

Colombia

Status Index (Democracy: 5.85 / Market economy: 6.36) 6.10		Management Index 5.25	
HDI	0.785	Population	44.2 mn
GDP per capita (\$, PPP)	72.4	Population growth¹	2.0 %
Unemployment rate	N/A	Women in Parliament	10.8 %
UN Education Index	0.86	Poverty²	8.2 %
		Gini Index	57.6 (1999)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003)			

A. Executive summary

There was a shift in the Colombian government in 1958 from a military to a civilian regime. The transformation process began with this shift and has not been completed as of this writing. There are some signs of progress for parts of the government apparatus and in economic development. However, developments in the remaining government institutions weakened during the period under review. This regression coincides with Alvaro Uribe's term in office (August 2002–2006).

The following report on the status of Colombia's democratic and market-economy transformation between January 1, 2003 and January 31, 2005 concludes that there has been progress in some areas, and regression in others. Management success can be rated as medium in light of the extremely difficult political and economic conditions that were partly inherited and partly the fault of the Uribe government. The transformation process was strengthened only in terms of a few economic performance criteria. It remains questionable whether the path taken will lead to a sustainable and socially based development in the long term.

Andres Pastrana, Uribe's predecessor as president, left work to do in key areas. The question of the state monopoly on the use of force and the reduction of political violence were left untouched by Pastrana. As a result, the Uribe government tried to "resolve" those problems by military means. Yet the Uribe government left gaps such as delivering substantial reform or democratization of the armed forces or law enforcement. Intended and implemented reforms of the justice, party, and election systems went only so far. There have been deficits in any further development of the existing organization of the market and competition, in reduction of the internal and external debt, and in reduction of the fiscal deficit. Economic recuperation has been slow, and the government has only made slight efforts at reducing poverty or to securing the sustainability of economic and social development.

The armed conflict in Colombia has taken its toll on all aspects under investigation in this report.. The governing elites are not exclusively responsible for the limited success in transformation; the “counter-elites” of the armed “opposition” have also played a role. A conclusion of this transformation process is yet not in sight.

B. History and characteristics of transformation

A stable two-party regime emerged in Colombia against the background of La Violencia (approximately 1948–1958) and the civil wars in the 19th century that were partly motivated by party politics.. The Liberals (PLC) and the Conservative Party (PC) have dominated this two-party regime. The government was for the most part run by the civilian elite of both parties, with few exceptions. This form of rule was interrupted by the military dictatorship of General Gustavo Rojas Pinellas from 1953 to 1958. The PLC and the PC at first only tolerated Rojas to end the Violencia. When it became clear that Rojas would threaten the long-term political power of the PLC and the PC, his dictatorship was transformed into the civilian regime of the National Front, which officially lasted from 1958 to 1974.

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

The transformation process stagnated in the 1990s due to increasingly deteriorating conditions and the lack of commitment of the elite in implementing the new constitution and pushing its potential for democratization. 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, non-governmental organizations or NGOs) continued to develop. These organizations existed primarily within their sphere so long as they did not get “involuntarily assigned” to an alliance with an armed actor. The room for action available for political actors depended on their geographical situation, their specific characteristics, the course of the violent conflict, and the position of the government.

Corresponding to the constitutional reform the Colombian economy began to open up to international capital and goods after a long phase of being sealed off 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 production and the state. He strengthened the internationalization of the economy by deepening traditional economic relationships, integrating Colombia more intensely into the Cuenca del Pacífico, and by awarding drilling and mining licenses and major hydroelectric projects to transnational companies.

César Gaviria's administration (1990–1994) effectively pursued the reforms 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; state-owned enterprises were privatized; the foreign-exchange market was largely liberalized; and regulations for foreign investment were loosened. The exchange rates were at first liberalized, but a fully floating exchange rate was only introduced in 1999.

However, President Ernesto Samper (1994–1998) took a slower approach to the neo-liberal reform model and at the end of his term in office, a major economic crisis set in. Its cause was, among other things, 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 the departments and communities. The deterioration of general political and international conditions was accelerated by this negative development. The economy turned out in the end to be more crisis-prone, and could no longer be isolated from international fiscal crises, such as the one in Asia.

President Andrés Pastrana (1998–2002) continued privatization and other reforms, but these reforms further raised the social costs of the neo-liberal agenda. Unemployment and structural poverty reached the highest rates ever recorded in Colombia. The economy suffered a deep crisis because of structural economic problems, which had been accumulated over years, and this was reinforced by the neo-liberal course as well as globalization. This was the situation facing the Uribe government when it came into power in August 2002.

C. Assessment

1. Democracy

Despite the introduction of reforms, Colombia has made no significant progress in the transformation of its political system. Moreover, there is some indication that the level of stability achieved through reforms of the late 1980s and early 1990s is losing its ground.

1.1. Stateness

In comparison to the rest of Latin America, Colombia has serious problems with stateness. This is connected to the state's ineffectiveness in making use of its monopoly on the use of force. It in fact forgoes this license voluntarily to enter alliances with private actors. Under the Uribe administration the state tried to recover the monopoly on the use of force by means of a strategy of "democratic security", which enacted anti-terrorist decrees and laws, and bestowed on the military - especially in conflict regions - extraordinary rights, such as arresting people without a warrant from a judge. The government presents the reduced homicide rate, the decline of kidnappings and massacres as a direct result of the "democratic security" policy. Nevertheless, public safety was guaranteed at best regionally and temporarily and the long-term effects of the government's efforts are still unknown. The government's understanding of strengthening security was not based on a structural long-term approach, but on short-sighted military measures. As a negative consequence of the new government policy, civic associations and individual activists became more involved in the armed conflict, and innocent people were criminalized.

In some regions, paramilitary and/or guerrilla groups carry out state functions. In these regions, the presence, effectiveness and productivity of the state administration are restricted. The formal determination of who qualifies as a citizen was not discussed politically. By law, all citizens have the same civil rights, but in practice, these rights are limited by social, gender-related and ethnic exclusion mechanisms.

Indigenous and Afro-Colombian population groups have secured certain representational rights in Congress. The Indígenas' traditional legal system is more or less respected in their territories as long as there are no conflicts with the nation-state and no confrontations with the economic and political interests of powerful stakeholders. The possibility of violent conflict, and the national legal system to some degree, highlights the limits of the right to representation. There is a separation of church and state, except for occasional lobbying attempts by the

Roman Catholic and Protestant churches. These lobbying efforts are gaining strength, particularly in the electoral and peace processes, and the involvement of the church in the education sector. The political process is formally secularized.

