

BTI 2016 | Colombia Country Report

Status Index	1-10	6.65	# 34 of 129	
Political Transformation	1-10	6.65	# 44 of 129	➔
Economic Transformation	1-10	6.64	# 31 of 129	➔
Management Index	1-10	6.13	# 28 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	47.8	HDI	0.711	GDP p.c., PPP \$	13357.1
Pop. growth ¹	% p.a.	0.9	HDI rank of 187	98	Gini Index	53.5
Life expectancy	years	74.0	UN Education Index	0.602	Poverty ³	% 13.8
Urban population	%	76.2	Gender inequality ²	0.460	Aid per capita \$	18.0

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Colombia's government during the period under review has shown some progress toward the full establishment of a democracy and a market economy. There have been positive results in some areas that have improved upon prior achievements, such as the promotion of free trade and business freedom, but there have also been setbacks in other areas. During his second term in office, President Juan Manuel Santos has worked towards the consolidation of democracy, a significant change from the actions of his direct predecessor, President Alvaro Uribe. Even though Santos promised continuity on all fronts during his 2010 election campaign, he subsequently changed several policies that earned him stern criticism from Uribe and his followers, united in the Centro Democrático party.

In terms of democracy and management, there are three main components in Santos's policies: (1) ongoing peace talks between the government and the Revolutionary Armed Forces of Colombia (FARC); (2) an effort to re-establish a working relationship between the executive, the legislative and the judicial branches of state; and (3) a normalization of relations with Colombia's neighbors, especially with Ecuador and Venezuela. Uribe's successful fight against illegal armed actors and Santos's strikes against high-level commanders of the FARC created an asymmetry of military power that enabled the start of peace talks in Havana in 2012. However, the public perception of insecurity has increased, especially in urban areas with the often violent actions of demobilized paramilitary groups that have turned into criminal gangs, or what the government in Colombia refers to as BACRIM (bandas criminales emergentes).

The Santos administration has tried to improve previously neglected areas, such as education and health. While public opinion puts pressure on the administration to implement new policies, the reforms have been slow due to personal political interests as well as resistance from well-entrenched interests (such as the landowners). Even though there have been several economic improvements, widespread poverty and inequality remain important challenges. In the wake of Uribe's policies, President Santos has promoted market-oriented economic policies that have

largely protected the country from the global economic crisis and have led to stable economic growth. The country has regained the trust of private investors, which has led to an increase in foreign investment. However, an important part of the Colombian population continues to be neglected because of entrenched structural problems.

Overall, the years 2013 – 2014 showed slight improvements. However, the government faces some serious challenges to make these improvements sustainable. The success of the peace talks with the FARC and the continuity of economic growth will be determining factors in this regard.

History and Characteristics of Transformation

Colombia's modern political and economic traits can be traced back to the post-1958 era. After "La Violencia," the widespread armed conflict between the Liberal Party and the Conservative Party, the military dictatorship of Gustavo Rojas Pinilla (1953 – 1958) elicited the creation of a political compromise between the two parties. The National Front (1958 – 1974) and its policy of power alternation alienated critical sectors of society, which were systematically excluded from political participation.

The Revolutionary Armed Forces of Colombia (FARC), the country's largest and strongest guerrilla organization, are in part a response to the political exclusion during the time of the National Front. Founded in 1964 by former combatants of "La Violencia," the FARC has since inspired other groups and tapped into the popular discontent of citizens living mostly in abandoned, rural areas in southern and eastern Colombia. The persistence of poverty provided these groups with an ideological backbone, while the Cold War propelled their military strengthening. The official end of the National Front in 1974 did not significantly alter this situation; in fact, the penetration of the illegal drug trade since the 1970s helped to finance illegal armed actors, deepened corruption and hindered the development of the state in far-flung regions controlled by drug dealers and their private armies.

Economically, the years between 1958 and the 1980s were characterized by a "soft" protectionist model of economic growth: the import-substituting industrialization strategy advocated by the United Nations' Economic Commission for Latin America (ECLAC). Even though the country showed reasonable economic growth and a stable macroeconomic environment during that time, income distribution worsened, the dependency on coffee exports increased, and the success of infant industries did not come to pass. Starting in the late 1980s, the government of Virgilio Barco (1986 – 1990) introduced some structural reforms, deepened and extended by the liberalization reforms of President César Gaviria (1990 – 1994), whose so-called "apertura," or opening policies, effectively internationalized the country's hitherto fairly isolated market.

In the political arena, the constitution was changed in 1991. The new charter introduced the protection of human rights, the recognition of inalienable rights, the prerogatives of individuals and minorities and the creation of an independent central bank, among other important

innovations. However, the country's situation deteriorated due to the emergence of paramilitary groups and drug kingpins, most notably Pablo Escobar. A failed peace process with the FARC also contributed to the dire context. The economy did not grow as fast as expected, and several economic sectors, such as agriculture and manufacturing, were negatively affected by Gaviria's reforms.

The presidency of Ernesto Samper (1994 – 1998) was plagued by political scandals, most prominently the accusation of having financed his presidential campaign with drug money. During his tenure, the FARC delivered severe military blows to the army, the country's international credibility was at an all-time low, while Samper tried to continue Gaviria's economic opening strategy with a more social focus. The vulnerability of the country's economy made it prone to crisis: the crash of the housing market in late 1997, which prompted Colombia's worst economic recession, was followed by a restructuring of the financial sector and the adoption of IMF policies during the presidency of Andres Pastrana (1998 – 2002).

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

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

Uribe's government was characterized by its controversial approach to the demobilization of paramilitary groups starting in 2003, a lack of interest in social issues (including education and poverty, which has increased since 2000), and several corruption scandals, including a bribery scandal that apparently enabled Uribe to be reelected in 2006, and the penetration of the paramilitaries in Congress. On the other hand, Uribe's polemical, populist management of international relations often produced feuds with neighboring countries, such as Venezuela and Ecuador.

Juan Manuel Santos took office in August 2010. Santos contrasted dramatically with Uribe in terms of governance. He formulated a wider political and social agenda and gave to his ministries the freedom to plan the strategy to achieve the goals, thus minimizing the micromanagement that had been typical of Uribe. Marking a difference with his predecessor, he gained greater autonomy in terms of policy design and marked an important contrast with his predecessor. Several high-level FARC commanders were killed by the military, which set the conditions for the

establishment of the peace process in late 2012. The idea of a peace process had been officially abandoned since the failure of the Pastrana administration in 2002, yet it has been a major component of Santos's success as president. The Santos administration undertook major social reforms, including a victims' law and a land reform and restitution law in order to prepare the country for a post-conflict scenario.

This was the situation when Juan Manuel Santos decided to run for re-election in 2014. In the midst of the campaign, Santos used the progress achieved in the peace talks with the FARC in order to win against the candidate from the Centro Democrático party, Uribe's handpicked candidate, Oscar Iván Zuluaga. In his second term, Santos launched several social programs and created new ministries in order to increase the state's capacity to deal with the problems of infrastructure, poverty and lack of opportunities. Despite his efforts to decrease the level of corruption, the Santos administration has had to deal with scandals of patronage and fiscal mismanagement in the regions.

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

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

From 2002 to 2010, Colombia made considerable progress in the consolidation of the state's monopoly on the use of force throughout its territory. However, some important threats persist, and President Juan Manuel Santos has changed the way in which the state deals with them. The first one is the existence of the so-called Emerging Criminal Gangs (called BACRIM in Spanish), the heirs of the paramilitary groups that were formally dissolved after an agreement with the government in 2005. The second one is the FARC and the ELN guerrilla groups that still control marginal swathes of land.

Monopoly on the
use of force

6

Even though the peace talks with the paramilitary groups ended up with their demobilization in 2005, the lucrative business of drug trafficking sponsored the emergence of the BACRIM. They act as private armies controlled by drug lords and are used for securing drug trafficking corridors. Hence, their main objective is to control specific territories and the population that lives there. In order to gain the loyalty of the population, they offer public goods such as schools, hospitals, housing and protection against the guerrillas. Even if this situation has become less common over the last decade, in some territories near the Pacific Coast and the border with Ecuador it remains the same. President Santos has increased the pressure on the BACRIM and was able to capture an essential member of the organization, in contrast to the Uribe administration, which mainly relied on peace talks in order to neutralize them.

From 2011 onwards, the Santos administration held informal and, since October 2012, formal peace talks with the FARC guerrilla. While in the past, the state was fully committed to defeating the guerrillas with the use of force, the context of the negotiations has forced the army to decrease attacks on the FARC and to agree to stop the siege of their leading representatives. The political opposition, represented by Álvaro Uribe Vélez, the former president and current senator, fears that the

concessions made to the guerrillas will strengthen them, while the government asserts that the concessions are essential in order to end the armed conflict.

