

# BTI 2010 | Colombia Country Report

<b>Status Index</b>	1-10	<b>6.33</b>	# 43 of 128	
Democracy	1-10	5.95	# 60 of 128	➔
Market Economy	1-10	6.71	# 36 of 128	➔
<b>Management Index</b>	1-10	<b>5.36</b>	# 57 of 128	

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

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

More on the BTI at <http://www.bertelsmann-transformation-index.de/>

Please cite as follows: Bertelsmann Stiftung, *BTI 2010 – Colombia Country Report*. Gütersloh: Bertelsmann Stiftung, 2009.

### Key Indicators

Population	mn.	44.0	HDI	0.81	GDP p.c.	\$	8587
Pop. growth	% p.a.	1.3	HDI rank of 182	77	Gini Index		58.5
Life expectancy	years	73	UN Education Index	0.88	Poverty <sup>2</sup>	%	27.9
Urban population	%	74.2	Gender equality <sup>1</sup>	0.49	Aid per capita	\$	16.6

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

## Executive Summary

During the two years of the period under review (January 2007 to January 2009), progress has occurred in parts of Colombia's government apparatus and economy, and regression in others. Nonetheless, it remains questionable whether the path being taken will lead to sustainable and socially based development in the long term, and whether democratic deepening and peace can be achieved in this way.

The transformation process was strengthened in terms of some macroeconomic performance criteria. But despite recent years' relative economic growth, Colombian entrepreneurs note in their "Informe de Competividad" that severe problems still exist, including difficulties in reducing internal and external debt, persistent fiscal deficits, structural poverty, social inequality and informality. They claim a lack of competitiveness and innovation, persistent under- and unemployment, and a failed education policy at the primary and secondary levels. Colombia does not have enough technicians, and research is minimal; university education is difficult to access, expensive and sometimes of poor quality. By the end of the evaluation period, it was clear that the international economic crisis would have an impact on Colombia's economic growth rate and other macroeconomic indicators. The international environment was furthermore shifting due to the new government in the United States and the consequences this would be likely to have for international cooperation and financial support. As a result, Colombia's economic transformation in the coming years will be even more difficult.

The efforts made to consolidate the state's monopoly on the use of force and to reduce political violence have born fruit, but international human rights associations still claim that the policy of democratic security has led to human rights violations. The violent conflict and general violence in the countryside and some cities remain significant problems. There has been success with the release and liberation of hostages and in the fight against the Revolutionary Armed Forces of Colombia (FARC) guerrilla group, but the government's means to this end have not always been

well aligned with international humanitarian law. Differences of opinion regarding the peace process with paramilitary groups persist, especially regarding the reconciliation process, indemnification, extradition to the United States, and the close relations of a good part of the political elite to paramilitary groups, a situation under investigation by the Supreme Court.

Military leaders have been discharged in various occasions. But as yet, the Álvaro Uribe government has not delivered substantial reform or democratization of the armed forces, the police and law enforcement. The judiciary faced severe pressure from the government during the evaluation period. Reforms of the judicial system and of informal channels of judicial influence aimed at restricting the powers of some judicial institutions. The reform of the political system seems to be a side show. The proposals being made are partly well intentioned (e.g., the participation of women in parliament, the election of the National Registrar (Registrador Nacional del Estado Civil); however, some are clearly meant to restrict participation of political parties further or to debilitate the power of no-confidence motions, or as a mere bargaining chip for which the government can in exchange receive favors from Congress. Critical opinions expressed by the mass media or civil society organizations, political participation by certain societal groups and opposition to government positions are still viewed by the government as an expression of enmity.

## History and Characteristics of Transformation

A stable two-party regime emerged in Colombia against the background of the civil wars of the 19th century that were motivated in part by party politics and La Violencia (1948 – 1958). The Liberals (PLC) and the Conservative Party (PC) have dominated this two-party regime. The civilian elite of both parties ran the government for the most part. This type of rule was interrupted by the military dictatorship of General Gustavo Rojas Pinilla from 1953 to 1958. At first, the PLC and the PC tolerated Rojas as a means of ending La Violencia. When it became clear that Rojas would threaten the long-term political power of the PLC and the PC, his dictatorship was replaced by the civilian regime of the National Front, which officially lasted from 1958 to 1974.

During this period from 1958 to 1974, third parties were excluded from elections and later subject to discrimination. Additional restrictions have hindered democratic transformation in the areas of stateness, the rule of law, representation and election regulations. The National Front was never reformed to any significant degree. Starting in the late 1980s and intensifying with the constitutional reform of 1991, the political regime established a new institutional basis. The participants of the regime then managed to abolish some formal restrictions, but deficiencies remained in stateness and the rule of law, as did some formal and many informal rule-related issues in political culture.

The transformation process stagnated in the 1990s due to deteriorating conditions and a lack of commitment from the elite in implementing the new constitution and boosting its potential to democratize. Individual reforms, however, were implemented in such areas as the party system and mechanisms of direct democracy. Additionally, “civic islands” (Indigenous, Afro-Colombian, women’s and human rights organizations, NGOs) continued to develop. These organizations limited their mandate primarily to their own spheres. The room for action available for political actors depended on their geographical situation, specific characteristics, the course of the violent conflict, and the position of the government vis-à-vis their particular demands.

Corresponding to the constitutional reforms the Colombian economy began to open up to international capital and goods after a long phase of isolation from the global market, as part of an import-substitution economic strategy. President Virgilio Barco (1986 – 1990) introduced a set of structural reforms that were also seen as a strategy for modernizing both production and the state. He strengthened the internationalization of the economy by deepening traditional economic relationships, integrating Colombia more intensely into the Pacific Rim, and by awarding drilling and mining licenses and major hydroelectric projects to transnational companies.

César Gaviria’s administration (1990 – 1994) effectively pursued political reforms, including the new constitution and direct democratic mechanisms. He promoted the reform of the state and the internationalization of the economy. Gaviria managed to liberalize up to 97% of foreign trade. The customs tariff was reduced from 23% to 11% starting at the end of 1991; the labor market was made more flexible; several state-owned enterprises were privatized; the foreign-exchange market was largely liberalized; and regulations for foreign investment were loosened. The exchange rate was liberalized at first, but a fully floating exchange rate was only introduced in 1999.

His successor, President Ernesto Samper (1994 – 1998), who was accused of having financed his candidacy with drug mafia money, involved the country in a deep political crisis. However, Samper also tried to introduce socioeconomic reform and took a slower approach to the neoliberal reform model. At the end of his term in office, a major political and economic crisis set in. Among its causes was the growing fiscal deficit brought on by the state’s failed expenditures policy, corruption and unprofitable state-owned enterprises. Added to these problems were the results of a misdirected decentralization policy, which led to overextension of Colombia’s regional and local entities. This negative development accelerated the deterioration of general political and international conditions. The economy had turned out to be more crisis-prone, and was no longer isolated from international financial crises, such as the 1997 Asian crisis.

President Andrés Pastrana (1998 – 2002) set up a peace process with the largest remaining left-wing guerrilla group FARC, which ultimately failed, yielding an even bigger political crisis. Aside from engaging in some political engineering such as reforming electoral and party law, President Pastrana made little headway. He continued privatization and other liberalizing reforms, but these reforms pushed social costs downwards to the poorer strata of society.

Unemployment and structural poverty reached the highest rates ever recorded in Colombia. The economy suffered a deep crisis due to structural economic problems that had accumulated over years, and was reinforced by the neoliberal course as well as globalization.

This was the situation facing the Uribe government when it came to power in August 2002. The new president adopted a hard line against the FARC guerrillas and initiated a peace process for paramilitary groups that has led to thousands of paramilitaries having publicly divested themselves of arms. New groups have emerged and the courts have opened up investigations of several politicians suspected of financing paramilitaries or harboring close relations to paramilitary groups. The government has pursued a politics of “democratic security” aimed at strengthening the state’s power in order to secure its monopoly of power and to strengthen its presence throughout the territory, mostly with military means. This policy has had negative consequences for many, including the rural population in conflict and drug-producing areas, part of the Afro-Colombian and Indigenous peoples, unionists and human rights workers. Institutions such as the IMF consider Uribe’s macroeconomic policy to have been quite successful, because he managed to achieve macroeconomic stability and lower the inflation rate through 2006. Nevertheless, public and state debt have remained high, and the Uribe government has not been able to meet IMF standards in continuing to lower inflation and reduce under- and unemployment. Finally, corruption and other scandals have persisted, and reforming the education, health care and pension systems has proven more difficult than expected.

## Transformation Status

### I. Democracy

#### 1 | Stateness

Most surveys confirm that the current government has been more effective than its predecessors with respect to security and administrative issues. Nonetheless, problems related to stateness are ongoing in Colombia. The Failed States Index 2008, composed by Foreign Policy magazine and The Fund for Peace ranks Colombia at roughly the same level as a number of failing African states, and far away from most Latin American countries; however, this is nevertheless a little better than the previous year (improving from rank 33 in 2007 to 37 in 2008 out of 177 countries). The FARC guerrilla group has been weakened during the last two years. Important guerrilla leaders have been killed or captured, or – like FARC’s historic leader Manuel Marulanda Vélez, who suffered a heart attack on 26 March 2008 – have died a natural death. Some of the group’s members have deserted, and important hostages have been released. Colombia’s Program for Humanitarian Attention for the Demobilized announced in August 2008 that 339 rebel group members had surrendered. These individuals, including 282 FARC guerrillas, handed in their weapons in July 2008. Soon after the escape of hostage Óscar Tulio Lizcano on 26 October 2008, Vice President Francisco Santos Calderón called Latin America’s biggest guerrilla group a “paper tiger.” Santos stressed that the FARC has little control of the nation’s territory, adding that “they have really been diminished to the point where we can say they are a minimal threat to Colombian security.” Although other institutions and investigators remain more skeptical about FARC’s true level of decline, there is no doubt that the group is at least temporarily weakened. About 37,000 members of paramilitary groups have turned in their weapons, and many have tried to reintegrate into civil life, partly with the help of the state. Some important drug dealers, among them important paramilitary leaders, have been captured, and most extradited to the United States.

Monopoly on the use of force

Nevertheless, the state remains unable to guarantee its monopoly of the use of force, especially in conflict and drug-producing areas. Although official data show that crime rates have fallen, especially in remote regions, the state’s monopoly on the use of force is undermined by crime rates that remain high in an absolute sense.

New paramilitary and criminal groups have emerged, involved in illegal activities such as drug production, arms trade and illegal banking. By 2007, the Organization of American States (OAS) had confirmed the emergence of 22 new paramilitary groups, including the Aguilas Negras, the Aguilas Rojas, the Frente Social por la Paz and the Manos Negras. The general crime rate increased in some cities in 2007.

All citizens formally have the same rights, and most of them widely accept the nation-state as legitimate. Nevertheless, the Afro-Colombian and Indigenous populations are subject to open and subtle racism, as well as human rights violations. They have become increasingly involved in the violent conflict as victims of the state, the paramilitary and guerrilla groups, because they live in regions that are both strategic for the arms and drug trades and home to natural resources such as wood, crude oil and coal. Recent years have seen several instances of mobilization by Indigenous and Afro-Colombian groups fighting for their rights.

State identity

The state and its legal matrix are defined as a secular order. The political process is formally secular. The church has been involved in electoral and peace processes, and in the education sector. The conservative Catholic Church hierarchy has played a critical role in debates over abortion, euthanasia, and gay rights. Because elements of the Colombian Conference of Bishops (especially Bishop Rubiano) have close ties to the government, the FARC has expressed doubts about the church's role in conflict negotiations. Nonetheless, a part of the Catholic Church is a vocal and committed actor in the struggle for a negotiated and just peace, the liberation of hostages, and finding resolution for internal refugees. The church's legitimacy, organizational capacity, resources and leadership have enabled it to bring together conflicting sectors of Colombian society and mobilize and empower the Colombian people to search for paths to lasting peace. Church leaders have been engaged at every level of peace building, from the official peace processes to grassroots initiatives. Colombian Caritas, a group affiliated with the Catholic Church, observes the process of national legislation in Congress and lobbies for its own interests. It focuses particularly on themes related to peace, constitutional change, political rights for women and human rights in general.

No interference of religious dogmas

Colombia still has remote regions with difficult access and weak infrastructure. The state's basic infrastructure extends throughout only part of the territory, but has been extended in recent years. Its operation is deficient especially in conflict areas, but also in remote regions where the state has no special agenda. If there are no natural resources to extract, the state tends to lose sight of these regions and their inhabitants. The poor, who are often of Afro-Colombian or indigenous backgrounds, still have relative difficulty in accessing state administrative services. Decentralization processes in the remote regions have stalled, and are badly funded. In conflict regions the state has still de facto been replaced by illegal groups, especially with respect to security.

