the legitimacy of the democratic institutions, for example, by accepting that the peace accord would first be ratified by plebiscite and then by Congress after it was rejected by a small majority. This exercise of democratic legitimization demonstrated that the FARC were now ready to participate in the normal operation of a democratic polity.



5 | Political and Social Integration

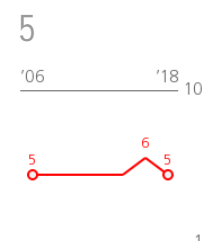
During most of the political history of Colombia, only two political parties were in charge of articulating the demands of its citizens: the Liberal and the Conservative parties. This political structure was functional for politicians but not so much for the citizens who felt that they did not have any real influence on the decisions taken by the government. The 1991 constitution included a reform that allowed new parties and independent political movements to participate in elections for political offices. From 1991 until 2003, according to data from national authorities, the number of parties increased from 2 to almost 1,000. A series of political reforms after 2003 increased the requirements for the creation and participation of political parties, and by 2016 the number was down to 20 parties and movements in Congress.

One of the main criticisms of the Colombian party system is its dependency on so-called caudillos (political strongmen). During the period under review, one of the most important political parties was the Democratic Center (Centro Democrático in Spanish) which was created around the figure of ex-president and current Senator Alvaro Uribe in 2014. The party of President Juan Manuel Santos, the U Party (Partido de la U in Spanish), was also created in 2005 around the figure of Alvaro Uribe with the sole purpose of assembling politicians supporting his re-election. Other parties, such as Cambio Radical (created around the figure of current vice-president Germán Vargas Lleras) or Opción Ciudadana, share that characteristic: they are short-lived parties that do not have strong ideological roots, and are not supposed to articulate and aggregate social interests. The Latinobarómetro data for 2015 shows that 50% of the citizens do not identify with any political party.

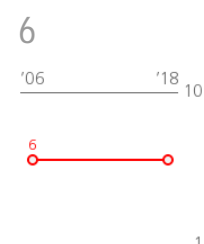
During the period under review, polarization has increased. Even though there is a plurality of political parties, the general impression is that politics is divided between parties that support and oppose the peace agreement. It is expected that the national elections in 2018 will be determined by this polarization. At the same time, it is not expected to recede since voter volatility is very low – those who supported President Santos in 2014 are the same that support the peace agreement and that will support the government's presidential candidate in 2018.

Since the 1950s, the Colombian political elites constructed and preserved a political system in which the only mediation between society and the state were (two) political parties. Cooperative associations such as labor unions and students' associations have been common, but have had little impact on the formulation of public policy and were mostly excluded from the political arena. With the changes introduced by the 1991 constitution, most of these associations became political parties – a transition that emphasized the idea that the legitimate link between society and the political system were parties. However, some associations continue to persist as such. They range from community organizations, active at the local level, to unions of public

Party system



Interest groups



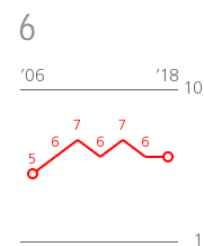
enterprises. The latter are very active when it comes to attempts of privatization, but their influence is rather limited.

During the period under review, the peace agreement between the government and the FARC included a chapter that calls for an increase in the participation of cooperative associations, especially in the formulation of local and regional public policy. This was considered an important step in order to balance the influence that economic interest groups have in arenas such as Congress and the executive branch. To ensure the safety of these associations and groups that may now emerge following the peace accord remains a challenge. Especially in areas where criminal actors are present or which are under dispute due to economic projects or the victims' land restitution program.

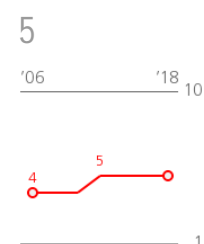
According to data from the 2016 Latinobarómetro, 54% of Colombian citizens agree that democracy is preferable to any other system of government, the same percentage as the Latin American average and a similar level since 2011. Asked the "Churchillian question," 73% of Colombian citizens agree that even though democracy has some problems, it is the best system of government available (Latin American average: 75%). This trust in democracy is a positive sign given that, according to Latinobarómetro, 82% also think that the country is governed by and in the interests of a small group of powerful people. On the other hand, 44% of Colombians would accept a non-democratic government if this would resolve the economic problems, which is again close to the Latin American average (47%). Even though Colombians are fully aware of the fact that there is corruption and nepotism in the political system, 63% are confident that democracy will eventually correct these problems (Latin American average: 61%). However, when asked (Latinobarómetro 2015) if they work with a political party or a candidate in order to influence the formulation of public policy, only 9.5% say that they do it frequently, while 72.8% say that they never engage in that kind of behavior. Colombians like to talk about politics, but they rarely want to force their opinions on other people. The Latinobarómetro 2015 data suggests that only 15% of citizens frequently try to change the opinion of people that they talk to. As a result, Colombians do support and approve of democracy, but feel that they are excluded from its procedures and do not want to participate in the formulation of public policy. This is at best a passive approval of the democratic system.

Regarding solidarity and trust, according to the Latin American Public Opinion Project (LAPOP) 2014 data, 43.17% of those surveyed consider their community as "somewhat trustworthy," and 26.7% as "highly trustworthy." This shows that most of the citizens hold some degree of interpersonal trust. On the other hand, according to Latinobarómetro 2015 data, to the statement "generally speaking, would you say that you can trust most people or that you can never be too careful in dealing with others" most of the respondents stated that you can never be too careful enough in

Approval of democracy



Social capital



dealing with others (82.5%), while 16.7% supported the idea that you can trust most people.

During the period under review, the government emphasized the importance of the construction of social capital, especially in peripheral areas of the territory, in order to stimulate the consolidation of democracy and economic development. These efforts were conserved in several chapters of the peace agreement between the government and the FARC, and consider the integration of citizens in the formulation of local and territorial policy. One of the features of the peace agreement is that it gives paramount importance to agrarian problems and tries to correct these problems by restoring communal property rights. This is deemed an important step in the (re)construction of social capital, especially among those communities that suffered the most from the consequences of the armed conflict.

II. Economic Transformation

6 | Level of Socioeconomic Development

According to data from the 2015 Latinobarómetro, 77% of Colombian citizens feel that there is no equality of economic opportunities. Moreover, 67% agree with the statement that there is no equality of opportunity when it comes to finding a job. These results show that Colombia is a society in which a significant proportion of the population feels excluded due to its origins or wealth.