1.2. Political participation

The right to vote and to run for office is guaranteed in the constitution. Yet these rights are not exercised universally or in all regions of the country; this is due to problems with the state's effectiveness and the rule of law, such as threats and the influence of violent political actors. The local and regional elections that took place during the evaluation period cannot be described as either suitably free or fair. The rights to political organization and communication are limited by the intervention of violent actors, due to the inability of the state in guaranteeing security and in addition due to informal restrictions of individual political sectors. Attempts were made to reform the electoral system. The effects of those reforms at the national level and on the development of the party system can only be evaluated in the end.

The government's proposal to change the constitution to allow the president to run immediately for a second term was approved in the first chamber of Congress in November 2004. If the second chamber approves the proposal, the final hurdle will be a review by the Constitutional Court for which a decision is expected in late 2005. If the court has no objections, President Uribe is free to run again in the 2006 presidential election. Nevertheless, it is important to note that the restriction of the number of presidential terms in several Latin American constitutions has been introduced in order to restrict the power of the president, and to reduce "clientele-ism" and as a means to democratize.

The national government's effective power to govern is limited and that of many regional and local governments as well. Guerrillas, paramilitary groups, drug traders, sometimes landowners or entrepreneurs exercise veto powers over political processes. There are selective alliances made between the state military and individual violent actors such as paramilitary groups or drug traders. These alliances seriously undermine certain rights guaranteed in the constitution. Individual communities in conflict-ridden regions, after the implementation of the anti-terrorist rules, are headed by members of the military rather than by elected representatives. Some mayors and governors have been kidnapped. Others "govern" in absentia from the capital of the state, which generally lies at a safe distance from problem areas. The Anti-terrorism Act, which took effect on August 20, 2001, and has expanded the role of the military leadership relative to civilian agencies, further hobbled the already hybrid constitutional state. The Act led, in some cases, to military and police interventions that were in direct conflict with international law.

According to the constitution, political and civic organizations and unions are free to assemble. However, in practice they are limited in terms of their political and ideological direction, their rights to criticism, and their choice of field of activity or where they want to work. Freedoms of information, speech and organization are reaching their limits due to the integration of the economic, political and media elite, and because of the violent conflicts. Core elements of a public sphere

and public debate exist, but they are vulnerable to massive intervention, distortion and manipulation. Colombia ranks 131st of 1893 countries in the Freedom House ratings for 2005, and holds the status of “not free”.

1.3. Rule of law

The shortcomings in transformation are evident in the separation of powers and in the system of checks and balances. Although the executive branch usually prevails in any power struggles with the legislative branch, there is also negotiation between Congress and the president. To get bills passed financial and personal concessions often had to be made to the members of Congress. Bills proposed by members of Congress were restricted to less important regional projects, with an eye on the relevant constituencies. As an institution, the judiciary branch in Colombia is sufficiently independent. However, independence tends to decrease in the lower courts, especially those that are located in conflict zones.

By imposing a state of emergency, and utilizing the associated decree powers and informal electoral coalitions that prevailed after the election supporting presidential policy, the Uribe administration tipped the balance between the executive branch and the legislative branch to its advantage. In this way, Uribe was able to compensate for problems of governmental capability and the rule of law, which normally should have been remedied through structural reforms. The decrees enacted were often later made a part of regular legislation. The constitutional court monitors the legitimacy of imposing a state of emergency as well as legislation.

In recent years, the Constitutional Court has played an important role in the balance of power and has functioned as something of an “opposition” force in that it provides a check on the executive. The court struck down regular bills and decrees of the executive, such as bill number 788 in 2002 (intended to introduce the “social VAT” (IVA social, a 2% tax on basic products.) The constitutional judges who served on Colombia’s Supreme Court under Uribe’s government, generally speaking, made independent decisions. However, threats, demotions, and new appointments initiated by the government led the court to wield its oversight power less strictly and to focus at times on pragmatic political considerations concerning the political conflict and the tutela decisions, which are important to achieve basic rights.

In general, the judicial branch has limited effectiveness in the eyes of the citizens due to several factors: 1. lengthy proceedings; 2. de facto limited access to courts; 3. lack of equality before the law; 4. corruption and a high degree of impunity. One positive aspect of the judiciary is the protection of basic rights through tutela trials, which have to be decided within 10 days. The constitution foresees legal penalties for officeholders who abuse their positions, e.g. during election time or in order to extract money from state coffers. However, most offences committed

by corrupt elected officials are not prosecuted. In addition, if white-collar criminals are convicted, they receive privileges within the penal system such as house arrest instead of imprisonment in jail.

Civil rights are violated in certain areas of the country, and are suspended temporarily during states of emergency or in regions that the president declared special zones. In these special zones, the military is granted exclusive rights. International observers speak of 3.5 million people becoming internally displaced in recent years. This works out to 500 persons daily according to UNHCR. Data published by the Colombian government report 1.5 million displaced between 1995 and the end of February 2005. Many Colombians thus seek international asylum, or choose to live and work in Europe or the United States due to the volatile political situation. There is evidence that some Colombians are now returning home from abroad in hopes that the Uribe government is successful in increasing domestic security.

Violent groups finance their operations through extortion and kidnapping. The foundation País Libre estimates that between 1997 and 2003, 19,925 persons were kidnapped. The Freedom House data for political rights and civil liberties deteriorated from a score of 2 (political rights) and 3 (civil rights) in 1974 to a score of 4 (partly free, in both categories) in 2003 and 2004.

1.4. Stability of democratic institutions

The political institutions that were introduced through various reforms in the 1980s and 1990s were unable to achieve their full democratic potential. These democratic institutions are part of a hybrid regime; therefore, they are not utilized to their full potential. Popular acceptance of governmental institutions is limited, as exemplified by ongoing institutional engineering by the Uribe government. Examples include the ultimately unsuccessful referendum of October 2003, as well as the attempts to change the constitution, to re-elect the president, and to curtail the power of the judiciary. There have also been reform initiatives from the “opposition” and suggestions for a new constitutional convention, a proposition from the ELN (Ejército de Liberación Nacional) guerrilla group. The vetoing agents, such as the drug mafia, paramilitary groups and guerrillas, pose concrete threats to institutional stability. Civil society and political representatives accept the function of most democratic institutions, but there are attempts to manipulate the system to their own advantage. Furthermore, the Latinobarómetro shows a low level of satisfaction with democratic institutions in the evaluation period.

1.5. Political and social integration

Problems of institutional efficiency are also related to the problems particular to

the party system. On one hand, the exclusive character of the two-party system broke down. On the other hand, most of the “new” powers are either spin-offs (founded by politicians who were members of the traditional parties, but cut their ties) or satellite parties (founded by politicians who were members of the traditional parties and did not cut their ties; they still participate in the liberal or conservative caucus and have close relations to the PLC or the PC). These new parties participate under various names in different elections. The majority of these new parties function as personality-oriented voter associations with a regional focus. They usually depend on one party leader or sometimes a few party leaders. These smaller parties have neither a stable social basis nor long-term membership structures. But despite its 60 (as counted in 2005) new but hardly relevant parties, the party system is only moderately fragmented and slightly polarized.

