

Colombia

Status Index (Democracy: 2.6 / Market economy: 3.1)		5.7	Management Index		4.0
System of government	Presidential Democracy		Population	42.8 mill.	
Voter turnout	42.9 % (2002)		GDP p. c. (\$, PPP)	7,040	
Women in Parliament	8.4 % (2002)		Unemployment rate	19.5 % (2000)	
Population growth	2.0 %		HDI	0.779	
Largest ethnic community^b	20 %		UN Education Index	0.85	
			Gini Index	57.1 (1996)	
<p>Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. ^{b)} 58% mestizo, 20% white, 14% mulatto, 4% Afro-Colombian, 4% indigenous and other minorities. Source: UN Human Development Report 2003.</p>					

1. Introduction

In 1958, Colombia changed a military regime for a civilian one. The transformation process begun with this move has still not been completed. Although some progress was shown in parts of the regime and in economic development, other parts of the regime and state identity regressed during the evaluation period of this report, which coincides for the most part with Andrés Pastrana's term of office (1998–2002). This trend has continued with Alvaro Uribe's government (since August 2002).

This report on the status of Colombia's democratic and market-economy transformation during the last five years comes to the conclusion that there has been regression, rather than progress, in achieving goals. Even in light of the extremely difficult political and economic conditions that—it must not be forgotten—are partly the fault of this government, management success must be rated as low. The transformation deepened only in terms of a few economic performance criteria. It remains questionable, however, whether the path taken will lead to sustainable development in the long term.

Pastrana left some key tasks undone in the areas of the state monopoly on the use of force and the reduction of political violence. Other gaps continued in reform of the armed forces and the justice, party, and election systems; in further development of the existing organization of the market and competition; and in securing the sustainability of economic and social development.

The armed conflict which Colombia is suffering for decades has deeply influenced all the developments under investigation, the political as well as the economic and the social ones. Responsible for the limited success are not exclusively the governing elites, but also the ‘counter-elites’ of the armed opposition. A conclusion of the transformation process is yet not to be seen.

2. History and characteristics of transformation

Against the background of *La Violencia* (approximately 1948–1958) and the civil wars in the 19th century motivated partly by party politics, a stable two-party regime, which was dominated by the Liberals (PLC) and the Conservative Party (PC), arose in Colombia. With few exceptions, the government was usually run by the civilian elite of both parties. This form of rule was interrupted by the military dictatorship of General Gustavo Rojas Pinillas from 1953 to 1958. The PLC and the PC tolerated Rojas at first in order to end the civil war of the *Violencia*. When he threatened to become a long-term competitor for power, the dictatorship was transferred into the civilian regime of the National Front, which officially lasted from 1958 to 1974.

During this period of time, third parties were excluded from elections or discriminated against. Additional restrictions in the areas of state identity, the rule of law, representation and election regulations hindered a democratic transformation. The National Front was never substantively reformed. Starting in the late 1980s, but principally through the constitutional reform of 1991, the political regime was given a new institutional basis. The participants managed to abolish some formal restrictions, but the problems with state coherence and the rule of law remained, along with the informal problems in the political culture.

The transformation stagnated because of the increasingly deteriorating conditions in the 1990s and because of the elite’s lack of commitment to implementing the new constitution and its potential for democratization. The transformation even regressed in some elements. Individual reforms, however, have been implemented in areas such as the party system and mechanisms of direct democracy. In addition, “civic islands” (indigenous, Afro-Colombian, women’s and human rights organizations) continued to develop. They could exist within their sphere so long as they did not get “involuntarily assigned” to an alliance with an armed actor. All political actors’ room for action depended on their geographical situation, their specific characteristics, the course of the violent conflict, and the position of the government.

After a long phase of essentially being sealed off from the global market as part of an import-substitution economic strategy, the Colombian economy began to open up to international capital and goods, essentially parallel to the constitutional reform. The structural reforms, which were also seen as a strategy for

modernizing production and the state, were introduced by President Virgilio Barco (1986–1990). He strengthened the internationalization of the economy by deepening traditional economic relationships, by integrating Colombia more intensely into the *Cuenca del Pacífico* and by awarding drilling and mining licenses and major hydroelectric projects to transnational companies.

