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*Political Economy of Development*

**COLOMBIA POST-PEACE AGREEMENT:  
THRIVING FOR A SUCCESSFUL DEVELOPMENT STORY**

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## **Abstract**

*Potential social, economic and political dividends of peace are infinite, but damages occasioned by a poorly negotiated agreement can be deleterious. Colombia has recently seen what for decades it saw as impossible: a peace treaty with the largest guerrilla group in the country –the FARC. What will it take for the peace agreement to accomplish its goals of establishing a lasting peace, leaving behind violence, combatting drug-trafficking and promoting development? What is it that will allow hopes for peace become finally true? The purpose of this thesis is to analyze Colombia's most pressing bottlenecks towards development, present the potential economic dividends of the peace process, and finally discuss the required conditions that will effectively allow for these to materialize for Colombia to thrive for a successful development story. As a conclusion, the author will argue that institutions can revolutionize history, either revitalize a country's development path or ruin it. But beware: peace is a duty of us all. Events in Colombia following the conclusion of the peace agreements have been more troubled than one could have expected, and the promised paradise can be either around the corner back at the drawers for a while.*

## Introduction

Colombia is the land of biodiversity, of two oceans, the Andes, blooming fauna and delightful people. It is also the land of violence, drug-trafficking and corruption. It is a country with a troubled and multiphasic history, geographical contrast, cultural uniqueness, and both blessings and misfortunes of chance. These elements have merged, clashed, evolved and interacted, leading to certain institutions, political struggles and social stratification, to shape and determine how the Colombian civil conflict arose and affected the country's development path, full of bottlenecks and challenges as well as opportunities and hope. After decades of fighting, failed attempts towards peace agreements, hundreds of thousands of civilian murders,<sup>1</sup> and almost six million Internally Displaced People (IDP),<sup>2</sup> the Colombian government has finally reached a peace agreement with the largest guerrilla group in the country, the Revolutionary Armed Forces of Colombia (FARC), that aspires to fulfill the biggest dream of every Colombian: peace.<sup>3</sup>

This thesis aims to explore the most pressing bottlenecks that Colombia presents, and how these will have to be dealt with under the new scenario created by the recently concluded peace agreement. Furthermore, it will explore the possible economic dividends of the agreement, based on the experience of selected countries that have gone through similar peace processes. The agreement will change certain crucial conditions for the country's development, and reaching a sustainable and inclusive growth is going to be a challenging path. Handling the post-conflict transition will have to be assisted not only by relevant macroeconomic reforms, peace-building strategies and international support, but most importantly will have to mind for

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<sup>1</sup> 218,094 people between 1958 and 2012, 81% (1177,307 civilians) - According to <http://www.centrodehistoriahistorica.gov.co/micrositios/informeGeneral/estadisticas.html>

<sup>2</sup> 5'712,506 between 1985 and 2012 - According to <http://www.centrodehistoriahistorica.gov.co/micrositios/informeGeneral/estadisticas.html>

<sup>3</sup> The first version of the agreement was signed the 26th of September 2016. Its second and final version was ratified the 29th of November 2016.

inequality and poverty present in the country, and aim mainly for an inclusive and sustainable growth and development. If Colombia wants to be more competitive in the international game, or stay for a little longer in the bleachers, and if it wants this to be the once and for all time for peace, a correct approach towards transitional justice will be pivotal. Such approach will have to be guided by institutionalism, transparency, accountability and inclusiveness.

In the World Bank Group (WBG) Country Opinion Survey 2016, 68% of respondents<sup>4</sup> identified “Peace and post-conflict agenda” as the first development priority. (WBG, 2016) In fact, analyzing the challenges of the new scenario that the country will face is a fundamental issue that, if assessed carefully, will allow for Colombia to exploit its opportunities to the fullest.

Firstly, a compendious review of Colombian history will be delivered, departing from the legacy of European colonialism, analyzing how some of its remnants persisted managed to shape current factors characterizing Colombian institutions and social mechanisms. Also, the most relevant episodes leading to the outbreak, evolution and continuum of the conflict will be displayed.

Secondly, an overview of the past peace processes will be presented, underlining mainly the elements that each event contributed with to the recently concluded one. The main contents of the agreement’s six points will be explained, reviewing also some of the dominant policy proposals regarding the investment of available funds for its implementation. Following Amartya Sen’s ideas, this thesis will suggest the

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<sup>4</sup> Participants were drawn from the Office of the President, Prime Minister; some ministers; parliamentarians; ministries/ministerial departments; Project Management Units (PMUs); consultants/contractors working on WBG-supported projects/ programs; local governments; bilateral/multilateral agencies; private sector organizations; private foundations; the financial sector/private banks; non-profit organizations/community based organizations; the media; independent government institutions; trade unions; faith-based groups; youth groups; academia/research institutes/think tanks; the judiciary branch; and other organizations. A total of 186 stakeholders participated in the survey

kind of lenses through which post-conflict development should be analyzed and managed, by presenting its interpretation on development's meaning.

Standing on giants' shoulders, this thesis used as main sources the documents produced by the WBG presenting a detailed growth diagnosis developed specifically for Colombia, identifying these main bottlenecks and constraints proper of the country. Official documents and data of the Colombian Government and official agencies, relevant think tanks and studies done by international organizations such as the United Nations branches and agencies were some of the sources conjointly used to present the reader with a comprehensive analysis. Additionally, literature from the most relevant academics in each topic was revised and will be presented.

Using the growth analysis methodology of the WBG's Systematic Country Diagnosis (SCD) 2015 for Colombia as first main pillar, the macroeconomic features of the country will be displayed and discussed, as well as its recent performance and outcomes. The diagnostic's methodology is designed to investigate the main challenges to achieving economic growth and social inclusion in a sustainable manner. Identified bottlenecks and challenges for the country will be presented, and a consideration of how these will play a pivotal role under the development of the new scenario being created by the concluded peace agreement will be given. The most relevant obstacles for growth, inclusion and sustainability –mainly focusing on the first two– which according to the author will be the most pertinent for the scope of this thesis will be laid out, including the implications these will have on the post-conflict scenario, and vice-versa.

Along the work, this thesis will give some considerations on the aspects that will need to accompany policy proposals in order to achieve an inclusive and sustainable growth in the country. Countries that face the challenges of a transitional justice process after the conclusion of a peace agreement like Colombia, must bear the task

of negotiating peace with armed groups to reach peace but at the same time guarantee the standards and demands of truth, justice and reparation in the face of massive human rights violations and war crimes occurred during the conflict. Balancing this *quid pro quo* to avoid falling back into a conflict situation, impunity and cycles of violence will be critical, and will have to be managed carefully.

As stated before, the key goal that the country will need to look up to will be to alleviate both present bottlenecks and ease issues that will arise under the new scenario. To create a concrete scenario of possibilities, this thesis will use the report drafted by the *Departamento Nacional de Planeación* (DNP): “Economic Dividends for Peace in Colombia.” This study used empirical evidence on 36 countries, 18 of whose situation could be easily comparable to the Colombian case to present the potential economic benefits of the peace process in Colombia. Calculating these by using observed experience of countries that have gone through similar processes based on pre-and post-agreement data, and not merely speculative outcomes is clue in order to provide strong arguments supporting a well-managed transition. Main results conclude that an improvement on confidence will take place, resulting in increasing productive investment, consumption and foreign direct investment, causing in turn an estimated additional growth of GDP of about 1,1% and 1,9% points per annum. These results will be evaluated also considering the delicate scenario in which Colombia will have to move along, arguing that peace is effectively a good business, but there are some conditions that will have to accompany the transition.

Lastly, this thesis will discuss how both the strengths and weaknesses of the agreement, especially its implementation, will encourage or obstruct post-conflict development by interacting with the reviewed bottlenecks, challenges and characteristics proper of Colombia, and furtherly creating new ones. Even if the international foreign aid will account for a substantial part of the needed funds for the post-conflict state-building process, the bulk of the sum will have to come from the



national budget. For this, as it will be explained, a better management of the available resources will have to take place. The Colombian public spending and debt has been increasing during the Juan Manuel Santos' administration, and has not been precisely characterized by transparency and frugality. Achieving the agreement's main goal - that is, the termination of conflict for a stable and enduring peace will depend on the sustainability –both fiscal and social– of the agreement and a well-managed transition on the short, medium and long-terms.

As a conclusion, this thesis argues that if a smooth and successful transition wants to be achieved, and the potential economic dividends as presented by the DNP report want to be achieved and maybe overcome, a lot of effort, transparency, and trust-building in institutions –institutionalism– will have to be put into it. Rural development, productivity stagnation, diversification of the economy away from extractives, and inequality among regions and people are the main economic issues that must be tackled by sound macroeconomic policies.

As rural development is concerned, policies will have to focus on education and labor opportunities, that reject the idea of assistentialism and boost the productivity in the sector to attract investments –both foreign and private. State presence in rural areas will be fundamental in this point to prevent cycles of violence and effectively encourage development.

As productivity is concerned, efforts to diversify the economy away from extractives, promoting the added value of agricultural production and industry is key. For this, investment in research and development, as well as the improvement of both education quality and equality will be essential, in order to match the demand of skills of firms and improve country's performance on learning outcomes (i.e. PISA tests).

As inequality is concerned, policies will have to be well-targeted if these concern cash transfers, considering always the importance of avoiding assistentialism, and acknowledging that what will eliminate inequality in the long-term is equality of opportunity (political, economic and social) empowering individuals, and not charity. Labor market as a mechanism for inclusion and long-run growth and development will be presented as a solid possibility.

The agreement's implementation will require special attention on those weaknesses it presents, to avoid not only falling back into conflict, but worsening the situation overall. The absence of war is not peace and peace is not only a reached or unreached state. The vagueness that characterizes the text of the agreement reveals an immense flaw, that if taken advantage by the wrong group or addressed incorrectly by political institutions, could lead to a big disaster.

## **Historical Background**

### **Importance of uneven territorial distribution**

The SCD argues that Colombia possesses three defining characteristics that have deep historical roots and condition the achievement of the twin goals of poverty eradication and shared prosperity identified by the WBG. First, an uneven territorial development; second, the presence of armed conflict,<sup>5</sup> and third, almost two decades of extractives-based economic growth. These three defining characteristics have evolved to be what they are now: true constraints for development. For this reason, it is important to underline the existence of an uneven land territorial distribution and its origins, arguing many of the peculiarities of the Colombian case derive from the

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<sup>5</sup> It is important to underline that the report was delivered in June 2015, therefore before the final agreement was concluded. It considers the fact that peace talks were already taking place, but still no text had been drafted.

colonial period, and its legacy of an unequal land distribution, exclusive and extractive institutions, and social and political inequality.

### Colonial legacy of territorial inequality and exclusive institutions

European colonization is a fascinating and very complex event to study because of its never-ending consequences and impacts, especially for development. In their work “The Colonial Origins of Comparative Development: An Empirical Investigation,” Acemoglu et al., (2000) argue that European colonizers adopted very diverse colonization strategies in different colonies by implementing different institutions. Their choice towards one strategy or the other, they argue, was determined mostly by whether Europeans could settle in the colony. Wherever colonizers faced high mortality rates, it was not on their interest to implement inclusive and distributive institutions because their main goal was to extract resources and bring them back to the motherland since staying and settling was not favorable. Extractive institutions did not introduce relevant amount of protection for private property or provided for checks and balances against expropriation, since in fact, the main purpose was to transfer as much resources to the colonizer with the minimum investment possible. Their study argues that these institutions persisted through time and preserved these characteristics, now displayed on the countries’ current performance expressed in their income per capita.