The effective number of parties was 3.03 after the 2002 election for Congress. The political system’s problem has to do with how factions are structured, especially in regards to the traditional parties, which for the congressional election in 2002 could still present an infinite number of party lists. The parties together presented 321 different party lists for the first chamber and 906 for the election of the House of Representatives. From those presented usually only the first placeholder, or in some cases the first two, from the party list entered Congress. Most of the politicians know how to take advantage of the electoral system for their own purposes. This phenomenon can also be seen by the low number of politicians (only 18 of 268), who obtained their seats in Congress from the electoral quotient (cuociente electoral). The majority (250 of 268) received their seat by the “residuals” system (residuo). The new parties also leaned toward factionalism. If they are to be recognized as truly new and are counted accordingly, there is a sense that instability increased during the evaluation period. This factor is not very meaningful because candidates and parties constantly change their names and affiliations. Apportionment problems have also been present because of gerrymandering in rural constituencies.

These troubles with the party system had an opportunity to be partly resolved by the latest electoral reform, approved unexpectedly by Congress in July 2003. The reform intended to centralize the party system. Each party would have to receive at least 2% of valid votes to maintain its official status as a party, and it could present only one party list. The reform also introduced a “divisor” or “quotient” system (cifra repartidora) that would tend to favor big parties. Whether this strengthens the traditional parties and weakens small, “new” or real oppositional parties at the national level can only be evaluated after the next legislative election in 2006.

Changes are already visible. In 2003, for example, the parties presented fewer party lists for the local and regional elections than had been done in the past. Whether this reform can strengthen the party system and work against internal

factions, of which both are deeply rooted in Colombian political culture, can only be assessed in the end. The reform, together with the low level of polarization, means that central societal cleavages are not being conveyed through the party system. When one sees that even civic organizations cannot work without limitations, it stands to reason that conflicts remain latent over a long period, or that they solidify and the political actors look for extralegal ways to solve conflicts. Patronage continues to be prominent, particularly with regard to the traditional parties and their satellite parties.

The landscape of interest groups is relatively tightly meshed, partly because the opportunity for founding parties was limited for a long time. Interest groups largely comprise of trade associations, unions, indigenous and Afro-Colombian organizations, and women's, environmental and human rights groups. Most of the organizations have steadily lost their "movement character." Some were formed in part due to a threatening situation; others decided to organize as NGOs. Channeling state funds to these organizations as part of the privatization of state services threatens their independence. Their room for action varies greatly from region to region, because of state-effectiveness problems, antiterrorism measures of the Uribe government, and of concrete policies toward the violent actors. Nevertheless, civic organizations have been somewhat successful in mobilizing people for mass demonstrations regarding specific topics.

The level of contentment with democracy is low and is on the decline. While in 1997, 69% of respondents agreed with the statement, "democracy is preferable to any other kind of government", that figure was 36% in 2001 and 46% in 2004 (Latin American average is 53%). Only 30% of the Colombians included in the Latinobarómetro survey in 2004 were "very satisfied" or "fairly satisfied" with the specific way democracy was working in their country.

Civic self-organization is unevenly distributed. It is spontaneous and temporary in conflict-ridden regions, where a relatively low level of trust among the population coincides with high polarization. In the rest of the country, there are many self-organized groups and associations. In a climate of increasing repression, society as a whole has not been able to deal with past human rights abuses, and there has been no effort by the state to do so. Instead, the initiative to work through the past has come from the side of NGOs and universities. International and human rights organizations have also criticized the government's negotiation process with the paramilitary groups, followed by the disarmament of some groups. The process, however, does not automatically suggest an opportunity for reconciliation and reparation, and it is not clear if it will lead to disempowerment. There is currently a debate in Congress around several proposals (including one from the government) to introduce a law on "justice and peace" to be applied to the peace process with the AUC and later on to a potential peace process with the Revolutionary Armed Forces of Colombia (FARC).

2. Market economy

A clear priority for the Colombian government since the late 1980s has been the transformation of the economic system to a (neo)-liberal market with varying focal points and levels of intensity. Problems that have occurred exist primarily in areas battling illegal and drug war-related economic activities, consolidating budget policy, reducing the debt, and reorganizing and stabilizing the banking system and capital markets. However, what can be discussed are the results of the transformation on poverty, unemployment and the fragmentation of society.

2.1. Level of socioeconomic development

The key indicators show a medium level of development in Colombia compared to the rest of Latin America. Colombia's level of development, measured in terms of HDI (2002), puts the country in the ninth place—behind Argentina, Chile, Costa Rica, Uruguay, Cuba, Mexico, Panama, Venezuela and Brazil—with a general tendency toward stagnation (Colombia placed in 2001). Social exclusion is pronounced, both quantitatively and qualitatively, and it 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 index value was 57.6 in 1999, compared with 57.1 in 1996. Income distribution is extremely uneven. The poverty rate in Colombia is higher than in most countries in the southern cone of Latin America.

In 2001, 55% of the population lived below the poverty line. According to data for 2003 from the Federal Statistical Office, DANE, 66.3% of Colombians were considered poor. In international comparison, Colombia, with a value of 8.1, ranks 10th of 95 countries for which the Human Poverty Index has been calculated. According to the Human Development Report (2004), the ratio of the richest 10% to poorest 10% was 57.8. Decentralization measures and the associated transfer payments from the central government did not succeed in equaling out the developmental imbalances between poor and rich departments and communities. The communities invested only part of the money sensibly, and the administrative apparatus consumes enormous sums of money. The central government, rather than regional and local administrations, is mainly responsible for the budget deficit. After being elected into power in August 2002, the Uribe administration announced a reduction of public spending and a reduction in the rise of state debt. These changes were to be attained by reforming the pension system and reorganizing state-held enterprises to make them more efficient.

Some of the intended reforms were to be achieved by unusual means. The president tried to push through a referendum (in October 2003), and in doing so abused a tool of democratic participation. The reformers of the early 1990s had

not intended that this mechanism be used for direct participation as a means of fiscal stabilization or as an economic policy tool, but rather as an instrument of public participation for democratization of the state. As the usual legal way through Congress did not always work due to the particular interests of MPs, Uribe wanted to use his popularity to push through economic reforms that did not find majority support in Congress. Because only one of the 18 questions on the referendum received the necessary votes, Uribe was forced to find other solutions. The expenses for the pension system, the high military costs, and other outlays increased the budget deficit.