However, even were peace negotiations with the FARC guerrillas successful, the question would still remain about the future of the second guerrilla group, the ELN. The government has engaged in preliminary peace talks with the guerrillas, but it is unclear at this point if the ELN will enter into negotiations or rather try to fill the void of power left behind in the territories previously controlled by the FARC.

The Colombian Constitution endows every citizen with equal rights, and the majority of the population accepts the legitimacy of the Colombian state – insofar as the state makes itself present. However, indigenous and Afro-Colombians have been systematically displaced due to the internal strife and the clash of mafia groups over their traditional territories, whose strategic position makes them suitable for drug-trafficking purposes.

State identity

8

The population living in regions that are under control of the illegal armed groups, such as guerrilla groups or BACRIM, tend to show attitudes challenging the legitimacy of the state. This is because of both the visible authority of the illegal armed groups and because of the lack of state presence that gives the members of those communities enough reasons to question to what extent they are in fact included in the concept of the nation-state. Fortunately, the population of those regions does not constitute a majority.

As a result, some marginalized populations question the capacity of the state to provide security as well as the public goods that every citizen should have access to according to the 1991 constitution. However, there are no questions as to the issue of national identity or belonging to the main political community.

Even though the state is largely secular and there is no obvious interference of religious dogmas in the design of political institutions, there is considerable interference when it comes to issues such as abortion or same-sex marriage. The Catholic Church's influence remains high in comparison with other countries in the region, though a secularization process has limited this influence somewhat.

No interference of religious dogmas

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As to the issue of same-sex marriage, in June 2013 the first unions were legalized following a decision by the Constitutional Court granting same-sex couples the civil rights that opposite-sex couples enjoy. However, at the time of writing, there is a debate in the Constitutional Court about the nature of those benefits and rights received by same-sex couples; Magistrate Jorge Pretelt argues that the unions are legally different from those of opposite-sex couples, and hence have different legal consequences. The decision along these lines would be considered a setback for the marriage equality movement.

With the exception of the Inspector General (Procurador General) Alejandro Ordóñez, who openly manifests his religious beliefs and links them to his decisions in office, no other higher court magistrate use this line of argument. However, the political right (including ex-President Uribe, many politicians in the Conservative Party, and others) consistently refers to traditional religious values in their speeches and appeal to Colombians' sense of religiosity in order to seek electoral support.

Geography has played a vital role in the history of Colombia's infrastructure, given the varied landscapes the country has, including coasts, jungles, mountains and deserts. Adding financial constraints, the armed conflict and corruption to this situation, the overall result is a poorly developed infrastructure, particularly in remote areas where paved roads, potable water or sanitation are almost nonexistent. This stands in contrast to large cities where healthcare, security, and public services are – up to a certain extent at least – better organized and more efficiently provided. Corruption, negligence and deficient planning are factors that inhibit a coherent and connected system of infrastructure.

At the time of writing, the judiciary has been on strike for three months, reducing the administration of justice throughout the entire territory. Despite efforts by the Minister of Justice, Yesid Reyes, to end the strike, the judiciary remains largely inoperative. At the same time, the National Audit Office (Contraloría in Spanish) has suspended its service because of the lack of a location for its offices. This situation shows the instability of the state when it comes to providing basic public services.

On the other hand, the National Planning Department (Departamento Nacional de Planeación, DNP) has emphasized the importance of giving access to the population living in remote regions in order to reduce the incidence of poverty. The central government has spent a large share of the GDP in order to increase the potable water and sewage-disposal system coverage; in 2014 it stood at 97.2% and 91.2%, respectively, in urban areas, and at 72.8% and 69.9% in rural areas. Vice President Germán Vargas Lleras has promoted a plan to increase the number and quality of roads to improve connectivity from remote areas to big cities.

Basic
administration
6

2 | Political Participation

There are some constraints on free and fair elections, mostly at the regional level. Whereas rural and peripheral areas are still vulnerable to electoral fraud – vote-buying and intimidation being the most prominent examples – urban areas exhibit higher levels of electoral fairness. General elections have been held regularly since the 1950s, and the people’s belief in the legitimacy of democracy, while not as high as in other South American countries, is consolidated.

Free and fair
elections

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In 2014, legislative and presidential elections were held. While in urban areas the reports of voting irregularities were few and scattered, in rural and peripheral areas the reports were systematic. For example, in the Sucre department in the northwest of the country, the media identified Yahir Acuña as the candidate who was buying votes and giving out food and t-shirts in exchange for support. In the Montería department, the media reported the confrontation between Musa Besayle and “Ñoño” Elías for votes, two politicians that control the political scenario and who compete by giving out food, t-shirts and money in exchange for votes. In Bucaramanga, the capital of the Santander department, close to the border with Venezuela, the Aguilar clan was using a strategy of patronage, promising public employment in exchange for votes. The reports signaled other departments such as Putumayo, Casanare and Meta, but the number of votes in those regions is limited, showing a decreasing trend compared to previous elections, and did not compromise the overall results. However, in the cities where the biggest share of the votes is concentrated, the reports were rare.

The turnout in legislative elections was higher than in the presidential elections, while, in the ballotage round, the electoral turnout increased and the media argued that the increase was due to political constraints and corruption. Some academic studies found that, in the regions where President Juan Manuel Santos won during the elections of 2010, the opposition candidate Oscar Ivan Zuluaga won the elections in 2014 (mainly because former President Uribe supported Santos in 2010 and Zuluaga in 2014), while in the regions where new voters appeared (i.e., voters who recently had acquired the right to vote), Juan Manuel Santos had attracted many of those new voters. The main opposition party, the Centro Democrático party of former President Uribe, indicated serious doubts about the transparency of the vote-counting process, while other parties complained about the possibility of the incumbent Juan Manuel Santos using the public budget to gain the support of the political leaders of the regions and thus increase corruption in order to gain votes.

Formally, there are no individuals or groups with veto power, except for the constitutionally established system of checks and balances. However, some power groups are able to use the system to reduce the ability of elected officials to make decisions. The case of Inspector General Alejandro Ordóñez is especially conspicuous since he has used the disciplinary power of his office to establish a veto power against the mayor of Bogotá, Gustavo Petro, and even succeeded in removing him from office for a brief period of time in 2014. Ordóñez has also attempted to influence the decisions of the Constitutional Court in areas such as abortion and same-sex marriage, taking advantage of the system that is used to elect the members of the court, lobbying to promote people who sympathize with his set of beliefs.

Effective power to govern

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Other actors that have the capacity to restrain the capacity of the elected officials are economic groups. Since they can be divided into a rural economic group and an urban one, the policies and officials that they aim to veto are different. The rural group seeks to undermine the power of officials in matters of land (re)distribution. In this case, the landowners, or rural elites, are a veto group that has been opposed to the peace negotiations with the FARC guerrillas and the possibility of an agrarian reform in the short term. The rural elites have used their close relationship with the military to increase the opposition to the peace process. Even as the government has tried to reduce opposition by involving some high-level officers in the negotiation team, the veto power of both the landowners and the military remains important in matters of social reform.

The urban group is interested in policies that reduce regulations in finance and industrial matters. The informal veto power held by business organizations is furthered by electoral provisions that establish a mixed system of campaign funding, with both the state and individuals able to finance political campaigns. The resulting ability of private interests to influence political decision-making in pursuit of particular benefits cannot be understated. As a result, private interest groups or individuals can block or substantially modify proposed laws or regulations that negatively impact their interests.

The 1991 constitution guarantees association and assembly rights. There are no legal restrictions on the conformation of political parties, NGOs or interest groups, and the Constitutional Court upholds the exercise of these rights. However, members of trade unions have frequently been killed, threatened or displaced by illegal armed groups. From 2013 to 2014, unions denounced multiple violations against union members. The Central Unitaria de Trabajadores (CUT) said that Drummond, a multinational oil company, does not respect the right to strike and tried repeatedly to break a strike that was carried out by union members in 2013, with the complicity of illegal armed groups and officials of the government. In the past, NGOs have said that Drummond paid illegal armed groups for protection and to intimidate the members of the unions. In 2013, a strike in the agricultural sector threatened the political and economic stability of the country. Even if the strike was quite violent, with roads blocked and

Association / assembly rights

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clashes with the police, the constitutional right to freedom of assembly was respected. In the end, even though the strike did not obtain the hoped-for attention by the government, a successful negotiation restored peace to rural areas. Overall, the systematic harassment and persecution of journalists, intellectuals, judges and members of the opposition, orchestrated and directed by members of the higher echelons of the Colombian state, has ended.

Even though the Colombian Constitution stipulates that the state must guarantee the freedoms of speech and expression, these are two specific rights that are particularly fragile. According to the Press Freedom Index 2013 – 2014, by Reporters Without Borders, Colombia ranked 126th (out of 180), an improvement over prior years. Reporters Without Borders reported incidents against journalists including the intimidation of community media outlets committed by BACRIM groups in Bogotá and other medium-sized cities. In addition, there have been plots to murder the investigative journalist Gonzalo Guillén, who wrote about the links of the former governor of the La Guajira province, Kiko Gómez, with BACRIM groups in 2013.