The empirical data confirm this picture: Inequality is still one of the highest in the world (Gini Index 0.535 in 2014, in Latin America second only to Haiti) and poverty remains widespread with 13.2% of the population living on less than \$3.10 a day. Moreover, the Multidimensional Poverty Index calculated by the National Department of Statistics (DANE, in Spanish) shows that the incidence of poverty is consistently higher in rural areas compared to urban areas. Even though in recent years the data have shown some improvement, especially related to the provision of public goods, people living in rural areas endure harsher conditions of life.

According to United Nations Development Programme (UNDP) report on Colombia of 2011, Colombia's Gini coefficient for land is 0.85, one of the worst not only in the Latin American region but the world. One of the main causes of Colombia's high inequality is its rural economy model, in which 1.15% of the population own more than 52% of the land property. This problem was confirmed by the map of the distribution of rural property in Colombia published by the Agustin Codazzi Geographic Institute in 2012, according to this, the GINI coefficient in Colombia is 0.863.

Question
Score

Socioeconomic
barriers

5

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6 5

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In the Human Development Report 2015, Colombia's Index score was 0.720. The country ranked 97 out of 188 countries, below the Latin American average of 0.748. The data shows that in 2015 life expectancy at birth was 74 years, an increase of three years since the year 2000, and the expected number of years of schooling was 13.5 compared to 11.5 in the year 2000. Nonetheless, the report highlights that there is a clear rural-urban divide in the country: in the cities, the indicators perform much better. The Gender Inequality Index score was 0.429 in HDR 2015.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	380191.9	378195.7	291519.6	282462.5
GDP growth	%	4.9	4.4	3.1	2.0
Inflation (CPI)	%	2.0	2.9	5.0	7.5
Unemployment	%	9.7	9.2	9.0	9.9
Foreign direct investment	% of GDP	4.3	4.3	4.0	4.8
Export growth	%	5.2	-1.5	1.2	-0.9
Import growth	%	6.0	7.9	1.4	-6.2
Current account balance	\$ M	-12347.3	-19435.0	-18780.4	-12541.1
Public debt	% of GDP	37.8	43.7	50.6	50.2
External debt	\$ M	89720.4	101375.8	110875.4	120282.0
Total debt service	\$ M	9931.6	14851.1	13948.2	13421.4
Net lending/borrowing	% of GDP	-5.6	-6.9	-4.0	-
Tax revenue	% of GDP	14.1	15.0	15.1	-
Government consumption	% of GDP	17.7	17.9	18.6	18.4
Public education spending	% of GDP	4.9	4.7	4.5	-
Public health spending	% of GDP	5.2	5.4	-	-
R&D expenditure	% of GDP	0.3	0.3	0.2	-
Military expenditure	% of GDP	3.3	3.1	3.1	3.4

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The Colombian government has undertaken significant efforts to increase market-based competition in the economy. Several reforms from the 1991 constitution onwards have created institutions that oversee free competition, such as the Superintendence for Industry and Commerce (SIC, in Spanish), and a myriad of laws codifying economic practices.

According to the 2017 World Bank Doing Business Report, Colombia ranked 53 out of 190 countries (a loss of two positions since 2015) with a score of 70.92, well above the regional average score of 58.75. The report highlights the importance that the Colombian government gives to the results of these reports when designing and evaluating business regulations and policy, which are expected to have a positive impact on economic performance and competitiveness. The World Economic Forum's Global Competitiveness report for 2015 to 2016 placed Colombia 61 out of 140 countries with a score of 4.3/7.0, an improvement of five positions since the last report. Colombia kept position 61 out of 138 countries in the 2016 to 2017 report with the same score. The report cites tax rates and corruption as the most problematic factors for doing business, followed by inadequate infrastructure and inefficient government bureaucracy.

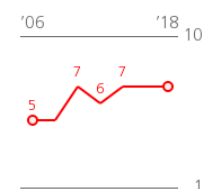
Against the limitations posed by an array of weak public institutions constantly undermined by corruption scandals, market-based competition has been fostered in recent years with government initiatives in areas such as education, transportation, and research and innovation. Moreover, price controls are absent as a public policy and there is no apparent discrimination based on nationality, size or type of business ownership (private or public).

However, despite the government's efforts to improve market-based competition, the large size of the informal sector remains a significant obstacle. The latest available report of the National Statistics Department (DANE in Spanish) informs that this sector reached 48.7% in 2016.

The legal framework for Colombia's anti-monopoly policy is long standing. The Superintendence of Industry and Commerce (SIC) is in charge of preventing monopolies, predatory pricing, and so on. Other institutions are focused on specific sectors, but pursue investigations jointly with the SIC. Broadly speaking, these institutions satisfactorily identify and prevent the uncontrolled expansion of cartelistic structures. A further improvement has been the reform of Colombia's leniency regime (Decree 1523) of July 2015 as an effort to improve whistleblowing regarding price-fixing and cartelistic behavior. In the period under review, the SIC investigated and dismantled a cartel of paper products created by three big companies.

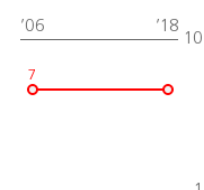
Market-based competition

7



Anti-monopoly policy

7



An OECD assessment of Colombia's competition law and policy published in 2016 confirms the relative strength of the country's anti-monopoly policy but also suggested several improvements in order to bring Colombia into closer conformity with OECD standards (such as the further improvement of the SIC's leniency program, the pre-merger notification system, the problem of uncontrolled conglomerate mergers, or the public procurement system). A legislative proposal developed by the SIC and pending before Colombia's Congress contains a variety of provisions addressing many of the OECD recommendations.

The Global Competitiveness Report 2016-2017 ranks Colombia somewhat in the midfield concerning effectiveness of anti-monopoly policy (69 out of 138 economies with a score of 3.7).

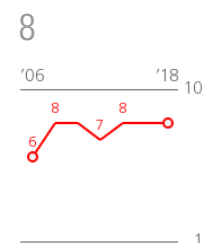
The liberalization of foreign trade was the cornerstone of the economic reforms that began in the early 1990s during President Gaviria's administration. Tariffs were drastically reduced and imports were largely liberalized. During the administration of Alvaro Uribe (2002-2010), the government fostered economic liberalization by reducing burdensome custom procedures and improving infrastructure and port operations. President Juan Manuel Santos has continued this process and increased the emphasis on transport infrastructure. However, the World Bank's Doing Business Report for 2017 states that Colombia ranks 121 out of 190 economies on ease of trading across borders. Colombia has a score of 62.83, below the regional average of 68.26, which reflects the limitations in terms of infrastructure that, in turn, have a negative impact on the timing and costs of trade.