2.2. Organization of the market and competition

The fundamentals of free-market competition are largely guaranteed. Colombia has a codified competition law. Limitations have four main causes: 1. the high level of illegal and war-related economic activity; 2. a pronounced informal sector; 3. an informal restraint of competition; 4. an insufficiently developed competitive culture. Antitrust regulations were introduced in 1959; however, the Uribe administration does not always apply the regulations uniformly. There has been a process of market concentration in the economy in recent years. For example, a total of five important economic groups control approximately 80% of the mass media.

Since the early 1990s, there has been an increasing liberalization of foreign trade when President Pastrana introduced some export-promotion programs. Legal exports decreased to a degree during the Pastrana administration. Basically, this was because of the recovery of the United States and international economy. There was visible growth in exports in 2003 due to the recovery of the economy in the United States and worldwide. It was fortunate for the Uribe government that international oil prices started to rise after the Iraq war. Imports are subject to extreme fluctuations, with negative rates in 2002 and growth likely for the future. This might have negative implications for the development of the balance of trade, which was been comparatively balanced in 2003. It will be less relevant for the current account balance, which was negative. Smuggling is an ongoing problem in Colombia.

Under pressure from the IMF, the Pastrana administration issued a decree in 1999 that standardized customs laws. Regulatory exceptions (differentiated tariff rates) existed for individual enterprises and industries. In May 2004, the United States, Peru, Ecuador and Colombia initiated negotiations to firm up a free trade agreement. The United States and the Uribe government intensified the negotiation process to obtain a free trade agreement in light of the fact that the preferential treatment that Colombia has achieved from the United States will end in 2005. As of 2003, the Andean Preferential Agreement was extended, and the Colombian industrial sector profited from some restricted benefits exporting to the

U.S. market. In most of the Latin American economies, the concentration of more than 50% of foreign trade on the U.S. market generates one-sided dependence on U.S. economic performance and political good will. Historically, Ecuador and Venezuela passed through critical moments in economic development with some negative consequences for Andean Community trade.

The banking system, which has been privatized to a great degree, and the highly indebted public banking sector, could not survive on their own. In 1999 alone, nine financial institutions went bankrupt. In that same year, President Pastrana enacted a law to restructure the finance sector. The banking system is now more differentiated but remains vulnerable to external fluctuations and lacks efficiency. Several private banks closed their branches and switched to online banking only and in return demand outrageous prices for each transaction. The staff of the IMF has urged President Uribe to follow through with the sale of two state owned banks (Bancafé and Granahorrar). Both are considered distressed banks. A banking supervision agency (Superintendencia Bancaria) was introduced in Colombia as early as 1924, but its function has changed over time, and there is a de facto lack of supervision and control. Banks do not always follow the instructions of the supervision agency. The high level of debt and the crisis in the banking sector demonstrate that self-control has reached some sectors but not all. The Uribe administration is also not able to sufficiently contain the problem of capital flight, for reasons that include the high debt rate.

2.3. Currency and price stability

Inflation control was included in the Constitution of 1991 as one of the main tasks of the Central Bank, and an adequate exchange-rate policy is recognized, along with inflation control, as a priority. Inflation sank during recent years from 16.7% in 1998 to 6.5% in 2003. Inflation reached a higher level than sought by the Central Bank and the IMF, but on the other hand, this was the lowest level seen in Colombia since 1962 and much lower than former rates, which had risen as high as 26%. Although there was economic growth during the Uribe administration, it should be remembered that the drop in inflation was closely connected to reduce economic activity that Colombia suffered during the late 1990s and early 2000s, and intervention by the IMF. The new terms reached with the IMF foresee 5% inflation for 2005 and less than 5% for 2006. Interest rates have also fallen during the Uribe administration. There has been an expansive monetary policy.

Colombia has a central bank (Banco de la República) with a relatively high capacity for control and formal independence. The leading members of the executive board in general have close ties to a party or a party faction, sometimes directly to the government in office. As a result, changing majorities often take place, which make it more difficult to create purposeful and long-lasting policies. These changing majorities also influence coordination between the bank and the

government. When the majorities of the executive board and the government coincide, there is no effective oversight of governmental policies.

The Board of the Central Bank traditionally has had a much more “neo-liberal” leaning than the president. For its members, inflation control is a “holy cow” and, if necessary, takes precedence over short-term improvements in economic growth. Given the nominal appreciation of the peso by almost 15% in 2004, the president - under pressure from the export industries - pushed the (formally independent) Central Bank to adopt more stringent measures to tackle the appreciation of the Colombian currency. This created a public row between the president and the Central Bank Board who was afraid of lowering interest rates for fear of sacrificing their inflation target. Given the president’s constitutional right to replace two members of the Central Bank Board every two years or after they have reached their term limit, the change in the Board’s composition in early 2005 could be interpreted as the goal of Uribe to indirectly assume greater control over its decisions.

On September 25, 1999, following the recommendation of the IMF, the Central Bank gave up the limitations on the exchange-rate policy that had been in place since January 1994. This action initially helped to stabilize the financial markets. In November 1999, however, the bank changed course and began following a “dirty floating strategy”, returning later to the unlimited system. Inflation control and the exchange-rate policy are generally managed systematically, but this is not always consistent or successful.

The peso has depreciated in relation to the American dollar on several occasions. 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 that can be managed only in the long term.

External debt continued to grow. At the time of this writing in 2005, the Uribe government is sacrificing a more restrictive debt policy in favor of promoting its goal of reelection.

2.4. Private property

The right to property is guaranteed in the constitution and is legally adequately defined. In June 1999, Congress modified the clauses in Article 58 of the constitution that had allowed expropriation without compensation. Article 58 was considered an impediment to foreign direct investments. Expropriated enterprises must now be compensated. Private enterprises are the backbone of the economy. Some of the companies that are still state-owned produced solid results in 2004, an additional income of 0.2% of the GDP, helping the government to reduce the fiscal deficit.

The privatization of state-owned enterprises was pushed through against the will of the unions, particularly those unions active in production, communication, ports and financial services. Social organizations protested against privatization of strategic sectors such as parts of the telecommunications industry and crude-oil production. In September 1999, Colombia was still on the Special 301 Watch List of the World Trade Organization. The country ratified the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and has adjusted most state legislation accordingly. Agreements on regional integration, such as the Group of the Three (Colombia, Venezuela, Mexico) and the Andean Community, have been changed to accommodate the TRIPS Agreement. Nevertheless, some civil society organizations, especially the indigenous groups, fear the negative consequences of those agreements for their communities.

2.5. Welfare regime

The Colombian welfare regime was privatized to a certain extent in the 1990s and was 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 the upper middle and higher social classes are able to make private provisions for whatever hard times may come. The Pastrana and Uribe administrations discussed further reform of the pension system.