Freedom of
expression
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Since 2011, the government has attempted to pass a bill in Congress to reduce the general freedom of the Internet. The main objective of the government is to replicate the Stop Online Piracy Act (SOPA) and the Private IP Act (PIPA) with a bill that was called the “Ley Lleras” and the “Ley Lleras 2.0” (named after former Interior Minister and current Vice President Germán Vargas Lleras) in order to comply with the requirements in the negotiations with the U.S. about a free-trade agreement. The bill strengthened the combat against copyright infringement and added limitations to free expression. However, public pressure scuttled the bill.

Media ownership is highly concentrated in a few private conglomerates. The two private television networks dominate the market, and print media is totally private. Even though some observers consider this situation an important factor in hindering free expression, the media is free to cover sensitive issues without official restrictions.

The 2013 general strike in the agricultural sector was a good opportunity to prove that interest groups can in fact express their opinions and achieve results in negotiations with the government via protest. The strike started when the economic conditions faced by the agricultural sector became too difficult to manage. In the beginning, the demonstrations were mainly about economic issues, but they soon became political too. While the situation became rather tense, the way out of it was through negotiation.

3 | Rule of Law

During the term of former President Uribe, conflict between the different powers was frequent. Members of the judicial branch denounced attempts made by the executive to restrain their decisions, while the executive said that the judiciary was engaging in a political witch hunt against particular targets within the government. However, this situation calmed down substantially with the election of President Santos. During his first term, he avoided controversies with the judiciary and had good relations with the legislative branch.

Separation of
powers

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In his second term, Santos presented a bill for a reform to the balance of powers. The main objective is to eliminate the possibility of the re-election of the president because it allegedly introduces imbalances in the election of members of other public offices that depend on the president. In addition, the bill will create a tribunal with the power to judge members of Congress, who, at this moment, can be only judged for political reasons and by a tribunal formed of members of the same Congress. The reform has broad support from members of the Congress, but some argue that the president's re-election was a reform approved by a popular referendum.

The contrast between the government of President Uribe and the government of President Santos is evident in the area of judicial independence. During Uribe's time in office, the government endangered the independence of the Colombian judiciary through espionage, while the Santos government has tried to fix the relationship by giving the judicial branch greater autonomy and starting to tackle apparent judicial problems. One of the biggest fears of political analysts in terms of the re-election act passed while President Uribe was in office was the threat to the independence of the judiciary. Its members are appointed by the Senate from a group of three candidates elected by the president and the other two branches of the judiciary: the Supreme Court and the State Council. However, the president has great influence over the election of the members of those other branches. In the end, the independence of the whole judiciary was threatened by the power of the president, who clashed with Supreme Court judges who were not aligned with him. This situation undermined the trust of Colombians toward their court system - a situation that President Santos corrected, signaling his respect for the judiciary and engaging in much-needed judicial reforms. However, the main judicial reform received critiques from the judiciary and the media, which argued that it actually reduces the independence of the judicial branches and threatens to increase the imbalance of powers. For example, the proposed reform increases the time in office of the magistrates from eight to 12 years, makes it more difficult for the courts to investigate members of Congress, and opens the door for public officials to fund political campaigns. The reform was finally objected to by the President himself and thus did not become law.

Independent
judiciary

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Despite the efforts made by President Santos, other threats to the independence of the judiciary remain, especially in the departments. Overload, lack of qualified personnel, insufficient territorial coverage, technical backwardness, and susceptibility to corruption (as highlighted by a scandal that emerged in early 2015 in the Constitutional Court) are problems that need to be addressed.

The prosecution of office abuse is a generally respected principle. Nonetheless, corruption is a resilient attribute of Colombian politics. Some state agencies are plagued by corrupt practices, the mishandling of resources and nepotism, among other issues. Moreover, many local politicians employ illegal means to ensure election to public office. The Santos government has struggled to address these abuses, and entities such as the Supreme Court of Justice have been especially proactive during the period under review.

Officeholders who abuse their positions and engage in corruption are generally prosecuted, yet they sometimes are able to slip through political, legal or procedural loopholes to avoid prosecution. This occurs frequently at the local and regional levels of government, that is, away from the vigilant eyes of the press and public opinion. Some members of the opposition and public opinion in general have raised concerns when considering imposed sentences for office abuse, arguing that sentencing tends to be too lenient in comparison to the crimes committed.

The inspector general, Alejandro Ordóñez, holds a pre-eminent and active role in prosecuting office abuse. In 2013, he removed from office the general secretary of Bogotá City Hall, Guillermo Asprilla, a precedent for his later persecution of the mayor of Bogotá, Gustavo Petro, who was removed from office for a brief period in 2014. Ordóñez also removed Governor “Kiko” Gómez, accused of having collaborated with Marquitos Figueroa, a member of BACRIM, in the La Guajira province, and other mayors and governors accused of corruption. While some say that Ordóñez uses his power to pursue personal political objectives, others argue that the list of officials prosecuted does not justify this assertion.

Civil rights are not fully respected in Colombia. As a consequence of the country’s prolonged armed conflict, Colombia has one of the highest rates of homicides, internal forced displacement, and human rights violations in the world. In drug-producing regions, illegal armed groups show a blatant disregard for civil rights and systematically violate them. Nor does the government have a perfect record when it comes to respecting civil rights.

Instances of kidnapping have diminished substantially in recent years. Nonetheless, soldiers, policemen and other individuals remain under threat from guerrilla and paramilitary forces or their successors, emerging criminal gangs, or BACRIM. The number of kidnappings has gone down since 2012, reaching a low in 2014, according to the Minister of Defense.

Prosecution of
office abuse

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Civil rights

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The fight against discrimination based on sexual orientation has proven successful, but there is still a lot to do. In 2013, same-sex couples acquired the right to get married, but in early 2015, the Constitutional Court denied their petition for being legally able to adopt children, permitting it only if one of them was the biological parent of the child. Although discrimination based on gender, religion, ethnicity or political preference exists in some cases, it is not widespread and not sponsored by the state. On the other hand, discrimination with regard to sexual orientation remains an area in which society as a whole still has to advance.

4 | Stability of Democratic Institutions

The democratic institutions perform their functions in principle but are deficient and fraught with political friction. Both the legislative branch and the judicial branch of government are lackluster. Parliamentary intrigues, the willful blocking of government initiatives and multiple scandals are characteristic traits of Colombia's Congress. The judiciary in general is able to act quickly, depending on the issue and the specific judicial institution in question. However, for most citizens from the lower classes, the judicial system does not deliver.

Finally, the executive branch, led by President Juan Manuel Santos, has tried to improve the tense relations between state powers. The “farcpolítica” and “parapolítica” scandals during the second part of the Uribe administration (2006 - 2010), which dealt with the close political, economic and personal relations between various congressmen and illegal armed groups, have resulted in Congress being largely discredited as a public institution. The slow operation of Congress is widely considered one feature of its general inefficiency and illegitimacy. The data collected by the political watchdog group “Congreso Visible” show that legislative debates and discussions tend to be slow and subject to narrow political interests.

The political scandals extended to the departments, too. The investigations led by journalist Claudia Lopez, senator since 2014, have shown how the regional elites established cooperation with the paramilitary militias and the BACRIM for political support. Corruption is another problem, since the regional elites exchange economic favors, such as public contracts, for political support with economic groups. The overall result is a deficient provision of public goods and an inefficient spending of public resources.

Performance of
democratic
institutions
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A significant number of political actors accept the legitimacy of democratic institutions. Nevertheless, the main problem in this regard is structural, as institutions tend to be flawed by design. Although most actors acknowledge the legitimacy of political institutions despite its structural flaws, there are powerful actors among the landowning elites, drug mafia and within the military who do not acknowledge such legitimacy. The guerrillas do not consider the current political structure to be legitimate or representative, and therefore assume the role of the state in the territories under their control. This situation also explains why these groups fight for overturning the current structure. Despite the government's efforts, the power of the guerilla is still a threat to the existence of democratic institutions, insofar as they have destabilized and weakened them.

Commitment to democratic institutions

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As for BACRIM, or emerging criminal groups, they do not represent a force against the democratic order for political reasons but rather an expression of vigilante justice (at best) and as a branching-off of organized crime (at worst). Colombia's democratic institutions still need to gain loyalty and credibility among the poor and marginalized (both urban and rural) who have yet to see the benefits of a democratic process, one that has proven too slow and too exclusionary for them to openly support it.

5 | Political and Social Integration

The 2013 Latin American Public Opinion Project survey showed that the political parties constituted the least trusted institution in Colombia. This result has been consistent since 2011. This is not unusual in Latin American countries, especially Andean ones, where the political parties are held in similarly low esteem. Colombians' distrust of the parties persists despite the undeniable advances made in terms of the relative stability and representative quality of the party system since 1991.