Basic administration

The Uribe government recently announced massive investments in infrastructure with the help of foreign investors (\$9 billion). Colombia's private investment climate for infrastructure, along with those of Chile, Brazil and Peru, is deemed among the regions' most attractive. This is cited in the World Economic Forum study, "Latin America: Benchmarking National Attractiveness for Private Investment in Infrastructure," covering 12 economies in Latin America and the Caribbean. The study assesses the main drivers of private investment in port, airport, road and electricity infrastructure projects. The state's effectiveness also depends on the capacities of the regional administrations, the magnitude of clientelistic rules and levels of corruption, which are relatively high but vary across the regions.

## 2 | Political Participation

In most big cities, there are few constraints on free and fair elections. The right to campaign for office and elections is generally respected. Nevertheless, there are ongoing problems in the electoral system, especially in rural areas, and some electoral institutions are still not recognized as completely legitimate. In a survey of political culture by the National Administrative Department of Statistics (DANE) in 2007, nearly 80% of interviewees said they did not believe in or only partially believed in the electoral institutions.

Free and fair  
elections

During local and regional elections held in October 2007, there was little sabotage or other types of interference by violent groups. They were characterized as the least violent elections of the last 10 years. Only in a few communities, especially in the countryside, did the press report on pre-electoral conflicts, leading to violent acts such as intimidation and the murder of candidates, or the theft of electoral documents. In some places, there was little choice between different candidates, and in others violent groups tried to impose their preferred candidates. In addition, Colombia still has one of the lowest electoral participation rates in Latin America. Paramilitary groups have founded their own new parties, receiving financing of dubious origin. On the other hand, some of the "paramilitary candidates" lost elections as soon as it became public that paramilitary groups used candidates as figureheads. Unfortunately, the renewal of the political scene stalled during the 2007 elections, except for some "independent" candidates who were elected as mayors in some cities.

President Uribe initiated reform of the constitution in order to make his reelection possible. Although he has denied this several times, experts suppose that he would like to run for a third term in 2010. The prohibition on immediate reelection was introduced into the constitution in order to restrict the power of the president. One member of parliament has already been found guilty of receiving benefits in return for voting in favor of the constitutional change. In a September 2007 opinion poll,

more than 50% of the population was in favor of a third term in office. In December 2008, the Chamber of Representatives refused to allow Uribe to stand in the 2010 elections, but allowed that, in principle, Uribe could run again for the presidency in 2014.

Elected rulers basically have the effective power to govern, even though in rural areas illegal armed actors, landowners, drug traffickers and business groups have usually close ties to politicians and hold a de facto veto power. Most governance problems are related to the drug mafia and guerrilla groups, but there is also the influence of paramilitary groups who do not always agree with official policy. The Uribe government has not been able to impede extralegal executions and other human rights abuses by the armed forces, and has therefore been criticized by international human rights organizations. Nevertheless, civilian supremacy over the armed forces has been demonstrated on several occasions. Important military leaders have been removed from their posts, as when 27 high military officers, including three generals, were sent to early retirement because their subordinates claimed that dead civilians had been members of a guerrilla group – the so-called “falsos positivos” scandal. In cooperation with criminals, the army staffers presented “false victims” allegedly killed by guerrilla groups. They murdered unemployed young people, as well as political activists and peasants who came into the line of fire, and presented illegally killed people by the military which had to “disappear.” This problem shows the degree of autonomy enjoyed by the security forces. The perpetrators of these acts did so in order to demonstrate the effectiveness of the military to the president, and in order to receive promotions or financial benefits. On the other hand, some blame can be attributed to the ill-conceived government policy to give material rewards to its military and police forces in return for a “guerrilla body count.” The politics of compensation and benefits provided by the government, such as vacations when illegal combatants have been killed, has now been seriously questioned. The courts have raised the prospect of as many as 780 victims, and the investigation covers about 930 members of the armed and security forces. In 2007, there has been a similar scandal when policemen revealed that they had themselves planted bomb attacks attributed to guerrilla groups. The effective power to govern has also been limited in cases which government members and elements of the armed forces had close relationships to drug traffickers.

In times of crisis, the Uribe government (like its predecessors) has used the declaration of the state of emergency in order to augment its effective power to govern. One such example was Uribe’s declaration of a “state of internal commotion” in August 2008, subsequently declared unconstitutional by the Constitutional Court in February 2009. On the one hand, this was intended to uphold a semblance of order in the judicial system during a widespread strike of its employees for higher wages; on the other, it granted the president extraordinary

Effective power to govern

powers to further repress and criminalize labor and social movements as “threats to public order.” It is a good example of the government’s difficulties in dealing with civil society, and in respecting the usual democratic order.

The rights of political organization and communication are mainly respected, as shown by the high number of political parties, associations and NGOs. However, civil society remains very fragmented. Some groups, in particular labor organizations, Indigenous peoples and Afro-Colombians still risk their lives when expressing themselves publicly. During several weeks of strikes and nationwide mobilizations, Indigenous groups protested against the government’s neoliberal policies and the planned free trade agreements with the United States and the European Union. A separate strike included more than 9,000 sugar cane cutters in the Cauca Valley region, the center of the country’s important sugar and ethanol biofuel industry. In addition, 32,000 public-sector court workers struck to demand higher wages during the review period. Many union members and Indigenous people were injured, arrested or even killed in 2007 and 2008. International and national NGOs, especially those working on human rights, have received death threats from the “new” paramilitary groups. Assembly rights were limited for 90 days by the imposition of the state of emergency in October 2008 (a frequently used instrument in Colombia in order to restrict civil rights). Minister for Social Protection Diego Palacio Betancur denounced the political and ideological aims of the strikes as a strategy of the Unitary Workers’ Central of Colombia (CUT), seeking to destabilize the national government.

Association /  
assembly rights

Freedom of expression is guaranteed in the Colombian Constitution. But the freedoms of information, speech and organization are being stretched due to overlaps between the economic, political and media elite, and because of the violent conflict involving guerrillas, drug traffickers, paramilitary groups and the state’s security forces. Core elements of a public sphere and of public debate exist, but are vulnerable to intervention, distortion and manipulation.

Freedom of  
expression

Reporters without Borders reported the death of three journalists in Colombia during 2008. Six journalists were murdered in 2007, but only one of the killings was thought to be job-related. During the same year, six journalists were forced to flee the country. Crimes against media workers have decreased under the Uribe government, but the president is not very fond of journalists who criticize the government. During the liberation of the FARC hostages in January 2009, Uribe accused journalist Hollman Morris of working for the guerilla group, although the reporter argued that he was merely preparing a documentary on hijacking. The media remains a target for armed groups. The paramilitary organizations are accused of being leading enemies of the media by the country’s Foundation for Press Freedom (FLIP). Well-established especially in the northern coastal provinces, paramilitary groups often threaten journalists, forcing them to flee the region and sometimes even the country.

Media ownership remains concentrated in the hands of wealthy families, large national and international conglomerates, or groups associated with one of the dominant political parties. Due to family connections, a part of the media has close ties to the government and its cabinet members. This does not mean there is no freedom of expression, but in practice elements of the media faces restrictions in terms of criticizing the function or the position of the president. Although a variety of newspapers exist, El Tiempo has been the only one important at the national level for some time. In May 2008, El Espectador went national again, and has since slowly undermined El Tiempo's dominant position, which is good news for media competition. Both newspapers have investigation units which do valuable investigative work, and sometimes publish articles and op-eds critical of the government. Several important news magazines also exist. The weekly Semana in particular publishes good investigative journalism. Private television and radio is more restricted, and has less space for critical or analytical reporting. The distribution of licenses to private television channels is always closely scrutinized, as in December 2008 when the third TV channel's license renewal was criticized because of the high amount of money paid for it.

### 3 | Rule of Law

The system of checks and balances between the executive and the legislative is rather fragile, whereas some elements of the judiciary have tried to show their independence from the government. The executive branch formally exercises some control over the judicial process through the Ministry of Justice and the Council of the State. By taking advantage of its power, the Uribe government has tried to permanently restrict the power of the judiciary, especially of the Supreme Court and the Constitutional Court, and has tried to influence the appointment of judges. In addition, the government wants to limit the Constitutional Court's ability to review state of emergency declarations. Public prosecutors have been removed from their posts following decisions that contravened government will or policy. The legislative branch as a whole does not function as an oversight or control organ with respect to Colombia's executive. Nevertheless, legislative oversight power has somewhat increased thanks to the role played by some opposition politicians during the last two years. But there have been also incidents such as the election of the attorney general (procurador general de la nación), in which members of the main opposition party, the Polo Democrático Alternativo (PDA) voted for the government's candidate and thus showed little independence. The president's coalition has a broad majority in Congress, which mostly pays close attention to his interests, sometimes because of material benefits received – an example of the country's persistent clientelistic political culture.

Separation of powers

The judiciary is established as a distinct profession and operates relatively independently; this is clearly visible at the national, though less so on the

Independent judiciary

subnational level. Nonetheless, corruption, congestion and insufficient functional penetration restrict its functions. The government has sought to implement reforms meant in part to strengthen the judiciary, which suffers from overcrowded courts, long decision-making procedures, insufficient staff, and other issues. However, some of the government initiatives were also aimed at restricting the power of the Supreme Court and the Constitutional Court. Because of the extended term in office, the president has significant influence over the judiciary, through such mechanisms as proposing judges for the higher courts. The oversight capacities of the Constitutional Court and the Ombudsman's Office depend largely on the individual officeholders. For example, Ombudsman Vólmar Antonio Pérez Ortiz has been accused of offering contracts to members of Congress in exchange for supporting his reelection. The Union of Public Employees (Sindicato de Servidores Públicos) accused Pérez Ortiz of being dependent on the executive, and asked him to act with more responsibility in order to defend human rights in the country.

Corrupt officeholders are increasingly prosecuted in Colombia, despite the persistence of political loopholes. If they are investigated, corrupt elected officials are not always prosecuted or condemned. One important example of office abuse during the last two years was the "parapolítica" scandal, where several members of Congress were investigated due to alleged links to paramilitary groups. On 22 April 2008, former Senator Mario Uribe Escobar, one of the president's cousins and a close political ally, was arrested after being denied asylum at the Costa Rican embassy in Bogotá, as part of a judicial inquiry into the links between politicians and paramilitary groups. Mario Uribe was accused of meeting with paramilitary commander Salvatore Mancuso in order to plan land seizures. The former senator was subsequently released from prison, but still faces a pending investigation. Furthermore, it is very common to misuse the powers of office in the interests of one's own reelection, as did Ombudsman Pérez Ortiz. Even the president himself used the presidential infrastructure and his office to promote his own reelection. Members of the armed forces found guilty by courts are often suspended from office, but not imprisoned.

Prosecution of  
office abuse

Civil rights are violated or not implemented in some parts of the country, especially in conflict and drug-producing regions. In a survey of political culture by the National Administrative Department of Statistics (DANE), more than 70% of interviewees said that human rights are not respected in Colombia. There is also a "low intensity citizenship" for groups such as Indigenous people, Afro-Colombians or poor women. In general, access to justice is limited for poorer people.

Civil rights

Although the homicide rate markedly declined over the last few years, Colombia remains one of the most violent countries in the world. According to the data in the Swiss Report on the Global Burden of Armed Violence, the number of direct-conflict deaths in Colombia rose from 2,141 victims in 2006 to 3,612 victims in 2007. After Iraq, Sudan and Afghanistan (the world's well-known conflict regions),

Colombia occupies fourth place on this list. Homicides per 100,000 inhabitants declined in recent years, but rose from 35 to 38 in 2007. There are significant regional differences. Cali is the most violent city, with a rate of 67 homicides per 100,000 inhabitants, translating into 1,484 homicides during 2007; this was followed by Bogotá, with 1,351 homicides.

It has been difficult for national and international human rights workers to combat human rights violations. For example, a German human rights worker was expelled from the country, and two French journalists were retained by security forces in 2008 without access to their lawyers.