Indeed, such reform was one of the main means the Uribe government intended to use to reduce public spending. Uribe included part of the reform in the referendum of 2003, which did not succeed. Even though the IMF insists in the reform, the ordinary democratic legislative procedure has produced much more complex results. For example, the administration had re-shuffled the cabinet, replacing the Minister of the Interior, who had at times openly confronted Congress. Nevertheless after the bill was presented, Congress did not approve it in early 2005. The plans for the reforms include the elimination of privileges for groups that had previously received favors (such as abolishing the so-called “mesada 14” for new members of the pension system and reducing pensions of former state employees).

On the whole, however, the government assigns social reforms a low position in terms of government priorities. State and private social institutions provide very disparate services. In the health care sector, for example, this disparity of services leads to under-treatment of the poor. Due to high unemployment in the first years of this century, there was an increased need for unemployment insurance. There is no unemployment insurance in Colombia despite the need. Women and young people were hit particularly hard by the increase in the unemployment rate.

During the Uribe administration the official unemployment rate decreased, but underemployment decreased only moderately. The latest polls show that Colombians also find their living standard decreasing.

Poverty was fought to a limited degree through the Red de Solidaridad Social introduced by Pastrana's predecessor, Samper, with the help of external development funds. Poverty reduction does not seem to be a clear priority of the Uribe government. Society is sharply segmented. Individual programs, such as college scholarships for Afro-Colombians, do exist to try and balance out social inequality.

President Pastrana did not fully implement the Quota Act, which mandates that at least 30% of leading state officeholders are women. The Uribe administration achieved the quota at the ministerial level, first with six women ministers (46%) and later five (38%), but was not successful at other levels of higher administration. The problem seems to be that at the regional and local levels of higher administration (departamentos) the implementation of the Act is not enforced. A suggestion from the Ombudsman (Defensoría del Pueblo) to improve the advanced training of women for state duties has not been taken seriously. The Quota Act is a step in the right direction. However, no real policy change can be expected from the women who are in leadership positions, in part because of their involvement in the state framework or because they share neo-liberal values. These women mainly come from traditional political families or are friends of the president and his political followers. With a few exceptions, it is hardly possible to attain high state office without an "appropriate" social background. Women formally have the same access to education as men. Nevertheless, because of the partly private educational system there are de facto restrictions for economically disadvantaged women.

2.6. Economic performance

During the Pastrana administration the Colombian economy experienced one of its worst crises ever. This crisis surpassed the normal economic fluctuations by far. In 1999, for the first time in many years, the economy shrank. The crisis had implications that could still be felt when President Uribe took office. Despite this, the official level of unemployment was reduced, and underemployment slightly reduced. However, the high budget deficit, high debt (particularly in the public sector), and the deficit in the current account balance as well as poverty continue to be a serious concern. Economic recovery in agriculture and industry came slowly. The export of oil and mining products increased. Construction became the most dynamic sector of the economy.

2.7. Sustainability

After the new Colombian constitution came into force in 1991 a legal framework for environmental policies and the ratification of Act 99 in 1993 an institutional framework were implemented. The Ministry of Environment (from 2003 called Ministerio del Ambiente, Vivienda y Desarrollo Territorial) and the National Environmental System (SINA) became official. Despite the official Ministry, in practice officials pay lip service to environmentally compatible growth; there has been, however, little effect on the actual economic policy. Environmental protection criteria generally take a back seat to economic growth concerns. The Uribe administration places a high priority on economic recovery. However, the overall political conditions and the violent conflict hinder the efficiency and the expansion of the environmental sector. Nevertheless, national and local governments have initiated some, often isolated but laudable, environmental projects. Examples include water body restoration and traffic reduction measures. Uribe also plans to reform the well-established nature reserve system (UAESPNN, Unidad Administrativa Especial del Sistema de Parques). Critics fear that this functioning system might be weakened.

The Uribe administration stressed the importance of education during the election campaign. In practice there is much emphasis on the number of schools, but not so much on their quality. According to the government there are 734,000 new places in basic and secondary education, as well as 103,903 at the university level. There are also some efforts in restructuring the educational system, but the main aim is reducing the fiscal deficit, rather than improving the efficiency of the education sector itself.

Within the splintered education system, there are some major differences in quality between state and private schools. The well-known private primary and secondary schools guarantee an education that is on par with international standards. Many state-owned schools could not always guarantee a quality of education that permitted access to higher education at university. Only a few of the elite private universities, however, can be compared with the most important state universities in Bogotá, Medellín and Cali. Meanwhile, numerous private “garage universities” turn out a mass of poorly qualified graduates.

Because of a lack of finances and a lack of infrastructure, there are some clear shortcomings in terms of scientific research. In addition, individual Colombian researchers have been threatened and, in some cases, assassinated. Despite the tenuous situation at many of the Colombian universities and research institutes, outstanding research is still possible, but often with the help of external financing.

3. Management

3.1. Level of difficulty

The conditions at the beginning of the evaluation period were difficult, despite the medium level of economic development that has been reached, the medium to high level of education of the populace, and Colombia's significant civic traditions. These difficult circumstances were tied to numerous factors: the heritage of an economic crisis; high state deficit and debts from the former governments; ongoing social conflicts, especially because of the economic crisis and the neo-liberal economic policy; a failed peace process with the guerrilla groups, and partly because of a new state policy, an intensification of violent conflict; problems with state identity, state building and rule of law; and serious shortcomings in the political system. Several issues complicated transformation management: the legacy of no civilian conflict resolution; overly tight integration of politics and the economy; and a tradition of corruption supported by the drug mafia, the emerald trade and smuggling; and increasing economic independence of guerrilla and paramilitary groups due to the well-established war economy. Only global economic conditions improved at the beginning of the Uribe administration.

There is a selection of civic traditions. Nevertheless, the different social groups making up civil society have always been fragmented and partly hindered by the state and extralegal groups. Many NGOs of varying quality are active in Colombia. The possibility to have an influence on public life is dependent on the topics groups are working on and the region of the country. Trust in institutions cannot be generalized. During recent years, for example, political parties have received a low rating according to *Latinobarómetro* data. Yet data for the armed forces have shown improved ratings. There is a certain tendency not to participate in public life due to perceived and real dangers it represents, especially for critical journalists, human rights workers, or any person, including officials, trying to exercise control over illegal actions. The Uribe government does not guarantee fundamental reliability of expectations for life, justice and enterprise. Civil and economic actors must reckon with political and legal insecurity. Because of this difficulty, from his days as a governor of the state (departamento) of Antioquia and later as president, Uribe favored private security forces (including CONVIVIR and peasants' soldiers). However, many of these soldiers' collaborated with paramilitary groups to resolve security problems when president Uribe established his politics of "democratic security".