César Gaviria's administration (1990–1994) pressed on effectively with the reforms and the internationalization of the economy. Gaviria managed to liberalize up to 97 % of foreign trade. The customs tariff was reduced from 23 % to 11 % starting at the end of 1991; the labor market was made more flexible; state-owned enterprises were privatized; the foreign-exchange market was largely liberalized; and regulations for foreign investment were loosened. The exchange rates were at first liberalized completely.

However, at the end of the term of office of President Ernesto Samper (1994–1998), who took a slower approach to the neoliberal reform model, a major economic crisis set in. Its cause lay, among other things, in a growing fiscal deficit brought on by the state's failed expenditure policy, corruption and unprofitable state-owned enterprises. Added to these problems were the results of a misdirected decentralization policy, which led to overextension of the departments and communities. Deterioration of the political and international framework conditions was accelerated by this negative development. On the whole, the economy was more crisis-prone. It could no longer be isolated from the international financial crises, such as the one in Asia.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

Colombia has made no real progress in the transformation of its political system. Some indicators of the stability of the level that has been attained have regressed.

3.1.1 Political regime

(1) *Stateness*: In comparison with the rest of Latin America, Colombia has more problems of state identity than other countries. This pertains in particular to the state's making use of its monopoly on violence, which it actually forgoes voluntarily in some cases by entering alliances with private actors. Under the Pastrana and Uribe administrations, public safety was guaranteed at best regionally and temporarily.

In some autonomous regions, paramilitary and/or guerilla groups actually carried out state functions. The presence, effectiveness and productivity of the state administration were limited in some regions of the country. The formal determination of who qualifies as a citizen was not discussed politically. All citizens have the same citizen rights under the law, but in practice, these rights are limited by social, gender-related and ethnic exclusion mechanisms.

Indigenous and Afro-Colombian population groups did secure certain representational rights in Congress, however. The *indígenas'* traditional legal system is basically respected. The violent conflict, and the national legal system to some degree as well, highlight the limits of their representation rights. Church and state are separate, except for occasional lobbying attempts by the Roman Catholic Church and the Protestant churches. These efforts are gaining strength, particularly in the election and peace processes, and also because of their involvement in the education sector. The political process is formally secularized.

(2) *Political participation:* The right to vote and to run for office is guaranteed in the constitution. These rights cannot be exercised universally or in all regions, however, because of problems with state effectiveness and the rule of law, such as threats and the influence of violent political actors. The elections that took place during the evaluation period cannot be described as either free or sufficiently fair. The rights of political organization and communication are limited by the intervention of violent actors, because the state cannot guarantee security and because of informal restrictions from individual political sectors. Also, attempts were made to gain partisan advantage through illegal funding of parties and candidates.

The national government's effective power to govern—and that of many regional and local governments as well—is limited. Some powers—guerillas, paramilitary groups, drug dealers—exercise veto powers over political processes. Selective alliances between the state military and individual violent actors such as paramilitary groups or drug dealers also exist. These alliances seriously undermine certain rights guaranteed in the constitution. Individual communities in the conflict regions are headed by members of the military rather than by elected representatives. Some mayors and governors “govern” *in absentia* from the capital of the state, which generally lies a safe distance from problem areas. The new Antiterror Act, which took effect on August 20, 2001, and expanded the role of the military leadership compared with the civilian agencies, further hobbled the already hybrid constitutional state. The Act has already led to military and police interventions that contradict international law.

According to the constitution, political and civic organizations and unions are free to form. However, in practice they are limited in terms of their political and ideological direction, their critical faculty, and the choice of line of action or where they want to work. Freedoms of information, speech and organization are

reaching their limits because of the close integration of the economic, political and media elite, and as a result of the violent conflict.

(3) *Rule of law*: Some transformation deficits exist in the separation of powers and in the system of checks and balances. Although the executive branch usually prevails in any power struggles with the legislative branch, there is also negotiation between Congress and the president. In order to get bills passed—most of them proposed by the government—financial and personal concessions often had to be made to the members of Congress. Bills proposed by members of Congress were restricted to less important regional projects, with an eye on the relevant constituencies.