In their work, they present this “institutional path-dependence theory” concluding that current institutional performance (measured by expropriation risks) is explained by implemented institutions by European colonizers, and their estimates imply that differences in institutions explain approximately three-quarters of the GDP per capita differences across former colonies. Results show that settler mortality alone explains over 25% of the variation in this index of institutions. The Nobel Prize in Economics Douglass North (1993) argues that institutional settings and their changes are more

important in explaining development than, for instance, technological change or physical capital accumulation. (North, 1990) The cruciality of institutions will be discussed in detail later on.

The main objective of the Spanish and Portuguese in Latin America during the 17th and 18th centuries they argue, was to obtain gold and other valuables. There were few constraints on state power, and the colonizers set up authoritarian states with the purpose of solidifying their control and facilitating the extraction of resources. Evidence for the persistence of extractive state institutions into the present is provided by the persistence of the most prominent extractive policies, which in Latin America remained intact for most of the nineteenth century. (Acemoglu, et. al., 2000)

The importance of this correlation is that according to the SCD for Colombia, an uneven territorial development as one of the main bottlenecks of Colombian growth and development. These divergence is now visible in the form of persistent gaps in standards of living between urban and rural areas, and across regions. This is made worse by conflict, the country's geography, weak local governance, and inequitable land ownership. Territorial distribution and geographical conditions do really play a role in the country's –and every country's– path to development.<sup>6</sup> In the words of David Bushnell –the historian who has probably studied Colombia the most– in his famous book “The Making of Modern Colombia: A Nation in Spite of Itself,” “In the beginning there were mountains, plains and rivers, but especially mountains; no one geographic feature has so molded the history of Colombia as the Andes.” (Bushnell, 1993, p. I)

What matters about these analyses is that Colombia presented determinate characteristics, which led Europeans to implement extractive and non-inclusive institutions. These institutions and exclusive social practices persisted and led to a

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<sup>6</sup> For the role of geographic conditions and characteristics in development, see Diamond, J. M., & Ordunio, D., 1997.

highly unequal territorial distribution among rich and poor people, ethnicities, rural and urban population, and needless to say, this evolved into high tensions among the people. As Cristina Rojas, PhD., professor in the Department of Political Science and director of the Institute of Political Economy at Carleton University argues, in Colombia, conflict over territory has always been at the center of the armed confrontation, for political, cultural and economic reasons. She argues that the violence linked to territory is a form of the mis-recognition of identities. “According to this hierarchy of the recognition of identities a ‘white and enlightened elite’ living in the so-called civilized highland regions, took for themselves the power to transform, by force if necessary, the black and indigenous people living in lowland regions in the nineteenth century.” (Rojas & Meltzer, 2005, p. 218)

After the independence struggle, property was obtained through “individual occupation” and work in the colonized land for a period of 10 years.<sup>7</sup> The result was that of land concentration in the hands of some property elites. (Banco de la República, 1884) Tensions increased decades later among settlers –who were such according to the law, if they had been working the land for 10 years– and legal owners who had leased the terrain to the settler.

#### Political and social dysfunctions: bipartisan violence

By the mid-twentieth century, dysfunctional aspects of social, political and territorial development were increasingly evident as economic growth continued. The political currents born during the struggle for independence were formalized in 1849 when two political parties were established: The Conservative party and The Liberal party. Rivalry between these persisted through the century and was carried on into the next one; characterized by several clashes and insurrections. In 1899 a Liberal revolt

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<sup>7</sup> Law 48 of 1882 stated that the person that wanted to become owners should make productive use of the land for a period of 10 years. (Banco de la República, 1884)

turned into a full-blown civil war –the so-called War of a Thousand Days– which resulted in a Conservative victory, but did not resolve the underlying tensions between both political forces. (Henao & Arrubla, 1920) The struggle between Conservatives and Liberals broke out into a period known as “La Violencia” from 1948 to 1957 and left around 200,000 victims in what was not even an openly-declared rebellion or civil war.<sup>8</sup> Bipartisan violence was one of the main reasons for the outbreak of La Violencia, but the increasing rural poverty in spite of growing GDP additionally created an environment of resentment among both rural and urban population, fostered by the widespread violent atmosphere. Same reasons led guerrilla organizations to grow increasingly strong in rural areas.

A military coup by the General Gustavo Rojas Pinilla overthrew the Conservative government of Laureano Gómez in 1953. For some time, La Violencia violence calmed down. However, Rojas’ attention was captured by other issues far away from winning over the guerrillas, and eventually violence raised up once again. “Between 1953 and 1955 La Violencia gradually changed character, transforming itself largely from political to economic in motivation and from guerrilla to bandit in character.” (N. Bailey, 1967) During this phase, the “independent” or “soviet republics” groups formed, composed by rebellious peasants, communistically oriented in its most primitive sense of equality and distribution.<sup>9</sup>

La Violencia was the culmination of increasing frustration among all strata of Colombian society. Rojas tried brute force against those who failed to accept his overtures, but without much success. His oppressive and arbitrary actions led his support among both parties to erode, and in 1957 the leaders of the Conservative and

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<sup>8</sup> The episode that made the struggle explode was the assassination of the Liberal Presidential candidate Jorge Eliécer Gaitán in April 9th, 1948 on the streets of Bogotá, which led to two days of outbreak in the main cities, characterized by killings, bloodsheds, destruction of public buildings and incredible amounts of terror. This day is remembered by Colombians as “El Bogotazo.”

<sup>9</sup> While economic banditry continued, groups of Communists and Jacobin leftists inspired by Fidel Castro began to infiltrate both the soviet republics and the bandit criminal organizations, hoping to ideologize them and turn them into a “Liberation Army” for a Castro-style overthrow of the Colombian government.

Liberal parties joined to overthrow Rojas and restore party hegemony in Colombia in a formula called National Front. It was a proposal of alternation, intended to last 16 years with two conservative and two liberal governments rotating mandates between them. The arrangement greatly diminished widespread violence at the beginning, but excluded political dissidents, which contributed greatly to emergence of leftist guerrilla groups in 1960's, and bipartisan violence slowly became subversive terror.

### Birth of guerrilla movements

One of these leftist guerrilla organizations were the pro-soviet Revolutionary Armed Forces of Colombia (FARC); an evolution of communist self-defense forces, mainly conformed by rural *campesinos* who survived through the National Front and never made peace with Rojas. The Army of National Liberation (ELN), another leftist guerrilla inspired by the Cuban Revolution remained on the other hand mainly formed by urban population, rebel students and professionals. Alberto Lleras Camargo, first Liberal President of the National Front arrangement, pushed for an Agrarian reform which passed in 1961 to ease up the tensions and social unrest in the countryside. Even if it was aimed at solving the problem once and for all, very little was accomplished, and territorial, political and social tensions remained. Additional to the previously mentioned groups ELN and FACR, other guerrilla movements born during the period were the 19th April Movement (M-19) and the Popular Liberation Army (EPL).

The historical background provided above is important in order understand how the armed conflict has evolved to become what it did. Although, it is difficult to speak about it already as a past and concluded event, because the signing of peace agreement does not mean the conflict has ended. Now the text needs to be implemented, crucial points and moves will have to take place. Furthermore, the agreement was concluded only with the FARC group, which even if it could be

identified as the prominent guerrilla group, it is not the only one.<sup>10</sup> The impacts and effects of the armed conflict are countless. Other than the victims, the internally displaced people and the suffering, there have also been tremendous socioeconomic consequences for the country that have created obstacles for development. Loss of human and physical capital, decrease in trust of both consumers and foreign investors, destruction of productivity levels, among others. This is the reason why the SCD identifies the existence of the armed conflict in Colombia as one of the main challenges hindering development.

## **Peace agreements**

### A history of never-good-enough attempts

Historically, the Colombian state has always tried to put an end to conflict by means of war. Nevertheless, this strategy during the last 50 years where conflict has been latent, has been accompanied by several attempts to reach different peace agreements with these armed groups. Since 1982, Colombia has tried to negotiate 7 peace agreements, and failed 6 times. Some reasons for past failures include how strong these groups used to be at the time of negotiations, and therefore the pressure and conditions they could bargain for. (Gutiérrez, 2012)

Why Colombia had not been able, until now, to reach a peace agreement? According to Marc Chernick, director of Andean and Amazonian Studies at Georgetown University, the most used excuse has always been “Colombian case is exceptional. Colombia is not Israel, is not El Salvador. Palestinians and Israeli can reach an agreement, but Colombia cannot.” (Chernick, 1996) Now, events have shown otherwise; but it is important to know what caused the failure of past attempts, and

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<sup>10</sup> Peace talks have initiated between Colombian Government and ELN guerrilla on 7th February 2017 in Quito, Ecuador. The ELN is considered as the second largest armed group in the country after the FARC. (Chernick, 1996)



especially the impacts they had, mainly by underlining what each one contributed to the outcome Colombia has reached in 2016 with the final agreement.

President Belisario Betancur (1982-1986) in 1982 added two important elements to the national political discourse: first, it recognized armed opposition as a political actor and therefore the necessity to open dialogues with it. Second, it established that Colombia needed a democratic opening towards new political ideas. President Virgilio Barco (1986-1990) reduced the scope of negotiations to disarmament and inclusion into legal political life, but his methodology was to legitimize the government and delegitimize the armed groups. (Chernick, 1996) Barco's strategy impeded negotiations, cease fire agreements were violated, and violence incremented. Although, it did achieve the demobilization of the M-19 armed group, and most of the EPL in 1990. President Cesar Gaviria's (1990-1994) efforts were clearly blurred by the instability created in 1989 by the assassination of the presidential candidate Galán,<sup>11</sup> the assassination of the left-wing candidate Carlos Pizarro –ex-member of the M-19 after demobilization– the war against the drug-trafficking lord Pablo Escobar, and many international events related to drug-trafficking that debilitated Colombia and empowered guerrilla groups. Ernesto Samper's government (1994-1998) important contribution was the rebirth of the idea that guerrilla groups needed to be recognized as political actors and possible participants in the democratic system. Without political inclusion, peace would never be reached. He implemented the Law 418 of 1997 “by which are consecrated instruments for the search of coexistence, the effectiveness of justice,” reopened the possibility of negotiating peace agreements with armed groups by establishing legal framework for dialogues. (Unidad de víctimas, Gobierno de Colombia, 1996) Under President Andrés Pastrana (1998-2002), last formal dialogue before the recently concluded one took place. The Caguán Peace Process cleared 42.000 km<sup>2</sup> of territory

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<sup>11</sup> Luis Carlos Galán was a Colombian journalist and liberal politician who ran for the presidency of Colombia on two occasions. After declaring himself as an enemy of the dangerous and influential Colombian drug cartels, mainly the Medellín Cartel led by Pablo Escobar, Galán was shot and killed on August 18, 1989. (Revista Semana, 2007)

to create a dissension zone in 1998 for the FARC, but was abolished by Pastrana in 2002 due to various actions by the FARC, mainly the kidnapping of three U.S citizens, and of Senator Jorge Gechem. (CIDOB, 2016), (González, 2004)

### U.S foreign policy

The role played by the United States' foreign policy in the Colombian conflict is a very crucial factor on its escalation and development, that needs to be considered at this point for the notable impact it has had.

President at the time Richard Nixon in 1971 shifted his country's military efforts and attention by declaring the (in)famous "war on drugs" due to worries of its uncontrollable increasing use and popularity. In the following decades, especially with the end of the Cold War and due to the black hole that it left in terms of an external enemy for the United States, efforts and initiatives directed towards it reached its highest peak.