Social differences are quite considerable, although social elite makes attempts to veil overt social distinctions. Violent conflict exists to some degree in most of the states (departamentos), but most obviously in those where paramilitary and guerrilla groups are actually present and active. Because of the growth of the conflict into geographical areas traditionally inhabited by ethnic minorities, there

is always the danger that the conflict might take on ethnic undertones, even though most of the Indian and Afro-Colombian communities try, where possible, to remain neutral.

Profile of the Political System

Regime type: <i>Democracy</i>	Constraints to executive authority:	5
System of government: <i>Presidential</i>	Electoral system disproportionality:	9.84
	Latest parliamentary election:	10.03.2002
	Effective number of parties:	9.4
1. Head of State: <i>Alvaro Uribe Vélez</i>	Cabinet duration:	08/02-present
Head of Government: <i>Alvaro Uribe Vélez</i>	Parties in government:	1
Type of government: <i>divided government</i>		
	Number of ministries:	13
	Number of ministers:	13
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: $\sqrt{\frac{1}{2} \sum (v_i - p_i)^2}$; v_i is the share of votes gained by party i; p_i is the share of parliamentary mandates controlled by party i. For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties reflects the political weight of parties (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>		

3.2. Steering capability

The Uribe administration pursued relatively consistent reform goals regarding economic transformation that were stipulated by the agreements with the IMF. Despite his proclamations, the president implemented his plans only partially, changing them arbitrarily and sporadically, and subjecting them to considerations of short-term political gain, for example, when the president subordinated reform goals to his ambition of being reelected in 2006.

The government designed only partial reforms to aid the political transformation. These were not coordinated with the economic reforms. In addition, they contradicted themselves at times, did not clearly pursue the aim of democracy, and it proved difficult to implement them. Reforms were, instead, meant to primarily increase the ability to govern and to stabilize. This would be achieved through restriction of civil liberties, especially in conflict-ridden regions. Some changes were made in the party and electoral system in 2003, but their consequences at the national level, especially concerning small parties, will only be seen after the next legislative elections in 2006. Uribe's plan to use a referendum in order to avoid passing economic and state reform through Congress failed. He was unable to abolish bodies for democratic monitoring such as regional and local audit divisions, which at least partly fulfilled their duties. Apparently the president felt the administration was already democratic enough,

and saw little need to expand democratic reforms. On the contrary, he still plans to use legal reform to curtail the powers of the Constitutional Court and of the Defensoría del Pueblo (Ombudsman). His counterterrorism policy served to further strengthen the regime's repressive character and was criticized by national and international human rights organizations.

The political leadership proved to have limited capabilities to act flexibly on economic reforms, partly because of the intervention of international organizations and social actors. In regard to political reforms there has been some effort to act flexibly, but this is always combined with economic measures and interest policies. In dealing with violent conflict, the Uribe government "learned" from the Pastrana experience, but this only resulted in an intensification of the conflict, and not in finding peaceful solutions or a compromise. But it is important to keep in mind that it is certainly not entirely the fault of the Uribe government that no peace negotiations are in the making with the FARC. The intensification of the drug trade has allowed all extra-legal armed actors (guerrilla and paramilitaries) to continue with the armed conflict against each other and the state. Peaceful solutions can only be found if there is a willingness to negotiate on the part of all groups involved.

3.3. Resource efficiency

The Uribe administration used the available personal and organizational resources - insofar as they could actually be controlled—to implement the governing elite's ideas for development and transformation. In the process, it focused on the technocratic specifications of international organizations such as the IMF and the World Bank. The president did not hold a serious debate regarding the use of resources within the administration. He basically abstained from the debate with other relevant political actors. Of particular note is the fact that the Uribe administration appointed many like-minded people and close friends, especially economists, to different levels of the administration. Politically motivated recruiting processes and dismissals are typical even though the discourse of the president is different.

Budget resources are used with only limited effectiveness. An indicator of this is the budget deficit, which came about partly due to high expenditures for administration at nearly all levels of the state. Auditing authorities at local and regional levels in particular are politically exploited and weakened, and their processes are not effective enough to monitor the government. Congress carries out its oversight role insufficiently. There are only a few politicians fulfilling the task of a real opposition force that would keep the government in check. State budget planning is based on patronage priorities. Some communities implement participatory planning, which means at least some degree of control by the inhabitants of the municipalities.

Coordination between the ministries and the territorial authorities is minimal, and is not sufficiently focused on a general strategy of development and policy. Although decentralization has expanded, communities still do not have sufficient financial autonomy. There remains the need for more intensive external monitoring, as well as the need to modernize the administrative apparatus. The range of public services is disparate and not equally accessible to all social groups. As part of the austerity measures, more and more responsibility for social services is being shifted to individual families. Additional care, support and provision services generally speaking have to be provided by women from lower social classes.

The government frequently fails to coordinate itself to deal with conflicting objectives or interests. Some policies have counterproductive effects on other policies, e.g. the need to reduce the budget deficit versus the proposed willingness to spend more money on education or increased military expenditures.

Private interest groups control part of the state. Corruption and patronage remain integral characteristics of the state and administrative culture under the Uribe administration. The scores of Transparency International varied from 3.44 in 1995 to 2.9 in 1999 and 3.7 in 2003.

3.4. Consensus-building

It is very difficult to talk about a market-based democracy in Colombia. What would usually be defined as market-based by the elite, in practice means neo-liberal. What would be called democracy is in practice a hybrid political system. The Uribe administrations, as well as some members of Congress (a flexible coalition of Uribe seekers), the technocratic state elite, and the majority of entrepreneurs all view the goal of reforms in a neo-liberal economy positively. Most civic organizations, including the unions, are on a confrontation course with this goal or with its practical implications. These organizations would prefer a social-market economy. Even within the neo-liberal elite there are different ideas about the speed of the reforms and the concrete goals. Only a few actors would fundamentally prefer a socialist economic system to a social-market economy. Even the guerrillas do not have a clear-cut position on this matter. During peace talks with the Pastrana government, FARC guerrillas traveled to northern Europe to learn about social market economies.

The Uribe administration, the majority of Congress and the majority of the economic elite do not see a need to act on furthering the democratization of the political system. The government's ideas point in a direction completely different from that taken by the constitutional reform of 1991, in which some of the opposition forces and their plans for democracy were integrated for the first time into a state reform project. Some open space for societal participation was reduced

by the government's counterterrorism policy. The opposition to the Uribe government in Parliament drafted its own reform plans, and it envisions different degrees of intervention in existing structures.

Various antidemocratic vetoing agents can be seen. These agents include the drug mafia, guerrillas, paramilitary groups and violent criminals, as well as portions of the state military, the economic elite, the executive branch and Congress. The government, and/or those who truly are interested in democratic reform, did not succeed in weakening the power of anti-reform supporters. The supporters actively used their blockade powers for financial or political gain.