Party system

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In 2003, Congress passed reforms that increased the entry barriers for political parties. The main objective was to reduce the fragmentation of the political system caused by an increasing number of parties and blatant clientelism, converting the remaining parties into organizationally institutionalized and socially rooted entities. Even if the law effectively reduced the number of parties, it is difficult to prove that Colombia has avoided the fragmentation of the party system. The case of parties created only for electoral purposes, such as the PIN, Convergencia Ciudadana and MIRA, among others, or created by a single person, like the Partido de la U, formed by and for former President Uribe, show that the problem of relatively weak parties unable to articulate social interests remains acute.

Collective action is a difficult endeavor due to security issues and a lack of cohesion among interest groups. These factors hinder the process of aggregation and mediation of different interests. Colombia has a variety of interest groups, ranging from strong business/employers' associations that have a disproportionate impact on politics and society, to vibrant professional organizations (lawyers, doctors, engineers, etc.) plus a myriad of local and regional grassroots organizations that represent every sector of society (students, peasants, coca growers, indigenous peoples, women, Afro-Colombians, agricultural laborers, workers, urban dwellers, etc.). However, besides economic interest groups, many of these associations do not have the visibility or the resources that would enable them to mediate between civil society and high-ranking political officials.

Interest groups
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Even though trade unions bargain with the employers' association and the government over the adjustment of the minimum wage at the end of every year, these groups tend to act individually on other issues. Social movements and NGOs are vibrant, but often have an unstructured, spontaneous character.

According to the 2013 Latin American Public Opinion Project (LAPOP) report, Colombians mostly approve of democracy but are dissatisfied with how it functions. Some 65.7% of interviewees agreed with the statement that "democracy is preferable to any other kind of government", an important decrease compared to previous reports, but only 31.9% were satisfied with the democratic system's performance. The survey's results also show that pride in the country's political system is one of the highest in the region. The approval of the idea of democracy remains fairly embedded in Colombia's political culture. Some of the main elements of democracy are questioned, but the desire for a radical change in political principles is largely absent among the public.

Approval of
democracy
6

According to Latin American Public Opinion Project (LAPOP) data, trust between citizens in Colombia is higher than in other Latin American countries. Almost half of those surveyed consider their community as "somewhat trustworthy," which shows that citizens hold some degree of interpersonal trust. The LAPOP analysis demonstrates that interpersonal trust plays an important role in encouraging political participation. However, an econometric analysis shows that education level and membership in an association, such as a religious group, a parents' association, and so on, play a more important role in political participation than does interpersonal trust. In other words, the level of trust among the population has led to a significant number of autonomous, self-organized groups, associations and organizations, but active political participation is rather low.

Social capital
5

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
5

According to the United Nations Human Development Index Report of 2013, Colombia's Human Development Index (HDI) ranking was 0.711. The country is now ranked at position 98 overall, below the Latin American average of 0.740. Colombia has improved its HDI score over the last 10 years. However, some rural zones still lack access to some basic services. Poverty remains an important feature of Colombian society: Although the poverty index decreased between 2012 (32.7%) and 2013 (30.6%), poverty still represents a significant socioeconomic barrier. The HDI score shows that the country performs relatively well in healthcare issues but scores are low regarding education and income-related matters. Inequality has remained unchanged with a Gini index of 0.539 in 2013, and the expectation of staying largely the same for 2014 - together with Haiti, one of the highest Gini coefficients in the region (if not the world).

Education has become an important tool for social mobility, and the Ministry of Education has launched a program of university scholarships for students who obtain high scores on Saber Pro, the state exam for higher education. The main objective of the program is to foster college education among those who cannot afford it, and thus break the cycle of poverty. Most of the country's economists agree that, if implemented transparently, the program could have important positive effects in the medium term.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	146566.3	287018.2	380063.5	377739.6
GDP growth	%	4.7	4.0	4.9	4.6
Inflation (CPI)	%	5.0	2.3	2.0	2.9
Unemployment	%	12.0	12.0	10.5	-
Foreign direct investment	% of GDP	7.0	2.2	4.3	4.2
Export growth	%	5.7	1.3	5.3	-1.7
Import growth	%	11.9	10.8	6.4	9.2
Current account balance	\$ M	-1892.4	-8662.5	-12330.4	-19780.5

Economic indicators		2005	2010	2013	2014
Public debt	% of GDP	38.3	36.4	37.8	44.3
External debt	\$ M	37162.4	63814.7	91978.4	-
Total debt service	\$ M	10043.2	9629.5	10021.4	-
Cash surplus or deficit	% of GDP	-	-4.6	-	-
Tax revenue	% of GDP	-	12.1	-	-
Government consumption	% of GDP	16.0	16.9	17.7	18.3
Public expnd. on education	% of GDP	4.0	4.8	4.9	-
Public expnd. on health	% of GDP	4.3	5.0	5.2	-
R&D expenditure	% of GDP	0.14	0.18	-	-
Military expenditure	% of GDP	3.4	3.6	3.4	3.5

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Market-based competition is a centerpiece of Colombia's economy. There are several institutions that oversee free competition, such as the Superintendence for Industry and Commerce, as well as several laws codifying economic practices. Even as the constitution states that "the general direction of the economy depends on the state," only a few sectors are subject to price administration by the government. Among those, the pharmaceutical industry has upper-bound price limits for essential medication, the price of gasoline is fixed by the government, and the price of public services cannot exceed the annual inflation rate. The intervention on agricultural inputs stems from a time when the main policy to foster economic development was import substitution, a policy that is no longer used, along with a fixed exchange rate. Today, currency exchange has a floating system in which the value depends on the demand and supply of the market, with only slight and non-permanent intervention by the central bank. The peso is partly convertible, subject to certain central bank regulations.

According to the World Bank's 2015 Doing Business report, Colombia ranks at position 34 in the world and first in South America, faring better than Peru (#35) and Chile (#41) in terms of the ease of doing business. The report states that Colombia is one of the top 10 reforming economies and that it has implemented 25 institutional

Market-based
competition
7

and regulatory reforms since 2005. Since that year, the country has simplified the registration of property, the opening and closing of businesses and the access to construction permits, among other issues.

In the last 10 years, reasonable economic growth has been achieved. FDI inflows grew 20.4% between 2011 and 2012. The sectors most favored by this increase were oil, hydrocarbons and mining. According to the World Bank's 2015 Doing Business report, Colombia, among all South American countries, protects investments and investors the most. In the World Economic Forum's Global Competitiveness report 2014 – 2015, Colombia is classified as being in the second stage of development and an efficiency-driven economy, along with 30 other countries. Colombia was ranked at position 66 (out of 144 countries) with a score of 4.23/7.0 and moved up three positions since 2013 – 2014. The report recognizes the improvement in the level of technology adoption by the country and the level of infrastructure, which, the report says, is something that has become an important obstacle for doing business in Colombia.

Colombia still has weak public institutions, poor levels of education and transportation, and low levels of research and innovation, even if those levels are acceptable compared with those of other countries in the region. A big obstacle for a better performance of the market economy is the size of the informal sector, which, according to the latest report issued by the National Statistics Department, reached 48.2% in 2014. Economists and other academics agree on the causes of informality: the amount of taxes that employers need to pay for every employee destined for social security. Even as the share of informality exhibited a downward trend for the period under review, a structural reform is needed to solve the problem. Market-based competition is further limited by the impact of inequality, poverty and low standards of education that stymie a growing market and its need for a sufficient supply of skilled workers as well as a lack of adequate infrastructure which, to be fair, is being addressed by the Santos government following the hand-over of a system in disrepair from his predecessor, President Uribe.

The legal framework of Colombia's anti-monopoly policy is not new. The Superintendence of Industry and Commerce (SIC) is in charge of preventing monopolies, predatory pricing and so on. Other institutions are focused on specific sectors, but still pursue investigations jointly with the SIC. Broadly speaking, these institutions satisfactorily identify and prevent the uncontrolled expansion of cartelistic structures.

On 12 October 2011, Congress passed Law 1480, establishing guidelines to protect, promote and guarantee consumers' rights. Both producers' and suppliers' activities are regulated by the law, and the SIC is in charge of compliance. Yet there are sectors and economic activities where monopolies are allowed by law, such as in the banking sector and in professional sports, among others.

Anti-monopoly
policy
7

According to the Global Competitiveness Report 2014 - 2015, Colombia is ranked 58th out of 144 countries concerning the effectiveness of anti-monopoly policy, with a score of 4.2 (on a scale of 1 to 7), putting it 7th among LAC countries.

The liberalization of foreign trade was the cornerstone of the economic reforms that began in the early 1990s during President Gaviria's administration. Tariff barriers were drastically reduced and imports were largely liberalized. However, the current import tariffs still have three levels: 0 - 5% for capital and industrial goods, 10% for manufactured goods and 15 - 20% for consumer and sensitive goods. There are exceptions that increase the tariffs for automobiles, beef, rice and milk, among other goods. In addition, Colombia is included in the Andean Price Band System (APBS) of the Andean Community, which protects the domestic industry by increasing tariffs for agricultural products when its global price falls, and decreasing them when the prices rises. In terms of non-tariff barriers to imports, the main obstacle is the extensive bureaucracy and corruption in customs agencies, even though it has decreased in recent years. Mistakes made by importers and exporters for improper tariff schedule classification, incorrect addresses or typos can result in an indefinite shipment detainment in the customs agency.