"Viewing drug trafficking as such led to the involvement of the American military in counter-narcotic operations and to the putting in place of measures such as a 'certification' that allowed the U.S president and Congress influence drug-producing countries and to evaluate their cooperation in the war on drugs. This one-dimensional identification of the problem led to military and police interdiction to block the entry of drugs into the United States. [...] These interventions were consistent with the view of Colombia as a 'problem-country' in terms of regional security." (Rojas & Meltzer, 2005, p. 215) This foreign policy focus revolutionized the strategic approach that Colombia had to give to its problem, and most of all it created incredible amounts of external pressure for the country.

Drug-trafficking, presenting itself as the most profitable activity during the second half of the 1990's, triggered the entrance of the FARC and paramilitary groups in the drug-trafficking activities to finance their criminal operations, all this facilitated as well by the death of the biggest cartels in the country: The Medellin and the Cali Cartels, and of the drug lord Pablo Escobar in 1993. In response to the increase in cocaine production activities and the heavy violence that was taking place in the region, in 1999-2001 the U.S government approved a US\$1.3 billion aid package called "Plan Colombia," mostly earmarked for military hardware for anti-drug efforts. Except for the Middle East and Afghanistan, in 2009 Colombia remained the largest recipient of U.S. assistance, receiving a total of at least US\$5 billion in Plan Colombia U.S. aid in the 2000–2008 period. (Federal Research Division of the Library of Congress, 2010, p. lxxvi)

All these elements not only hindered the possibility for concluding peace agreements or carrying out negotiations, blowing up any chance of conciliation. After the terrorist attacks of September 2001 in New York, "the expansion of the U.S. mission in Colombia from a 'war on drugs' to a 'war on terror' had two immediate effects. It contributed to the intensification of Colombia's military campaign against the FARC and triggered Colombia's reframing of its armed conflict and the illegal drug business according to the antiterrorist logic." (Federal Research Division of the Library of Congress, 2010, p. 344) A war on drug-trafficking, became a war on narcoterrorism.

When Álvaro Uribe Velez won the presidency in 2002, he set as main goal to restore security in Colombia. In the field of peace negotiations, Uribe's most important achievement was demobilizing the *Autodefensas Unidas de Colombia* (AUC) paramilitary group in 2006. His administration's military offensive had a highly significant effect on the FARC's fighting force, very much helped by U.S's aid coming from Plan Colombia.

## Promised paradise: 2016 Peace Agreement

After those several attempts to negotiate peace with terrorist armed groups present in the country, Colombia has recently done what could be a light at the end of the tunnel. The goal of the peace talks held at La Habana, Cuba debuting on the 6th November 2012 and concluded on the 24th of August 2016, was to put an end to armed conflict with the FARC in Colombia. The original version agreement was signed on the 26th of September 2016, and the plebiscite was held on the 2nd of October 2016.

### i) Political events and developments

According to Gerson Iván Arias, dialogue advisor of the High Peace Committee Office in Colombia, the main flaws of past attempts for negotiations concerned the reinsertion of ex-guerrilla members into society, the absence of international support and the low impact it had on rural regions. Arias speaks about how the learned lessons and current advantageous climate, made clear what needed to change and how. (Government of Colombia, 2016d)

Besides from the learned experience of past processes, the fact that since 2003 the public forces initiative was greater than FARC's combat initiative shows that they were clearly weakened after Uribe's two presidential mandates.<sup>12</sup> Having an advantaged position, Arias says, allowed for confidence and stronger bargaining position at the time of negotiation. After signing the Law of Victims and Land Restitution (Law 1448 of 2011) "by which measures of attention, assistance and integral reparation to the victims of the internal armed conflict are dictated"<sup>13</sup> the Colombian state formally recognized victims of armed conflict as such, granting them the right to claim due reparations. The international climate was favorable, as the

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<sup>12</sup> See table "Evolution of conflict, measured by combats between FARC and Military Forces from 1990 to 2011" (Government of Colombia, 2016d)

<sup>13</sup> For specific law consultation see Biblioteca del Senado de Colombia, 2011

world was putting pressure on Colombia to put an end to one of the longest civil wars in the planet. Some of the most relevant figures were Pope Francis, President of the U.S Barack Obama at the time, Secretary General of the United Nations Ban Ki-moon at the time, among others. After the failed attempts to reach a peace agreement, another peace process was seen with skepticism by Colombian society. The role of international players proved essential in its conclusion, and will be crucial in supporting and verifying its implementation to restore the confidence in the outcome. Finally, it was decided to have an endorsement mechanism that democratically involved citizens on the final decision: a plebiscite would finally decide on the final yes or no, even if by law, it was not mandatory to have one.

The results of the plebiscite held on 2 of October 2016 show a rejection from Colombian voters by a very small majority. 50,21% (6.431.376 in number) of the population voted against the agreement, against most predictions.<sup>14</sup> Looking for a way to save the process and the important achievements that had been reached, the government started considering other possibilities. The Colombian Constitutional Court on the 18th of July 2016 declared with the Sentence C-379 that rejecting the binding character of a plebiscite would imply ignoring the people, but noted that “the effects of the plebiscite are confined to the President of the Republic [...]: the branches of the public power continue counting on the totality of its attributions.” Instead of accepting the result, the government, as a strategy to impose its will and save something of what had been reached, accepted to change some points of the final agreement in collaboration with the opposition. President Santos and ex-President Álvaro Uribe, the leader of the ‘no’ campaign in the referendum, along with other opponents of the agreement, met to try to save the process. The opposition proposed amendments to the text, mainly on impunity for crimes –the amnesty law– and the “Special Jurisdiction for Peace.”

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<sup>14</sup> See complete results at Registraduría Nacional del Estado Civil Colombiano, 2016

Instead of carrying out a second referendum, the government replaced in a juridical manner the people with the Congress. It granted to the decisions of the Congress itself the validity of a popular endorsement, on the grounds that it had been elected by the people. No second plebiscite was carried, but the new agreement was still added to the Constitutional Block. Additionally, the Constitutional Court issued a judgment approving the proposal of a “Fast-Track” procedure to approve in a short time what it submits to its consideration in the agreement’s matters. The FARC guerrillas and the Colombian government announced on the November 12th at La Habana, that they had agreed on a revised peace treaty. The final agreement was signed on the 24th November 2016, even if the applied modifications did not satisfy the opposition who considered them superficial retouches.

## ii) Revision

Very briefly, main changes between the first and second version of the text are:

- The Special Jurisdiction for Peace is maintained, but its characteristics are modified. For example, there will be no foreign magistrates, and it will have a duration of 10 years (extendable for 5 additional years).
- The FARC specifically commit to repair the victims with their illegal fortunes, which they had denied so far.
- There will be no jail for those ex-combatants who confess and collaborate fully, but those who receive this benefit will only be able to move in areas whose extension will not exceed that of the areas agreed for demobilization established by the judge.
- Finally, contrary to the previous version, the ratified agreement will not be integrally added to the Constitution, but will be part of the constitutional block. Nevertheless, the agreement cannot be amended for twelve years.

### iii) Contents: The big six

The final peace accord with the FARC is composed by six main points:

- Rural integral development policy
- Political participation: democratic opening to build peace
- Ceasefire, disarmament and demobilization
- Solution to the problem of illicit drugs
- Reparation of victims: integral system of truth, justice, reparation and non-repetition
- Implementation, verification and endorsement

With its official name being “Final agreement for the termination of conflict and the construction of a stable and lasting peace,” it seeks “to leave behind violence, combat drug-trafficking, guarantee victims' rights to the truth, justice and reparation, expand democracy, promote rural development, strengthen the presence of the state in the territories and boost participation of communities.” (Government of Colombia, 2016a) Whether this statement is very positive and more ideal than real as many think, the issue will remain a doubt until outcomes are reached.

Now, let us analyze in a synthetic manner the contents of these points. For this, the textual words of the official text<sup>15</sup> will be used, not minding the fact that some arguments and points sound, once again, too positive or ideal.

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<sup>15</sup> Refer to full agreement: Alto Comisionado para la Paz, 2016

i) Rural integral development policy

Will contribute to the structural transformation of the countryside, closing the gaps between rural and urban areas, and creating conditions of well-being and good living for the rural population. An "Integral Rural Reform" should integrate regions, contribute to eradicating poverty, promoting equality and ensuring the full enjoyment of human rights.

ii) Political participation: democratic opening to build peace

Building and consolidating peace in the context of conflict resolution requires a democratic expansion that will allow new forces to emerge on the political scene to enrich the debate and deliberation around the great national problems. In addition, it will allow for strengthening of pluralism and therefore the representation of the different visions and interests of society, with the due guarantees for participation and political inclusion.

The implementation of the Final Agreement will contribute to the expansion and deepening of democracy as it will involve the abandonment of arms and the proscription of violence as a method of political action to move to a scenario in which democracy prevails, with full guarantees for those who participate in politics, by the creation of new spaces for participation.

This point comprises a minimum of seats both in the Senate and the Chamber of Representatives for the FARC, from 2018 elections. They will have to be able to get their own seats after the 2022 elections.

iii) Ceasefire, disarmament and demobilization

Has the objective of the definitive termination of offensive actions between the Public Force and the FARC, and in general of the hostilities affecting the population. This



seeks to create the conditions for the beginning of the implementation of the agreement, and the country for the reincorporation of the FARC into civilian life.

This point contains a “Reincorporation of the FARC to civil life – economic, social and political– according to their interests” agreement. The reincorporation ratifies the FARC's commitment to close the chapter of internal conflict, become a valid actor within democracy and contribute decisively to the consolidation of peaceful coexistence, non-repetition and transformation of conditions that have facilitated persistence of violence in the territory.

It also includes an agreement on “Security guarantees and the fight against criminal organizations responsible for killings or massacres or attacks against human rights defenders, social movements or political movements, including criminal organizations which have been designated as successors of paramilitaries and their support networks, and the prosecution of criminal conduct that threatens the implementation of the agreements and the construction of peace.” To this end, the complete agreement includes measures such as the National Political Pact; The National Commission for Security Guarantees; The Special Investigation Unit; The Elite Corps in the National Police; The Integral System of Security for the Exercise of the Policy; The Comprehensive Program on Security and Protection for Communities and Organizations in the Territories; and the Prevention and Fight against Corruption Measures.

#### iv) Solution to the problem of illicit drugs

Peace building requires the necessity to find a definitive solution to the problem of illicit drugs, including their crops, production and marketing. To this end, it establishes a new vision to the phenomenon of consumption, to the problem of illicit crops, and to organized crime associated with drug-trafficking, ensuring an approach guaranteeing human rights, public health, and gender equality.

- v)      Reparation of victims: integral system of truth, justice, reparation and non-repetition

The agreement creates the Comprehensive System of Truth, Justice, Reparation and Non-Repetition, which contributes to the fight against impunity by combining judicial mechanisms that allow for the investigation and punishment of serious violations of human rights, guaranteeing international humanitarian law. Complementary extrajudicial mechanisms will contribute to the clarification of the truth of events, the search for missing people and the reparation of the damage caused to individuals, groups and entire territories.

The Integral System is composed of the Commission for the Clarification of Truth, Coexistence and Non-Repetition; The Special Unit for the Search of Persons in the context of the armed conflict; The Special Jurisdiction for Peace; Comprehensive peace-building measures; and Non-Repetition Warranties.