By imposing a state of emergency and utilizing the associated decree rights, both the Pastrana and Uribe administrations tipped the balance between the executive branch and the legislative branch to their advantage. In this way they compensated for problems of governmental capability and the rule of law, which normally would be remedied through structural reforms. The enacted decrees were later made a part of the regular legislation. The constitutional court monitors the legitimacy of imposing a state of emergency. It wielded this monitoring power less strictly during the evaluation period than in previous years and focused on pragmatic political considerations. As far as other decisions are concerned, the constitutional judges who were in Colombia's supreme court under Pastrana's government generally made independent decisions.

As an institution, the judiciary branch in Colombia is sufficiently separate. Independence tends to decline in the lower courts, however. The judiciary branch has little effectiveness in the eyes of the citizens, due to several factors: lengthy proceedings, *de facto* limited access to courts, lack of equality before the law, crimes of corruption, and a high degree of impunity. One positive aspect of the judiciary is the protection of basic rights through *tutela* trials, which have to be decided within 10 days. Most offenses committed by corrupt elected officials remain unprosecuted, however. Also, if white-collar criminals are convicted, they receive privileges within the penal system.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: The political institutions introduced through various reforms in the 1980s and 1990s were not able to achieve their full democratic potential. Popular acceptance of government institutions is limited, as attested to by the ongoing institutional engineering of both governments, the reform initiatives of the “opposition” and the suggestions of a new constitutional convention. The vetoing agents, such as the drug mafia, paramilitary groups and guerillas, pose concrete threats to institutional stability.

(2) *Political and social integration*: Problems of institutional efficiency are also related to deficits of the party system. On the one hand, the exclusive character of the two-party system was broken down. On the other hand, most of the “new” powers are either splinter or satellite parties of the PLC and the PC. These “new” parties participated under varying names in the elections.

Also, there are a number of smaller parties. They function mostly as personality-oriented voter associations with a regional focus. These smaller parties have neither a stable social basis nor long-term membership structures. Despite its approximately 70 new (but hardly relevant) parties, the party system was moderately fragmented and slightly polarized. If the “new” parties are recognized as truly new and are counted, volatility has increased during the evaluation period. But this factor is not very meaningful, because candidates and parties change their names and affiliations constantly.

This fact, together with the low level of polarization, means, however, that central societal cleavages are not conveyed through the party system. When even civic groups cannot work without limitations—as is the case in Colombia—it stands to reason that conflicts remain latent over a long period of time, that they solidify or that the actors look for extralegal ways to solve the conflicts. Patronage continues to be pronounced, particularly in the traditional parties and in their satellite and splinter parties.

The landscape of interest groups is relatively tightly meshed, partly because the opportunity for founding parties was limited for a long time. Interest groups largely comprise trade associations, unions, indigenous and Afro-Colombian organizations, and women’s and human rights groups. Most of the organizations have steadily lost their “movement character,” due in part to the threatening situation, but they were able to mobilize the people to mass demonstrations repeatedly for specific topics. Channeling state funds to these organizations (as part of the privatization of state services) is threatening these organizations’ independence. Their room for action varies greatly from region to region because of state-effectiveness problems and because of the new Antiterror Act passed by Uribe’s government.

The level of contentment with democracy is low and has decreased. While 60 % of respondents agreed with the statement “Democracy is preferable to all other forms of government” in 1996, that figure had fallen to 46 % by 2001. Only 10 % of the Colombians included in the *Latinobarómetro* survey in 2001 were “very content” or “content” with the specific way democracy was working in their country. Local organizations are relatively strongly pronounced in the lower levels of society in particular. In the climate of increasing repression, society as a whole has not been able to deal with past human rights abuses, and certainly not on the initiative on the state. Instead, this has occurred only in the NGOs and some universities.

3.2 Market economy

Transforming the economic system into a (neo)liberal market system has been a clear priority for all Colombian governments since the late 1980s, with varying focal points and levels of intensity. Transformation deficits exist primarily in the areas of fighting illegal economic activities, consolidating budget policy, and reorganizing and stabilizing the banking system and the capital market.

3.2.1 Level of socioeconomic development

The key indicators show a medium level of development in Colombia in comparison with the rest of Latin America. Colombia's level of development, measured in terms of HDI, put it in seventh place—behind Argentina, Chile, Uruguay, Costa Rica, Mexico and Cuba—with a general tendency toward slight improvement. Social exclusion was pronounced, both quantitatively and qualitatively, and it was in part structurally entrenched. Exclusion on the basis of poverty and lack of education correlates in many cases with gender-based and ethnic discrimination patterns. Colombia's GDI value was slightly lower in 2000 than it was in 1998. The poverty rate is higher than in most countries in the southern cone of South America.