Regarding the violence conflict, the Uribe government has succeeded in generating a subjective feeling for a more secure country for a part of the population and some international observers. It has also succeeded in reducing the official figure of some human rights violations. (Different data results partly from different counting procedures.) On the other hand, there has been a deepening of the existing cleavages in society. The government's policies do not inspire confidence in terms of resolving conflicts peacefully. Instead, they split and polarize society itself, and in society's relation to the government. This increased societal division influences citizens' willingness to display solidarity. The government abuses the term solidarity in its standard sense. Through a system of citizen militias, involving 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 de-escalated by social movements.

Uribe's stance makes it even more difficult to build trust in society, thanks to the continuing conflicts. His approach also prevents the long-range building of social capital. The political elite, for the most part, denies historical injustices. This denial applies particularly to crimes committed by the state, but also by the paramilitary groups. Trials in these cases were either delayed or settled by the public prosecutor. During the "peace process" with some paramilitary groups, which in practice meant the legalization of illegally acquired land that might have been expropriated by killing and displacing people, the Uribe government did not require place importance on serious crimes against humanity, reconciliation measures, a real truth finding, or an effective international monitoring process. In effect there is no chance for the victims to obtain real justice and for reconciliation between victims and perpetrators. There is still no formal peace process.

The political leadership excludes parts of civil society, such as human rights groups, from the political process, but includes others, using for example - in a very populist way - a special form of public hearing. This generates the feeling that the president has a presence all over the country and is engaged with the affairs of his citizens. The feedback from those hearings to government policies is nevertheless limited.

3.5. International cooperation

Colombian actors work with international actors (IMF, World Bank) toward economic transformation. They were accorded important legitimizing functions vis-à-vis civil society in battling the economic crisis in Colombia. The IMF fixed the economic policy more clearly by maintaining stability criteria and a strict fiscal policy. These goals were put forward, but not always fulfilled, by the Uribe government. There is no guarantee that the external advice is really appropriate for the Colombian situation and whether cooperation with those external actors therefore makes sense. Certainly we have to take into consideration that the Colombian government had no real choice when deciding to seek IMF financial assistance during the crisis of 1998-1999. The United States also pressured the Uribe government to adopt neo-liberal reforms, particularly as preparation for integrating Colombia into the Free Trade Area of the Americas (FTAA).

Colombia cooperated on numerous development policies with various European and Asian states. The development programs were not always very effective, because of the dangers facing the people involved and especially because the programs did not take overall political conditions into account. The indirect role of these programs, and of cooperation programs focusing more on political than on technical cooperation in the democratic transformation situation of the early 1990s, was seen as positive and still has benefits for the formation of civil society. Examples include some of the programs of the German political foundations such as creating international openness, fostering socially based economic development and concentrating on human rights.

External actors share the contradictory assessment of the Colombian government. This assessment is that none or only a few democratic shortcomings exist, but nevertheless so do high risks of human rights violations due to violent conflict. After the Pastrana government's peace process collapsed, the international community tended to look positively on the more repressive politics of the Uribe government towards guerrilla groups without considering the long-term consequences.

The counterterrorism and anti-narcotics policies of the United States as detailed in the Plan Colombia, also promoted by the Uribe government, are essentially counterproductive to finding a peaceful solution to conflict. Both Colombia and the United States intended to present themselves to the rest of the world as reliable partners. They sought cooperation in the fight against the drug mafia and the guerrillas. Adopting the Plan Colombia to their counterterrorism policies, the United States and Colombia are now able to use all means possible in the struggle against the drug warlords and guerrilla groups. Colombia's neighbors have reacted to the activities of paramilitary groups and guerrillas in the border regions, and to the smuggling of drugs and weapons, by increasing military presence along border regions. There have been some tensions with the government of Hugo

Chavez in Venezuela, due to accusations that Chavez harbored guerrilla members on Venezuelan territory.

Despite the Colombia's problem of violent conflict, it tries to remain a credible and reliable partner on the international level. One positive sign is increased foreign investment. Commercial risk ratings show more or less the same rates during 2004 (Moody's: Ba2; S&P: BB). Nevertheless, there are many skeptical observers of the political and peace processes, for example the United Nations, trade unions, and certain political parties and human rights organizations.

The Uribe government makes efforts to cooperate with neighboring countries it regards as open to confronting the illegal drug trade and guerrilla warfare, and is open to cooperation on various economic integration projects both on the pan-American and Latin American level. Colombia abandoned its more politically independent position in international organizations such as the United Nations and dares to differ with its Latin American partners to satisfy the political and economic interests of the United States, such as during the Iraq conflict.

4. Trend of development

4.1. Democratic development

Stateness and the rule of law have remained stable since the Pastrana administration, but political participation deteriorated during the period of review. In addition to the repressive security policy of the Uribe government, shortcomings can also be seen in the perception of the state monopoly regarding force and the guarantee of public safety and order. The effectiveness of the administrative system varies greatly according to the region, and it is extremely precarious in some regions due to the financial crisis and widespread patronage. Deficits have worsened in some areas of Colombia. The functionality and independence of the courts was not universally guaranteed. In a hybrid political regime, the future may hold real threats to political participation, civil and political rights and general liberty.

The only election held during the evaluation period (regional and local elections) showed some shortcomings in the democratic process. The basis of these shortcomings was that there were no guarantees in some regions for citizens to freely exercise their rights to vote and to run for office. The lack of guarantee was due to problems concerning state identity, state building and rule of law, along with flaws in the financing and organization of political parties. Freedom of association and freedom of speech were increasingly restricted. There were no significant changes to the long-term problems that plague Colombia's political culture during the evaluation period.

4.2. Market economy development

Fundamental development factors and modernization indicators were in constant flux during the period of evaluation in terms of progress. Nevertheless, the status of development measured by the HDI has not improved significantly in recent years. This applies to sustainability indicators as well.

The overall institutional conditions for trading have been changing very gradually. The pace of reform has been maintained due to the economic interests of a segment of the elite and an agreement with the IMF. Macroeconomic development improved when compared to the extreme crisis of the Pastrana administration, but does not seem to be consolidated, particularly when one considers the high fiscal deficit and the debt burden. Nevertheless, the export rate in 2003 and 2004 grew and inflation was reduced. Although the official unemployment rate fell, it fluctuated widely (higher at the end of the year) and can be considered an ongoing problem, along with underemployment. The government's development policy was only partly successful, although GDP reached moderate growth rates again. Compared on a historical basis within Colombia it is still low (long-term average: 4.5%).