On the other hand, the 2016 Index of Economic Freedom lauded Colombia for its strong economic fundamentals, including openness to global trade and finance with rather high scores concerning trade freedom (81.6) and investment freedom (80). It ranked the country 33 out of 178 countries with a score of 70.8. The report states that one of the dimensions in which Colombia has improved in the recent past has been in reducing corruption. It is expected that in light of the recent Odebrecht and Panama Papers-related corruption scandals, this score will deteriorate.

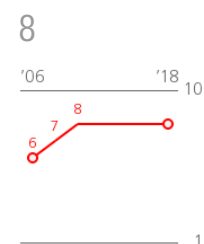
Colombia has been a member of WTO since 1995.

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

Liberalization of foreign trade



Banking system



combating abusive behavior. Disclosure rules are usually observed, but banks and other financial institutions must provide judicial authorities with information when requested, usually in the fight against criminal activity, such as money-laundering. Non-performing loans are rather low (2015: 2.8%) and the capital to assets ratio above the average of the BTI sample countries at 14.1% in 2015.

The Global Competitiveness Report 2016-2017 ranked Colombia's financial market development as the strongest pillar of its economy, and 25 out of 138 countries. This is due less to its comparatively mediocre efficiency (rank 70) than to its trustworthiness (rank 7), with positive sub-scores for soundness of banks (25) and legal rights index (1) – the latter indicating the country's adherence to international banking standards.

According to the OECD, however, financial markets in Colombia remain relatively small and shallow. In particular, the banking system suffers high intermediation costs, which constrains access to finance by households and firms.

8 | Currency and Price Stability

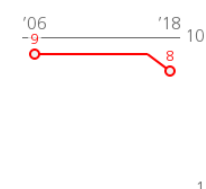
The Colombian central bank has undertaken significant efforts to contain inflation since it was granted constitutional autonomy in 1991. Over the past decade, the central bank established an inflation target of between 2% and 4% that was successfully met. However, since 2015 inflation has been above the target rate of 4%. In 2016, the inflation rate was 5.8% and, according to data from the economic think-tank Fedesarrollo, in 2017 it is expected to be 4.3% above the central bank limit for the third year in a row. The government has explained the unexpected increase in inflation by arguing that global climate conditions increased the price of agricultural goods. Fedesarrollo confirmed that this factor has been the main driver of inflation since 2015.

Even though the relationship between the government and the central bank has been mostly cooperative, President Santos asked the board of the central bank to reduce the interest rate in 2016. However, the central bank refused to comply with the requirements made by the president and has kept increasing interest rates.

The decision by the Federal Reserve of the United States to increase the interest rate for the first time since the 2008 financial crisis, in addition to the fall in international oil prices, decreased the inflow of dollars into the Colombian economy. The result was that the Colombian peso has been one of the most appreciated currencies in the world since 2015. The central bank has tried to counter the peso' appreciation by increasing its daily sale of treasury bonds.

Anti-inflation /
forex policy

8



Historically, Colombia has been very committed to macroeconomic stability, and several governments have contributed to the country's remarkable record in this regard, at least within the Latin American region. However, negative international economic conditions affected the stability of the Colombian economy. Since Colombia has become an oil-dependent state, the fall in oil prices has reduced public income. The estimated fiscal deficit for 2017 is 3.3% of GDP. However, domestic political conditions prevented the government from cutting public spending. The ongoing peace process with the FARC and the plebiscite for the ratification of the final agreement imposed financial demands on the state.

Public debt stood at 40.5% of GDP at the end of 2016, of which around 80% is long-term debt. Hence, public debt does not represent a significant risk for fiscal stability. However, international observers have stated that the economic situation in Colombia is in danger of becoming problematic. The government responded to this situation by implementing a broad tax reform, finally approved by Congress in late 2016, which increased taxes to reduce the public deficit. However, the tax reform was not as structural as expected and international observers remain cautious about Colombia's economic performance over the next few years.

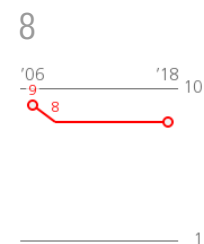
9 | Private Property

There are two defining features of property rights in Colombia: property rights in cities and property rights in rural regions. In urban areas, the acquisition, benefit, use and sale of these rights are generally well-defined and properly enforced by government authorities. In rural areas, however, the internal conflict has deteriorated the protection and usufruct of property rights. This is particularly acute with regard to resource-rich zones, whose lands lend themselves for the large-scale production of narcotics.

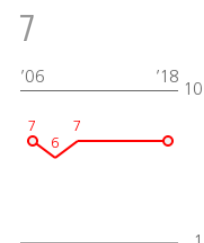
The peace agreement that the government signed with the FARC at the end of 2016 has a special chapter dedicated to resolving the problem of property rights in rural areas. It was included in the agreement as a recognition that the internal conflict has negatively affected the property rights of many people. The agreement proposes the creation of special zones in which property will be shared by indigenous communities. The effects of this plan will have to be monitored over the next years.

The 2017 World Bank Doing Business report highlights the fact that the Santos administration has continued to reduce regulatory complexity and costs, and strengthen legal institutions for the creation of private businesses. However, the report states that most of the entrepreneurs that were consulted about the ease of opening a private business in the country have identified corruption and legal insecurity as the main obstacles for private sector growth.

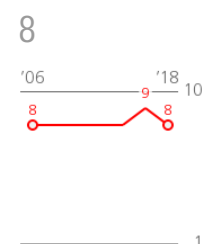
Macrostability



Property rights



Private enterprise



Recent economic conditions induced the Santos administration to increase the number of privatizations. In 2016, one of the main state-owned electricity generators, ISAGEN, was offered to be privatized. The process was heavily criticized by the political opposition since only one company proved willing to buy ISAGEN. The opposition argued that this violated all of the market principles of privatization.

10 | Welfare Regime

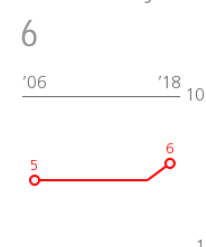
The Colombian state created a wide social safety net with the 1991 constitution. In order to impose some coherence among all the different programs, the government created the SISBEN (Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales, in Spanish). SISBEN operates by assigning every citizen a score that makes him or her eligible to participate in programs such as Familias in Acción (a conditional cash-transfer program). During the period under review, Simón Gaviria, the director of the National Planning Agency in charge of administrating SISBEN, announced a major reform of SISBEN. The reform program started by identifying the citizens that managed to alter their original score for social benefits.