In 2001, 55 % of the population lived below the poverty line. Income distribution is extremely uneven. Decentralization measures and the associated transfer payments from the central government could not balance out the developmental imbalances between “poor” and “rich” departments and communities. Although the transfer payments were already too low, the Pastrana administration had to cut them further due to the budget deficit. The communities invest only part of the money sensibly, and the administrative apparatus eats enormous sums of money.

3.2.2 Market structures and competition

The fundamentals of free-market competition are largely guaranteed. Colombia has a codified competition law. Limitations have four main causes: the high level of “illegal” economic activity, a pronounced informal sector, informal restraint of competition and an insufficiently developed competitive culture. Antitrust regulations were introduced in 1959; however, the Pastrana and Uribe administrations did not always apply the regulations uniformly.

Foreign trade has been increasingly liberalized since the early 1990s. President Pastrana introduced some export-promotion programs. Legal exports nevertheless decreased somewhat during the evaluation period. Imports are subject to extreme

fluctuations, and smuggling is increasing. Under pressure from the IMF, the Pastrana administration issued a decree in 1999 that standardized customs laws. Regulatory exceptions (differentiated tariff rates) existed for individual enterprises and industries. In October 1998, the government imposed an economic state of emergency (*emergencia económica*). Imposing a state of emergency gave the government executive power, which in turn enabled it to achieve its initial goal of stabilizing the stricken financial sector.

The banking system, which was previously privatized to a great degree, and the highly indebted public banking sector could not survive under their own power. In 1999 alone, nine financial institutions went bankrupt. In that same year, Pastrana enacted a law to restructure the finance sector. A banking supervision agency (*Superintendencia Bancaria*) was introduced in Colombia as early as 1924, but its function has changed over the course of the years. The high level of debt and the crisis in the banking sector showed that (self-)control reached into some—but not all—areas. The Pastrana and Uribe administrations were also not able to sufficiently contain the problem of capital flight.

3.2.3 Stability of currency and prices

Inflation control and an adequate exchange-rate policy are recognized political goals. Inflation sank from 16.7 % in 1998 to 7.7 % in 2001. In doing so, inflation reached levels lower than those usually seen in Colombia (up to 26 %). However, this drop is closely connected to decreasing economic activities and the intervention of the IMF. Colombia has a central bank with a relatively high control capacity and formal independence. The leading members of the executive board normally have close ties to a party or party faction. As a result, changing majorities arise, which make it more difficult to create purposeful policies. These changing majorities also influence the coordination capacities between the bank and the government.

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

The peso was devalued in relation to the American dollar several times. The consolidation of fiscal and debt policies has become a central theme in Colombian politics. The containment of the fiscal deficit—even with the help of the IMF—has proved to be a task that can be managed only in the long term, however. External debt also continued to grow, despite a restrictive debt policy.

3.2.4 Private property

The right to property is guaranteed in the constitution and is adequately defined legally. In June 1999, Congress modified the clauses in Article 58 of the constitution. These clauses had allowed expropriation without compensation. Article 58 was thus considered an impediment to foreign direct investments. Expropriated enterprises now must be compensated. Private enterprises are the backbone of the economy.

The privatization of state-owned enterprises was pushed through against the will of the unions, particularly those unions having to do with production, communication, ports and financial services. Social organizations protested against the privatization of strategic sectors (such as parts of the telecommunications industry and crude-oil production). In September 1999, Colombia was still on the Special 301 Watch List of the World Trade Organization. The country ratified the TRIPS Agreement and has adjusted most state legislation accordingly.

3.2.5 Welfare regime

The Colombian welfare regime was privatized to a certain extent in the 1990s and was converted from a state allocation system to a combination of pay-as-you-go financing and capital-based financing. The privatization of the pension system has led to new discrimination against certain groups, such as women, single parents and casual laborers. Only the higher social classes are able to make private provisions for whatever hard times may come. The Pastrana and Uribe administrations discussed further reform of the pension system. These reforms include the elimination of privileges for groups that had been previously favored.