There is an ongoing humanitarian crisis in Colombia because of the high number of refugees. Kidnapping rates have declined in recent years. Reintegrated paramilitary fighters have participated less in this “business.” Uribe’s main political problem during 2007 was his handling of the “humanitarian exchange” situation. The FARC guerrilla group holds over 700 hostages, who live under very difficult conditions in the vast Colombian jungle. These hostages have included former presidential candidate and French-Colombian citizen Ingrid Betancourt (now freed), three American citizens (now freed), several Colombian politicians (mostly freed now), and military and police personnel. Some of the captives have been in the jungle for more than 10 years. In return for the release of 40 of those hostages (the “canjeables” or “exchangeables”), the FARC demanded until February 2008 a demilitarized zone that would include the towns of Florida and Pradera; after that time, the group seemed to be flexible with this precondition. The government has refused to comply with this demand, deciding instead to push for military rescue of the hostages, and has sought mediation by third parties including Switzerland and the Catholic Church. On 10 January 2008, former vice presidential candidate Clara Rojas and former Congresswoman Consuelo Gonzalez were freed by the FARC after nearly six years in captivity, following mediation by Venezuela. On 31 January 2008, the FARC announced that they would release civilian hostages Luis Eladio Perez Bonilla, Gloria Polanco and Orlando Beltran Cuellar to Venezuelan President Hugo Chávez as a “humanitarian gesture.” On 27 February 2008, the three hostages and Jorge Eduardo Gechem Turbay (who was added to the list due to his poor health) were released. In the subsequent “Operación Jacque” in June 2008, the military successfully freed several additional hostages, including Ingrid Betancourt and the three U.S. citizens. During October 2008 the former Congressman Oscar Tulio Lizcano escaped from a FARC camp along with his guard. On 1 February 2009, police officers Juan Fernando Galicio Uribe, José Walter Lozano Guarnizo, Alexis Torres Zapata and William Johany Domínguez Castro were released. On 21 December 2008, the FARC announced that it would release civilian hostages Alan Jara and Sigifredo López Tobón, three low ranking police officers and a low ranking soldier to a group of intermediates led by left-wing senator Piedad Cordoba and the International Red Cross Committee. They

were finally released in February 2009. Immediately after his release, Alan Jara accused the government of not sufficiently supporting the hostages, who urge a program of “humanitarian exchange.” Despite this stream of releases, Colombia still has one of the world’s worst problems with kidnapping, after Mexico, Venezuela, Nigeria and Pakistan. On 4 February 2008, several public rallies were held in Colombia and in other locations around the world criticizing FARC and demanding the liberation of all hostages. The protests were organized through the popular social networking site Facebook. According to the Washington Post, millions of people in Colombia and thousands worldwide participated in the rallies.

Extralegal executions by the state’s armed forces have been increasing. A common practice by the state’s military, to present murdered, mostly indigent people as dead guerrillas (the previously mentioned “scandal of the falsos positivos”) in order to upgrade their statistics, became public at the end of 2008. Aside from this scandal, about 3,000 court investigations into potential extralegal executions are underway. Between June 2002 and June 2007, security forces registered 955 cases, representing an increase of 70% as compared with the previous five-year period.

It is still difficult for trade union members to defend their rights. Peasants, Indigenous people or Afro-Colombians seeking to defend their rights in conflict regions run the risk of being discriminated against, attacked or linked to guerrilla groups, which endangers their lives. The government has proposed a crackdown on coca-producing peasants; in some regions, they already face persecution by guerrilla groups when they try to participate in the government’s alternative development programs. One example was the December 2008 assault on the car belonging to an Indigenous Regional Council of Cauca (CRIC) leader; this was meant to kill Aída Quilcué, who organized a march on Bogotá by ten thousand Indigenous people, but the attack instead killed her husband. President Uribe has repeatedly stated his opinion that this Indigenous mobilization was organized by FARC.

About 200 paramilitary members have confessed in public hearings to approximately 1,000 crimes, under the provisions of the Justice and Peace Law. They admitted the existence of hundreds of common graves, containing about 2,000 victims. About 3,000 paramilitary members are on trial, overburdening the courts. About 150,000 victims of a total of about 2 million during the last 40 years have been formally recorded in the context of the Justice and Peace Law. In May 2008, 15 paramilitary group leaders were extradited to the United States. This government decision was criticized by human rights groups because it allegedly forecloses the possibility of the victims’ families to receive information about their murdered family members, and about the relation between paramilitary groups and politicians. Some of those extradited paramilitary leaders have received penalties strictly relating to drug-trafficking of between 21 and 24 years in prison.

Sergio Tapia, president and international judge of human rights of the International Tribunal on Children Affected by War and Poverty, reported that about 14,000 child soldiers were believed to exist in Colombia in early 2008, a figure which is supposed to be even higher today. Paramilitary and guerrilla groups abuse children for drug-trading activities, for security functions and even for the deposit of anti-personnel mines. Former hostage Alan Jara said the FARC has no problem recruiting children in poor regions; most FARC members are under 30 years old.

#### 4 | Stability of Democratic Institutions

Colombia has a long tradition of democratic institutions, which in practice have never completely functioned. It has therefore been called a hybrid regime. In the last two years there have been frictions particularly between the executive and elements of the judiciary. The president has sought to restrict the judiciary's independence, and its ability to use its de facto oversight functions. The stability of democratic institutions has also been threatened by what is called the "parapolítica" scandal, which has swept up about 70 members of parliament and up to 200 other politicians. Already, 35 representatives and senators, as well as two ex-governors, have been convicted. On 9 April 2008, the Uribe administration supported a political reform law in the Senate, presented by some congressmen, aimed at addressing the growing scandal. The government proposed the "empty chair" solution, in which senators who were suspended or jailed for alleged ties with illegal armed groups could not be replaced by their political parties. This way, the parties would be forced to keep their fraction "clean." A majority of the House of Representatives agreed with the proposed law. Polo Democrático Alternativo (PDA), the biggest opposition party and one of the few parties not affected by the scandal, voted against the law, saying the current legislative chambers have no credibility in trying to solve the problem.

Uribe's government has tried to implement reforms to the party system, electoral institutions and processes, and to the participation of women in parliament. It has sought to augment the system of checks and balances and to formalize the lobbying process, but has not been successful in Congress. Elements of these measures could have helped to strengthen democratic institutions, but would likely not have been sufficient due to the widespread existence of informal institutions such as corruption and nepotism. A comment on ongoing plans to reform the Colombian political system, made by the United Nations Development Program (UNDP) and the IDEA foundation, states: "It is important to highlight that the threats to the Colombian democracy don't exclusively originate from the drug traffic, the guerrilla or the paramilitaries, but from a multitude of illegal activities that permanently penetrate the party system." The influence of criminals and economic veto powers over the political system and on important politicians continues

Performance of  
democratic  
institutions

unabated. At the end of 2008, the Chamber of Representatives took the reform proposal off its legislative agenda, and along with it a measure that would have guaranteed at least 30% participation by women in parliament. The same governmental proposal tried to weaken the role of no-confidence motions, and to lay the ground for Uribe's reelection in 2010. It would have been useful to separate the political reform agenda and the topic of reelection. More broadly, personal or political friends of the president have been nominated for high-ranking jobs in the state administration and in foreign embassies.

Most political actors accept democratic institutions. Nevertheless, politicians' behavior has often pointed in a different direction, including the president's in his attempts to curtail judicial power. Veto powers, such as the drug mafia, paramilitary groups and guerrilla organizations constitute concrete threats to institutional stability. The upsurge of new paramilitary groups and drug traffickers is therefore alarming. During the last two years there has been disregard for institutional procedures, as when the list of nominees for the election of the new Ombudsman did not include a woman, as demanded by the associated legislation.

Commitment to democratic institutions

## 5 | Political and Social Integration

The party system, deficient and lacking an integrative function, remains one of the greatest "civic" obstacles to democratization. It does not represent most societal cleavages adequately, and does not aggregate or articulate societal interests in a satisfactory way. The society is heterogeneous and segmented, and seems therefore sometimes better reflected in different societal groups and NGOs than in political parties. According to Latinobarómetro data from 2007, confidence in political parties (18%) was below the Latin American average (20%). Political parties are not able to mediate effectively between state and society due to the high rate at which politicians hold personal interests in policy matters, and links of elements of parliament to criminal activities. There have been some recent efforts to recentralize the party system. This process was partly successful at the national level, but rather ineffective at the subnational level. New reforms proposed by the government and by legislators have therefore sought to raise parties' electoral threshold to at least 2% of the vote, and to 3% as of 2011. Some civil society groups argue that this would exclude too many newcomers, especially at the subnational level. Party-switching is also common; of those elected in the 2006 elections, 69% changed party between 2002 and 2006, and this is an ongoing phenomenon.

Party system

Political parties have little ability to formulate programmatic objectives, and have strong tendencies to focus on personalities and patronage. Voter volatility is high. Parties change names, but often incorporate the same politicians, especially at the subnational level. The Colombian party system has not been highly polarized during the last years. The formation of the PDA has strengthened leftist representation, but

the PDA was not very successful during the regional and local elections of October 2007, even though the mayor of Bogotá belongs to the PDA. The political system is still influenced by a marked clientelism, which in the short run promotes stability, but in the long run inhibits it. A survey of political culture by the National Administrative Department of Statistics (DANE) in 2007 reported that nearly 70% of interviewees did not sympathize with any political party.

Colombia's landscape of interest groups continues to be relatively well differentiated, but highly fragmented. It only partially fulfills the function of mediator between private and public interests. Interest groups push their concerns by means of demonstrations, blockades, marches and other such tactics. Trade unions and Indigenous and Afro-Colombian movements are very active, but they have been weakened in recent years by the effects of economic policies, and by the continuing violent conflict. There is a big, but very heterogeneous peace movement. The women's movement is still very active, but mainly organized in NGOs.

Interest groups

Consent to democracy is rather low, but increased during the Uribe administration. Latinobarómetro data indicating the functioning of and satisfaction with democracy in Latin American countries has regularly showed a low level in Colombia during recent years. In 1997, 69% of respondents agreed with the statement, "Democracy is preferable to any other kind of government." However, that figure had fallen to 36% in 2001, with a rise to 46% in 2004 (as compared to the Latin American average of 53%). In the latest Latinobarómetro report (2008) this figure increased to 62%. Only 30% of Colombians included in the 2004 Latinobarómetro survey reported being "very satisfied" or "fairly satisfied" with the specific way democracy was working in their country. In 2008, satisfaction with democracy rose to 44%. Asked about how democratic Colombia is, interviewees positioned Colombia at 6.1 (on a scale from 1 to 10), a similar position to that of other Latin America countries. In the previously mentioned DANE survey on political culture, taken in 2007, more than 50% of interviewees considered Colombia to be only halfway democratic.

Consent to democratic norms

Levels of civic self-organization are relatively high, but uneven. Such activities are sometimes spontaneous and temporary. The violent conflict and kidnappings triggered considerable mobilization and protest in 2008, but this has not translated into long-term political engagement for most individuals involved. In conflict-ridden regions, relatively low levels of interpersonal trust coincide with high polarization. Many self-organized groups and associations exist in the urban areas. There too, the level of interpersonal trust is low. A study from 2008 on international characteristics of interpersonal trust gave Colombia a score of 16.82, which can be compared with Norway's score of 65, Vietnam's score of 41 and Chile's score of 23.

Associational activities

## II. Market Economy

Since the late 1980s, Colombian governments have declared the transformation of the country's economic system in the direction of (neo)-liberal market economics to be a priority. Colombia is today one of South America's most stable economies, and scores relatively well on measures of business freedom, trade freedom, and financial freedom. Improvements have been made in the business environment and in trade due to reforms aimed at steady growth and monetary stability, which led to a growth rate averaging 5% between 2001 and 2008. Yet though the macroeconomic situation has improved in recent years (especially with respect to inflation and the savings rate), ongoing major problems include the persistence of illegal – especially drug-related – economic activities, money laundering (the so-called pyramid or Ponzi scheme scandal in late 2008 was a dramatic example of this issue), and difficulties in consolidating budget policy and reducing (external) debt. Moreover, underemployment, decreasing real wages (in 2008), societal fragmentation, and an unequal distribution of wealth all remain issues of concern. Whereas economic growth in 2007 continued the positive trend from the previous years, in 2008 the international financial crisis, among other things, affected the Colombian economy in a negative manner. Growth projections for 2009 vary from 1% to 3%. It might become difficult in the future to finance the high expenditures of the public and the private sector, especially given the high budget for the military. In the World Economic Forum's Global Competitiveness Index, Colombia ranked 69 of a total of 131 countries. Compared with other countries, Colombia's position worsened during the last years. The negative international trend could partially affect the relative stability of Colombia's macroeconomic fundamentals. However, at the end of 2008 consensus existed among conservative economic analysts that the economy would prove resilient and would continue to expand, albeit at a much more moderate pace than in previous years.