There are other safety nets focused on health care services. Law 100 of 1993 established a scheme for private health care entities (Entidades Promotoras de Salud, EPS) and divided the welfare system into subsidized and contributory regimes. The contributory regime is made up of people who can afford, through their work income, the costs of health care provision. The subsidized regime, on the other hand, is made up of poor and disadvantaged people and is funded by the government and those in the contributory regime. However, the health care system remains in crisis. In 2013, Congress approved a reform of the welfare system that aimed to increase the control over the budgets of the EPS and to improve the quality of the service in both the subsidized and the contributory regimes. In 2017, following Law 1751 of 2015, the Compulsory Plan of Health will undergo major changes to ensure better access to medications. While the reform strengthens health care provision for the whole population, some experts have warned about the possible risks that the associated increase in expenditure poses to the stability of the health care system.

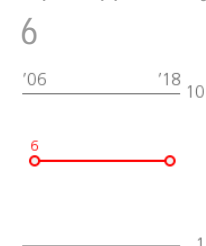
Even though recent Colombian governments have undertaken significant efforts in order to increase the equality of opportunities across a broad range of areas (economic, political and social), the country remains one of the most unequal in the world. The 1991 constitution prohibits discrimination based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

According to data from the 2015 Latinobarómetro, 53.2% of Colombians feel that opportunities for equal political participation are guaranteed, whereas 44.3% feel that there are no guarantees nor freedom when it comes to political participation. In

Social safety nets



Equal opportunity



addition, 35.4% feel that they are not free to choose their labor profession and 58.5% state that there is no equality of opportunities depending on their race, gender or income. 77% of Colombians feel that there are no guarantees for wealth distribution, which confirms the notion that Colombia is a highly unequal country.

The situation of Colombian women is illustrative, given that their representation in society and politics is still highly unequal. On the one hand, women's access to education has no formal barriers. According to World Bank data, in 2014 the ratio of female-to-male enrollment remained at 97% for primary education, and 109% for secondary school (on comparatively high overall enrollment percentages of 113.7 for primary, 98.8 for secondary and 51.3 for tertiary education).

On the other hand, the Latinobarómetro data shows that 49.2% of Colombians feel that there is no equality of opportunities for women compared with men. Job opportunities tend to be difficult to come by for women. The most recent data, released in June 2016, shows that the rate of unemployment for women stands at 12%, whereas the rate for men is 9%.

The 2016 Global Gender Gap report ranked Colombia 39 out of 144 countries with a score of 0.727, an increase of fourteen positions since 2014. Colombia ranked 28 in economic participation and opportunity, 37 in educational attainment, 40 in health and survival, and 66 in political empowerment. These results show that in the period under review some aspects of gender equality have improved, especially those related to economic opportunities, whereas others related to political participation have remained the same.

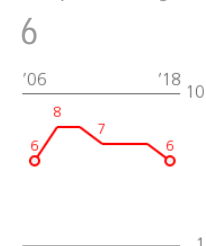
11 | Economic Performance

During the period under review, Colombia's economic performance was consistently poorer than from 2010 to 2014. The data shows that the expected GDP growth for 2016 could be a mere 1.6%, compared with 3% growth expected by the government, and for 2017 it could be below 2%.

The explanation for this decline in economic performance has several reasons. On the one hand, there is a persistently high budget deficit, sustained by inflexible public spending commitments. For 2016, Fedesarrollo calculated that the budget deficit will be 3% of GDP. On the other hand, inflation has become a major problem for Colombian households and the economic uncertainty prevents households from spending more.

Fedesarrollo runs a regular poll asking households about their confidence in the economy, which at the end of 2016 was considerably lower than at the end of 2015 and the lowest since 2001. In addition, the recent tax reform increased aggregated value taxes, which is expected to negatively impact the willingness of households to consume and invest. Moreover, Fedesarrollo also runs polls inquiring about the

Output strength



confidence of industry, which by the end of 2016 was at its lowest level since 2009. This pattern was also matched by deteriorating confidence in commerce. Unemployment has remained between 10% and 12% since 2004.

Regarding the trade balance, the country has a weak export performance. In 2015, the country registered a trade deficit of \$15.9 billion, while in 2014 the deficit was of \$6.3 billion. There was a small recovery in 2016, which ended with a deficit of \$11.8 billion. The decline in oil prices has been the main reason behind this situation. The high dependence of the Colombian economy on oil export renders the country highly vulnerable to cycles in commodity prices.

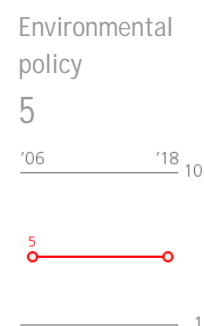
12 | Sustainability

Colombia is a biodiversity hotspot, as the country's variety of topographic features enables the existence of a large diversity of fauna and flora. The state has made efforts aimed at the conservation of animals and plants, which are considered among the country's principal assets. The Ministry of Environment and Sustainable Development is in charge of public policy aimed at reducing the impact of economic development on the biodiversity of the country. It promotes the reduction of CO₂ emissions and the conservation of protected areas. Under the Santos administration and during the period under review, the ministry has established several environmental goals and has attempted to coordinate local governments in order to achieve them.

One of the most pressing environmental problems over recent years was the negative externalities caused by the oil exploration of the mining industry. In order to tackle this problem, the government of President Santos created the National Agency for Environmental Licenses (ANLA, in Spanish) which is in charge of approving new mining explorations in areas where diversity could be endangered, thus increasing the requirements for the exploitation of mines. In addition, the government created the Protected Areas National System (SINAP, in Spanish) which is in charge of monitoring areas that have a significant environmental value. However, the efficiency of these agencies is hindered by the subordination of environmental protection to economic growth, a weak institutional framework and the lasting impact of the internal conflict on the environment.

In 2016, ANLA issued a license for mining exploitation in the Macarena area, a zone protected by environmental laws and with a significant production of clean water. Senator Claudia Lopez brought the license to public light and called for a debate in Congress in order to prevent exploration. Public pressure finally succeeded with President Santos revoking the license issued by ANLA.

The 2016 Yale University Environmental Performance Index ranked Colombia 57 out of 180 countries worldwide with a score of 75.93, which is a major improvement compared to 2014 when Colombia was ranked 85 worldwide with a score of 63.