The 2014 Index of Economic Freedom shows that Colombia's economic freedom is ranked 70.7, and ranked 78.8 in terms of trade freedom. Investment freedom is ranked 75.0, and financial freedom is ranked 70.0. This places Colombia at rank 34, with an overall score 1.1 points higher than 2013.

The improvements over the last 10 years have especially benefited trade freedom, monetary freedom, labor freedom and freedom from corruption. However, according to the Global Competitiveness Report, corruption is regarded as the main problem hampering economic development and institutional capacity building.

The active promotion of free-trade agreements started during the Uribe administration from 2002 to 2010. President Santos continued Uribe's policies, and now Colombia has six free-trade agreements in force, covering Mexico, Canada, Chile, the United States, the European Free Trade Association (EFTA) and the Caribbean Community and Common Market (Caricom). The free-trade agreement considered most important is with the United States. This agreement was signed in 2006, but it did not take effect until 5 May 2012, as the U.S. Congress ratified it only in October 2011. The country is a founding member of the Pacific Alliance, along with Mexico, Peru and Chile, and has also one partial trade agreement with Venezuela and is part of the Southern Cone Common Market-Andean Community (Mercosur-CAN) agreements. Colombia, in partnership with Peru, also signed a free-trade agreement with the European Union in 2012.

Colombia has been a member of WTO since 1995 and a member of GATT since 1981.

Liberalization of
foreign trade
8

Banks are the most relevant financial intermediaries in Colombia, and the banking system consolidated at the beginning of the 21st century. A deepening of new financial instruments, specifically the ones contained in the IMF's 1999 Financial Sector Assessment Program, drove the banking sector toward modernization. According to the IMF, 10 large and complex financial conglomerates constituted about 80% of total financial sector assets at the end of 2011.

Banking system
8

There are several laws and institutions that regulate different banking activities. In 2005, Law 964 merged the Banking Superintendence with the Stock Exchange Superintendence and gave birth to the Financial Superintendence of Colombia (SFC), which, according to an IMF assessment and the Bank for International Settlements, effectively supervises all financial institutions, verifying that international standards of banking systems, such as a minimum share of capital equity in relation to their assets and the risk the bank exposes itself to through its lending and investment practices, are met. The largely independent SFC is in charge of guaranteeing compliance with regulatory requirements and frequently develops policies aimed at combating abusive behavior, too.

Disclosure rules are usually observed, but banks and other financial institutions must provide judicial authorities with information when requested, usually in the fight against criminal activity, such as money laundering. Since 2009, financial institutions are no longer required to share all financial data with judicial institutions. According to the World Bank, the capital-to-assets ratio was 14.7%, while nonperforming loans at the end of 2014 stood at a manageable 3.0% of total loans.

8 | Currency and Price Stability

Colombia has been very successful at containing inflation over the past decade. The central bank has played a major role in this success since it was granted constitutional autonomy in 1991. Relations between the government and the central bank have been mostly cooperative since then.

Anti-inflation /
forex policy
9

Annual inflation has remained low. In 2012, the rate of inflation was 2.44%; in 2013 it was 1.94% and in 2014 3.66%. The inflation predictions for 2015 are uncertain because of the drop in oil prices and expectations of a relatively poor economic performance, mainly because of a reduction in public spending driven by the fiscal deficit. However, the central bank is expecting an inflation rate of around 3%.

In 2014, the appreciation of the Colombian peso was 19%. The reasons for this outcome are mainly two. First, the decline in oil prices is decreasing the amount of dollar inflows. This, in turn, has some collateral effects, since Colombia slowly became a country that depends on oil revenues for fiscal purposes. President Juan Manuel Santos will have to find a way to deal with this shortage of dollars and the fiscal deficit while trying to foster exports and imports. Second, the interest-rate

policy by the U.S. Federal Reserve has attracted investors to put their money in the United States' economy, thus removing capital from other economies that underwrote their positive economic performance.

Macroeconomic stability has been for a long time a priority in Colombia and several governments have contributed to the country's remarkable record in this regard. Even though the country has shown a stable macroeconomic environment, some problems remain. The country's dependence on oil revenues for fiscal stability has proven to be dangerous. While the oil prices are falling, the fiscal deficit – which, in the period under review, saw an average of 2.3% of GDP and is expected to rise to 2.8% in 2015 – is putting the Santos administration in an uneasy situation. Public debt stood at 31.8% of GDP at the end of 2014. Various topics, such as the post-conflict scenario after the end of peace talks with the FARC, demand public spending that the government will not be able to deliver, and the political situation is not ideal for passing yet another tax reform that could cover the deficit. Macrostability in coming years could be compromised, but it depends on how the government deals with the situation.

Macrostability
8

9 | Private Property

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

Property rights
7

The armed conflict has affected the rural context in terms of forced displacement. Many indigenous and Afro-Colombian communities have had their property forcefully seized by illegal armed actors (guerrillas and paramilitaries). The government issued a law of restitution of lands that aimed to resolve the problem of the high concentration of land in the hands of landowners and their allied illegal groups. However, the results at the time of writing have been poor, in part because the state lacks the capacity to solve all the claims for land. The Land Observatory (Observatorio de Tierras) has calculated that, at the current pace of restitution, it will take more than a hundred years to reconstitute the lands, since the number of claims grows faster than the number of restitutions over a year. Another obstacle to the success of the law is the fear that displaced people have of returning to their lands. A November 2014 Land Observatory survey showed that even though almost 90% of displaced people have the information about how to reclaim their land, 83% of them do not want to go back because they fear that the illegal armed groups will seize their lands again.

According to the 2015 World Bank Doing Business Report, the Santos administration has made a couple of reforms that positively affect the legal framework for opening a private business. For example, the elimination of a provisional registration makes transferring property easier. Also, a new modern legal framework for secured transactions is an improvement in obtaining credit, since it increases and protects the rights of creditors when taking movable property as collateral. Nevertheless, a new law made paying taxes more complicated for companies by introducing a new profit tax (CREE), which is seen by the World Bank as a drawback for a good business climate.

Private enterprise
9

The Heritage Foundation's 2014 Index of Economic Freedom also highlights the recent legal reforms that put greater emphasis on improving regulatory efficiency and enhancing financial-sector competitiveness. The score for property rights, according to the index, is 50.0, which is above the world average. In business freedom, Colombia scores 85.2, well above the world average, and the report states that there are few regulatory bottlenecks when it comes to opening a private business. However, cause for concern is the still-high level of public corruption and the size of the informal labor market.

The private sector has historically been and remains the main engine of economic growth in Colombia. Privatizations have therefore never been as numerous or as disruptive as in other countries in Latin America. Privatizations have been generally conducted in market terms. However, they have become a contentious topic, especially during the Uribe administration which implemented several sales of public enterprises. State-owned enterprises still exist in some sectors (such as defense article production, the postal service, electricity generation and distribution, hospitals and airports), but are subject to oversight by the comptroller general. They often enter into partnerships with private corporations for specific activities, or have to compete with the private sector, such as with oil production.

10 | Welfare Regime

There are some social safety nets in Colombia which compensate for the social risks of the economic system. During recent years, especially since the beginning of the Santos administration, the government has developed several programs to alleviate poverty and improve healthcare and education. Most of public spending is dedicated to pensions, education and healthcare. In October 2014, Finance Minister Cardenas announced that public spending for 2015 would be 216.2 billion Colombian pesos. Out of this, 49.4 billion (23% of the total sum) is earmarked for poverty reduction and to create new jobs.

Social safety nets
5

Law 100 of 1993 established a scheme for private healthcare entities (Entidades Promotoras de Salud, EPS) and divided the welfare system into subsidized and

contributory regimes. The contributory regime is made up of people who are able to afford, through their work income, the costs of health-care provision. The subsidized regime, on the other hand, is made up of poor and disadvantaged people, and is funded by the government and those in the contributory regime. However, the health-care system remains in crisis. In 2013, Congress approved a reform of the welfare system that aimed to increase control over the budgets of the EPS and to improve the quality of the service in both the subsidized and the contributory regimes. Health Minister Alejandro Gaviria announced that the main concern of the government was to guarantee the financial stability of the subsidized system. To this end, the reform put restrictions on the type of procedures approved in the Compulsory Health Plan (Plan Obligatorio de Salud, POS), and it limited the power of the Tutelage Actions (Acciones de Tutela) often used to ask for expensive procedures not included in the POS.