### 6 | Level of Socioeconomic Development

Colombia's Human Development Index (HDI) score for 2007, drawing on 2005 data, was 0.791 (as compared to 0.790 in 2006), showing hardly any advance. Colombia is now ranked at 75th place out of 177 countries (2006: 70th place, out of 177), surpassed by nations including Venezuela, Kazakhstan and Albania. Key indicators show a medium level of development in Colombia compared to the rest of Latin America. Social exclusion is pronounced both quantitatively and qualitatively, and is in part structurally entrenched. Exclusion based on poverty and lack of education correlates in many cases with gender-based and ethnic discrimination patterns. Colombia's latest available Gini coefficient, reported in the

Socioeconomic  
barriers

2006 HDI report, was 0.586, compared with 0.571 in 1996. Income distribution is extremely uneven. The poverty rate is higher than in most countries in the southern cone of Latin America but lower than in some of its direct neighbors. On the Human Poverty Index Colombia's value of 7.9 puts it behind Cuba (4.7) or Chile (3.7), but is better than other Andean countries such as Venezuela (8.8), Bolivia (13.6) or Peru (11.6). According to the 2007 Human Development Report, the income ratio of society's richest 10% to the poorest 10% was 63 to 8. Nevertheless, a World Bank study from 2007 shows that Colombia is well-equipped with basic services such as energy, water, canalization, and telephone service (above the Latin American average). However, there are big differences between urban and rural areas. The study also reveals a deficit in transportation infrastructure.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	113773.5	144580.6	162346.6	<b>207785.6</b>
Growth of GDP	%	4.7	5.7	6.9	<b>7.5</b>
Inflation (CPI)	%	5.9	5.0	4.3	<b>5.4</b>
Unemployment	%	12.8	11.6	12.7	<b>10.9</b>
Foreign direct investment	% of GDP	2.7	7.1	4.1	<b>4.4</b>
Export growth	%	10.0	7.2	8.0	<b>11.4</b>
Import growth	%	13.0	17.0	16.2	<b>13.9</b>
Current account balance	\$ mn.	-905.8	-1881.5	-2982.5	<b>-5836.8</b>
Public debt	\$ mn.	23772.4	22555.3	25002.9	<b>27688.6</b>
External debt	\$ mn.	37910.9	37720.2	38936.8	<b>44975.9</b>
Total debt service	% of GNI	7.0	7.4	6.7	<b>4.5</b>
Cash surplus or deficit	% of GDP	-8.5	-2.0	-3.2	<b>-1.8</b>
Tax Revenue	% of GDP	10.8	13.0	11.8	<b>13.6</b>
Government consumption	% of GDP	17.6	17.5	16.9	<b>16.6</b>
Public expnd. on edu.	% of GDP	4.9	4.8	4.7	<b>4.9</b>
Public expnd. on health	% of GDP	6.2	6.2	6.2	-

		2004	2005	2006	2007
R&D expenditure	% of GDP	0.2	0.2	0.2	-
Military expenditure	% of GDP	3.4	3.3	3.4	<b>3.3</b>

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

## 7 | Organization of the Market and Competition

The fundamentals of free market competition are largely in place. Colombia has a codified competition law. The Office of the Superintendent for Industry and Commerce has a limited role in the National Competition Strategy, in which the major government agencies are involved. Specifically, the Office of the Superintendent promotes competition, including the measures that the state implements in order to pursue this strategy. Some persistent phenomena obstruct the implementation of the strategy, however. These include the high level of illegal and war-related economic activities such as drug trade and money laundering; the extensive informal sector; insufficient basic infrastructure; high non-salary costs of employing a worker; informal restraints on competition, and an insufficiently developed competitive culture. Notwithstanding these problems, the World Bank ranked Colombia in 2008 as one of the 10 best reformer countries for business activities, but generally speaking it is still not easy to be economically active in Colombia. In 2006, a Colombian entrepreneur needed 44 days to open a business (as compared to five days in the United States); by 2007 this had fallen to 38 days, which is the world's average. Obtaining a business license requires less than the world's average of 18 procedures and 225 days. Closing a business is relatively easy.

Market-based  
competition

In the World Economic Forum's Global Competitiveness Index, Colombia ranks 8th place among Latin American countries and 69th place overall, out of 131 countries. In the Index of Economic Freedom, produced jointly by the Heritage Foundation and the Wall Street Journal, Colombia's economic freedom score is 62.3, characterized as "moderately free" ("free" would be 80 to 100; Chile, as the freest Latin American country, nearly reaches 80). This gives Colombia's economy a ranking of 72 in the 2009 Index. Its overall score is 0.2 point higher than the previous year, primarily reflecting improved trade and business freedom scores. Colombia is ranked 15 out of 29 countries in the South and Central America/Caribbean region, and its overall score is higher than the regional average.

Colombian corporate law is not very flexible. Its antitrust regulations were introduced in 1959 (Law No. 155) and supplemented in 1964 (Decree No. 1302) and 1992 (Decree No. 2153), as well as by Circular 10 of 2001 of the Superintendence of Industry and Commerce, which implements the policy. In Colombia the existence of state monopolies is allowed in sectors with a strategic or national security component. Nonetheless, even these monopolies are subject to competition laws when they lead to abuses of dominant positions or monopolistic practices beyond the scope of the exception provided. Specific sectors and economic activities such as agriculture, professional sports, labor organizations and export activities are also exempted from competition laws. The law contains provisions for controlling economic concentration derived from joint ventures, mergers, acquisitions or the incorporation of companies when the effect is to diminish, harm or impede competition. To this end Colombia has merger control regulations that require an assessment of the degree of concentration and its effects on competition. In Colombia most merger deals are the result of agreement. Hostile takeovers tend to be very rare.

Anti-monopoly  
policy

The market for mergers and acquisitions in the past two years has been rather busy, leading to a process of market concentration. There have been all sorts of deals, mainly cross-border, mostly in the retail, telecommunications, mining, energy and finance sectors. Most have been prompted by the need to find strategic alliances in various sectors rather than driven by financial concerns. Several deals have been blocked, including the proposed merger between Mexico's Mexichem and Colombian plastic tube company Pavco, in which regulators cited concerns that the merger would be bad for competition and for consumers. The decision of the Superintendence was appealed by the two companies. In 2008, there have been more strategic acquisitions in the real sector than in investment funds, as well as a trend toward direct acquisitions rather than through the stock exchange as the delisting of important companies continues.

Generally speaking, the Superintendence is not always willing or able to prevent the emergence of monopolies. There is a close relationship between the political and economic elite which makes it difficult to enforce sanctions. In the case of conflict, members of the Superintendence often lose and have to resign.

Liberalization of foreign trade has increased since the early 1990s. Under pressure from the IMF, the administration of Andrés Pastrana Arango (1998 – 2002) issued a decree in 1999 that standardized customs laws. Pastrana also introduced some export-promotion programs. Regulatory exceptions (differentiated tariff rates) existed for individual enterprises and industries. Colombia's weighted average tariff rate was 8.8% in 2006. Import bans and restrictions, import price bands for certain goods, service market access limits, some restrictive standards and regulation, some restrictive import licensing, issues involving the enforcement of intellectual property rights, non-transparent customs administration and valuation, and

Liberalization of  
foreign trade

corruption add to the cost of trade. There are some trade barriers for various products, as in the case of information technology. As a result, important non-tariff barriers still hinder Colombia's trade freedom.

Exports of goods amounted to an estimated \$24.4 billion in 2006. The trend of increasing exports has reflected higher commodity prices and growing foreign demand, as well as the Uribe government's export-oriented strategy. The United States has long been Colombia's most important trading partner (accounting for 40% of trade in 2006). Colombian exports to the Andean countries – including Venezuela, traditionally Colombia's second-largest trading partner – have accounted for about 20% of total Colombian exports since 2000. Another principal destination for Colombian exports is the European Union. Germany is Colombia's principal EU trading partner (accounting for 1.4% of trade in 2006). Both the United States and the European Union grant preferential access for some Colombian exports under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and the Generalized Preferences System. Colombia's exports are more diversified than those of many other Latin American countries, but are nevertheless highly concentrated on primary goods and centered on few countries. Per capita exports in 2006 were \$540 (compared to Chile's \$3,380). The expectation that Colombia could develop a stable export industry remains thus still unrealized.

Aided by currency appreciation, imports have soared since 1991, when the government cut tariffs and eliminated non-tariff barriers on imports. Imports of goods amounted to \$26.2 billion in 2006 and \$32.1 in 2007. The major suppliers of imported goods in 2007 were the United States with 26.04%; Mexico with 9.3%; Brazil with 7.2%; and Venezuela with 4.1%. Colombia's principal imports include machinery, textiles, oil and gas industry equipment, grains, chemicals, transportation equipment, mineral products, consumer products, metal and metal products, plastic and rubber, paper products, and aircraft supplies. In 2008, the balance of trade was still positive, but the current account balance has been negative for the last several years. The current-account deficit during 2006 – 2010 is expected to widen as a result of rising import bills and higher debt interest payments.

Colombia has signed free-trade agreements with the United States, Canada, Chile, Mexico, Venezuela, the EFTA countries, the so-called North Triangle (Honduras, Guatemala and El Salvador) and the Caribbean Community and Common Market (Caricom). The Uribe administration strongly favors extending these bilateral trade agreements across the hemisphere. In May 2004, the United States, Peru, Ecuador and Colombia initiated negotiations to sign a free trade agreement. There was also an attempt to reduce trade barriers between the Andean region and the United States. The ATPDEA is part of the U.S. Trade Act of 1992, and provides the four Andean countries with duty-free access to U.S. markets for approximately 5,600 products. Since the Uribe administration follows the United States' drug policy, it

has received all the agreement's stated benefits. It was set to expire on 31 December 2006, but has been extended several times, most recently (as of this writing) at the end of February 2008, when the U.S. Congress expanded it for an additional 10 months to the end of 2008. In the meantime, the Colombian and U.S. governments hoped to receive U.S. congressional approval of the bilateral free trade agreement successfully concluded in November 2006. However, this agreement has faced ratification challenges in the U.S. Congress. The Democratic majority in the Senate and the House of Representatives has demanded several significant changes to the treaty before approving it, especially in the areas of labor relations, intellectual property rights, union rights, medical trade, and environmental protection. Based on the bipartisan "New Trade Policy Template" agreement, the two countries also negotiated a protocol of amendment that was signed on 28 June 2007. In addition to commercial issues, it incorporates economic, institutional, intellectual property, labor and environmental policies, among others. With the agreement in place the Colombian government expects a 1% growth in GNP, but will lose approximately \$1.2 billion in tariff revenues per year.

Colombia must prepare itself for the challenges involved in signing a free trade agreement with the United States. Although the Colombian economy is quite solid, there are certain sectors, such as agriculture, where small producers will likely disappear if they cannot make a few crucial adjustments. Colombian farmers fear the competition of the U.S. agricultural market. President Uribe has promised them subsidies of COP 220 million annually.

In the middle of 2007, the Andean Community and the European Union opened negotiations on an agreement of association. This should have included a chapter on trade, but the Andean Community initially couldn't agree on a common position, and then later signed it. Colombia still hopes to strike a free trade agreement with the European Community, but this has not yet been concluded. After several rounds of discussions, the European Union, Colombia and Peru started negotiations at the beginning of 2009 with the aim of concluding an agreement by the end of that year.

Colombia's relatively large financial sector has become more stable and modern. It has made significant progress since the crisis of the late 1990s, supported by strong economic growth, increased consumer and business confidence and improvements in the regulatory framework. During the first eight months of 2008, the financial system recorded COP 8.6 billion in profits, 60% more than during the same period in 2007.

Banking system

Banking has undergone significant privatization since the 1998/1999 financial crisis. In 2000, the Colombian financial system included 29 commercial banks (four of them state-owned), the Colombian Export Promotion Bank (BANCOLDEX), 107 foreign bank offices, six savings and loans corporations (CAV's), 10 development banks, 32 commercial finance companies, 37 trust companies, 33

insurance companies, and a state-owned mortgage bank. After 2000, Colombia's banking regulator Superbancaria has approved some mergers, such as the merger of local banks Banco Colmena and Caja Social in 2006. BCCS is Colombia's 12th largest bank and focuses on microcredit and mortgage loans, where it respectively commands market shares of 25% and 8%. The government has strengthened regulations and closed some banks for falling below solvency requirements. All financial institutions nationalized during the crisis in 1999 were privatized or liquidated by mid-2006. As of early 2008, the government retained 15% of total banking assets. The IMF urged President Uribe to sell two other big state-owned banks (Granbanco-Bancafé and Granahorrar), both of which were considered distressed banks. At the end of January 2007, the Financial Superintendence allowed Banco Davivienda to acquire Granbanco-Bancafé, which was the biggest privatization in Colombian history.

Two private financial groups account for about 45% of bank assets. In comparison with other countries in the region, Colombia's foreign banking presence is relatively small, accounting for less than 20% of total banking assets in 2008. Credit is allocated on market terms. Foreign companies are prominent in the insurance sector and competition has intensified since 2003. Colombia's small capital market has constrained broader access to long-term credit.

Colombian financial markets have been affected by the recent global turbulence, although debt and interbank markets have continued to function normally. Nevertheless, measures must be taken to increase financial depth and to improve efficiency in the use of savings. Among these (some of which have been included in the government's financial reform project) should be a strengthening of creditor's rights. Additional financial reform is expected and several measures to boost the capital market have also been discussed.

The crash of several illegal financial enterprises (known as the pyramid scandals) shocked the country in November 2008. These enterprises proved to be very attractive for poor people who had no access to official bank credits. Many people lost their savings due to the collapse of these companies. President Uribe subsequently declared a "social state of emergency," but the government was not able to prevent the rise of such semi-legal financial activities following the "Ponzi scheme" model.