On the whole, however, the governments rank reforms below the reorganization of the state's finances and tend to orient reforms less to the needs of the various social sectors. State and private social institutions provide very disparate services. In the health care sector, for example, this disparity of services led to undertreatment of the poor. Due to higher unemployment in recent years, there is an increased need for unemployment insurance. However, despite this need—or perhaps because of it—there is no unemployment insurance. Women and young people were hit particularly hard by the increase in unemployment.

Poverty was fought during the evaluation period to a limited degree through the *Red de Solidaridad Social* introduced by Pastrana's predecessor with the help of external development funds. The society is sharply segmented. Individual programs, such as college scholarships for Afro-Colombians, do exist to balance out social inequality. President Pastrana did not fully implement the Quota Act,

which mandates that at least 30 % of leading state officeholders be women. The Act is a step in the right direction. However, no real policy change can be expected from the women who are in leadership positions, because of their involvement in the state framework or in neoliberal value systems, and/or because they come from traditional political families.

3.2.6 Strength of the economy

During the evaluation period, the Colombian economy experienced one of its worst crises ever. This crisis surpassed the normal economic fluctuations by far. In 1999, for the first time in a long while, there was negative growth. Also present were bad global economic framework conditions, a high level of unemployment, a high budget deficit, high debt (particularly in the public sector), a relatively unfavorable trade balance, a drop in coffee and oil prices, and difficulties in the flower-export market.

3.2.7 Sustainability

Officials pay only lip service to environmentally compatible growth; in practice there is hardly any effect on the actual economic policy. Environmental-protection criteria generally take a back seat to growth concerns. Also, the political-framework conditions and the violent conflict hinder the efficiency and the expansion of the environmental sector. Nevertheless, national and local governments have begun some laudable environmental projects (for example, in water-body restoration and traffic-reduction measures), and they have continued to expand the nature reserve system.

Within the widely splintered education system, there are some major differences in quality between state and private sponsorship. The well-known private primary and secondary schools guarantee an education that is on par with international standards. Only a few of the elite private universities, however, can be compared to the most important state universities in Bogotá, Medellín and Cali. Meanwhile, numerous private “garage universities” turn out a mass of poorly qualified graduates.

Because of a lack of finances and a lack of infrastructure, there are some clear deficits in research. Also, individual Colombian scientists have been threatened and assassinated. Despite the precarious situation at Colombian universities and research institutes, outstanding research is every now and then achieved at them, often with the help of external financing. The state’s spending on education was relatively high, averaging 4.1 % of the GDP between 1995 and 1997.

4. Trend

(1) *Democracy*: State identity, political participation and the rule of law have deteriorated notably during the evaluation period. Deficits can also be seen in the perception of the state monopoly on the use of force and the guarantee of public safety and order. The effectiveness of the administrative system varies greatly according to region, and it is extremely precarious in some regions due to the financial crisis and widespread patronage. The deficits have grown worse in some areas of Colombia, a hybrid constitutional state. The functionality and independence of the courts is not universally guaranteed.

The presidential, parliamentary, regional and local elections all showed deficits in democracy, to some degree. The basis of the problems was that there were no guarantees for citizens exercising their rights to vote and to run for office. This lack of guarantees was due to state-identity and rule-of-law problems, along with defects in the financing and organization of the parties. The already low willingness to participate decreased, as did the percentage of women in Parliament. Freedom of association and freedom of speech were increasingly limited, particularly by the Uribe government.

(2) *Market Economy*: The fundamental development factors and modernization indicators predominantly show stagnation during the evaluation period. The status of development has not changed in the last five years. This pertains to sustainability indicators as well. The Gini index shows a slight increase in income disparity.

The institutional framework conditions for trading have been changing very gradually. The pace of reform was maintained because of an agreement with the IMF. Macroeconomic development regressed in comparison with the time prior to the evaluation period. The growing violent conflict, deteriorating international economic-framework conditions and mismanagement all contributed to the situation. Unemployment and the budget deficit are two of the main unsolved problems. The government's development policy was only moderately successful.

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP Index	UN Education Index	Political representation of women	GDP per capita (\$, PPP)
1998	0.764	0.810	0.68	0.85	12.25%	6,006
2000	0.772	0.767	0.69	0.85	12.25%	6,248

Source: United Nations Human Development Report 2001 and 2002.