Similar to healthcare, the pension system is also divided into public and private pillars – and is also in crisis. In 2011, the coverage rate was still very low. According to the Ministry of Labor, only 27.8% of people over 60 years actually received a pension. As for the active population, 71.6% is part of the pension system, but only 27.2% pay into pension schemes. According to Colombia's official statistics authority (DANE), the high level of informality in employment makes it more difficult for users to contribute to both the health-care and the pension systems.

As noted before, Colombia is one of the most unequal countries in the region. According to the country's legal framework, there are provisions that forbid and punish exclusion. The constitution prohibits discrimination based on race, gender, religion, language, opinion and so on, and many other provisions seek to protect indigenous and Afro-Colombian communities from political and social discrimination. Nevertheless, the main issue in Colombia is the enforcement of these specific laws. As a result, a persistent level of inequality remains. Ethnic, racial and gender differences are the main sources of discrimination. However, the origins of such discrimination are not legal but structural, social and historical, and thus have proven difficult to change despite government attempts over the past two decades.

The situation of Colombian women is illustrative, given that their representation in society and politics is still highly unequal. On the one hand, women's access to education has no formal barriers. According to World Bank data, in 2012 the ratio of female-to-male enrollment was 97% for primary education, and 109% for secondary school. According to the United Nations Development Fund for Women, since 2002 more women than men finished undergraduate programs. But job opportunities tend to be difficult to come by for women. The most recent data, released in January 2015, show that the rate of unemployment for women stands at 10.5%, whereas the rate for men is 6.1%.

The 2014 Global Gender Gap report ranks Colombia at position 53 out of 142 countries, with a 0.712 coefficient (1=equality, 0=inequality), an important improvement compared to previous reports. Colombia ranks 50th in economic participation and opportunity, 51st in educational attainment, 37th in health and survival, and 67th in political empowerment. In some of the sub-indexes, Colombia is located in the highest order, such as the literacy rate, enrollment in secondary education, and life expectancy, while others are deficient, such as labor-force participation.

11 | Economic Performance

Colombia's economic performance has remained stable since 2010. Colombian GDP in 2012 grew 4.0%, and 4.3% in 2013. By the third quarter of 2014, GDP grew 4.2%, and the finance minister expects GDP to grow 4.2% in 2015.

Output strength
7

Nonetheless, the country has several macroeconomic problems. The first is a persistently high budget deficit, sustained by the inflexible components of public spending. For 2015, the government expects a fiscal deficit of 2.8% of GDP, which has a structural component of 2.2% and a cyclic one of 0.6%. The deficit is calculated at 22.9 billion Colombian pesos. At the end of 2014, Congress issued a tax reform aimed to help cover the budget deficit. However, the opposition says that it will not be sufficient, since oil prices are falling and hence the level of fiscal income will also fall.

The second problem is widespread tax evasion, which causes low tax revenues. However, there is a slight change during the past two years due to new tax regulations. In December 2012, Congress passed a tax reform that aims to reduce the complexity and the lack of responsiveness of the tax regime. However, the results for 2013 were poor in terms of tax avoidance, which spurred the government to present the new tax reform in 2014.

Finally, the third problem hindering the process of tax payments is the large size of the informal sector, which reached 48.2% in 2014. There is no real control over the informal sector, and the high rate of informal employment is a problem not to be solved soon. Although labor reform aims to solve part of the problem, the results are not yet forthcoming. Unemployment trends have been positive in the period under review, with a decrease from 9.6% in 2013 to 9.1% in 2014.

12 | Sustainability

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

The main consequences of these policies and of the conflict situation are deforestation, soil erosion and a lack of wildlife preservation. Many endangered species are not protected and exploitation by the mining industry does not help. In March 2014, the Ministry of Mines and Energy announced a new policy to increase the requirements for the exploitation of mines in order to protect the environment, especially water resources, and to mitigate the negative effects of the exploitation of non-conventional mines. For example, the proliferation of fracking mines has alarmed environmentalist lobby groups, which denounce the contamination of water. However, the government says that the existing regulations are sufficient to prevent environmental problems.

The Ministry of Environment, Housing and Territory was created during the Uribe administration some 12 years ago. However, in 2011, the entity was split and is now called the Ministry of Environment and Sustainable Development. Nonetheless, this entity is still considered a low-profile institution as part of the executive branch. As a result, environmental policies, while held in high regard by the government, are still of secondary importance when compared with economic development or security issues.

The country's environmental situation is gradually deteriorating. According to the 2014 Environmental Performance Index, Colombia ranks at position 85 worldwide after ranking 27th in 2012 and 10th in 2010. Colombia scores 63 points (ranked at 109) on environmental health components, which captures health outcomes resulting from risk factors such as poor water and sanitation and indoor and outdoor air pollution. According to the Colombian export promotion agency (Proexport), the country's industrial greenhouse gas emissions per capita are lower than the world's average, and the country only produces 0.37% of total world emissions. However, as a result of unsatisfactory institutional performance, Colombia has shown some major setbacks in terms of environmental protection.

Environmental
policy
5

There are both qualitative and quantitative problems with educational policies in Colombia. On the one hand, even though enrollment rates are at acceptable levels, people living in rural areas often do not have sufficient access to education. In addition, despite increased enrollment in both primary and secondary education institutions, relatively few people have access to tertiary education. In order to address this situation, the Ministry of Education has launched a program of university scholarships for students who obtained high scores in the Saber Pro exam. Several economists have praised the program, arguing that the scholarships will help increase university enrollment.

Education policy /
R&D

5

The 2013/14 EFA Global Monitoring Report shows that Colombia's education investment has a stronger effect on wages for those who already have high income. This can be explained by the quality of education that rich households can afford compared to that of poor households. UNESCO notes that even though Colombia has been one of the faster growing economies in the region, the poorest have not had the opportunity to enjoy the benefits of this growth. As a result, Colombia's "unequal access to good quality education is one of the main factors behind inequality, along with segmented labor markets and ethnic and gender discrimination."

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

Research and development has been underfunded and underperforming in Colombia. In 2014, Colombia spent 0.2% of GDP on scientific research and development. President Santos has tried to increase this budget, but the same percentage of investment by the government on R&D is expected in 2015. Even if education has been a notable concern for the government in recent years, the R&D component has not yet attracted the necessary attention of policymakers.

Transformation Management

I. Level of Difficulty

Apart from geographic constraints, Colombia has several structural constraints, including social inequality, poverty, high rates of unemployment and informal employment, and poor education and healthcare services, especially in rural areas. However, the biggest structural constraint is the longstanding internal conflict which is linked to poverty, and is intimately related to drug trafficking. Illegal activities permeate both public and private administrations and are characterized by an unregulated patronage system and corruption. The problem worsens given the penetration of guerrillas, mafia groups and paramilitaries in many state institutions and private businesses. The current peace talks carried out by the government with the FARC is a first step in overcoming the conflict constraint. However, the government needs control over the aftermath effects of a possible peace agreement with the FARC and it must avoid repeating the mistakes of the peace talks with the paramilitary militias that gave birth to the BACRIM.

Structural
constraints
8

Colombia has a longstanding tradition of civic engagement. Until President Uribe's rise to power in 2002, the Liberal and Conservative parties shaped the political landscape of the country. Party affiliation was an important aspect of Colombian political life, but it was also a dangerous one. Violent struggles between liberals and conservatives caused several thousands of deaths. During the 1980s and 1990s, the rise of drug kingpin Pablo Escobar and the relationship between politicians and drug traffickers and other illegal actors worsened the country's general situation. Although the 1991 constitution led to the formation of new groups defending several aspects of the constitution, the traditional notion of civil society gradually weakened due to societal polarization and a general discontent with political parties.

Civil society
traditions
5

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

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

society continues to mend amid a still hostile environment, where some organizations, especially the ones focused on human rights, have been labeled as sponsors of guerrillas and of terrorism. As a result, the personal safety of human rights activists and union leaders has been at risk.

The Colombian armed conflict has ravaged the country for the past 70 years, and remains the main civil confrontation in the country. Despite the reduction in homicides and kidnappings during the Uribe administration, violence is still one of the country's most characteristic features. Inequality also creates a noticeable cleavage between the richest and the poorest citizens. The benefits of an improved economic performance still lack equal distribution, and extreme poverty is concentrated in rural areas. The persistence of poverty is still used as a justification for the armed struggle of guerilla groups like the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN).

According to the 2014 Vision of Humanity's Global Peace Index, Colombia ranks at position 150 out of 162 countries concerning the level of organized, internal conflict, also stating that three out of five deaths in the country are due to the armed conflict. The country's overall score was 2.701/5.0, but there are some categories worth noting: perceived criminality in society (4.0), homicides (5.0), and political terror (3.5/5.0) are some of the most alarming violence-related issues.

The abundance of violent incidents and the confrontational nature of the underlying struggle have caused the frequent abuse of human rights, both by state's security forces and illegal armed groups. Human rights activists have been threatened or killed, which makes their job a dangerous endeavor in so-called red zones.