## 8 | Currency and Price Stability

The constitution of 1991 established inflation control as one of the central bank's main tasks, and noted that an adequate exchange-rate policy, along with inflation control, should be a priority. For the members of Colombia's central bank (Banco de la República, BdR), inflation control is a "holy cow," and if necessary takes

Anti-inflation /  
forex policy

precedence over short-term improvements in economic growth. Monetary policy was tightened in recent years to lower inflation and to bring the growth of domestic demand to more sustainable levels. The BdR raised its interest rate by 400 basis points (to 10%) between April 2006 and July 2008, seeking to rein in the growth of credit and domestic demand. The government controls prices for ground and air transport fares, some pharmaceutical products, petroleum derivatives, natural gas, some petrochemicals, public utility services, residential rents, schoolbooks, and school tuition.

Inflation has declined consistently in recent years, from 16.7% in 1998 to 7.0% in 2002, and averaging 5.2% between 2005 and 2007. It reached 5.69% in 2007. Nevertheless, as in other countries of the region, inflation increased in 2008, rising to 7.2% by January 2009; this was driven mainly by higher food and fuel prices, although overheating pressures also played a role. Inflation expectations remain outside the IMF medium-term inflation target (2% – 4%). In November 2008, the central bank's board of directors set the inflation target for 2009 to a range of 4.5% to 5.5%, with the specific target for legal purposes being 5%. However, the central government's structural fiscal deficit (close to 4% of GDP) threatens monetary policy. Despite improving tax receipts (growing at 10% in real terms annually in recent years), public expenditure pressures remain, especially those stemming from the social security and armed forces sectors.

According to IMF data, Colombia's real effective exchange rate has displayed significant fluctuations in recent years. The relatively large depreciation of the Colombian peso relative to the U.S. dollar during 2002 has posed a challenge for Colombian monetary policy. After reaching its lowest level in more than a decade in early 2003, the real exchange rate had appreciated by more than 25% by March 2006, as growth recovered and the political and security situation stabilized. In January 2007, the central bank bought \$1 billion to stop the appreciation of the peso against the U.S. dollar. However, the peso appreciated again by about 15% in real effective terms between the end of 2007 and mid-June 2008; since then it has weakened significantly, reflecting the decline of commodity prices and the turbulence in international financial markets.

The consolidation of fiscal and debt policies has become a central theme in Colombian politics. The containment of the fiscal deficit – even with the help of the IMF – has proved to be a task manageable only in the long term. Public debt as a percentage of GDP reached 45.8% in 2005 and 52.8% in 2007, despite aims to reduce gross public debt to 40% of GDP by 2010. In 2005, the budget deficit as a percentage of GDP fell to zero because of unexpectedly high tax revenues and the profits of the state from the oil industry. The government managed to control external debt, which fell to 16.7% of GDP in 2007 from 19.3% in 2006, reaching a total of \$45.5 billion in 2008. The total value of foreign debt has gone down due to the strong appreciation of the peso.

Macrostability

The IMF has been quite satisfied with the government's results. In its 2008 Article IV consultations, the IMF considered that the authorities' fiscal policy allows for some relaxation in the budget deficit in the near term, while keeping public debt ratios on a declining path. The IMF underscored the importance of adhering to the fiscal targets incorporated in the medium-term fiscal plan, to reassure markets of authorities' commitment to further reduction of fiscal vulnerabilities. At the same time, financing conditions will continue to be a key consideration in determining the scope for additional fiscal easing if economic growth turns out to be weaker than presently envisaged. Due to the international economic crisis, this fear is quite realistic. The IMF suggested that consideration should be given to the adoption of a fiscal rule over the medium term to strengthen the policy framework. They also encouraged Colombian authorities to further improve the efficiency of the tax system and to reduce budget rigidities.

## 9 | Private Property

In general, property rights are adequately defined and protected with regard to acquisition, use, benefits and sale. The law guarantees indemnification in cases of expropriation. Indigenous and Afro-Colombian groups are guaranteed collective property rights by the constitution and by Law No. 70 of 1993. But the distribution process has been slow and has been interrupted. These groups are vulnerable to attacks from violent actors, are often displaced, and therefore de facto expropriated by violent actors if they cannot return to their original place of residence. Property rights in conflict regions are not adequately defined, and hence not fully protected.

Property rights

A legal framework for a functional private sector exists in Colombia. The overall freedom to start, operate, and close a business is relatively well protected by Colombia's regulatory environment. According to the Heritage Foundation and the Wall Street Journal, state ownership is limited to a few utilities, but public expenditure commitments are nevertheless high because of large transfers from the central government to regional state-owned enterprises. The Uribe government's privatization initiatives have resulted in protests by unions and social movements.

Private enterprise

Improved perceptions of local security and investor-friendly legislation have raised foreign direct investment (FDI) to historic levels, reaching \$64.9 billion in the third half of 2008. Despite nominal openness to foreign investment, regulations are complex and uncertain. Foreign investment is granted national treatment, and 100% foreign ownership is permitted in most sectors. The legal and regulatory systems are generally transparent and consistent with international norms. The largest obstacles to investment are frequent changes in business rules, complex arbitration procedures, and weak enforcement of awards. Foreign investments must be registered with the central bank's foreign exchange office within three months of the transaction date to allow repatriation of profits and remittances, and in order to

access official foreign exchange. Residents who work in certain internationally related companies may hold foreign exchange accounts.

## 10 | Welfare Regime

The Colombian welfare regime was privatized to a certain extent in the 1990s. The social security law of November 1993 created private health entities (Empresas Prestadoras de Salud, EPS) and private pension funds. Law No. 100 of December 1993 transformed the Colombian national health care system, then based on governmental assistance and being integrated into a general social security system. The reform started off by defining two regimes: the contributory regime, aimed at people who can afford contributing to the social security system through their jobs or independent incomes, and the subsidized regime, aimed at those who cannot afford contributions and therefore must be subsidized by the government for the total or partial cost of the obligatory insurance.

### Social safety nets

In February 2007, the National Planning Department (Departamento Nacional de Planeación, DNP) presented a bill to Congress to restructure the social security system (ISS) and other state entities. The government emphasized that it would guarantee workers' acquired rights. Each worker costs the state about COP 3.1 million (about \$1,600) each month. Trade unions, on the contrary, hold that the problem rose because the government owes COP 60 billion (about \$30 million) to the ISS. In August 2008 the ISS was finally closed. Thus, three million insured persons had to look for a new private health insurance in one of the EPS.

Article 49 of the constitution guarantees all Colombians access to the health care system. The Uribe government set itself the goal of reaching this point by 2010. Although coverage levels were about 70% in 2006, universal coverage remains a distant prospect. Expenditures rose from 6.2% of GDP (1993) to 7.7% in 2007. As a result, it is still very difficult to finance the system. The aim of the 1993 reform was to raise the number of insured persons in order to help to reduce public financing of hospitals. This aim could not be reached. In the health care sector there is thus a disparity of service which leads to undertreatment of the poor.

During 2008, the two main items of state expenditure were transfers to the departments and to social security (totaling 12.5% of GDP) and debt payments (10.3% of GDP). Together they account for two-thirds of the budget. Social security (pensions) payments accounted for 4.2% of GDP in 2007, rising to 4.5% in 2008, and are forecast at 4.7% in 2009. These are then expected to remain steady at 4.8% thereafter.

The pension system has been converted from a state allocation system to a combination of pay-as-you-go financing and capital-based financing. The

privatization of the pension system has led to new forms of discrimination against certain groups, such as women, single parents and casual laborers. Only 25% of Colombians participate in the pension system, with another 18% in the private system. Former Finance Minister Juan Camilo Restrepo has described the situation as a time bomb, due to corruption and lack of planning. The Uribe administration has discussed further reform of the pension system; this appears prompted by high expenditure levels rather than system quality, however. The pension system has several times been subject to corruption, as when COP 500 billion were stolen from the public employees' pension fund (Caja Nacional de Previsión Social, CAJANAL). Several politicians, including the president of the Senate, seem to have received contributions out of the stolen money.

There is no unemployment insurance in Colombia. During the Uribe administration, the official unemployment rate decreased in 2007 to 9.4%, but rose in 2008. In October 2008 the president himself saw the rising unemployment figures (by that time above 10%) as a danger to the fight against poverty and to the prospects of reaching Millennium Development Goals. Although absolute poverty figures have improved, there has been a clear tendency toward "anti-poor growth." Poverty, violence and forced internal displacement also constrain informal social networks, especially among the Afro-Colombian and indigenous populations.

In recent years, new forms of labor organization have emerged, such as the Associated Work Cooperatives (Cooperativas de Trabajo Asociado), a subcontracting system that helps employers to save money, thereby influencing social security. Only 2,100 out of a total of 3,296 of these cooperatives paid social security contributions.

Programs and institutions to compensate for gross social differences exist, but are limited in scope and quality. Poverty reduction is an explicit priority of the Uribe government. According to official data from DANE, the portion of the population in poverty fell from 55.7% in 2002 to 45.1% in 2006 (as compared to a Latin American average of 36.5%); in the same time period, the share of the population deemed extremely poor fell from 21.6% to 12%. However, two key problems remain: regional heterogeneity and inequality between the income of the rich and the poor.

The government has promised several times to reduce poverty and to diminish inequality. Though some efforts to reduce poverty rates have been made, the goal of reducing inequality has not been reached. When the president of the World Bank visited Colombia in May 2008, he made particular criticism of the country's persistent inequality. The poorest 20% of the population receives just 2.5% of national income, while the richest 20% controls 61% of income. The government argues that the "Familias en acción" program has increased the consumption of basic goods in poor families and reduced chronic malnutrition among small

Equal opportunity

children, but critics emphasize that this type of program does not constitute a sustainable solution to poverty. Another major problem is the poverty of displaced people, who live under conditions of extreme poverty.

Women formally have the same access to education as men. Nonetheless, there are de facto restrictions for economically disadvantaged persons, especially women. The political access of women to parliament improved after changes in the constitution in 1991, but there has been no substantial improvement since then. Women entered into Congress as successors of politicians involved in the “parapolitica” scandal, but some of these newcomers are only proxy persons for the accused politicians, with gender playing no substantial role. The resignation of Senator Gina Parody, a former Uribe ally who disagreed with the direction of some government policies, was symbolic. Parody had advocated on behalf of a new children’s law, a law against violence against women, and the habeas data law.

In the 2008 Global Gender Gap Report, Colombia fell from 24th place to 50th place, out of 130 countries. The change was justified by growing wage differences between women and men, and a decline in the number of state ministries led by women (only 23%). This latter statistic indicates that the Uribe administration did not fully implement the Quota Act, which mandates that at least 30% of leading state officeholders must be women. During the election of the new Ombudsman in 2008, no woman was proposed as a candidate, even though Law No. 581 of 2000 demands this. When the election was repeated, the woman appearing on the list of candidates was considered to be a mere formal requisite, with no real chance of winning the election.

Lesbian, gay, bisexual and transgender (LGBT) rights in Colombia have progressed since consensual homosexual activity was decriminalized in 1980 through amendments to the criminal code. On 19 June 2007, a gay rights bill that would have treated unregistered same-sex partners the same way as unregistered opposite-sex partners was defeated in Congress. The bill, which had been endorsed by President Uribe, would have made Colombia the first country in Latin America to grant gay couples in long-term relationships the same rights to health insurance, inheritance and social security as heterosexual couples. However, slightly different versions of the bill passed in each house of the legislature. A compromise bill then passed one house but failed in the other. The bill was finally defeated by a bloc of conservative senators on 8 October 2008.

Between February 2007 and February 2009, four Constitutional Court rulings granted registered same-sex couples the same pension, social security and property rights as registered heterosexual couples. These rulings collectively replace the Civil Union Law, which was defeated in Congress. Thus, Constitutional Court rulings have given same-sex couples today much the same rights that the failed bill would have given them. As such, Colombia joins Uruguay as the only two countries

in Latin America that give same-sex couples a nationwide legal mechanism to register and protect the rights of their civil unions, as well as all the legal rights (civil, political, criminal and tax-related) enjoyed by heterosexual couples. As far as civil rights for the LGBT community are concerned, all that is missing in Colombia are civil marriage and adoption rights. Nevertheless, violence against gays is not uncommon; stereotypes and discrimination remain a recurring problem.

## 11 | Economic Performance

From a macroeconomic perspective, Colombia has been among the region's best performers in recent years. But while economic growth was relatively strong in 2007, as in previous years, the international financial crisis began taking its toll in 2008.