Table: Development of macroeconomic fundamentals (2000–2004)

	2000	2001	2002	2003	2004
Growth of GDP in % (a)	2.7	1.4	2.7	4.1	3.3*
Export growth in % (b)	13.1	-6.2	-3.7	9.9*	11.2**
Import growth in % (b)	8.1	10.6	-1.6	9.8*	15.1**
Inflation in % (CPI) (a)	8.8	7.6	7.0	6.5	5.8*
Investment in % of GDP (b)	13.7	15.1	14.8	15.5*	15.5**
Tax revenue in % of GDP (b)	17.3	19.2	19.2	19.9**	20.1**
Unemployment in % ***(a)	17.2	18.2	17.6	16.7	15.5*
Budget deficit in % of GDP (Central government) (a)	-6.4	-5.4	-5.0	-4.8	-5.6*
Current account balance in billion \$ (b)	0.6	-1.3	-1.5	-1,7*	-1,4**

*Preliminary

**Prognosis

*** Urban unemployment (13 urban regions)

Sources: CEPAL (a), IMF (b)

D. Strategic perspective

There is little hope that Colombia will move in a more democratic direction with a more socially based and sustainable market economy in the near future. The pre-election process in Colombia starts early, and the government, which aims for re-election, is more likely to become a lame duck. Key tasks that remain under the umbrella of economic transformation, such as the ongoing reduction of the budget deficit and the state debt, increasing economic growth, restructuring and expanding the mixed state and private systems of social security, and reforming the tax system, will be difficult to achieve in 2006. Even more unlikely in 2006 will be the fight against unemployment and underemployment as well as poverty. These are measures that could partly compensate for the negative effects of the neo-liberal economic model and globalization.

If the Uribe government is re-elected in 2006, the president will be sure to use his new term to implement some of the structural reforms. Depending on the development of the violent conflict there will also be ongoing peace talks or negotiations with some of the paramilitary and guerrilla groups will continue, but a move forward is dependent on the development of the conflict. The way the government is now responding to the FARC and the way the FARC has behaved since the last peace process does not hold much promise.

There is no real possibility for sensible political reforms that will transcend political engineering and lead to a real transformation of the hybrid regime into a more democratic one. This prediction relies on the existing policies of the Uribe administration. Instead, Uribe will most likely continue with his security and "anti-terrorism" policies and his restriction of civil liberties - especially in conflict regions - as long as the violent conflict lasts. Solving the armed conflict is the key to achieving progress in all areas of the political and the economic system transformation for the future.

The government should not manage the "peace process" for the paramilitary and guerrilla groups separately, or treat it as if it were independent from the evolution of the violent conflict. Instead, it should guarantee that the peace process with paramilitary groups is not reduced to a strategy of impunity, or to legalizing illegally expropriated land or former estates of the drug mafia. This process cannot be handled without considering the drug conflict. The members of those groups should be forbidden from entering into state institutions (executive, legislative, police, military). Crimes committed against humanity should be punished. If continued, the peace process should be accompanied at least by competent international observers, such as a mixed group of representatives of the United Nations, the European Union, of neighboring states and international human rights organizations. Until now most of these organizations have been

reluctant to enter into the process due to its clear shortcomings. Some of these bodies consider paramilitaries to be common criminals without political goals and believe they should be simply prosecuted and punished.

There have been calls by different NGOs, observers of the peace process and the vice-president for a truth commission to be set up. It is not enough to involve the Organization of American States (OAS), because this alone will not guarantee an effective oversight. Some governments (Sweden, the Netherlands) are reconsidering their position, and plan to support the peace process more directly. The government should take a clear position to guarantee adequate punishment of crimes against humanity, and to ensure a fair process of discussion with all groups involved, especially with opponents of the peace talks. Civil society claims to be more involved in state negotiations with the violent actors. There should be reconciliation and indemnification measures for the victims (and their families) of the massacres and other ills carried out by paramilitary groups. There should be more done to restart a new peace process with the FARC group and to improve negotiations with the ELN.

The state should work on developing an integrated and sustainable strategy toward violent actors that will not be abandoned any time there is a change in government. In peace processes there has to be a real political, economic and social agenda, not only ceasefire talks. The government should offer more help for the victims of the violent conflict, especially for the high number of those displaced and sexually assaulted, and for the surviving dependents of victims, etcetera. There should be more emphasis on a humanitarian exchange to free people who have been held hostage for years in guerrilla camps, on the demobilization of adolescents, and in the dismantling of the “markets of violence,” and the repatriation of refugees.

Strengthening the state would be one of the main ways to improve political transformation. This cannot be understood as simply improving the functions and tasks of the political process, but rather there would have to be substantial reforms regarding its structure and substance to enhance state-building processes. Therefore it is first necessary to achieve a monopoly on the use of force. This does not imply that the state can misuse its privilege or that the state is not bound by the rule of law, which has often happened in Colombian history. The state would also have to democratize its formal and informal institutions and give itself a code of ethics. Due to the implications of the non-compliance with the rule of law, the involvement of civil society in the conflict, and the reduction of civil rights, the policy of “democratic security,” a very confusing term, should be abandoned. In a democracy, security measures to combat violent groups can only be outlined according to democratic rules and should be in harmony with the rule of law.

The competence of the Constitutional Court should not be restricted. The judicial system should be strengthened in such a way that would end impunity and make

legal rights more achievable for the now de facto excluded persons. Oversight institutions should not be abolished, but strengthened and improved. The legal opposition - in Congress, political parties and civil society, including social movements and NGOs - should be given support and a more active role in strengthening civil reform strategies and weakening illegal and violent ways of conflict "resolution." To achieve these standards the electoral and political party system must be reformed; opposition groups should be encouraged politically and financially by the state. The government should at least create conditions under which legal political opposition does not mean a constant fear for one's life. There would have to be substantial changes in the political culture, including democratic, human rights and peace education for a large part of state representatives and civil society. There has to be a dismantling of non-democratic informal institutions.

The Uribe government or its successor should seek out ways to improve the social and ecological basis of the economy and to create both a more sustainable market economy and long-term development. Progressive tax reform and other means of increasing the state's income could be one approach, e.g. by making state enterprises more profitable, increasing non-traditional exports or by making better use of national natural resources, mining products and oil derivatives. This may also reduce the need for ongoing long-term public indebtedness. Thus it is also important to combat shadow globalization processes and the war economy. Sustainable economies do not depend on illegal corps. A national rural development strategy should be implemented, and it should include agrarian reform with social and infrastructure investment. Cross-border economic development plans along with humanitarian action and rule of law measures wherever security can be restored deserve a higher priority than increasing the security along the borders.

An enforced regional integration process with Latin American partners and the diversification of international economic relations, especially regarding relations with the United States, could help in the long run. Proactive engagement is not only a necessity from Colombia's neighbors, but from the entire international community. There have to be agreements with the IMF to find a compromise between economic consolidation and social reform, to shift the focus from crisis management, to handle the effects of a neo-liberal market transformation and the globalization of sustainable development. In this regard then, the United States, the European Union, the World Bank, the Inter-American Development Bank and other major donors should reconsider their policies.