Table: Development of macroeconomic fundamentals (1998–2002)

	1998	1999	2000	2001	2002 (2/3)
Growth of GDP in %	0.6	-4.2	2.9	1.4	1.5
Export growth in %	-5.8	6.3	13.3	-6.2	-3.9
Import growth in %	-4.7	-27.2	7.9	11.4	-1.6
Inflation in %	16.7	9.2	8.7	5.9	6.5
Unemployment in %	15.6	18.0	19.5	16.8	17.9
Budget deficit in % of GDP	-4.6	-6.5	-3.6	-3.4	-3.6
Current account balance in million \$	-5.2	0.3	0.4	-1.3	-1.7

Sources: Banco de Colombia: <http://www.banrep.gov.co/docum/Indic-Econom-Trim/2002/IndicadoresEspanol-II-Trim.pdf> (01/29/2003); World Bank: http://www.flashpoints.info/countries-conflicts/Colombia-web/WB_Glance-Colombia.pdf (01/29/2003); Dresdner Bank Lateinamerika, www.dbla.de.

5. Transformation management

5.1 Level of difficulty

Despite the medium level of economic development that has been reached, a medium to high level of education for the populace, and plenty of civic traditions, the conditions at the beginning of the evaluation period were difficult. These difficult conditions were tied to several factors: the beginning of an economic recession, increasing social conflicts, problems of state identity and rule of law, intensification of the violent conflict, and deficits in the political system. Due to the expansion of the conflict into geographical areas traditionally inhabited by ethnic minorities, there was also the danger that the conflict might take on ethnic undertones.

The transformation management was complicated by several issues: the inheritance of noncivilian conflict resolution; an overly tight integration of politics and the economy; and a tradition of corruption supported by the drug mafia, the emerald trade and smuggling. In addition, the world economic framework conditions were not conducive to change.

5.2 Reliable pursuit of goals

The Pastrana and Uribe administrations pursued relatively consistent reform goals in terms of economic transformation, but there was not always a clear definition of short-term and long-term plans. These two administrations implemented such plans only partially, changing them at will and sporadically subjecting them to considerations of short-term political gain.

Both governments planned only partial reforms to aid the political transformation. These were not coordinated with each other, nor were they coordinated with the economic reforms. In addition, they contradicted themselves at times, and they were not clearly pursuing the aim of democracy; rather, they were meant primarily to increase governability. Pastrana's proposals failed in Congress. Both governments, feeling that the regime was already democratic enough, saw little need to enact deeper political reforms. Uribe's plans for political and legal reform, as well as his antiterror policy, served to further strengthen the regime's repressive character.

Thus Uribe is planning to weaken the courts, such as the constitutional court and the *Defensoría del Pueblo* (ombudsman), or to limit them in their functions. He is also planning to abolish democratic monitoring instances (regional and local audit divisions). Because neither government's notion of reform matches the notions of reform held by most civic groups, the executive branch is experiencing minimal support from the populace and from opposition political actors. Neither government guarantees fundamental reliability of expectations for life, justice and enterprise. Civic and economic actors must reckon with political insecurity.

5.3 Effective use of resources

The Pastrana administration used the available personal and organizational resources—insofar as their use could actually be controlled—to implement the governing elite's ideas for development and transformation. In the process, it focused on the technocratic specifications of international organizations. It did not hold a serious debate about use of resources within the administration. Of particular note is the fact that the Pastrana administration abstained from such debate with the relevant political sectors. Politically motivated recruiting processes and dismissals are typical for most areas of the administration. Some administrative sectors are an exception to this rule, as are some individual city governments—for example, the one in Bogotá. There, the second-term mayor, Antanas Mockus, implemented recruiting processes that were increasingly protected from political influence.

Budget resources are used with only limited effectiveness. An indicator of this is the budget deficit, which came about partly due to high expenditures for administration. Auditing authorities at local and regional levels in particular are politically exploited, and their processes are not effective enough to monitor the government. Congress carries out this monitoring role insufficiently. State-budget planning is based on patronage priorities. Some of the communities implemented the tool of participatory planning for the first time.