Output strength

Construction was one of the most dynamic sectors of the economy until 2007, but reduced its growth in 2008. High food prices dampened consumption and sent real wages downwards. Since international prices are still high, the mining and oil sectors continue to flourish. Inflation was reduced until 2006, but then increased to 5.69% in 2007. Exports grew in 2006 and 2007, but slowed in 2008. Economists have predicted a decline in both imports and exports in the near future. The current account balance in 2008 was negative. The public and the private sector spend more than they earn. With a high debt-to-GDP ratio and a current-account deficit of nearly 5% of GDP, Colombia is constrained in its flexibility to deal with the global economic slowdown, and is vulnerable to shocks in external markets. Foreign debt rose to 20% of GNP in 2007 and 24% in 2008. The high budget deficit, high debt (particularly in the public sector) and high poverty rates continue to be serious concerns. The progress of fundamental development factors and modernization indicators was in constant flux during the period of evaluation. Ultimately, the status of development as measured by the HDI has not improved significantly in recent years, an assessment that also applies to sustainability indicators. Although the official unemployment rate fell to 9.4% in 2007, it can be considered an ongoing problem; this is also true of underemployment, as Colombia is one of the Latin American countries with a large informal sector, even in middle-sized and big industries. Under President Uribe's approved second-term tax reforms, the income tax rate declined gradually. The top income and corporate tax rates were reduced from 34% to 33% beginning in 2008. In 2008, overall tax revenue as a percentage of GDP was 23.0%.

## 12 | Sustainability

The Colombian constitution that came into force in 1991 established a legal framework for environmental policies, and the 1993 ratification of Article 99 set up

Environmental policy

an institutional framework. The institutions originating from this legislation included the Ministry of Environment (from 2003 onwards called Ministry of the Environment, Housing, and Regional Development) and the National Environmental System (SINA). The SINA was fiercely criticized in 2008; an evaluation of the last 15 years by experts from the National Environmental Forum found long-term system problems, including institutional weakness. A World Bank report highlights the high density of ecosystems in the country, but also the costs of environmental destruction. Ongoing colonization and economic exploitation are responsible for this situation, as are coca cultivation and aerial spraying with herbicides in environmentally sensitive regions, which has destroyed part of the original rain forest. The quality of water supply and sanitation is also relatively poor.

Air pollution in Bogotá is among Latin America's worst, after Mexico City and Santiago de Chile, with irrespirable dust a particular problem. Aside from the destruction caused by economic factors and the violent conflict, global climate change is producing less humidity and more heat. As a result, traditionally humid regions such as the Chocó province suffer. Disaster alerts were called in 27 out of the 32 provinces in 2008. During the Uribe government, there were several forest fires, some related to climate change and others caused by arsonists. There have also been accidents attributable to firms profiting from lax environmental legislation. In August 2008, 96 barrels of cyanide from the mining industry and herbicides were dropped into the Magdalena River, for example.

Even though Colombia is a biodiversity hotspot and has a widespread system of national parks, in practice officials pay little more than lip service to environmentally compatible growth, with little effect on actual economic policy. Environmental protection criteria generally take a back seat to economic growth concerns. The Ministry of Environment and the Ministry of Infrastructure have been merged, an act that emphasizes the government's focus. On the other hand, there are many civil society organizations working on environmental issues.

The nature reserve system (the National Administrative Unit for the Management of Natural Areas, UAESPNN) has been criticized in recent years. The way protection is conceived in Colombia sometimes makes it difficult to take people's specific interests into account. In order to protect the environment and to avoid the perceived danger of communal property, legislation appropriates areas of conservation as state property, limiting or prohibiting the use and management by other parties. This makes collaboration between park managers and local communities very difficult. UAESPNN has recognized that part of the problem of managing natural parks has been the preconception that conservation is only possible without habitation by people. In Colombia, 42 conservation areas are inhabited, and in 16 of them, extensive processes of colonization are underway. Only five areas have no human occupation. The Uribe government has not been

able to develop policies that consider environmental and human interests as an interdependent system. The violent conflict hinders the efficiency and the expansion of the environmental sector on the one hand, but on the other, it protects rain forest regions by making them dangerous to visit or develop.

Despite these issues, national and local governments, societal initiatives and politicians have initiated some environmental projects, often isolated but nevertheless laudable. Examples include water body restoration and traffic reduction measures.

Over the past few years, the government achieved some progress in education, especially in primary enrollment rates. However, enrollment rates in secondary and tertiary education are still unsatisfactory. In a public opinion poll (Encuesta de Calidad de Vida), nearly 50% of the interviewees cited a lack of money as the reason for not going to school. The quality of public education is still relatively poor. Children achieve neither the aims set by the curriculum nor by international standards. Studies found that children in primary and secondary schools learn only half the things they are supposed to. Critics argue that pedagogy is based primarily on evaluation and measuring, leaving less room for creativity and autonomous learning. According the last census (2005), the overall illiteracy increased somewhat compared to years previous, reaching a rate of 9.6%. The displaced are limited in their access to the education system by the dire situation in which they live. The attrition rate of schoolchildren is higher in conflict regions than in urban areas, the lack of security being one of the main reasons.

Education policy /  
R&D

Education in Colombia is fraught with several other problems. Regions and municipalities complain of a shortage of funds for education and the disparities in transfers to regions and municipalities. According to the latest Human Development Report, education expenditure stood at 2.4% of GDP in 1991, 3.1% in 1995 and 4.8% between 2002 and 2005.

Education for work and human development is regulated by Law 1064 of 2006 and the decree 2888 of 2007. Education for work involves developing labor competences by teaching technical skills and includes the education provided by businesses to their employees. Despite some government efforts, Colombia still faces a shortage of technicians and a poorly developed technical education sector. In addition, the lack of language teachers has resulted in a relative scarcity of bilingual students, which, in turn, has increased the need for other methods such as distance learning. Public schools in particular need increased Internet access if they are to modernize their education programs.

There are more than 40 different universities in Colombia with spin-offs in various cities. Most public universities lack sufficient funding. Nonetheless, only a few of the elite private universities can be compared with the most important state

universities in Bogotá, Medellín and Cali. Access to the top universities – private or public – is difficult. For private universities, this is because of high fees; for public universities it is because of the high standards set in entry exams. Meanwhile, numerous private, so-called “garage universities” produce a large number of poorly qualified graduates. Only 20% of university programs are officially accredited.

Enrollment in higher education increased from 673,000 in 1996 to 1,212,000 in 2005, which means that according to UNESCO, Colombia has reached a medium level of development. In 2005, 131,300 persons obtained a university degree. A majority (86%) of those with university degrees belongs to the 40% of the population with a higher income (quintile 4 and 5). An even greater majority (90%) of those with a master’s degree belong to the richest strata of society (quintile 5).

Colombia is lagging behind in the science, technology and innovation sector (STI), even in the Latin American region. Despite the government’s decision to double the budget for the National Science Foundation (Colciencias) in 2008, the STI sector remains underfunded. There is simply not enough public and private investment in R&D and the capacity for innovation and entrepreneurship in companies remains limited. Whereas the use and cost of claiming intellectual property for local innovators is high, the protection of these rights is deficient. There are few alliances between universities and companies. In contrast to the OECD countries where more than 60% of researchers are employed by firms, in Colombia, only 5% of researchers find employment in the private sector. Only 1.5% of researchers in Colombia with an advanced university degree are conducting basic research (Mexico: 10%).

A lack of funding and a lack of infrastructure account for significant shortcomings in scientific research. In addition, some Colombian researchers have been threatened and, in some cases, assassinated. Despite the tenuous situation at some of the public Colombian universities and research institutes, outstanding research is still possible, but often only with the help of external financing since local funds are very limited. There are 22 universities offering Ph.D. programs, and the number of Ph.D. programs rose from 32 in 2002 to 92 in 2007. About 4% of the researchers hold a doctorate, well below the Latin American average. There are only 2.2 researchers for every 1000 citizens (data from 2006); Brazil has twenty-four times more researchers per 1000 citizens than Colombia, Chile seven times more.

In addition, there is a generational change currently underway in the Colombian higher education system, which primarily affects the number of professors with a doctoral degree. New, similarly qualified professors are urgently needed in order to close this gap. As a result, the Colombian government is planning to open 152 Ph.D. programs at 29 national universities in order to have 3,600 new doctoral graduates by 2019. It is also planning to increase co-financed programs in order to enable Colombian citizens to finish a Ph.D. degree abroad.

In 2005, President Uribe launched two plans aiming to improve education and raise expenditures for R&D and technical innovation so as to reach internationally recommended standards by 2015: the Colombia – Visión 2019 plan and the national education plan (Plan Nacional Decenal de Educación 2006-2016). A new bill passed in the Senate in December 2008 (Ley de Ciencia, Tecnología e Innovación) targets the situation of researchers by giving Colciencias greater financial and intellectual independence and importance. The authors of the law also proposed to increase the budget of the education sector from 0.37% to 1% of GDP in 2010 (Latin American average: 0.5%). Colombia ranks 76th out of 137 countries with a score of 4.42 in the World Bank's 2008 Knowledge Economy Index (KEI). This constitutes a decline by 13 positions in the KEI ranking during the last two years, and of 9 positions compared to 1995.

# Transformation Management

## I. Level of Difficulty

Difficult structural constraints are tied to numerous factors and several issues that have complicated transformation management. These include the international economic crisis; the continuing high state deficit and debt accumulated by the current and former governments; structural constraints for the budgeting process, which limit the scope of fiscal maneuvering; the discussed constitutional reform, which is likely to end up increasing net transfers to territorial entities (above 45% of tax revenues) and placing further limits on the government's fiscal situation; continuing economic informality and illegal economic activities which include the drug trade, illegal banking and illegal transport systems; natural disasters; ongoing social conflicts involving especially trade unionists, indigenous and Afro-Colombian peoples; rising violence levels in some cities; ongoing problems with stateness, state-building and the rule of law, especially in rural areas; a long legacy of violent conflict resolution; a tradition of corruption supported by the drug mafia, the emerald trade and smuggling; and the renaissance and reorganization of paramilitary groups who, like the guerrilla groups, participate in the war economy.

Structural  
constraints

There are strong civic traditions in Colombia. Nevertheless, the different social groups making up civil society have always been fragmented and hindered by the state and by extralegal groups. Under the Uribe administration, emerging paramilitary groups have made death threats against a number of non-governmental organizations (NGOs), particularly the Human Rights Workers' Coalition (ETTDH). There are several different national and international NGOs active in Colombia. Their influence on public life depends on the topics they address and on the region they work in. As a consequence of the perceived and real threats posed by participation in public life – especially for journalists exercising criticism, human rights workers or anyone, including officials, trying to exercise control over illegal activities – the Colombian population tends not to participate in public life. But despite these risks, civil society in Colombia is still active and has often demonstrated its capacity to react to official policies by providing alternative political proposals, as can be seen in civil society organizations' response to economic policies or the ongoing violence and human rights violations. For example, during the different wave of strikes in 2008, the human rights movement

Civil society  
traditions

organized protests against violence and mass mobilizations in February 2008 in which more than 12 million people participated.

The cooperation of different societal groups is complicated by a lack of trust. The Global Peace Index developed by the organization “Vision of Humanity” established in 2008 that the level of interpersonal trust in Colombia is very low. Trust in institutions cannot be generalized. According to Latinobarómetro data, political parties have in recent years received a low rating, whereas the judicial system, entrepreneurs and the armed forces received a fairly good rating. The International Business Leader Forum (IBLF), in association with Fundación Ideas para la Paz (FIP) and the U.N. Global Compact, organized in 2006 three events that brought together for the first time Colombian businessmen and civil society leaders. Aiming to overcome the barriers between the sectors and establish trust, the participants emphasized opportunities for disparate groups concerned with social and economic development in Colombia to work for mutual benefit.

Social differences are quite considerable, although the social elite attempts to veil overt social distinctions. Some degree of violent conflict exists in most provinces, but most obviously in those where paramilitary or guerrilla groups are actually present and active and/or the drug production and trade is flourishing. Analysts close to the government anticipate a crackdown on the guerrilla any time soon, while leftist politicians and part of civil society only see a temporal withdrawal. Even if the FARC guerrilla seems to be weakened, a peaceful solution to the conflict is nowhere in sight. An intensifying drug trade and the splintering of the former two big drug cartels into several small ones has allowed all extralegal armed actors (guerrilla and paramilitaries) to continue the armed conflict against each other (and against the state in the case of the guerrilla groups). Peaceful solutions can be found only if all groups involved are willing to negotiate. During the last years, Indigenous and Afro-Colombian communities have grown increasingly involved in the conflict. The Vision of Humanity’s Global Peace Index ranks Colombia 130th out of 140 countries, where the number one position is the most peaceful country. According to the same study, the level of distrust in other people is very high, the access to weapons of minor destruction is easy, and the potential for acts of terrorism is high.

Conflict intensity

## II. Management Performance

### 14 | Steering Capability

The Uribe administration pursued relatively consistent reform goals regarding economic transformation and it has collaborated closely with the IMF. During their last Article IV Executive Board Consultation in January 2009, the IMF expressed satisfaction with the government's implemented measures and encouraged it to move forward with the structural reform agenda, complaining only of the inflation targets and fiscal policy. Critics note that despite the IMF's proclamations, the president implemented his reform plans only partially, changing them sporadically and subjecting them to considerations of short-term political gain, political bargaining and office-seeking.