- vi)      Implementation, verification and endorsement

This point creates a “Commission for Follow-up, Impulse and Verification of the Implementation of the Final Agreement”, composed of both Government and FARC representatives, to –inter alia– monitor the implementation of the Agreement and verify their compliance. It will serve as instance for the resolution of differences, and the impulse and follow-up to the legislative implementation.

In addition, it creates an accompanying mechanism for the international community to contribute in a variety of ways to guaranteeing its implementation. The international component for the verification process is set up, composed of the countries that during the process have played the role of Guarantors (Cuba and Norway) and Accompanying (Venezuela and Chile) countries, and two international

vocations, all supported in the technical capacity of the Project of the Kroc Institute of International Peace Studies of the University of Notre Dame of the United States.

### Proposals on the table

Now that the revised version of the agreement has been signed, questions regarding where and how available funds<sup>16</sup> will be invested arise. Public opinion<sup>17</sup> agreement itself, have focused mainly idea of rural development as one of the most crucial points for Colombia to initiate what will be its post-conflict path towards development. There is a lot of controversy on whether focusing too much on the rural sector will effectively bring growth, since by definition, the former is a low productivity sector. But if something is clear today is that with the end of armed conflict in the country, one of the biggest beneficiaries will be the rural sector, which according to the Mission of the Transformation of Rural Colombia, covers about 140 municipalities, 30% of the population, that is, about 4.8 million Colombians.<sup>18</sup> In fact, the SCD identifies the “uneven territorial development” and the “presence of armed conflict” not only as strictly related, but also as two of the three identified characteristics proper to the country hindering its development.

According to the Colombia Policy Notes 2014 report “Towards sustainable peace, poverty eradication, and shared prosperity”, the agreement will accelerate political,

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<sup>16</sup> There is no precision regarding available funds, which is a big problem for estimations of costs and benefits. Funds created by the international community, for example the United Nations or the European Union, lack specifications of a precise sum. Also, the Government has not clearly defined the budget that will be assigned to the whole post-conflict scenario. This, again, complicates estimations for studies and policies, but also it diminishes the trust that citizens attach to the process.

<sup>17</sup> Revista Semana (6 February, 2016): El agro: Una oportunidad de oro. Retrived January 2017 from: <http://www.semana.com/nacion/articulo/el-futuro-del-campo-colombiano-cuando-se-acabe-la-guerra/505519>  
Periódico Portafolio (26 September, 2016): *El agro es la gran esperanza*. Retrived December 2016 from: <http://www.portafolio.co/economia/el-agro-es-la-gran-esperanza-500563>

Revista Semana (15 November, 2016): *Así podría ser el campo colombiano en el posconflicto*. Retrived January 2017 from: <http://www.semana.com/economia/articulo/colombia-potencia-alimentaria-y-agricola/459490>

<sup>18</sup> “Misión para la Transformación del Campo Colombiano” is a governmental initiative guided by the *Departamento Nacional de Planeación* (DNP) through which the guidelines of public policy will be defined for better public investment decisions for rural and agricultural development over the next 20 years to help transform the Colombian countryside. For more details see: (DNP, s.f.)

security, and development aspects at the national regional level. Government's greatest challenge to ensure the transition's success will be to guarantee stability while strengthening current institutions and trust on them, and preventing cycles of violence from recurring. Peace transition will need to be inclusive, participatory, sustainable and transparent. (WBG, 2014) Policy possibilities are many, but considering the vast potential of the Colombian agricultural sector and its crucial role in alleviating the damages left by armed conflict after all these years, rural development has been identified as one of the priorities of the agreement, and where most funds will be devoted to.

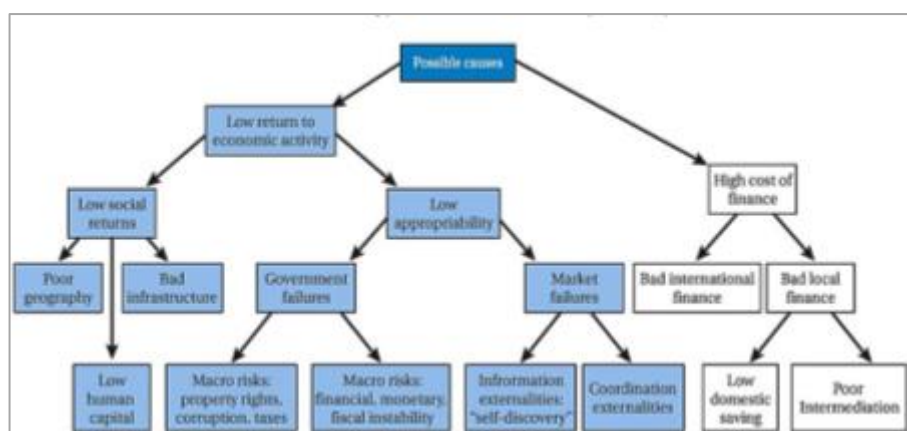
### Post-Conflict Development

As Amartya Sen writes in his famous book 'Development as Freedom', "Development can be seen as a process of expanding the real freedoms that people enjoy. Focusing on human freedoms contrasts with narrower views of development, such as identifying development with the growth of gross national product, or with the rise in personal incomes, or with industrialization, or with technological advance, or with social modernization. Growth of GNP or of individual incomes can, of course, be very important as means to expanding the freedoms enjoyed by the members of the society. But freedoms depend also on other determinants, such as social and economic arrangements (for example, facilities for education and health care) as well as political and civil rights (for example, the liberty to participate in public discussion and scrutiny). Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of repressive states." (Sen, 1999, p. 3) Economic poverty itself is crucial, because it precludes people of the "freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illnesses, or the opportunity to be adequately clothed or sheltered, or to enjoy clean water or sanitary facilities." (Sen, 1999, p. 4)

Following Sen's ideas, it is evident that development concerns both material and un-material resources –freedoms– for an individual to live a successful life. Economic means are necessary, but they are not the only required component: people need to be free, and for this, armed conflict needs not to exist.

Straightaway, let us turn into SCD diagnosis. It is important to add that many of the macroeconomic data in the on the report cover until 2015 at its best, which is why updated data has replaced last numbers using the *Departamento Administrativo Nacional de Estadística* (DANE) official reports. The SCD diagnosis follows the structure of the Growth Diagnostic Approach developed by Hausmann et. al. (2005). The latter studies a country's most binding constraints on its economy, using a tree-like approach to reforms for policymakers. The idea behind this approach is that trying to reform every constraining issue is both impossible and impractical, and therefore a country should focus on its most pressing bottlenecks (Figure 1). "The principle to be followed is simple: go for the reforms that alleviate the most binding constraints and, hence, produce the biggest bang for the reform buck. Rather than use a spray-gun approach in the hope that we will somehow hit the target, focus on the bottlenecks directly." (Hausmann et. al., 2005)

Figure 1: Growth Diagnostics Tree  
Problem: Low levels of private investment and entrepreneurship

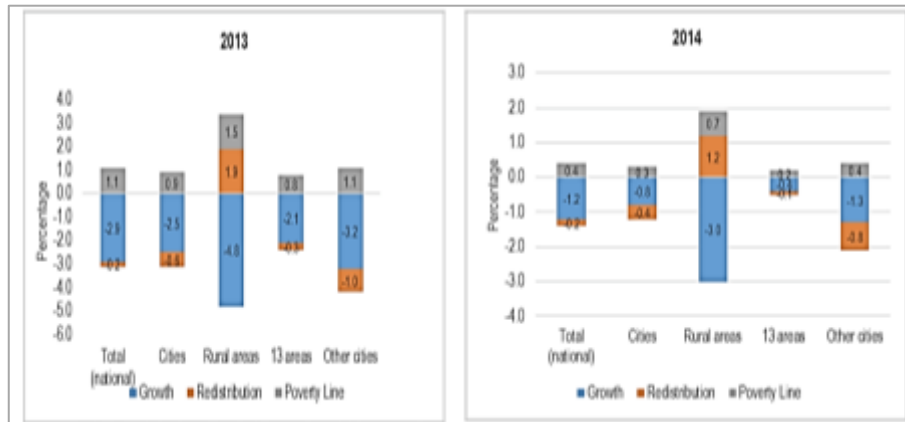


Source: Hausmann, R., Rodrik, D. & Velasco, A. (2005). *Growth Diagnostics*. Harvard University, John F. Kennedy School of Government.

## Country Diagnosis

Colombia has made impressive strides in reducing poverty and promoting shared prosperity during the last decade. Extreme poverty fell from 17.7% in 2002 to 8.5% in 2016, while total poverty (including moderate poverty) fell from 49.7% in 2002 to 28.0% in 2016. It has also made huge improvements in the fields of unemployment, which has dropped from 15.8% in 2002 to 10.5% in 2017. Inequality as measured by the Gini coefficient has reduced substantially, from 58.25 in 2002 to 51.7 in 2016. The economy sustained an average GDP growth of 4.4 % during the 2000s, almost 2% average points higher than the previous decade. Currently, with the fall on oil prices in mid-2014, these levels have been affected, and for 2016 the country presented a 2% GDP growth rate. Still, for the period 2002-2013, economic growth explains 73% of the reduction in extreme poverty and 84% of the reduction in total poverty. (DANE, 2016a; DANE, 2017) (Figure 2)

Figure 2: Decomposition of Poverty Change into Growth-Redistribution and Inflation, 2013-2014



Source: WBG, 2015

According to the SCD, however, important challenges remain and the country needs to step up its efforts to build on these successes. Its inequality is among the top in the region, one of the highest in the world, and poverty numbers are deplorable. Challenges arising from the new scenario posed by the post-conflict era will have to be tackled to have a successful transition, and effectively develop in a way that is inclusive and sustainable, socially, fiscally and environmentally.

### Colombia's defining characteristics

As it was mentioned before, the SCD argues that Colombia possesses three defining characteristics with deep historical roots that condition the achievement of poverty eradication and shared prosperity (twin goals of the WB) in a sustainable manner. These are: i) an uneven territorial development; ii) the presence of armed conflict; and iii) an extractives-based economic growth.

Colombia's lack of territorial integration is characterized by huge gaps in standards of living between urban and rural areas, and across geographic regions. As it was

argued before, the country's territorial inequality is deep-rooted, and is one of the main causes of social conflict since colonial times. This characteristic has been made worse by the armed conflict, which throughout the years has resulted in 5'712,506 IDPs between 1985 and 2012, but also by the country's geographical characteristics that contribute to a weak local governance, absence of the state, and low quality of transport infrastructure.

As for the second characteristic, it is necessary to consider once again that this report was written after the negotiations at La Habana started in 2012, but before the agreement was effectively concluded in 2016. Still, the presence of armed conflict is a factor that has contributed to the country's underdevelopment in many ways. These effects will be carefully analyzed later, by showing the economic and social impacts it has had on Colombia's development path and its macroeconomic performance. For now, it is important to underline that even if an agreement has been reached with the FARC, there are still other terrorist armed groups present such as the ELN.<sup>19</sup> Furthermore, effects of the conflict will continue to show for a long time, as the transition process is never immediate.<sup>20</sup> It has left approximately 220,000 victims between 1958 and 2013, of which 81% have been civilians, and the with 5'712,506 people forced out of their homes since 1985, Colombia holds the world's second largest population of IDPs after Syria. Some economists estimate that, on average, countries in conflict could add 1.5% points to its annual growth rate if the country were at peace. (WBG, 2015)

Lastly, regarding the third characteristic, the recent emergence of Colombia's extractives industries (mainly oil, but also coal and gold) have accelerated economic growth and provided record investment funding for development, but pose questions

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<sup>19</sup> Colombian government officially started negotiations with the ELN on the 8 Feb 2017 in Quito, Ecuador, but nothing concrete can be said about them yet. For details see (WOLA, 2017)

<sup>20</sup> Some long-term effects of armed conflict affecting growth and development like destruction of human and social capital



about the future sustainability of the country's growth model. The volume of oil extracted nearly doubled from 530 BBL/D/1K (thousand barrels per day) in 2007 to almost 955 BBL/D/1K in 2016.