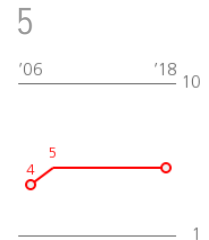
Though education spending averaged between 4% and 5% throughout the last decade, there are both persistent qualitative and quantitative problems associated with educational policies in Colombia. On the one hand, even though enrollment rates are at acceptable levels, people living in rural areas often do not have sufficient access to education. In addition, despite increased enrollment in both primary and secondary education institutions, relatively few people have access to tertiary education (reflected in a gross enrollment ratio of 51.3%). The 2016 Global Education Monitoring Report shows that, compared with other low- and middle-income countries, educational attainment in Colombia is highly correlated with wealth and gender: richer males and females are likely to attend five years more of schooling than poorer males and females. In order to tackle this problem, the Ministry of Education launched a program of university scholarships for low-income students who obtained high scores in the SABER PRO high school exam. The program received mixed reviews. For some analysts, the program reinforced the idea that only private universities offered high-quality education since most of the beneficiaries chose private institutions, whereas other analysts insist that the program could be a vehicle for social mobility.

The 2016 Global Education Monitoring Report also states that in Colombia higher levels of education are strongly related to lower levels of working poverty (which is defined as an income 50% below the median weekly earnings). This can be explained by the quality of education that rich households can afford compared to poor households. UNESCO notes that even though Colombia has been one of the faster growing economies in the region over the last decade, the poorest have not had the opportunity to enjoy the benefits of this growth. As a result, Colombia's unequal access to good quality education is one of the main factors behind inequality, along with segmented labor markets and ethnic and gender discrimination.

Teachers in rural areas often lack the appropriate tools to teach properly, such as books, infrastructure, technology and basic training. As a result, there are marked differences in academic results between urban and rural areas. There is no universal system of education, despite the rulings of the Constitutional Court. Given substantial financial constraints, a lack of quality and sufficient opportunities, access to tertiary education is still an insuperable barrier for many people.

The Colombian government announced its intention of joining the OECD at the beginning of the Santos administration in 2010. In order to achieve this goal, the government has to overcome major obstacles, mainly those related to R&D funding. According to OECD data, the Colombian research sector is rather small and faces major challenges: low educational standards, low tertiary attainment, inadequate infrastructure, a high level of inequality, and suboptimal ICT and scientific infrastructure.

Education policy /
R&D

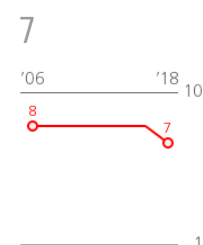


Governance

I. Level of Difficulty

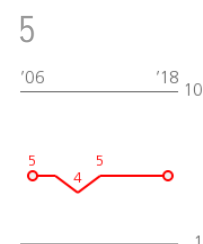
Colombia has several structural constraints, including social inequality, poverty, high rates of unemployment and informal employment, and poor education and health care services, especially in rural areas. Even though the government of Juan Manuel Santos has made significant efforts to resolve the long-standing internal conflict, which has been considered the biggest structural constraint, its negative effects persist, such as the penetration of guerrillas, paramilitaries and mafia groups within many state institutions, especially in rural areas. Illegal activities permeate both public and private administrations, and are characterized by an unregulated patronage system and widespread corruption. The recent scandals related to bribes paid by the Brazilian infrastructure company Odebrecht to high-level executive functionaries and congressmen have demonstrated once more that public resources are easily captured. Natural disasters, such as earthquakes and floods, coupled with an already high budget deficit and the political polarization of society further complicate good governance, and the steering capacity of political, economic and social elites.

Structural constraints



Colombia has a long-standing tradition of democratic institutions. Since the late 1950s, there have been regular and mostly fair elections. However, Colombian citizens do not possess a strong tradition of public engagement. The political landscape of the country was traditionally shaped by the Liberal and Conservative parties, which in turn were dominated by national and regional political elites. In that scenario, citizens were consistently excluded from participation in public life. During the 1980s and 1990s, the rise of drug cartels led by Pablo Escobar and the Rodriguez Orejuela brothers, and the relationship between politicians and drug-traffickers and other illegal actors, worsened the country's situation. Even though the 1991 constitution led to the formation of new civil society groups defending several aspects of the constitution, the notion of civil society as such could not be strengthened due to societal polarization and a general discontent with political parties.

Civil society traditions



Several illegal actors started to participate actively in Colombian political life. This led to an alarming decline of public engagement and political participation. Several politicians, members of NGOs and trade unionists, among others, were kidnapped, extorted, killed or “disappeared” by guerrillas, paramilitaries and/or drug cartels. The

killings continued during the 2000s, but the numbers decreased somewhat following the implementation of President Uribe's "Democratic Security" program.

During the period under review, social organizations have started to galvanize different political stances into a civil society movement. The 2016 campaign for the plebiscite that was supposed to ratify the peace agreement between the government and the FARC demonstrated that there are numerous and active civil society associations, and that they could grow in the near future and thus reverse the deterioration of public engagement. However, violence still hinders political participation and activism.

This also affects the levels of social trust. While the most recent LAPOP 2014 shows that most citizens hold some degree of interpersonal trust, the Latinobarómetro 2015 data indicates a high percentage of respondents stating that people can never be too careful in dealing with others (82.5 %).

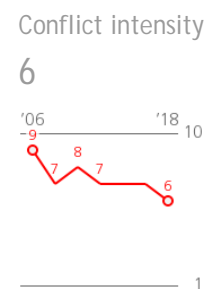
In terms of voluntary associational activities, many people tend to be rather passive (see Interest groups), even though there is a considerable number of organizations and associations, mainly operating in urban areas.

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

Conflict-related issues have worsened due to chronic poverty, which constantly reinvigorated the internal conflict. Illegal forces exploit the lack of opportunities and formal education of the poorest groups. Urban suburbs and deprived rural zones became recruiting hotspots for drug dealers, BACRIM, and guerrilla forces. As a result, conflict intensity has largely been determined by widespread poverty and social exclusion, but also by profits from the illegal drug trade.

The government of Juan Manuel Santos acknowledged the importance of the armed conflict as a constraint on economic development and in 2012 embarked on a peace process with the FARC guerrilla group, the largest and most powerful of the guerrilla groups still active in Colombia. By the end of 2016, the process reached an agreement that was finally ratified by Congress. Even though the accord is naturally not perfect, it is expected to drastically diminish the amount of violence that rural areas especially have had to endure for decades. Moreover, at the time of writing, the Colombian government had started peace talks with the ELN guerrilla group. If successful, these negotiations would lead to the end of the internal armed conflict.

However, even after integrating the FARC and eventually the ELN guerrilla groups into the realm of legal politics, Colombia still has a long way to go in order to



eliminate the use of violence for political or economic ends, and to offer equal opportunity to all sectors and regions of the country.