Coordination between the ministries and the territorial authorities is minimal and is not sufficiently focused on a general strategy of development and policy. Decentralization has expanded greatly, but the communities still do not have sufficient financial autonomy. They also need more intensive external monitoring, and they need to modernize their administrative apparatus. The range of public services is disparate and not equally accessible to all societal groups. As part of the austerity measures, Pastrana's government shifted the responsibility for social services back to individual families. Additional care, support and provisionary services generally have to be provided by women from lower social classes. Parts of the state are controlled by private interest groups. Corruption and patronage remained integral characteristics of the state and administrative culture under the Pastrana administration.

5.4 Governance capability

Pastrana's government proved to have limited adaptive capabilities with regard to economic reforms, partly because of the intervention of international organizations and social actors. In terms of democratic reforms, neither government was very adaptive. In dealing with the violent conflict, the governments learned from experience, but this resulted in an intensification of the

conflict. It did not result in the formulation of a compromise between the government and the guerillas.

The political authority of the Pastrana administration was questioned more and more in the course of Pastrana's term of office. Uribe had a major edge in authority when he took office. Since Uribe came to power, all corners of society have been expressing doubt about his administration and his ideas concerning reform. The few reformers in Congress have endeavored to spread their ideas, even under the most difficult of circumstances. They did not have enough room for action, however. Both governments made only slight efforts to avoid misallocation of resources.

5.5 Consensus-building

The goal of the reforms—a neoliberal market economy—is viewed positively by the Uribe administration (as it was by the Pastrana administration as well), some members of Congress, the technocratic state elite and the majority of entrepreneurs. Most civic organizations, including the unions, are on a confrontation course with this goal or with its practical implications. These organizations would prefer a social market-economy. Even within the “neoliberal elite” there were different ideas about the speed of the reforms and the concrete goals of the reforms. Only a few actors would fundamentally prefer a socialist economic system to a social market economy. Even the guerillas do not have a clear-cut position on this matter anymore.

The Uribe administration, the majority of Congress and the majority of the economic elite do not see a need to act on the democratization of the political system. The government's ideas point in a direction completely different from that taken by the constitutional reform of 1991, in which opposition forces and their plans for democracy were integrated for the first time into a state reform project. The “opposition” drafted its own reform plans, which envision different degrees of intervention into existing structures. Various antidemocratic vetoing agents can be seen. Various causes motivate these agents' behavior. These agents include the drug mafia, guerillas, paramilitary groups and violent criminals, as well as portions of the state military, the economic elite, the executive branch and Congress. These antireform agents could not be eliminated during the evaluation period by those who truly were interested in reform, and the agents actively used their blockade power.

In handling the violent conflict, Uribe's government has succeeded in deepening the existing cleavages and in further splitting and polarizing the state and society. This increased societal division influences the citizens' willingness to display solidarity, which solidarity exists in a fundamental but varying form. Through a

system of citizen militias, Uribe developed his own unique understanding of civic solidarity with regard to public order.

Uribe's stance makes it even more difficult to build trust in society, thanks to the continuing conflicts. His stance also prevents long-range building of social capital. The political elite denies historical injustices, with a few exceptions. This denial applies particularly to crimes committed by the state and the paramilitary groups. Trials in these cases in recent years were either delayed or settled by the public prosecutor.

5.6 International cooperation

Colombian actors are cooperating with international actors (IMF, World Bank) on the economic transformation. They were accorded important legitimizing functions vis-à-vis civic society in fighting the economic crisis in Colombia. The IMF fixed the economic policy more clearly on maintaining stability criteria and a strict fiscal policy. The United States also pressured the Pastrana and Uribe governments to adopt neoliberal reforms, particularly as preparation for integrating Colombia into the *Área de Libre Comercio de las Américas* (free-trade area of the Americas, abbreviated "ALCA").

Colombia collaborated on numerous development policies with various European and Asian states. The development programs were not very effective, due to the dangers facing the people involved and especially because the programs did not take political-framework conditions into account. The indirect role of these programs—creating international openness, fostering social and economic development—in the democratic transformation was seen as positive.

Development cooperation organizations (with the possible exceptions of German political foundations and the programs oriented toward human rights and reform of the judiciary sector) did not play an active role. External actors generally shared the contradictory assessment of the Colombian government. This assessment is that only a few democratic deficits existed, but nevertheless so did high risks because of the violent conflict.