Figure 3: Colombia Crude Oil Production



Source: Trading Economics, 2017b

The surge in extractive activities can be attributed in large part to the opening up of the energy sector (the incorporation of Ecopetrol<sup>21</sup> as a publicly traded company) in 2003, and the recovery of state control over many resource-rich territories from armed groups in the last years.

As the report is designed to investigate the main challenges of achieving economic growth and development, and social inclusion in a sustainable manner, it correlates the three characteristics to these dimensions of analysis (growth, inclusion and sustainability) and presents what emerges as the key development constraints or obstacles faced by Colombia today.

<sup>21</sup> Ecopetrol, formerly known as Empresa Colombiana de Petróleos S.A. is the largest and primary petroleum company in Colombia. It belongs to the group of the 25 largest petroleum companies in the world, and it is one of the four principal petroleum companies in Latin America

## Obstacles for Growth

Table 1: Growth-related constrains mapped onto Colombia's distinguishing characteristics.

<i>Uneven Territorial Development</i>	Low connectivity and investment gap in physical infrastructure, especially transport, partially due to institutional constraints.
<i>Armed Conflict</i>	Low property rights and disruptions in production - Land tenure and land market institutions hinder growth
<i>Extractives-based growth</i>	Slow productivity growth in non-extractive activities, linked to limited exposure to domestic and external competition.
<i>Systemic</i>	Financial sector provides insufficient support to individuals and small firms Provision of productive skills is not aligned with firms' demand Low levels of international trade

Source: WBG, 2015

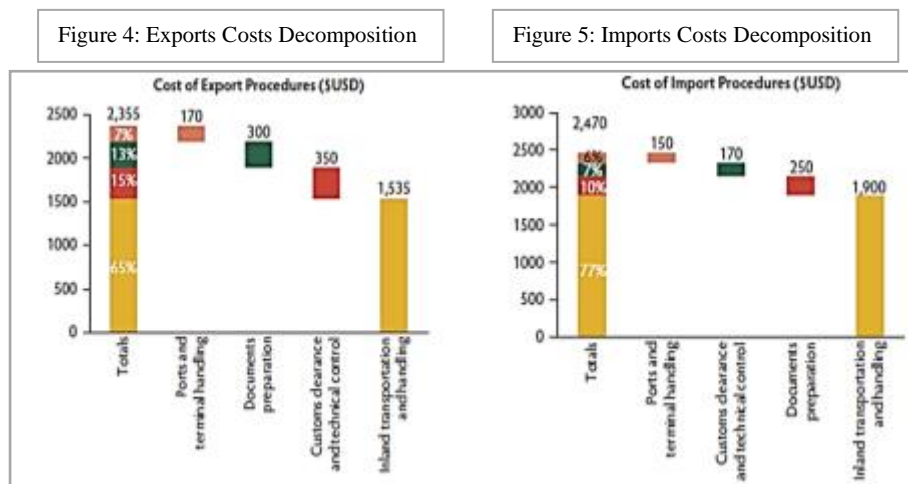
Even if economic growth has been experienced at an overall level, it was not shared by all regions. Regional differences in per capita income are primarily explained by differences in productivity/efficiency. Low quality and access to education has been identified as one of the main bottlenecks hindering growth and productivity. Likewise, the quality of transport infrastructure differs greatly across regions affecting the country's capacity to connect with global markets. State's presence tends to be very low in rural areas and this has an implication over service delivery and security. Finally, the overall fiscal system (taxes and transfers) shows a limited redistributive capacity. (WBG, 2015)

Territorial development has been hampered by armed conflict because of the larger impact it has had on rural areas, destroying human, social and physical capital. These characteristics are made worse by the country's geographical factors, which bless it with natural resources and biodiversity, but complicate transportation and infrastructural development inside its borders. Hausmann et. al (2005) on their diagnostics tree (Figure 1), argue that low real return to economic activity may be caused by low social returns, resulting from poor geography bad infrastructure and/or

low human capital. In the Colombian case, the argument applies since all three factors contribute. The SCD argues that the slow productivity growth is also linked to the country's low integration to international markets and lack of competition in internal markets. It identifies factors such as low exposure to foreign and domestic competition, and lack of managerial and professional skills as main causes hindering productivity by hampering innovation and adoption of new technology. On the other hand, potentially productive firms' growth has been hampered by inadequate financing resources.

- i) Bad infrastructure and transportation systems and Low connection to world markets

Because of Colombia's poor infrastructural and transportation systems, the costs of internal transport are one of the highest in the world with important consequences for competitiveness (Figure 4 and Figure 5).



Source: WBG, 2015

Reducing transport and logistics costs would therefore allow to diversify the economy by raising significantly the competitiveness of many tradable goods.

Despite the signed free trade agreements, the country still possess relatively high tariff and non-tariff barriers, which limit access to and competition from external markets. Furthermore, both internal and external lack of competitiveness are due in large part to insufficient infrastructure and in consequence costly transportation services. Colombia has made big improvements on the former front, though. Doing Business ranked the country 53rd at a global level for “ease for doing business”, and 2nd at a regional level (Latin America & Caribbean) in 2017, much better than the ranking it got in 2014 (93th at global level.) Main obstacle remains infrastructural and transport insufficiency and low quality. For the trading across borders indicator<sup>22</sup> the country ranks 121st at global level. Barriers to internal competition include limited access to finance, information gaps that prevent innovation and a regulatory framework that does not enhance competition and anti-monopoly policies. It is important to note that harsh domestic competition conditions discourage innovation, since firms have almost no incentives to invest or even enter the market if barriers are too high. (WBG, 2015), (Doing Business, 2017)

## ii) Extractives-based growth

The extractives boom has boosted foreign investment, economic growth, and government revenues. But especially in an environment of lower international oil prices, increasing the share of extractive activities trade increases uncertainty and exposes the system to high volatility. There needs to be diversification efforts, or a prolonged episode of lower international prices could continue to lead to lower economic growth. Structural changes led to a much higher level of concentration in Colombia’s export basket, and this increased potential exposure to price fluctuations (Figure 6). On the other hand, the country it has diversified in terms of export destinations (Figure 7).

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<sup>22</sup> Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. (Doing Business, 2017)

Figure 6: Export Concentration: Products

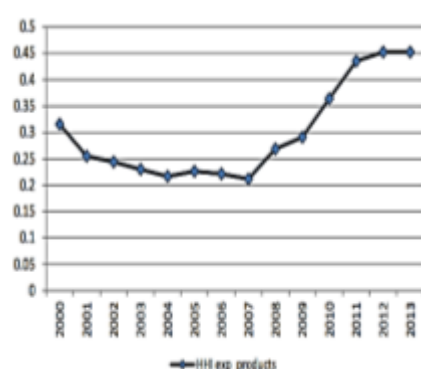
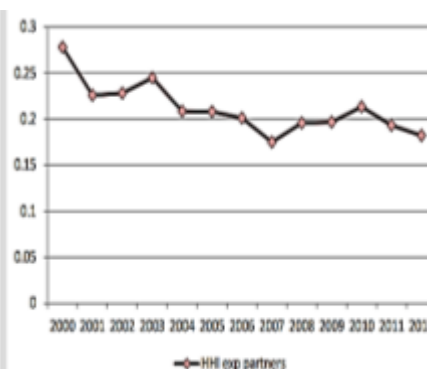


Figure 7: Export Concentration: Markets



Source: WBG, 2015.

Note: HHI= Hirschman Index

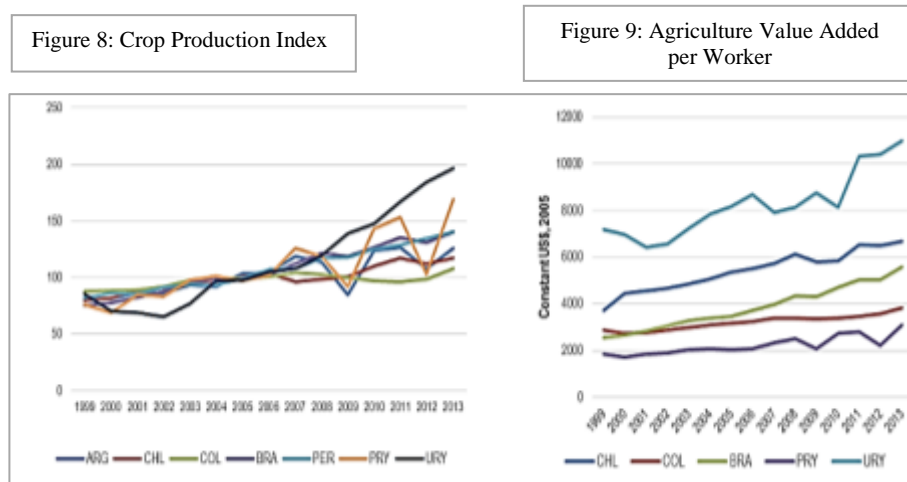
To avoid the Dutch Disease, which is defined as the deindustrialization of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports, Colombia needs to focus on the other sectors of economy such as manufacturing, and industry. According to the International Monetary Fund (IMF) when speaking generally about countries who focus too much of their efforts on extractives: “the current growth model has weaknesses, and increasing economic diversification is paramount. Greater diversification would reduce exposure to volatility and uncertainty in the global oil market, help create private sector jobs, increase productivity and sustainable growth, and establish the non-oil economy that will be needed in the future when oil revenues start to dwindle.” (IMF, 2014) Following the Paradox of Plenty or Resource curse theory, countries possessing abundant natural resources tend to have worse economic performances and worse development outcomes compared to those countries which lack from abundance of these.<sup>23</sup> Furthermore, a country that is otherwise typical but has primary commodity exports around 5% of GDP has a 6% risk of conflict, but

<sup>23</sup> For more details on such theories see Karl, 1997

when exports are 25% of GDP the chance of conflict rises to 33% (Collier & Bannon, 2003, p. 3) Natural resources can spur growth but need good management because its revenues pose significant sustainability challenges in the long run.

### iii) Agriculture

Although Colombia is naturally suited to be a large scale agricultural and forestry producer and exporter, agriculture performance has lagged considerably compared to neighboring countries (Figures 8 and 9).



Source: WBG, 2015

Agribusiness holds great potential for Colombia, however the sectors declining share of the economy has been attributed to armed conflict, lack of state's presence ensuring security, loss of human and physical capital caused by violence and stagnation of productivity due to low investment. The SCD argues that agricultural policy has been heavily based on subsidies and price smoothing mechanisms, with less attention to productivity enhancing investments (such as infrastructure and R&D). One of the main policy problems in the post-conflict agenda is precisely this low attention on productivity, since most of the policies pursued under the first point of the agreement (Rural Integral Development Policy) comprise land distribution and

social assistance, rather than productivity-boosting investments, such as quality education, professional and technical training, and investments in physical capital – roads for instance.