According to the 2016 Vision of Humanity's Global Peace Index, Colombia ranked 147 out of 162 countries included in the report. The country's overall score was 2.764/5.0, with a score of 1.9 for militarization, 3.6 for society and security, 2.2 for and domestic and international conflict. With the peace agreement and its results, it is expected that in the next few years the country will perform substantially better on those scores.

II. Governance Performance

14 | Steering Capability

From the outset, the administration of President Santos defined an overarching strategic priority: the peace process with the FARC guerilla. This was the first goal in the government's National Development Plan 2014-2018 ("Todos por un nuevo país – paz, equidad, educación"). Ever since the negotiations were made public in the middle of 2012, Santos has stated that all other aspects of government, such as macroeconomic stability or infrastructure development, were secondary to this priority. The government demonstrated a remarkable ability to pursue its priorities given that the political opposition, led by former president and current senator Alvaro Uribe, sought to derail the peace process by all available means.

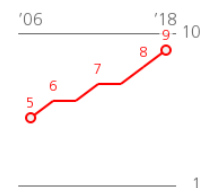
In terms of the economy, the Santos administration set a secondary priority at the beginning of 2016 to institute a "structural tax reform" in order to cover the public deficit. The government assembled a commission composed of experts which produced a document with several recommendations. However,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

Another secondary priority was the development of infrastructure. Vice-President Germán Vargas Lleras assumed the leadership of this project, fostering investment in road and housing construction, the latter with a focus on vulnerable parts of the

Question
Score

Prioritization

9



population. However, recent evidence has surfaced that public contracts with private contractors were heavily influenced by corruption.

Trade and other economic policies (e.g., tax breaks, the prioritization of exports and a stable exchange rate) were pursued jointly with other state agencies (e.g., the central bank). There has been a traditional consensus among the country's political and economic elites in terms of the desirability of an open market, and accordingly a consistent strategy of liberalization took place.

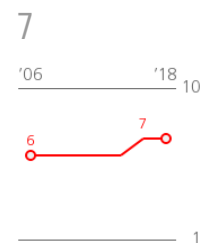
Moreover, the relative stability of President Santos' cabinet and a majority for Santos' political party in Congress have enabled some important economic reforms, also supported by the inclusion of technocrats and other experts in the executive branch. In contrast to the previous Uribe administration, President Santos' cabinet has acted with more autonomy from the president and placed greater emphasis on socioeconomic issues. The government also relies on the National Department of Planning (DNP), which is an administrative department belonging to the executive branch. It reports directly to the president and is responsible for providing the government with information for decision-making. The DNP promotes the implementation of a strategic national vision for social, economic and environmental policies, including design, direction and evaluation of public policies, and the management and allocation of investment.

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

In addition, there are considerable obstacles that consistently hinder the thorough implementation of government policies. The presence of illegal armed groups and drug-traffickers has not been the only obstacle for policy implementation. Local elites block the implementation of policies and reforms when they affect their interests. High levels of corruption are still present in almost every domain of political activity and public institutions. President Santos has stated that none of the officials within his administration has been investigated for corruption, compared to several high-ranking officials during the administration of President Uribe. However, that might change soon following the Odebrecht corruption scandal.

Overall, President Santos' policies have a mixed record of success. The re-establishment of diplomatic relations with Venezuela and Ecuador, and the successful

Implementation



end of the peace talks with the FARC are certainly the most important accomplishments of his presidency during the period under review. However, the government's response to several emergencies at the local level, such as the deaths of children by malnutrition in the Guajira department, has highlighted difficulties in implementing policies related to poverty and nutrition issues. According to Human Rights Watch, the Colombian government has been ineffective and incoherent regarding the implementation of policies relating to the protection of displaced women.

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

However, the Santos administration has shown some flexibility in terms of governmental policies. The shift from Uribe's "democratic security policy" to open peace talks with the FARC has demonstrated innovation in terms of policy learning. The asymmetry of military power created by the strategies of former President Uribe enabled President Santos to start the dialog with the guerrilla. Santos' pragmatic approach toward Colombia's foreign relations is also a progress in terms of policy learning. The inclusion of technocrats and other experts in the executive branch, and a more stable ministerial cabinet also attest to a learning process relative to wider Latin American region and Colombia's historic context.

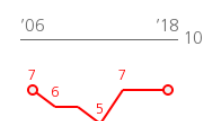
15 | Resource Efficiency

Despite President Santos' efforts regarding the efficient use of administrative personnel, the Colombian government still tends to favor political expediency over meritocratic criteria. Recruiting procedures that are fully transparent and free from external influence are not a prominent feature in the country, as seen, for instance, in the diplomatic service.

As for the efficient use of budget resources, it is clear that Colombia still has a significant amount of debt and maintains a noticeable fiscal deficit. In fact, during the period under review, debt has increased and macroeconomic stability has somewhat declined. The debt burden is manageable due to the country's international credibility in terms of economic leadership, at both the local and regional level. However, there is no circumstantial evidence of significant improvements in the use of budget resources. The major concern is that these resources are frequently not invested for the improvement of infrastructure and human livelihood but to increase political support in the regions. A colloquially used term to refer to this long-standing clientelistic practice is "marmalade" which refers to public resources that are

Policy learning

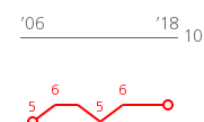
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Efficient use of assets

6



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transferred to regional elites in order to shore up political support for the central government.

Since the 1980s, the Colombian state has carried out a decentralization process, which started with a fiscal dimension. The constitution of 1991 established the institutional framework for the political and administrative decentralization, and deepened fiscal decentralization. There is no consensus regarding the results of the reforms, but it is clear that corruption, the lack of accountability and the arrangements among local elites have hindered the potential impacts in promoting welfare and citizenship at the subnational level.

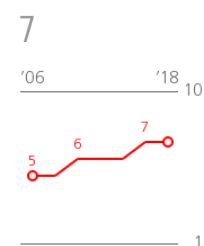
For policies and programs to be implemented, there are several efforts that require a minimum of inter-agency cooperation. The Santos administration has increased the level of coordination among policy-making agencies, especially those responsible for poverty alleviation, and some policies have been quite successful. Notwithstanding, the frequent absence of written or formal rules of procedure provide civil servants with leeway to exceed their functions. In addition, resource mismanagement makes the effective coordination of policies a difficult task. Reports on the use of public resources by the National Planning Department show that, on average, public agencies only spent 80% of the resources assigned to them during the period under review. President Santos has given more autonomy to his cabinet but there is still only limited coherence in the formulation of public policy in terms of the overall goals of the government. Finally, corruption has long plagued several governmental agencies and they are simultaneously regarded as inefficient by the central government.