Prioritization

On the political agenda there is no distinguishable central theme. There have been some efforts made toward political reform regarding political parties, the motion to censure, electoral bodies, the financing of electoral campaigns and parties, the participation of women, re-electing the president – which passed Congress in late 2008 – the lobbying process, etc., but the government was not able to pass those plans through Congress. There is a lack of political coordination of state institutions. In addition, the government has been occupied with exercising damage control for numerous scandals in state institutions where people close to the government and the family of the president were involved.

The government designed only partial reforms to aid political transformation and did not coordinate them with the economic reforms. In addition, the reforms at times contravened each other, did not clearly pursue the aim of democracy, and proved difficult to implement. Reforms were, instead, aimed primarily at increasing the president's ability to govern, that is, to stabilize and to strengthen the executive by restricting civil liberties, especially in conflict-ridden regions, and restricting the functions of the judiciary, which led to some serious clashes between Uribe and the Supreme Court. Especially Afro-Colombians and Indigenous People are still awaiting the implementation of promised solutions to their political and economic problems.

Implementation

Uribe's counter-terrorism policy served to make large parts of the national territory more secure, but further strengthened the regime's repressive character, which was criticized by national and international human rights organizations. His peace process with the paramilitary groups was, on the one hand, welcomed as a means of

reducing violence in the country, but on the other hand, criticized for the problems related to that process such as alleged impunity, the lack of financial and human resources for adequate reconciliation, reparation, the form of imprisonment and reintegration of former fighters, the extradition of paramilitary leaders, and so on.

The political leadership tries to respond to failed policies with changes, but it mostly lacks the ability of complex learning and sometimes tries to implement unilateral solutions without considering the opinion of political networks and important social actors. A good example of this is the way in which the Uribe government dealt with trade unionists during the various strikes in 2008, where it finally declared a state of emergency. The government proceeded to pursue a populist style of politics, a president-centered decision-making process and responded with a rather authoritarian attitude towards social actors and critics of government policies. This could be seen on various occasions when President Uribe was engaged in discussions with journalists, members of Congress, and the President of the Supreme Court, Francisco Javier Ricaurte.

Policy learning

In dealing with the violent conflict, the Uribe government learned from experience. While it mainly used military power during its first term in order to weaken guerrilla forces, later it tried to use a strategy of offering development programs to people in conflict regions. The government also stepped up the use of intelligence forces, sometimes on shaky legal ground or at the risk of illegal acts. Examples include the killing of a high-ranking FARC member on Ecuadorian territory in March 2008, and the freeing in July 2008 of the hostages Ingrid Betancourt, three American citizens and eleven members of the armed forces. In the latter case, the government used the symbols of international help organizations and mass media in order to distract the guerrilla group, thereby violating the Convention of Geneva.

## 15 | Resource Efficiency

The Uribe administration used its available personnel and organizational resources – insofar as it could actually control them – to implement the governing elite's ideas for development and transformation. During the process, it focused on the technocratic specifications of international organizations such as the IMF and the World Bank. The president did not facilitate a serious debate regarding the use of resources within the administration, but he did have to consult – more so than before – other relevant political and social actors. It is noteworthy that while Uribe, during his first term, appointed many like-minded people and close friends (especially economists), during his second term, he had to give greater consideration to the interests of his electoral coalition and their political interests when appointing his cabinet and redistributing state functions. Politically motivated nominations and dismissals in state positions are still common.

Efficient use of assets

The government committed itself to increasing austerity and to restructuring the social security system. Budget resources are used with some more effectiveness, but administrative expenditures and military expenditures in particular are still high at nearly all levels of the state. Auditing authorities at local and regional levels in particular are politically exploited, which renders them less-than-effective in monitoring the government. Congress does not carry out its oversight role adequately, though it is important to note here that the majority is held by the president's electoral coalition. Nevertheless, the opposition is now stronger, due to the fact that the left-wing political party and main opposition force "Polo Democrático Alternativo" (PDA) gained some power in the 2006 elections. But there are only a few experienced politicians within the PDA who fulfill the task of constituting a real opposition force that aims to keep the government in check. There are others in the PDA willing to accept benefits from the government, as demonstrated by the near unanimous election of the government's candidate Alejandro Ordoñez as Attorney General of Colombia (Procurador General de la Nación) by Congress in December 2008. In addition, the PDA is showing signs of internal disintegration, such as the resignation of well-known Senator Gustavo Petro from the party's executive board.

State budget planning is still partly based on patronage priorities. Some communities implement participatory planning, which grants at least some degree of control to the inhabitants of the municipalities. In his famous local assemblies (consejos comunitarios), President Uribe sometimes spontaneously "plans" new projects in order to respond – in a pseudo-populist manner – to the demands of the attending population. The consejos comunitarios constitute a means of distributing the public budget without oversight in order to pave the way, among other things, for the re-election of the president or a like-minded person.

Coordination between the ministries and the territorial authorities is insufficient, and is not really focused on a general strategy of development policy. Although decentralization has expanded, communities still do not have sufficient financial resources and autonomy. The need remains for more intensive external monitoring as well as modernizing the administrative apparatus. Public service distribution is disparate and not equally accessible for all social groups. As part of the austerity measures, more responsibility for social services is being shifted to the citizens, who have to pay private enterprises for these services – if they can afford to do so. This situation will worsen after the closure of the Social Security Institute (ISS).

The top income and corporate tax rates were reduced from 34% to 33% beginning in 2008. Other taxes include a value-added tax (VAT) and a financial transactions tax. In 2007, overall tax revenue as a percentage of GDP was 23%. Although this percentage is higher than that seen in some other Latin American countries (Peru: 14%; Chile 17.1%; Bolivia 13.2%), it has not raised the revenues needed to fight poverty and to increase social security.

The government has a hierarchical leadership style and frequently fails to coordinate conflicting objectives or interests. Some policies have counterproductive effects on others, as illustrated by the need to reduce the budget deficit versus the intention to spend more money on education or military expenditures. Ministries have been merged in order to save money and to coordinate better among themselves, but this has not necessarily spelled for improved policy implementation.

Policy  
coordination

Colombia has made some improvements in fighting corruption in some institutions, especially at the national level. The Uribe government also established the office of the so-called anti-corruption tsar, whose incumbent Rodrigo Lara resigned from office in 2007 when close relationships between some members of the Uribe coalition in Congress and paramilitary groups became public.

Anti-corruption  
policy

Despite these efforts, patronage or clientelistic political structures remain integral characteristics of the Colombian state and the administrative culture under the Uribe government. There have been several corruption scandals during the review period. Corruption still affects virtually every aspect of public life. Private legal and illegal (i.e., the drug mafia, guerrillas and paramilitary) interest groups influence parts of the state. There is also an intimate relationship between the political and economic elite of the country. Concerns remain about the influence of narcotics trafficking and criminal organizations on the police, military, lower levels of the judiciary and civil service, and on some state employees and politicians. According to the Transparency International's (TI) 2007 Global Corruption Barometer, Colombians felt pessimistic regarding the fight against corruption. Just over half of those polled (52%) feel that corruption practices have increased. Respondents are of two minds with regard to the government's anti-corruption policy; 49% consider the policy efficient, while 41% perceive the opposite. According to the World Bank's Governance Indicators, Colombia remains among the 30% of countries that have difficulty in applying the law. Similarly, according to the World Economic Forum, corruption is perceived as the second most important criterion hindering the realization of business in Colombia. A study of TI Colombia in 2007 found that 91% of the interviewees thought that entrepreneurs offer bribes in order to be able to do business. According to a poll by Probidad 2006, a private sector initiative to fight corruption in Colombia's public sector, 28.4% of businessmen were asked for "favors" in exchange for a service by a state employee. According to the Heritage Foundation and the Wall Street Journal, business contracts are generally respected, but judicial corruption undermines legal transparency.

According to anti-corruption activists, the annual costs of corruption exceed \$2.2 billion. The anti-corruption tsar, Oscar Ortiz González, stated that he received 20 complaints per day about corruption. There have been prominent scandals in Congress, in the Attorney General's Office and in the Administrative Department of Security (DAS) – which illegally observed politicians of the opposition party. The

petition for a public referendum for the president's re-election in 2008 was partly financed by firms that are beneficiaries of state contracts. In April 2008, Yidis Medina, a former congresswoman from the pro-government Conservative Party, claimed that members of President Uribe's administration had offered to appoint local officials in her home province in exchange for her vote in favor of the 2004 presidential re-election bill in Congress. According to Medina, the government had not fulfilled that promise, prompting her to come forth with the offer made. The Attorney General ordered her arrest, after which she turned herself over to the authorities and testified to the Supreme Court as part of the investigation. The opposition party PDA requested that President Uribe be investigated for bribery. After the declarations made by Medina, the Supreme Court sent copies of the process to other judicial authorities who have the jurisdiction to investigate several former and current cabinet members and other high government officials. The Accusations Commission of the Colombian Congress will study the matter and decide if there is enough evidence to officially investigate President Uribe, but it is unlikely that this will happen.

## 16 | Consensus-Building

Almost all political and social actors – with the exception of the guerrilla organizations – agree on a market economy and democracy as strategic aims, but not all political and economic actors agree on the same definition of democracy and a market economy. The Uribe administration, some members of Congress, the technocratic elite, most economic researchers, and the majority of entrepreneurs view the goal of liberal economic reforms in positive terms. Most civic organizations (including the trade unions) and organized groups of Afro-Colombian and Indigenous Peoples oppose this goal and its implications. They prefer a market economy more effectively constrained by principles of social justice envisioned in the constitution of 1991, which includes a wide range of social rights – some of which are more abstract, some of which would have practical impact, especially through the interpretation of the Constitutional Court. Even among the neoliberal elite, views differ regarding the speed of reforms and concrete goals. Very few actors prefer a socialist economic system to a social-market economy. Even the guerrillas do not have a clear-cut position on this matter.

The Uribe administration, the majority of Congress, and the majority of the economic elite do not see an urgent need to further democratize the political system. Some of the government's reform proposals are, at the time of this writing, passing through Congress. One such example is the introduction of a measure stipulating that the parliament be comprised of a minimum of 30% female representatives. But most of the government's proposals point in a direction opposite to that taken by the constitutional reform of 1991, when some of the opposition forces and their

Consensus on goals

plans for a renewed democracy were integrated for the first time into a state reform project, which opened up some space for political participation. Preferring a government-controlled participation of sorts (e.g., the *consejos comunitarios*), the government also aims to strengthen state institutions, especially the security forces, through its policy of “democratic security.” As a result, the space for social participation has been increasingly reduced by the government’s counter-terrorism policy.

The various anti-democratic veto actors include the drug mafia, guerrilla groups, paramilitary groups and violent criminals as well as some factions of the military and the economic elite. The FARC guerrilla was significantly weakened during 2008, and paramilitary groups have been reduced, except for the new emerging groups. Nonetheless, veto actors actively used their blockade powers for financial or political gain. The government must fight corruption in order to inhibit the influence of drug traffickers in the armed forces, the police and the political arena. Within the current international framework of drug prohibition, the fight against major drug dealers (i.e., syndicates) must be intensified, whereas small-time operators should be treated differently. While some paramilitary leaders are persecuted and extradited to the United States of America, new groups have emerged and committed crimes without facing prosecution.

Anti-democratic  
veto actors

Regarding the violent conflict, the Uribe government has succeeded in constraining the influence of guerrilla groups and paramilitary groups. Most of the urban population now perceives the country to be more secure. The Uribe government has also been effective in reducing violent crime and some human rights violations. But cleavages in society continue to exist. The government has not succeeded in resolving conflicts peacefully. In cases such as extralegal executions, human rights violations actually rose.

Cleavage /  
conflict  
management

Despite the president’s high popularity rate, society is still polarized. This societal division influences citizens’ willingness to display solidarity. The government has redefined the term “solidarity.” Through a system of citizen militias, which embroils civil society in conflict, Uribe developed his own unique understanding of civic solidarity regarding public order. Generally speaking, social cleavages could not be integrated into a well-functioning party system or mitigated by social movements, even though the most important legal left-wing force, the PDA, is quite active.

Despite violence and ongoing conflicts, Colombia has an active civil society. There are several different kinds of legally recognized social and political organizations that have the right to practice their profession. These include trade unions, environmental organizations, businessmen’s associations, human rights groups, women’s organizations, student groups, and ethnic minorities’ groups. Afro-Colombians and Indigenous Peoples’ groups enjoy special constitutional rights.

Civil society  
participation

Nevertheless, it is difficult for some of these groups to exercise their rights and participate politically, especially in conflict regions.