The peace process was largely welcomed and supported internationally. In contrast to his predecessors, President Pastrana was more open to the offers to negotiate. The "antiterror" and antidrug policies of the United States are essentially counterproductive to finding a peaceful end to the conflict. Both Colombia and the United States intended to present themselves to the rest of the world as reliable partners. They sought cooperation in the fight against the drug mafia and the guerillas. Colombia's neighbor countries reacted to the activities of paramilitary groups and guerillas in the border regions, and to the smuggling of drugs and weapons, by increasing the militarization of the borders.

6. Overall evaluation

In view of the originating conditions, current status and evolution achieved, and the actors' political achievements (management), this report arrives at the following concluding evaluations:

(1) Originating conditions: The Gaviria administration had introduced economic structural reforms, so that the Pastrana and Uribe administrations started out with a restructured economic system with a neoliberal character. The difficulties getting out of the starting blocks with such reforms, and the accompanying resistance, had already been overcome. However, economic development since 1996 has been ever more crisis-prone. This crisis-prone nature complicated the advancement and legitimization of additional reforms, but also made them necessary within the logic of the chosen path. The governments sought the support of the IMF partly because of these problems.

On a political level, the presidents found a regime that had been partially reformed since the late 1980s, and especially via the 1991 constitutional reform. This partial reform seemed to provide good conditions for completing the democratic transformation. The state is traditionally fragmented, however, and the state- and nation-building processes haven't been completed. Thus, the basis for truly effective reforms is lacking.

(2) Current status and evolution: The evolution of the democratic transformation since the military government of Rojas Pinillas—more than 40 years ago—is not very developed. The actors who were interested in democracy made some progress in the late 1980s and early 1990s, particularly in the area of the formal institutionalization of democratic institutions. Under President Pastrana and President Uribe, there was only a low level of interest in further democratic reforms and in practical improvement of democracy's efficiency.

Of particular note was the marked lack of progress in three areas: state-building, which is a key process in democratization measures; the improvement of rule of law; and the dismantling of informal institutions. Some minor democratic successes were achieved, although they were fragmented and spread out over different time periods and regions. However, these successes were not so stable and civically grounded that a return to the old ways is impossible. The political transformation process has been marked by increasing authoritarian elements since Uribe took office.

The evolution of the market-economy transformation has been greater than that of the democratic transformation, even if the initial liberalization steps are taken into account. The pace of the transformation started to increase under the Gaviria

government, which achieved good macroeconomic results and improved the framework conditions of the market economy. The transformation to a capable, social market economy has by no means been completed.

The expansion of social elements of the market economy leaves something to be desired. The focus in recent years was more on crisis management and handling the effects of neoliberal market transformation and globalization. Strategic economic sectors, the capital market, and the banking and finance sector were ailing, despite the path taken by Pastrana's government. There were tendencies toward mergers in the business sector.

(3) *Management*: The conclusion on the actors' relative managerial achievements is ambiguous. Management strategies related to the economic transformation were more successful than those related to the political transformation, including the on-and-off peace process. The managerial achievements related to domestic-policy reform—for example, elections, the party system, the integration of social and ethnic minorities, recognition of legitimate opposition and monitoring, fighting corruption, the dismantling of informal institutions, and the restructuring of formal institutions—are weak. The government elite did not do enough to coordinate the political and economic management strategies. Collaboration with external actors simplified first and foremost the economic transformation; such collaboration simplified the political transformation only to a lesser degree.

7. Outlook

The political and economic transformation in Colombia is not complete. The outlook is better for continued economic reform than for implementing sensible political reforms, which transcend political engineering. Actors involved in the transformation have not made any real steps toward democratization, and they have contradictory ideas about many things. Points of contention include elections, the party system (including party financing), increasing political system's institutional efficiency, the rule of law, decentralization, judicial reform, and reform of the military and security apparatus.

The way that violent actors are being handled does not lead one to expect that there will be a compromise soon. The willingness of the Uribe administration to negotiate with members of paramilitary organizations, which have declared a unilateral cease-fire, rather than with guerillas, is a step in the wrong direction, as is the security and "antiterror" policy. Key tasks remaining in the economic transformation are the reduction of the budget deficit, an increase in economic growth, fighting unemployment, restructuring and expanding the mixed state and private systems of social security, and implementing or restructuring other measures that will compensate for the negative effects of the neoliberal economic

model and globalization. Without solving the armed conflict, however, Colombia will only achieve unsatisfactory progress in the future.