#### iv) Labor market

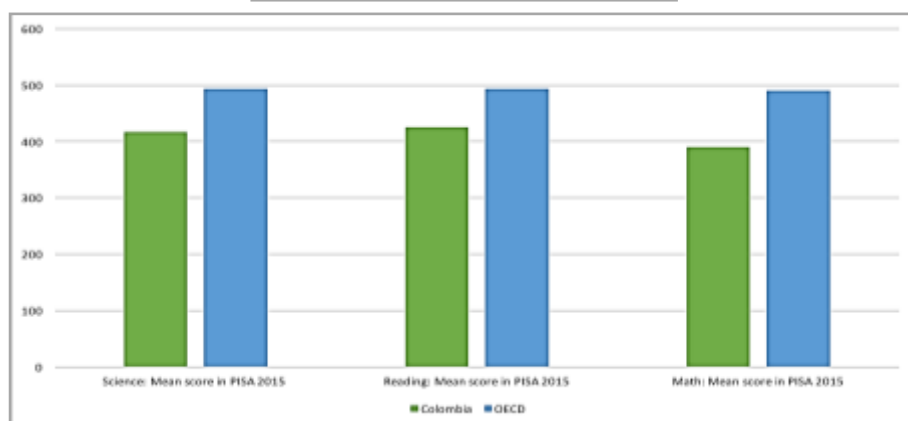
Since 2000, the labor force has expanded almost twice as fast as population growth, which, combined with continuous employment generation helps to explain the large contribution of

labor to economic growth. During the last decade, net job creation amounted to almost 40% and helped reduce unemployment from 15% in the early 2000s to 10.5% in 2017. (WBG, 2015), (DANE 2017) However, the large part of working population is still employed in low-productive informal sectors.

#### v) Education

Even if total spending on education as a share of GDP in Colombia is higher than the OECD average and the average in most emerging economies, and in 2016 it was the sector receiving the highest share of GDP (15% of GDP) overall educational outcomes and quality remain poor as reflected by PISA results (Figure 10 PISA) (OECD, 2016b), (Min. Hacienda, 2016a)

Figure 10: PISA 2015 Test Scores



Source: (OECD, 2016b)

Even if huge improvements have been made in the past years,<sup>24</sup> firms perceive lack of adequate skills as a major constraint to business. Colombia's "pyramid" of skills reflects a large shortage of technical and highly qualified individuals, and small shortage of university level workers, and an excess of workers with low levels of education (Figure 11). In fact, returns to education in Colombia are among the highest in the region (Figure 12). (OECD, 2016b), (WBG, 2015)

Figure 11: Distribution of Skills – Desirable vs. Actual

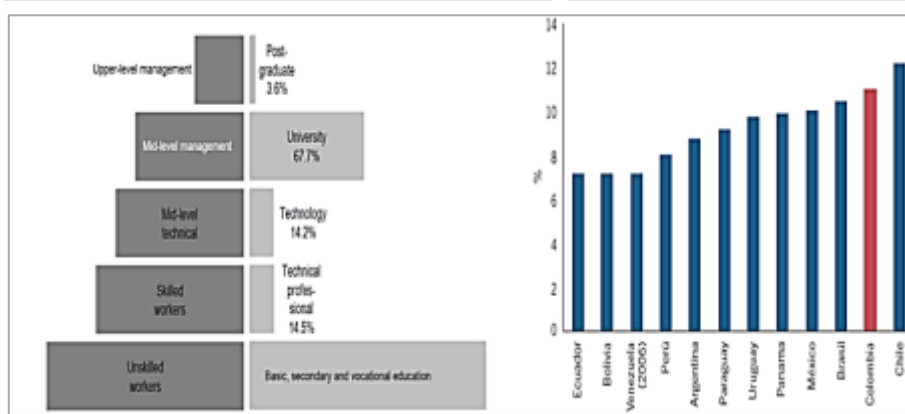
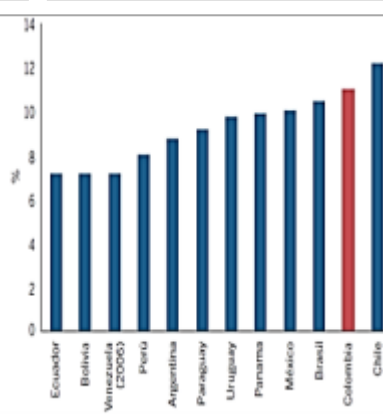


Figure 12: Returns to Education



Source: WBG, 2015

<sup>24</sup> +8 points, on average, every 3 years throughout its participation in PISA since 2006 (OECD, 2016)

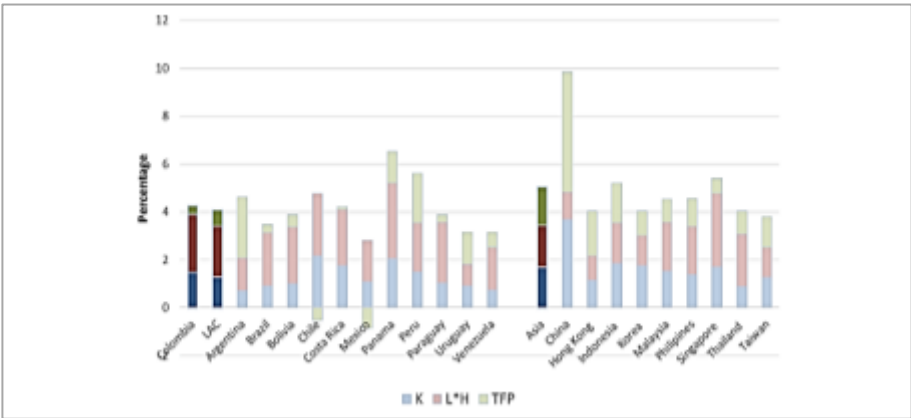


According to Fedesarrollo, against the world trends, returns to post-secondary education in Colombia are relatively higher than other levels and have been increasing, suggesting a shortage of educated professionals (Fedesarrollo, 2015). Results from the WBG Country Opinion Survey 2016 show that 47% of respondents identified education as what would contribute the most to poverty reduction, and again 47% identified education and training that better ensure job opportunity as what would contribute the most to shared prosperity. (WBG, 2016)

vi) Low productivity growth

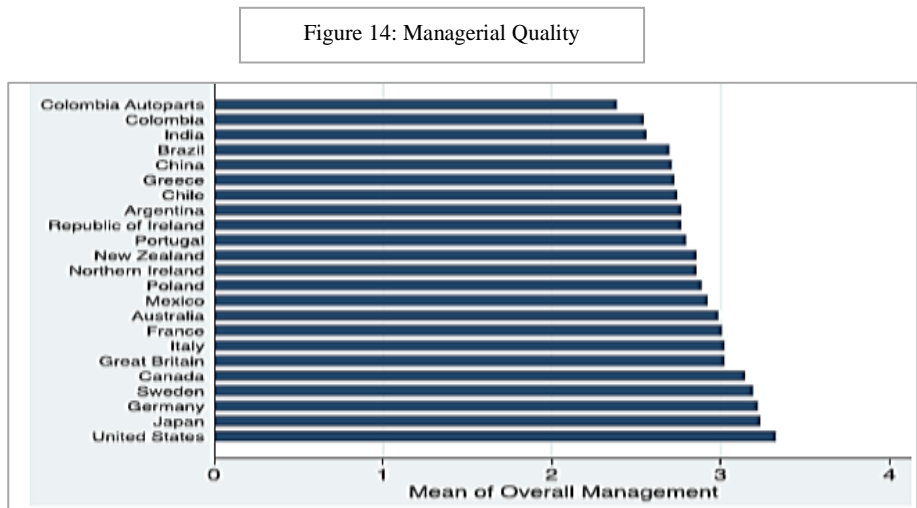
Slow productivity growth has been the main factor explaining growth differences between Colombia and OECD countries. Colombia’s weak productivity growth performance is like the average of its regional peers and, as in these countries, productivity has historically dragged down GDP growth. In contrast, productivity growth was robust for Asia and advanced economies, such as Japan. For example, Asian economies grew at an average annual rate of 6.4 % between 1961 and 2011, of which 1.5 % points were due to total factor productivity growth. This corresponds to a large share of the 2% growth differential between Colombia and this group of countries (Figure 13). (WBG, 2015)

Figure 13: Growth Decomposition 2002 - 2012



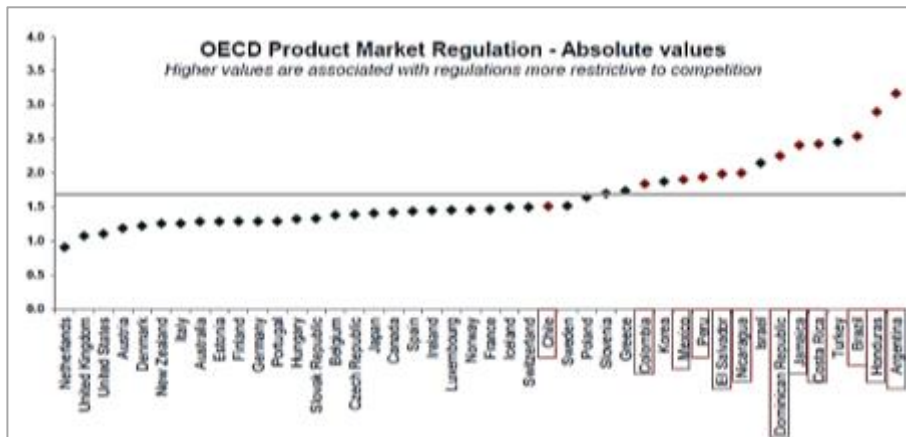
Source: WBG, 2015.

One can argue that low productivity growth is due not only to the fact that the presence armed conflict has kept the agricultural sector highly underdeveloped, but also to low investment in R&D (2017's national budget will allocate 360 billion COP to it, which represents only a 0.16% of the total budget). (Min. Hacienda, 2016b) The SCD argues that low levels of R&D have been linked to low competition and incentives, low management skills (Figure II-23), and technology absorption capacity, as well as lack of adequate financing for these activities. It argues that substantial productivity gains could come from the reallocation of resources towards more productive firms, but market imperfections hamper this process. Examples of these imperfections are: information gaps, barriers to competition, limited or unequal access to financing, restrictive regulations (Figure 14), and/or limited enforcement.