A peace process began between the Santos administration and the FARC in 2012, and it generally seems to be on the right track. However, the Pastrana administration's failure to achieve peace in the context of the 1998 – 2002 peace talks with the FARC keeps most of society skeptical toward the process. Conversely, the demobilization of paramilitary groups during President Uribe's time in office has had some negative repercussions. A number of demobilized paramilitary groups have formed new criminal groups known as BACRIM.

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

The conflict is not caused by but feeds on inequality. Even if integrating the guerrillas into the realm of legal politics succeeds, the country still has a long way to go to eliminate the use of violence toward political ends, and to offer equal opportunity to all sectors of society, across all regions of the country.

Conflict intensity

7

II. Management Performance

14 | Steering Capability

Question
Score

During the review period, the strategic priorities of the Santos administration have remained stable, and are generally committed to the goals of democracy and a market economy. Economically, the government believes in market mechanisms and free trade. As a result, President Santos in his second term has focused on the maintenance and advancement of free-market principles and policies, as he did in his first.

Prioritization
8

The peace process with the FARC (and potentially also with the ELN) guerrillas, a second priority, is still underway at the time of writing. All of the government's institutional capacity is harnessed in order to prepare for the post-conflict era. Apart from the efforts to fight poverty, such as providing free housing and scholarships for highly capable poor students to attend university, the government has engaged in policies to foster agricultural development and to offer employment options for demobilized members of the guerrilla groups, such as enrolling in the project of a new rural police. In addition, the government has contemplated offering partial amnesty for the crimes committed by members of the guerrilla groups, the paramilitaries and BACRIM, and to civilians who collaborated with those armed groups, in order to reduce the opposition to the peace process.

Evidence-based policy-making features are one of the centerpieces of the presidency of Juan Manuel Santos as well as the input of technocrats and experts on governmental policies. Nevertheless, the institutional capacities of ministries and government agencies widely diverge.

The question of whether the Colombian executive branch under President Santos has been able to achieve its strategic priorities is debatable. For instance, peace talks with the Revolutionary Armed Forces of Colombia (FARC), the flagship project of President Santos's second term, have not been without obstacles. On the one hand, at the end of 2014, the government proposed to include drug trafficking as a political crime. However, the guerrillas have refused to accept their participation in drug trafficking and are reluctant to acknowledge the victims of their violence. On the other hand, there has been important internal opposition to the peace process. Some sectors of society, such as the Centro Democrático party, are wary of the results of the process and question the real commitment of the FARC to the process.

Implementation
7

In addition, there are considerable obstacles that consistently hinder the thorough implementation of government policies. The presence of guerrillas, paramilitaries and drug traffickers has not been the only obstacle for policy implementation. High

levels of corruption are still present in almost every domain of political activity and institutions. Also, policies addressed at the urban areas are usually more easily implemented than those trying to change things in the countryside.

Nevertheless, the Santos administration has been more consistent in aligning policy-making with its capacity to implement such policies. Peace negotiations were, for example, preceded by the “Judicial Framework for Peace” and the law for the restitution of lands. The latter addresses deep-rooted problems of land tenure and displacement, a key to finding a long-term solution to the internal conflict. However, the Colombian government still lacks the “infrastructural power” to penetrate the entire territory and successfully implement all its policies. Material difficulties, as well as the existence of alternative (and sometimes rival) centers of power in regions and localities, complicate the effort.

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

Policy learning
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However, the Santos administration, also in its second term, has shown flexibility in terms of governmental policies. The shift from Uribe’s “Democratic Security policy” to peace talks with the FARC guerillas has demonstrated innovation in terms of policy learning. The asymmetry of military power created by former President Uribe enabled President Santos to start the dialogue with the guerrilla groups. Santos’s pragmatic approach toward Colombia’s foreign relations is certainly an improvement in terms of policy learning. The inclusion of technocrats and other experts in the executive branch and a more stable ministerial cabinet constitute a new approach.

The government has improved its capacity in terms of infrastructure construction. Vice-President Germán Vargas Lleras, the former minister of Housing and Infrastructure, has been in charge of the free-housing program for the last four years, which has provided the government with the ability to learn from the results of the first stages of the program and improve the results in the long run. In addition, the construction of roads and airports has benefiting from the experience accumulated by the vice president during the period under review.

The success of social programs like Familias en Acción, a cash-transfer program for poverty reduction and education promotion, has provided the government with the necessary tools for policy evaluation and evidence-based policy-making, creating agencies such as the Agencia Nacional para la Superación de la Pobreza Extrema, which works in coordination with the National Planning Department.

15 | Resource Efficiency

Despite Santos's efforts regarding the efficient use of administrative personnel, the Colombian government still tends to replace meritocratic criteria with political expediency. Recruiting procedures that are legally transparent and free from external influence are not an outstanding feature of the country at large, as seen for instance in the diplomatic service.

Efficient use of
assets

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As for the efficient use of budget resources, it is clear that Colombia still has a significant amount of debt (31.8% of GDP) and maintains a growing fiscal deficit (2.8% of GDP). There is no circumstantial evidence of major improvements in the use of budget resources. The major concern is that frequently these resources are not invested for the improvement of infrastructure and human livelihood, despite efforts by President Santos and by Vice President Vargas Lleras, who has assumed the infrastructure program of the government. Media and NGO reports of public resources being used for buying votes during the 2014 elections, and the corruption scandals of rent-seeking politicians, together show that the institutions in charge of auditing the public administration, such as the Office of the Comptroller General and the Office of the Inspector General, do not yet have the institutional capacity to reduce corruption in a sustainable fashion.

For policies and programs to be implemented, there are several efforts that require a minimum of inter-agency cooperation. While some policies have been quite successful, the frequent absence of written or formal rules of procedure, civil servants exceeding their functions and resource mismanagement make the effective coordination of policies a difficult task.

Policy
coordination

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However, the Santos administration has increased the level of coordination among policy-making agencies, especially those in charge of the problem of poverty. The Ministry of Housing has created a program that delivers free houses to the neediest families. To do so, the ministry works alongside the Social Prosperity Department (Departamento para la Prosperidad Social), the Statistics Department (DANE), and many other government agencies. The results of the program are yet to be evaluated, but economists and policymakers have praised the level of coordination that the program has exhibited.

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

Anti-corruption
policy
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To confront this situation, the Santos administration has tried to implement laws such as the anti-corruption law. Nevertheless, corruption continues to be a dominant trait as several governmental agencies have been involved in a number of scandals. The measures adopted by the political leadership have not stymied corruption, due to the existence of a culture of tolerance, the absence of adequate and/or effective monitoring mechanisms and structural constraints, including patronage activities and pressure exerted by illegal groups.

The Office of the Comptroller General is in charge of auditing public spending - a difficult task when the institution itself has been involved in corruption scandals. In 2014, the media reported that the headquarters of the institution were located in a building that was property of a drug-trafficking lord. Another institution is the Office of the Inspector General, in charge of maintaining the discipline of public employees and officeholders. In addition to having prosecuted corrupt mayors and governors, the institution has also focused on the personal, largely religiously motivated agenda of Inspector General Alejandro Ordóñez. As a result, despite the efforts of the Santos administration, it is clear that these two institutions still lack the institutional capacity to reduce corruption in a sustainable fashion.

In addition, the Interbolsa scandal has brought to light the absence of regulations in the private sector, especially in the financial sector. The general opinion is that the level of corruption has increased in both the public and the private sector in recent years, despite the efforts of the Santos administration to establish a technocratic and corruption-free bureaucracy.

16 | Consensus-Building

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

Consensus on goals
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In economic terms, the country's largest economic organizations, most politicians and political parties agree that the law of supply and demand provides the tools that most efficiently drive the process of economic growth. Nonetheless, there are some contrasts about the use of the market. On the one hand, many think tanks and economic groups believe that the government should allow the market to operate without major intervention. On the other hand, trade unions and left-leaning organizations claim that neoliberalism plays an important role against the interests of the poor and other excluded population groups. They believe that government should play a more proactive role in providing relief and opportunity to those left behind by the logic of the market. Illegal actors with the power to disturb the functioning of the state, mainly the FARC, hold different views of both democracy and the market economy. The guerrilla group proposes that the government and the present state structure must be overthrown and a "Bolivarian" state should be created instead. Communism would be the ruling framework in Colombia and, consequently, liberal democracy and the market economy would disappear.

The most prominent anti-democratic actors in Colombia are illegal armed forces, such as paramilitary and guerrilla groups. Despite the demobilization of some guerrillas and, more importantly, paramilitary combatants, several have since rejoined emerging criminal groups (BACRIM) and/or engage in illegal activities, such as drug-trafficking and criminal violence in urban areas. In December 2012, the National Unit of the Attorney General for Justice and Peace reported the confessions of crimes admitted by former member of paramilitary groups. Ex-paramilitaries confessed to 25,757 homicides and 1,046 massacres. They also confessed to 1,618 cases of illegal recruitment, 3,551 forced disappearances, 11,132 forced displacements, 1,168 extortions, 1,916 kidnappings, 773 cases of torture and 96 cases of sexual violence from 1997 until their demobilization.