The government initiated in 2003 a program of disarmament, demobilization and reintegration (DDR) that was ongoing through the evaluation period. The program's official goal has been to end the threat of violence from the AUC (United Self-Defense Forces). The government progressed through the disarmament and demobilization processes, but the process of reintegration has been much more complicated, as it requires human and financial resources and a high degree of coordination between all institutions involved, including civil society and the international community. The national judicial system has handled some of the demobilized combatants, whereas others have been offered benefits such as health care and educational, legal and psychosocial services. Support centers were established throughout the country to facilitate reintegration. Although Colombia has had experience with reintegrating guerrilla groups such as the Movement of April M-19 and others, the process has been difficult in part because reintegration centers have not been provided the needed resources and staff. In addition, benefits have not proved sufficient to prevent ex-combatants from committing crimes again. The government has also failed to communicate parts of the program to local authorities and local civil society. Sometimes those communities have felt as though their government were collaborating against them. The reconciliation measures considered in the so-called Justice and Peace Law (Law No. 975 from 2005) are considered inadequate by most of human rights organizations. According to the government's critics, the political leadership does not effectively address acts of past injustice, and it has failed to initiate a genuine process of reconciliation with the victims of the paramilitary groups. The political elite, for the most part, argues that there have been only isolated instances of human rights violations. Trials in those cases have often been either delayed or settled by the public prosecutor, which means that relatives have to wait several years for sentencing. One practical consequence in some cases of the peace process with some of the paramilitary groups has been the legalization of land ownership, acquired – most likely – through killings and forced displacement. There have been some public hearings of arrested paramilitary leaders and the intent to bring together victims and perpetrators in such forums, but truth-finding investigations have been sluggish and difficult, and international monitoring insufficient.

Reconciliation

## 17 | International Cooperation

The Colombian government works with international actors such as the IMF, World Bank and the Inter-American Development Bank toward economic transformation. These institutions accorded the Colombian government important legitimizing functions vis-à-vis civil society in battling the economic crisis in Colombia at the

Effective use of support

end of the 1990s. The IMF aims to fix economic policy by maintaining stability criteria and a strict fiscal policy. These goals were adopted by the Uribe government, but not always fulfilled. The United States pressured the Uribe government to adopt economic reforms, particularly in preparation for integrating Colombia into the envisioned Free Trade Area of the Americas (FTAA). However, there is no doubt that there is also a certain congruence of interests between leading economists in the Colombian government and international actors.

Colombia cooperated with various European and some Asian states on the implementation of 1,361 different development projects. The presidential office “Acción Social Colombia” received \$395 million in 2007, investing these funds in the areas of peace and development (24%), social development (18%), alternative development (17%), and human rights (14%). Colombia draws a big part of international support from the United States in the form of the so-called Plan Colombia (I and II), meant to fight illicit crop production and to counter terrorism. An evaluation of Plan Colombia in 2008, elaborated for current U.S. Vice President Joe Biden (who was a senator at the time), proclaims a “total failure of the war on drugs.” The report is based on the amount of cocaine smuggled into the United States. U.S. President Obama and the democratic majority of the U.S. Congress declared their intent to reduce or redistribute the funds of Plan Colombia. The budget for Plan Colombia in 2009 is \$543 million, which amounts to only a minor reduction, but is supposed to be cut further in 2010. By then, the Colombian government will have to look for other donors in order to finance current military expenditures.

At the same time, the Uribe government has not missed any opportunity in seeking to convince European governments of supporting its alternative development programs. These include programs such as the Familias Guardabosques program, which has been implemented to provide peasants with state subsidies if they destroy coca cultivation. However, this program does not sufficiently comply with international technical standards in order to be really effective in combating illicit crop production or in promoting regional or national sustainable development -- in part because of the rather short time frame given to peasants to develop sustainable alternative livelihoods. Furthermore, the program is integrated within the government’s war on drugs strategy, where it is subjugated to the goal of recapturing (in both military and social terms) national territory.

Despite Colombia’s problem with violent conflict, it tries to remain a credible and reliable partner internationally. The government’s macroeconomic and security policies have been welcomed by foreign investors. From 2001 to 2004, foreign investment averaged \$2.376 billion and increased to \$6.915 billion for 2006 and 2007. Commercial risk ratings show comparatively good rates for 2008.

Credibility

External actors are usually more ambivalent in their assessment of Colombia's political system. While some stress democratic deficits, continuing human rights violations, an incomplete process of state-building and the not fully established rule of law, others highlight the Uribe government's successes with its counter-terrorism and anti-narcotics policies and the improved security conditions. The democratic majority in the U.S. Congress and U.S. President Obama have emphasized human rights violations, especially the cases of murdered trade unionists. Colombia's neighbors have responded to paramilitary and guerrilla activities in the border regions and to drug and weapons smuggling by increasing their own military presence along the borders. There have been some tensions with the government of Hugo Chávez in Venezuela, due to accusations that Chávez harbored guerrilla members on Venezuelan territory and indications of close relations between him and leading members of the FARC that were found on a high-ranking FARC member's computer that was confiscated after he had been killed.

With its special relationship and close ties to the Bush administration, the Uribe government was somehow isolated in Latin America. Nevertheless, most of the left-wing or neo-populist governments of the region cooperated economically with Colombia.

Regional  
cooperation

The government has been open to cooperation on various economic integration projects at both the pan-American and Latin American levels. There are plans to construct new transit routes and power supply lines between Colombia, Peru and Bolivia as well as multifunctional pipelines between Colombia and Venezuela. In addition, the already strong cross-border trade links between Colombia and Venezuela were solidified in July 2004 with an agreement to build a \$320 million natural gas pipeline between the two countries. In October 2007, Venezuela and Colombia inaugurated a 140-mile (225-km) natural gas pipeline linking Colombian gas fields to Venezuela's gas-deficient western region.

There have been some conflicts with Colombia's neighbors, especially regarding spillover effects from Colombia's violent conflict, including cross-border guerrilla crossings, the flow of refugees, and the spread of drug crops. There have been several disputes with Venezuela and Ecuador. Ecuador has complained that chemicals used for the aerial eradication of coca crops were drifting over the border and destroying agriculture on the Ecuadorian side. On 1 March 2008, the Colombian military attacked a FARC camp on Ecuador's territory, leading to the death of over twenty people, with at least sixteen of them being FARC members. The FARC leader Raúl Reyes was among those killed. This incident led to a breakdown in Colombia's diplomatic relations with Ecuador (which condemned the attack), Venezuela and Nicaragua. Ecuadorian President Rafael Correa wanted to take this case to the International Court of Justice in Den Haag. In an OAS

resolution, several Latin American countries criticized the Colombian military's incursion into Ecuador as a violation of national sovereignty. However, the United States backed Colombia's position and domestic support for the action has remained strong. Somewhat surprisingly, during a meeting of the so-called Rio Group in March 2008, presidents Correa, Chávez and Ortega on the one side, and President Uribe on the other reconciled. However, only Venezuela has fully re-established diplomatic relations with Colombia in the meantime.

## Strategic Outlook

Colombia's economic and political transformation processes face different challenges that depend on future developments. These include:

- A possible second re-election of President Uribe (or the election of a like-minded candidate who is selected by the president) or the opposite scenario in which the opposition wins the opportunity to influence government policy or comes to power in the presidential election of 2010.
- If and how the government succeeds in avoiding future scandals and corruption affairs.
- The impact of the international economic crisis on Colombia and the financial scope provided by the U.S. government and international institutions.
- The extent to which peaceful and constructive relations with neighboring countries are pursued.
- The development of drug trade and internal violent and social conflicts.

There is little hope that Colombia, in the near future, will strengthen its democratic institutions and facilitate sustainable market economy anchored in principles of social justice. The re-election of Álvaro Uribe or a like-minded candidate will probably mean more of the same policies, with the added constraint that the scope of maneuverability is now more limited due to a changed international environment, domestic political scandals and a greater number of commitments to political partners. Given these circumstances, the Uribe government should seek new ways to promote transformation.

In terms of economic transformation, Uribe or his successor should continue attempts to reduce the budget deficit as well as public and foreign debt. Despite improved tax receipts, public expenditure pressure remains high, especially in terms of social security and armed forces spending. Progressive tax reform (also called for by the IMF) and making state enterprises more profitable could provide for a more balanced budget and reduce the need for continued long-term public debt. Because it encourages social conflict, privatization cannot be the only means of reducing public debt. Restructuring and stabilizing the mixed state and private systems of social security will be ongoing tasks during the rest of Uribe's term.

The president has tried to improve social indicators through economic growth, hoping that a trickle-down effect will resolve most problems. This approach did have some positive effects on poverty and unemployment rates, but less so on inequality. If GDP growth is limited to 1% to 3% in the near future because of the international economic crisis, new economic policies will have to be adopted. The Uribe government or its successor should therefore seek new ways out of the crisis in order to create a more socially and environmentally sustainable market economy and long-term development. This includes an effective strategy to combat shadow globalization

processes and the war economy. Change is urgently needed in the international mechanisms used to combat drug trafficking. A national rural development strategy that includes agrarian reforms accompanied by increased investments in social policies and infrastructure should also be designed and implemented. Short-term and poorly designed “alternative development programs” may have regional impact, but fail to resolve anything at the national or international level. In areas where security can be restored, cross-border economic development plans combined with measures aimed at enhancing humanitarian actions and the rule of law should be installed. Such plans deserve at least the same priority as those involving military action aimed at increasing security along the borders, which is both difficult to achieve and expensive to control.

At the moment, the chances are slim that political reforms will be able to transcend political engineering and transform the hybrid political regime into a more democratic one. President Uribe or his successor will most likely continue with his security and anti-terrorism policies, which have negative repercussions for civil liberties – especially in conflict regions – as long as the violent conflict continues. If a like-minded successor for Uribe seeks to devise a new form of the so-called democratic security policy, he or she should prevent civil liberties and human rights from being threatened. Given the implications of non-compliance with the rule of law, the involvement of civil society in the violent conflict, and the reduction of civil rights, the policy of democratic security should be adapted to democratic standards.

Strengthening the state is not only a goal of the government in order to improve its capacity to act, but a key means of advancing political transformation. However, this does not simply entail improving the functions and tasks of the political process, but rather the implementation of substantial reforms regarding its structure and substance in order to facilitate state-building processes. It is therefore of utmost importance that the state establishes its monopoly on the use of force. Clearly, in doing so, the state must avoid misusing its privilege and remain bound by the rule of law.

Political culture in Colombia must undergo substantial change, which would include establishing democratic, ethic, human rights and peace education for state representatives and civil society. Non-democratic informal institutions, such as clientelism, nepotism and corruption need to be dismantled. The state should also establish a code of ethics for civil servants.

Finally, solving the violent conflict is a key to achieving progress in all areas of the political and economic systems. Civil society should be involved in discussions regarding the best means of achieving this goal. Together with civil society actors, the state should develop an integrated and sustainable strategy for handling violent actors that is not abandoned each time a change in government takes place. Peace processes must have substantive political, economic and social agendas, and be based on more than cease-fire talks. The progress made on that front should be consolidated and (positive and negative) lessons learned should be evaluated. The FARC’s release of hostages and the fact that they have abandoned the demand for a demilitarized zone as a precondition for peace talks should be interpreted by the government as a good opportunity to negotiate.

The government should have a closer look at the paramilitary groups and their involvement in illicit crop production and other illegal activities. It should not decouple strategies for handling the paramilitary groups from developments in the violent conflict and drug trade. It should instead guarantee that the demobilization and reintegration process with old and new paramilitary groups go beyond the already reached lay-down of arms. The government should reconsider whether extradition to the United States is an adequate response to crimes committed by paramilitary groups, and whether it serves the purpose of national reconciliation. Some paramilitary leaders have been sent to high-security prisons, but national and international human rights organizations continue to demand further prosecution, which should be taken into account. The government should provide more help to the victims (and their surviving dependents) of violent crimes at the hands of illegal armed actors. Reconciliation and indemnification measures for the victims (and their families) of the massacres and other crimes committed by paramilitary and guerrilla groups should be enhanced, which should involve the use of these groups' confiscated assets and funds. The military should be more effectively supervised in order to prevent implicit or explicit cooperation with paramilitary groups and other criminal organizations.

The judicial system should be strengthened so as to reduce impunity and to improve access to legal rights for those who have been de facto excluded from the system. Oversight institutions should not be abolished, but strengthened and improved. The functions of the Constitutional Court, the Supreme Court and the Ombudsman should be reinforced. The legal opposition – in Congress, political parties, and civil society, including social movements and NGOs – should be supported and be given a more active role in strengthening civil reform strategies, and in weakening illegal and violent means of conflict resolution. At the very least, the government should create conditions under which legal political opposition does not entail the constant fear for one's life.

A reinforced regional integration process with Latin American partners is unlikely, but could help Colombia in the long run. Colombia should also diversify its international economic relations, which are currently dominated by relations with the United States. The new presidency in the United States should be seen as an opportunity, not a threat. The efforts regarding diversifying international economic relations should be continued, and political and cultural relations geographically extended. Colombia's neighbors as well as the international community writ large must engage proactively with each other in order to guarantee regional peace. Agreements with the IMF and the World Bank are needed in order to find a compromise between economic consolidation and social reforms, and to wean Colombia off crisis management if the country is to manage the implications of a market transformation and an intensifying international economic crisis.