Corruption is a chronic and endemic characteristic of Colombia, and it persists as a troubling feature of politics that constantly undermines the integrity and the effectiveness of the state.

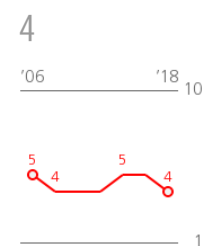
To confront this situation, the Santos administration has tried to implement several legal strategies, such as the anti-corruption law. Nevertheless, corruption continues to be a dominant trait as several governmental agencies have been involved in some scandals. The measures adopted by the political leadership have not stymied corruption, due to the existence of a culture of tolerance, the absence of adequate and/or effective monitoring mechanisms and structural constraints, including patronage activities (“marmalade”).

The agencies that are supposed to control corruption are the general comptroller, in charge of auditing public spending, the attorney general, in charge of the disciplinary control of public employees, and the National Electoral Council, in charge of controlling political parties, including their campaign spending. However, these agencies suffer from several problems mentioned earlier and, even though they try to

Policy coordination



Anti-corruption policy



do their job properly, there are several obstacles that prevent corruption being effectively control.

During the period under review, the Santos administration managed to survive without any major corruption scandal until the Odebrecht scandal, which is currently being investigated. However, while corruption for strictly economic benefits might be less frequent now, clientelism and corruption persist in Colombia.

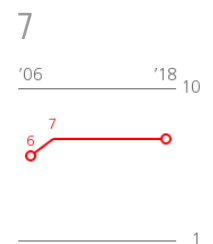
16 | Consensus-Building

Colombia's major political and economic actors generally agree on the consolidation and improvement of liberal democracy as a strategic, long-term goal. The market economy is considered an ideal framework for achieving both economic growth and development goals. However, political parties hold somewhat different notions on both concepts. As a result, there is a sharp division between left-wing, right-wing, and center-leaning parties. With the exception of the guerrilla and paramilitary forces, political actors agree that democratic procedures are the most revered principles of Colombian politics. However, in the case of political parties, there are deep gaps regarding specific issues, especially in terms of social policies such as education and health care. The most significant controversy over strategic priorities has been on the peace process.

The country's largest economic organizations, most politicians and political parties agree that the law of supply and demand provides the tools that most efficiently drive the process of economic growth. Nonetheless, there are some contrasts about the use of the market. On the one hand, many think-tanks and economic groups believe that the government should allow the market to operate without major state intervention. On the other hand, trade unions and left-leaning organizations claim that neoliberalism plays an important role against the interests of the poor and other excluded groups. They believe that government should play a more proactive role in providing relief and opportunity to those left behind by the logic of the market. Before the peace agreement, the FARC still held different views of both democracy and the market economy. The guerrilla group proposed that the government and the present state structure must be overthrown and a "Bolivarian" state should be created instead. Now that the FARC is expected to transition into a legal political party, many expect that their discourse will moderate and that eventually they could agree on the market as the normal form of resource allocation, too.

The most prominent anti-democratic actors in Colombia are illegal armed forces, such as paramilitary and guerrilla groups. Despite the demobilization of some guerrillas and, more importantly, paramilitary combatants, several have since rejoined emerging criminal groups (BACRIM) and/or engaged in illegal activities, such as drug-trafficking and criminal violence in urban areas. However, the BACRIM groups do not hold any political stance and hence are not considered a threat to democratic institutions.

Consensus on goals



Anti-democratic actors

7

The main threat to democracy were the guerrilla groups. President Santos was able to induce the largest group, the FARC, to comply with democratic rules via a peace agreement. It is expected that the other existing guerilla group, the ELN (National Liberation Army), will take the same route as the FARC as a result of the current peace negotiations between the ELN and the government.

Landowners are a somewhat controversial group. Some landowners could be considered anti-democratic actors, as they oppose land restitution for displaced people and agrarian reforms, which are a result of the peace agreement with the FARC, their long-standing enemy.

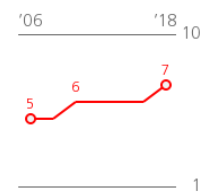
The country's political leadership has been unable to depolarize structural conflicts, particularly in terms of drug-trafficking and violence. Despite the demobilization process of the paramilitaries that started in 2005, the re-occurrence of violence through mafia groups and emerging criminal organizations (BACRIM) has led to a substantial rise in urban insecurity. Several cleavages still exist, especially in terms of economic classes, ideological differences and the alarming situation of minorities, such as Afro-Colombians and indigenous communities.

The peace agreement reached at the end of 2016 aimed to reduce ideological cleavages by integrating the most belligerent actors into the political process and inducing them to comply with democratic rules. However, the result was the contrary: the political opposition led by former President Uribe claimed that the final ratification of the peace agreement by Congress contradicted the result of the plebiscite held in October 2016. It is expected that polarization will in fact increase in the run-up to the next presidential elections in 2018 where the peace agreement with the FARC will be center of the debate.

Civil society participation in Colombia is not a prominent trait of the political and social scenario. Despite the existence of a vibrant range of organizations in many areas, there is a lack of freedom of association, and an active civil society role runs the risk of danger, due to the pressure of illegal armed groups, especially in rural areas where the presence of the state is still weak or even nonexistent. As is tradition in Colombia, policies are formulated by high-level officials close to the executive, and civil society is generally excluded from this process.

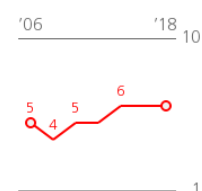
The two main problems to do with greater civil society participation are the regional and sectoral fragmentation of civil society organizations and the fact that resources are heavily skewed in favor of organizations representing the better-off sectors of society (business organizations, for example)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

During the period under review, civil society participated only at the end of the peace process between the government and the FARC. When the result of the plebiscite on



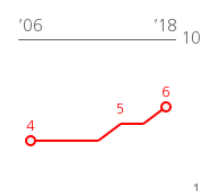
Cleavage /
conflict
management

6



Civil society
participation

6



the peace accord turned out to be negative, civil society organizations went to the streets and campaigned in favor of the agreement. This societal pressure was deemed fundamental for the final ratification of the peace agreement via Congress in December 2016.