Anti-democratic
actors

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The government has not been able to effectively cope with those who decided to forsake the armed struggle nor with those who still fight in the Revolutionary Armed Forces of Colombia (FARC), in the National Liberation Army (ELN), or other illegal armed groups. As a result, anti-democratic actors still exert considerable leverage in the Colombian political scenario. The income derived from illegal drug trade fuels the internal armed conflict, whereas corruption scandals and the connections between high government officials and paramilitaries demonstrate that the influence of these actors is still strong.

Landowners are also a controversial group. Some can be considered as anti-democratic actors as they oppose land restitution for displaced people as well as peace talks with the guerrillas, their long-time enemies. In addition, former President Uribe and his supporters in some sectors of the military and the political elite are openly against negotiations with the FARC.

The country's political leadership has been unable to depolarize structural conflicts, particularly in terms of drug trafficking and violence. Despite the demobilization process of the former paramilitary forces, the reoccurrence of violence through mafia groups and emerging criminal organizations (BACRIM) has led to a substantial rise in urban insecurity. Several cleavages still exist, especially in terms of economic classes, ideological differences and the alarming situation of minorities, such as Afro-Colombians and indigenous communities. These cleavages have been used by the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) as ideological weapons to justify their continued armed struggle. Left-leaning political parties and NGOs have traditionally been isolated from politics because established political and economic actors either link them directly to guerrilla groups or claim they have an ideological affinity with them.

Cleavage /
conflict
management
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The Santos government has somewhat withdrawn the emphasis on the role of the military as a conflict-management strategy. Instead, the government is seeking a peaceful, negotiated solution to the armed conflict. This solution, in contrast to the Uribe administration, is no longer considered as an "appeasement" of the guerrilla movement by the government, although several members of the economic and political elites beg to differ. Existing cleavages in society have been exploited by legal and illegal actors to deepen the polarization of the country, instead of finding ways to overcome the cleavages.

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

Civil society
participation
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The two main problems to do with greater civil society participation are the regional and sectoral fragmentation of civil-society organizations and the fact that resources are heavily skewed in favor of organizations representing the better-off sectors of society (business organizations, for example) who have a strong influence over government policy – as opposed to organizations representing workers, the poor or disenfranchised sectors of society. The picture seems also less bleak at the local level, at least in some of the major cities, such as Medellín.

Even though the government has implemented a demobilization, disarmament, and reintegration (DDR) program, reconciliation between victims and their perpetrators has not been achieved completely. The resurgence of paramilitary activities and the lack of sufficient financial resources aimed at reparation have hindered the reconciliation process. The Law of Victims and Restitution of Land that was passed by Congress in 2011 has not yet demonstrated its expected results. Besides economic compensation, the different victims' organizations have asked for a real process of reparation that includes the principles stipulated by the National Commission of Reparation and Reintegration (CNRR).

Reconciliation
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Reconciliation and reparation have proven to be a difficult task for both society and policymakers in Colombia. Many demobilized combatants are stigmatized, and as a result have few opportunities for reintegration. In the specific case of guerrilla organizations, reconciliation is hindered as a result of distrust from both civil society and several members in the political arena. It is not clear what the reconciliation process between the FARC guerrillas and civil society would look like, if the peace process were to be successful.

17 | International Cooperation

International actors such as the European Union, the IMF, the U.S. Agency for International Development (USAID), the World Bank, and the Inter-American Development Bank (IADB) actively cooperate with Colombia's government in the pursuit of political and economic reform. According to the official declaration, the Ministry of Foreign Affairs "is the national governmental institution responsible for formulating and guiding its international cooperation policy in the different modalities: bilateral, multilateral, south-south and humanitarian aid."

Effective use of
support
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In February 2012, the government presented the 2012 – 2014 National Strategy of International Cooperation. With this strategy, the Santos administration created the Presidential Agency of Colombia's International Cooperation (PACIC), "which will be in charge of the management and execution of the public, private, technical and financial international cooperation." The main international aid providers of Colombia are the United States, Spain and the European Union, which have provided two-thirds of the total aid received by the country over the last decade.

The national economic policy strategy aims to diversify the country's number of cooperation partners. It also states the necessity to improve South-South cooperation as well as maintain a greater balance in the distribution of these resources. In December 2014, the PACIC announced that the amount of international financial cooperation reached a total of \$570.5 million. Of that, 30% was for economic development, another 24% for democratic prosperity, and 14% for development and sustainability. Among the aid providers were the European Union, the United States,

Canada, the World Food Program and the Inter-American Development Bank, each of them emphasizing the importance of responsible public policy and the need to set the conditions for peace consolidation in Colombia.

However, there is some contradiction brewing between the kinds of development policies put forth by the Santos administration (mining, large-scale agribusiness, etc.) and the kinds of policies that will be needed in order to consolidate peace after the conflict is over: land reform and agriculture policies that benefit small-scale growers.

Not least, the implementation of the development agenda is also dependent on the peace process and thus exposed to potential turnarounds in the medium term.

In economic terms, Colombia's credibility has grown during the review period. The country remained mostly unaffected by the recent economic crisis in the United States and Europe. The Santos administration has put major efforts into appearing as a reliable economic partner on the international stage. This has been a successful effort and the country as a result has experienced a substantial increase in foreign investment. Some of the recognition comes from the 2015 Doing Business Report, which ranks Colombia as the second-best economy in the region for doing business.

Credibility

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However, in political terms, Colombia has struggled to improve its credibility. Due to human rights violations and unstable relations with its neighbors, Colombia under the Santos administration has tried to improve its international image. The normalization of diplomatic relations with Venezuela and Ecuador and the decrease in the number of so-called "False Positive" cases in the military have enabled Colombia to regain political trust and credibility. This situation, however, is still fragile, for example in the relationship to the Maduro administration in Venezuela. The creation of efficient mechanisms for the protection of human rights remains hampered by financial constraints, and security issues are far from being completely solved.

During the Santos administrations, Colombia began to reverse a situation of regional isolation that developed during the previous Uribe administration. The participation of Colombia in regional organizations used to be somewhat sporadic, recalcitrant and often conflictive. The country has shown more cooperation and disposition toward the rest of South America after the reestablishment of diplomatic relations with Venezuela and Ecuador, yet without giving up its close relationship with the United States.

Regional
cooperation

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As a result, greater regional cooperation can be observed on the part of the Santos administration. Colombia is part of the Regional Cooperation Program with Mesoamerica (Programa Regional de Cooperación con Mesoamérica), which is a regional strategy that aims to improve the economic and social cooperation of the countries in the region through technical assistance, expert exchanges, and workshops, among others. In addition, in August 2014, former president Ernesto

Samper became the Secretary General of the Union of South American Nations (UNASUR), which is a sign of the importance given by Colombia to regional cooperation.

Colombia hosted the Sixth Summit of the Americas in April 2012, which was an effort to show the country's commitment to multilateral scenarios and regional cooperation. As a result, the country's previous relative isolation in the region has been reversed during the Santos government. In addition, Colombia plays an important role in the emerging Pacific Alliance.

Strategic Outlook

The country's continued progress toward democracy and a market economy still presents serious challenges. The internal armed conflict plays a major role in Colombian politics, and President Santos needs to tackle several obstacles: a high level of corruption and inequality, and the resurgence of criminal organizations in the aftermath of the demobilization of the paramilitary forces during the Uribe government, which have caused a perception of insecurity among the population.

Politically, Santos has faced serious challenges and the implementation of his reform agenda has not always been successful. During the remainder of his second term, Santos needs to fully take on the issues of inequality and the low level of education. In addition, he will need to overcome the resistance to the implementation of his major social reforms from powerful veto players, many of them allied with former President Uribe, who has turned into the most fervent critic of Santos's policies.

At any rate, Santos's success as president is inextricably linked to the fate of the peace talks with the FARC guerrillas. Moving things forward will require significant political and social reforms if the country is to do away with the underlying problems that have fueled the conflict for decades. Land reform is one such area. Other important reforms would involve targeting issues related to inequality and the drug trade. To a lesser degree, political reforms are also needed. In the medium term, the challenge is to conclude the peace talks with the means to demobilize armed combatants and to start a reconciliation process in the society.

On the economic front, there is an urgent need to decrease the emphasis currently given to mineral and oil extraction as the engine of economic development, and to promote a more balanced and sustainable development model. The fall in oil prices presents a challenge for macrostability over the coming years because of the dependence on oil revenues for fiscal purposes. The Santos administration will have to deal with problems of increasing debt and fiscal deficits that could reduce its political leverage.

Finally, the Colombian government should keep striving for a redefinition of the international anti-narcotics strategy that shifts the burden from producer to consumer countries and puts the emphasis on prevention and social development rather than on criminalization and military confrontation.