Source: WBG, 2015

Figure 15: Product Market Regulation



Source: WBG, 2015

Access to finance as said before is identified as the main obstacle to business according to Colombian firms: 42% of firms and 52% of small/medium enterprises (SMEs) considered it a key constraint. (WBG, 2010)

#### vii) Inequality across regions

Differences in per capita income levels among regions are also large, especially if compared to OECD economies (Figure 16)

Figure 16: Inequality Across Regions (Gini Coefficient)

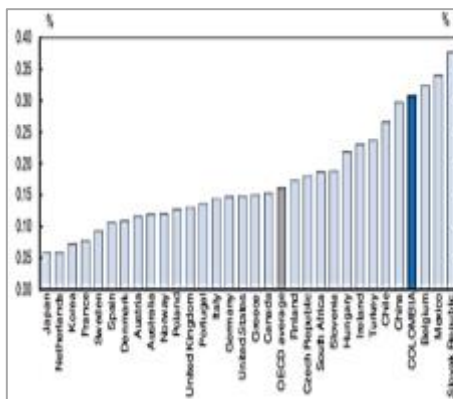
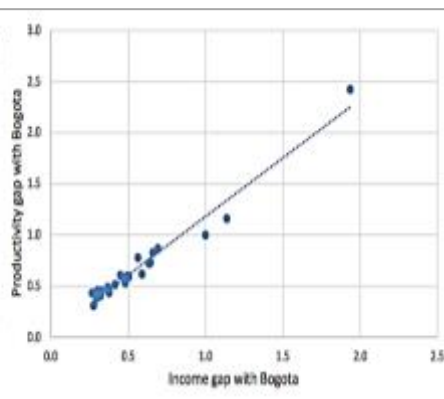


Figure 17: Income Differences vs. Productivity Differences



Source: WBG, 2015

Regional differences in per capita income are primarily explained by differences in low labor productivity (Figure 17). Low access to (and performance of education) has been identified as one of the main bottlenecks hindering growth and productivity, and the problem lies in the system's poor redistributive capacity. The 2011 Royalties Reform is expected to alleviate this problem by distributing revenues more equitably across regions, as the share allocated directly to commodity-producing regions aimed at reducing from 80% before 2011 to 10% after 2014. The problem lies not only on the amount of resources allocated, but also on the efficiency with which these are managed, as corruption at local level remains very high. In fact, close to a third of the total sanctions in the public administration (national and sub-national) between 2000 and 2012 were applied to mayors and local councilors. (OECD, 2013)

The effects of armed conflict on development from a conceptual point of view are obvious. Besides from the evident destruction of physical capital (machinery, infrastructure, productive land tenures, among others), human and social capital have also been affected. This has prevented capital and labor to accumulate and become more productive, resulting in low development and growth. Economic, political and social consequences of armed conflict on economic performance and development have been very studied by academic literature.<sup>25</sup> As identified by Justino, “war displaces people, destroys capital and infrastructure, disrupts schooling, damages the social fabric, endangers civil liberties, and creates health and famine crises. Any of these effects will have considerable consequences for long-term development outcomes. One way in which violent conflict may affect long-term development outcomes is through the accumulation of human capital, a central mechanism in economic growth and development processes.” (Justino, 2011, p. 5) The regional disparities and low state presence underlined before have facilitated the creation of armed groups in rural regions, and in turn, the effects of armed conflict contribute even more to these regional disparities. Additionally, violence prevents population

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<sup>25</sup> See Serneels & Verpoorten, 2012

from engaging in productive activities in these areas, which hampers agricultural growth.

“The impact of war on the accumulation of human capital amongst civilian populations affected by violence can be substantial and persistent. Not only do people living in war zones suffer injuries, death and have their property destroyed, they may also be displaced from their homes and lose their means of survival. Children are especially adversely affected by the destruction of physical capital and the deterioration of economic conditions given the age-specific aspects of many human capital investments.” (Justino, 2011, p. 6)

Identifying development as freedom as it was discussed before, means that for development and growth to happen, people need to be free from violence, from terror, from threats and from all the disgraces that armed conflict brings. They need to be able to educate themselves, engage in labor activities, access health services and build social networks that allow them to live a successful life. For this to happen, evidently, armed conflict cannot be present.

There are two set of challenges identified by the SCD as concluding remarks regarding obstacles for growth.

First: Adjusting to external context –lower oil prices in this case. Government will need to pay attention to its reliance on commodity revenues and the revise use of these scarce resources. This implies increasing fiscal efficiency, not by increasing taxes but by ensuring efficiency on their collection and spending.

Second: Promoting productivity and competitiveness beyond extractives, by addressing critical horizontal barriers to economic development. This includes: i) addressing low trade integration by reducing transportation costs, tariffs, and non-tariff barriers to trade; ii) reducing barriers to domestic competition and information gaps that discourage innovation; iii) reducing barriers to competition in the financial

sector, to expand access and reduce cost of credit; iv) improving access to and quality of tertiary education to align it to market needs; and v) integrating lagging regions through better connectivity and business climates, particularly security and property rights. (WBG, 2015)

As for agriculture is concerned, productivity and long-run development through education, equality of opportunity and empowerment need to be promoted, rather than assistentialism through poorly designed social programs.<sup>26</sup>

### Obstacles for Inclusion

“Social inclusion is understood as ‘the process of improving the terms for individuals and groups to take part in society,’ it is then necessary to identify the individuals and groups that do not fully take part in society, the forces that prevent them from taking part in society and what forms of societal participation one is considering.” (WBG, 2015)

Table 2: Inclusion-related constrains mapped onto Colombia`s distinguishing characteristics.

<i>Uneven Territorial Development</i>	<ul style="list-style-type: none"> <li>Gaps across region, departments and municipalities in social service delivery (education, health, housing and citizen security) partly due to limited capabilities at the local level and fragmented social protection system</li> </ul>
<i>Armed Conflict</i>	<ul style="list-style-type: none"> <li>Affected municipalities and IDPs suffer losses of productive assets and means for coping with risks, as a consequence of the armed conflict.</li> </ul>
<i>Extractives-based growth</i>	<ul style="list-style-type: none"> <li>Extractives-based growth in recent years have reduced extreme poverty and promoted shared prosperity. The question is: where jobs and earnings would come from if extractive activities stop growing?</li> </ul>
<i>Systemic</i>	<ul style="list-style-type: none"> <li>Tax and transfer system has limited impact on inequality.</li> <li>Unfunded and regressive pension system</li> <li>High costs imposed by labor regulations and unequal employment opportunities.</li> </ul>

Source: WBG, 2015

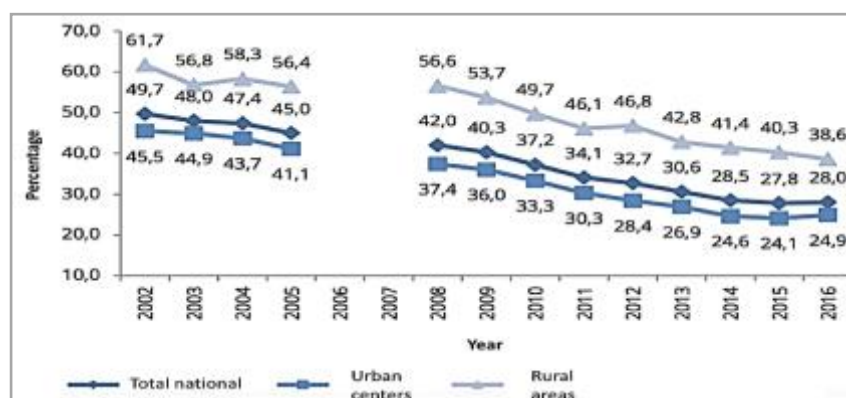
<sup>26</sup> This point will be expanded in detail later on, but for now it is important to underline that agricultural barriers to growth can be eliminated though social policy, if programs are targeted correctly through mechanisms that promote inclusion through effective policies and programs, but also mechanisms that boost entrepreneurship and productivity among rural workers, promoting equality of opportunity and not and not mere satisfaction of material needs that can be regarded as charity.

In the context that this thesis considers, inclusion is a fundamental aspect for Colombia's post-conflict development. Not only the country is already highly unequal as shown by the presented data as measured by the Gini Index of 51.7 in 2016, but challenges additionally arise under the new scenario. People coming out of the conflict will need to be included in society, and this is one of the most crucial points affecting the transition. In fact, the agreement's second point, "Political Participation," aims at increasing their participation on democratic life by giving them political voice. Furthermore, the third point, "Ceasefire and Bilateral and Ultimate Hostilities and the Detachment of Weapons" contains an agreement on the "Reincorporation of the FARC to civil life - economically, socially and politically - according to their interests." Apart from the inclusion process that will need to be carried on for the FARC ex-members, also victims and IDPs will need to be properly included and involved in society. This needs to comprise also their inclusion in the labor market, which is a very sensitive issue, and depending on its success or failure, instability may arise.

#### i) Regional inclusion

Despite this rapid reduction in poverty, large historical disparities between urban and rural areas persist. Both moderate and extreme poverty levels remain significantly higher in rural areas. From 2002 to 2016, total poverty in rural areas declined from 61.7 to 38.6%, while urban areas saw a drop from 45.45 to 24.9% (Figure 18).

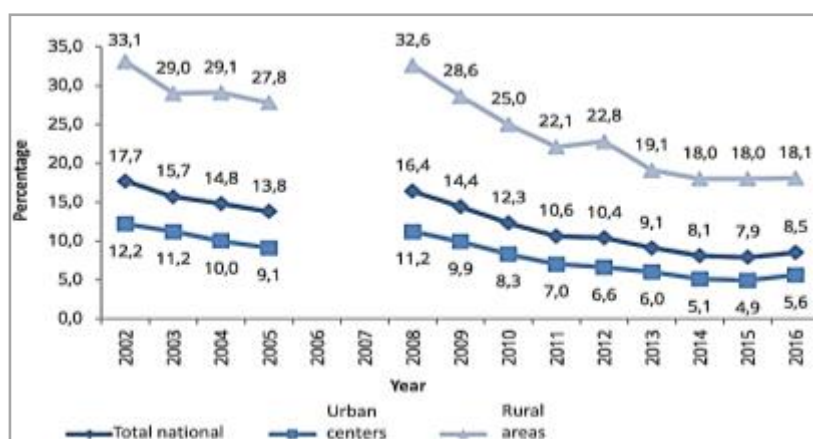
Figure 18: Poverty Incidence per Domain 2002-2016



Source: Translation done by author using DANE poverty report 2016. (DANE, 2016b)

From 2002 to 2016, rural areas' extreme poverty rates fell from 33.1 to 18.1%; while in urban areas, they fell from 12.2 to 5.6% (Figure 19).

Figure 19: Extreme Poverty Incidence per Domain 2002 - 2016

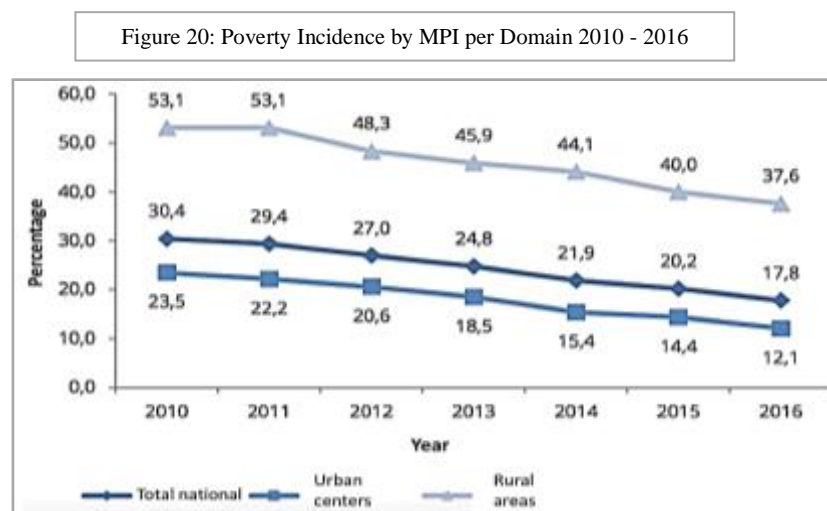


Source: Translation done by author using DANE poverty report 2016. (DANE, 2016b)

Multidimensional Poverty Index (MPI) rates has also experienced a remarkable decline. To be classified as multidimensionally poor, a person must be deprived in at least 5 out of 15 designated welfare indicators, grouped in five categories: education,

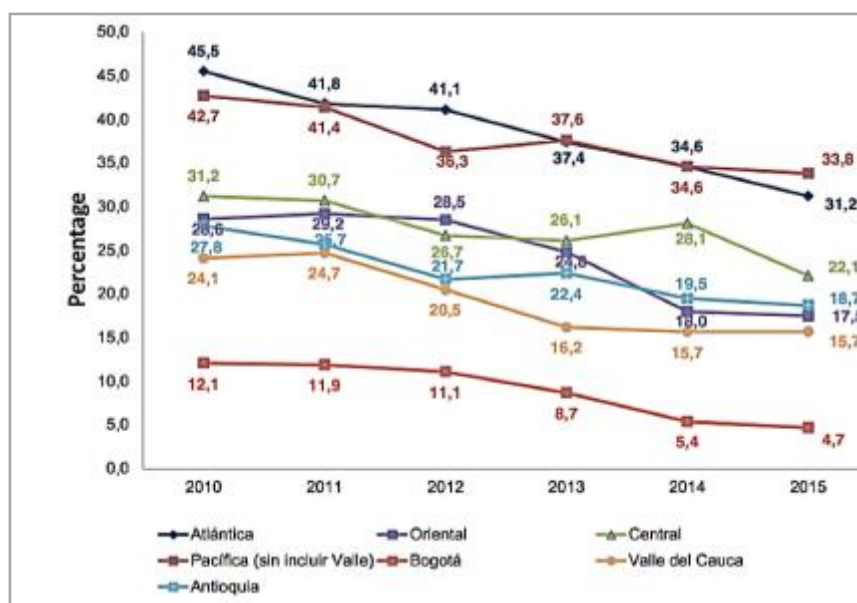


health, labor, childcare, and housing. Indicators are: educational achievement, illiteracy, school attendance, educational gap, access to childcare services (health, nutrition, care), child labor, long-term unemployment, formal employment, healthcare access, healthcare access when needed, access to drinking water, access to sanitation, quality of floor in the housing, quality of wall, and critical overcrowding. (DNP, 2012) At a national level, it fell from 30,4% in 2010 to 17,8% in 2016. (DANE, 2016a) Still, MPI has a strong geographical dispersion and shows little convergence (Figure 19 and 20).