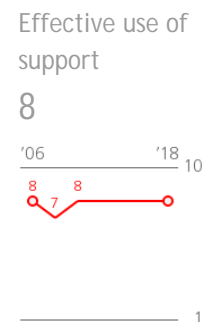
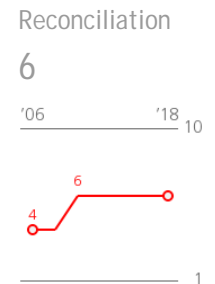
Even though the government implemented a demobilization, disarmament, and reintegration (DDR) program as a result of the peace agreement with the FARC, the reconciliation process between victims and perpetrators still has a long way to go. The same occurs with the paramilitary groups' DDR process. The resurgence of paramilitary activities and the lack of sufficient financial resources earmarked for reparation have undermined the success of the reconciliation process.

However, the peace process with the FARC and the final agreement could contribute to making the process of reconciliation a reality. Under the leadership of President Santos, who at the end of 2016 won the Nobel Peace Prize for his role in the peace process with the FARC, members of the guerrilla group will effectively reintegrate into civil society and its former leaders will participate in the political process through their guaranteed seats in parliament. The path to achieve reconciliation is naturally a tough one since there are many political forces interested in excluding the FARC from political participation.

17 | International Cooperation

The main goals of development are outlined in the government's National Development Plan 2014-2018 ("Todos por un nuevo país – paz, equidad, educación"), with the priorities outlined in section 14.1, above all the peace process. International actors such as the European Union, the IMF, the U.S. Agency for International Development (USAID), the World Bank, and the Inter-American Development Bank (IADB) actively cooperate with Colombia's government in the pursuit of political and economic reform. According to the official declaration, the Ministry of Foreign Affairs "is the national governmental institution responsible for formulating and guiding its international cooperation policy in the different modalities: bilateral, multilateral, south-south and humanitarian aid."

The Santos administration effectively and successfully used international support for the peace process and final agreement with the FARC, and in the ongoing negotiations with the ELN. In the case of the FARC, the peace talks were held in Cuba, with the participation of Ecuador, Venezuela, Chile and Norway as so-called guarantors of the process. The support from countries in the region and Europe significantly strengthened the international legitimacy of the peace process, and increased the possibility to tap into financial resources provided by donor countries and international organizations.



However, there is still some contradiction between the kinds of development policies put forth by the Santos administration (mining, large-scale agribusiness, etc.) and the kinds of policies that will be needed in order to consolidate peace after the conflict is over, above all land reform and agriculture policies that benefit small-scale growers. Not least, the implementation of the development agenda is also dependent on the effective implementation of the peace process and thus exposed to potential turnarounds in the medium term, given the fierce opposition the peace accords still encounter in Colombian politics and society.

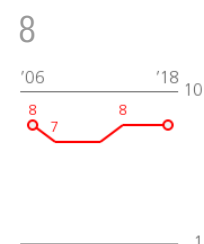
In economic terms, Colombia's credibility has somewhat diminished during the period under review. The Santos administration has made major efforts into appearing as a reliable economic partner on the international stage. However, the fall in oil prices widened the public deficit and increased inflation, and led to a deterioration in the domestic economic situation. The tax reform, approved at the end of 2016, did help to maintain international credibility. However, most economic analysts highlight that the reform was not enough to overcome the problems created by the public deficit.

In political terms, Colombia has struggled to improve its credibility. Due to its previous record of human-rights violations, the Santos administration has – somewhat successfully – tried to “clean” the country's image on the international stage. The normalization of diplomatic relations with neighboring countries and above all the peace agreement with the FARC have enabled Colombia to regain political trust and credibility. This situation, however, is still fragile and the administration cannot afford mistakes. The creation of efficient mechanisms for the protection of human rights remains restricted by financial constraints, and security issues are far from being completely solved.

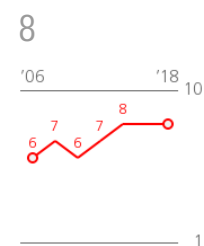
The participation of Colombia in regional organizations used to be somewhat sporadic, recalcitrant and often conflictive. The country has now shown more cooperation and disposition toward the rest of South America after the reestablishment of diplomatic relations with Venezuela and Ecuador, yet without giving up its close relationship with the United States. The country is an active member of the Pacific Alliance.

However, some tensions with Venezuela persist. The president of Venezuela, Nicolás Maduro, has stated that most of the economic and security problems in his country have their origins in Colombia. Maduro argued that the shortage of food and medication in Venezuela is due to the black market run by Colombians in order to avoid the price controls imposed by the Venezuelan government. In addition, Maduro claimed that the protests in his country are organized by armed groups primarily composed of Colombians. The Colombian government has for the most part calmly answered these absurd claims, but the participation of Venezuela as a guarantor of the peace process with the FARC made it somewhat difficult for the government to go any further in its rebuttal.

Credibility



Regional cooperation



Strategic Outlook

In the period under review, Colombia has deepened its compromise with democracy and a market economy. However, some serious challenges persist, which the government, led by President Juan Manuel Santos, will need to tackle. In the political arena, significant efforts will be required to secure the political legitimacy of and successfully implement the peace agreement between the government and the FARC. In the economic arena, the government will need to increase its efforts to guarantee macroeconomic stability and economic growth, while simultaneously dealing with the embedded problems of corruption and inequality.

Politically, the government demonstrated its ability to commit to one specific, overarching policy goal: securing a peace agreement with the FARC, to which the Santos administration had committed in 2012. The negotiations were long and difficult but a peace agreement was finalized in mid-2016. The peace agreement was submitted to a popular plebiscite in October 2016. This democratic exercise showed that the FARC was ready to integrate into the political arena by recognizing the legitimacy of Colombia's democratic institutions. Contrary to all expectations, the peace agreement was rejected by the plebiscite, with a slight advantage of 60,000 for the "no" vote. As a result, the government had to rapidly modify the agreement and submitted for approval to Congress, an act that significantly reduced the political legitimacy of the final agreement. If the opposition led by former President Alvaro Uribe wins the next presidential elections, scheduled for the middle of 2018, the implementation of the peace agreement is likely to be rejected. In addition, there are still many criminal armed groups in the country, including drug-trafficking and organized crime groups. The so-called BACRIM embodies a significant threat to the country's security and the safety of residents.

Economically, the domestic conditions are expected to remain difficult over the next few years. The implementation of the peace agreement will require a significant fiscal effort for the government since it includes programs for land reform and the creation of new institutions. In addition, the recent economic growth has been fairly poor and forecasts are anything but bright. Though investor confidence increased substantially in recent years, it remains fragile due to the volatile external environment, as the global economy recovers, and a domestic situation characterized by higher than usual levels of inflation and public debt.

Finally, there is an urgent need to promote economic diversification. Currently, economic development is excessively dependent on mineral and oil extraction, and the Santos administration needs to promote a more balanced and sustainable economic development model.