Source: Translation done by author using DANE poverty report 2016. (DANE, 2016b)

Figure 21: Poverty Incidence by MPI per Region 2010 - 2015



Source: Translation done by author using DANE poverty report 2015. (DANE, 2015)

Key drivers behind the MPI's decrease were improvements in the health and education dimensions. On the other hand, dimensions related to housing show little progress. Households without safe access to water declined by only 0.1% points and still constitute more than 10% of dwellings. (Table 3)

Table 3: Multidimensional Poverty Rates by Dimension in Colombia

Variable	2010	2011	2012	2013	2014	2014/2010
Without health insurance	21.0	19.0	17.9	17.1	12.2	-8.8
Low educational attainment	55.4	54.6	53.1	51.6	50.7	-4.7
Critical overcrowding	15.1	14.2	13.1	12.4	10.8	-4.3
Informal employment	80.9	80.4	80.0	78.1	76.8	-4.1
Schooling gap	35.1	34.1	33.3	31.7	32.0	-3.1
Illiteracy	13.2	12.0	12.1	11.7	10.7	-2.5
Barriers to early childhood care services	11.8	10.8	9.4	9.7	9.4	-2.4
Inadequate sewerage system	12.0	14.5	12.1	11.8	10.5	-1.5
School non-attendance	4.6	4.8	4.1	3.8	3.3	-1.3
Inadequate material for outside walls	3.0	3.2	2.2	2.1	1.8	-1.2
Child labor	4.6	4.5	3.7	3.6	3.4	-1.2
Inadequate flooring materials	6.3	6.3	5.9	5.8	5.2	-1.1
Barriers to access to health care services	6.9	8.2	6.6	7.2	6.3	-0.6
Without access to clean piped water	11.6	12.0	12.3	11.2	11.5	-0.1
Long term unemployment	9.9	9.1	10.0	9.7	10.4	0.5

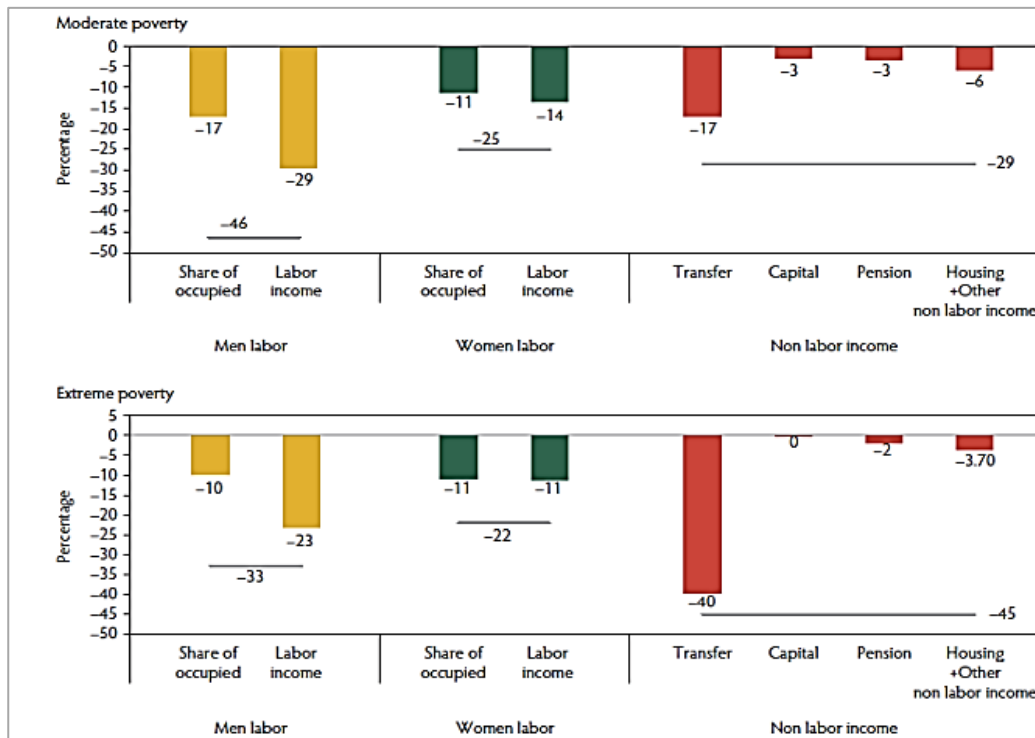
Source: WBG, 2015

## ii) Importance of labor income growth

The WBG's Shared Prosperity Indicator (SPI) measures the annualized growth rate of average income among the bottom 40% of the population. It gives an indication of how well prosperity is shared among those who are relatively less well-off while keeping a focus on overall economic growth. (Basu, 2013) The SCD shows that this index has increased for Colombia. Between 2008 and 2013, the income per capita of the bottom 40% of Colombians grew at an average rate of 6.6%, significantly higher than the national average rate of 4.1% for the same period. In terms of poverty reduction, labor income growth demonstrated to be the main determinant of shared prosperity. The increase in labor income explains 43% of the decline in total poverty,

broken down as higher female earnings (14%) and male earnings (29%), respectively (Figure 22).

Figure 22: Decomposition of Poverty Changes by Source



Source: WBG, 2015

### iii) Opportunities over assistentialism

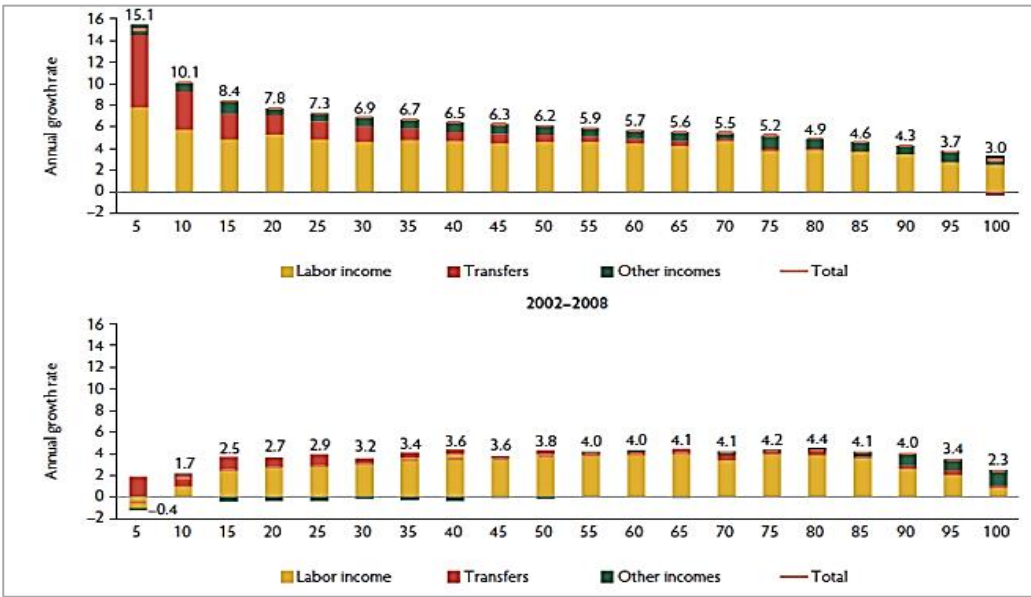
Labor income represents at least 50% of income growth for the poorest 10% of the population, and up to 70% for those in the fourth decile, in the period 2008-2013. Transfers represent between 40 and 20% of the income growth for those in the first four deciles of the distribution.

This is of fundamental importance for one of the points that this thesis tries to argue, namely that post-conflict policies need to be directed towards opportunity creation, and not towards mere assistentialism. The only way in which the proposed peace agreement model will be sustainable both fiscally and socially is by giving IDPs, poor

people, ex-combatants and other vulnerable segments of the population the opportunity integrate fully, and this includes also integration labor market.

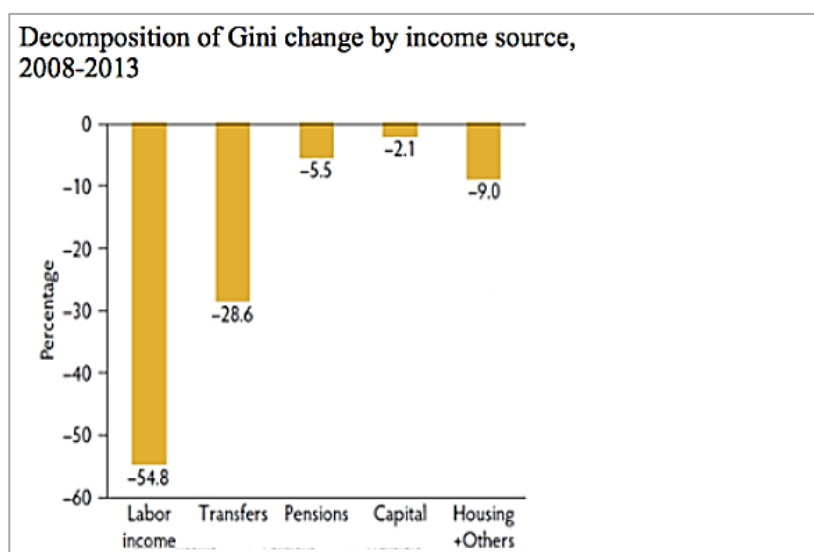
Data shows that transfers were an important driver of decreasing inequality. Representing less than 5% of total income throughout 2010-13, transfers are linked to a 28.6% decline in inequality (Figure 23 and Figure 24).

Figure 23: Growth Incidence Curve by Sources of Income, 2008 - 2013



Source: WBG, 2015

Figure 24: Components of Inequality Trends in Colombia



Source: WBG, 2015

The expansion of well-targeted public transfers proved effective in terms of reducing poverty in Colombia, particularly extreme poverty. The change in poverty associated with transfers was  $-16.8\%$  for total poverty and  $-39.7\%$  for extreme poverty as Figure III-3 shows. The reason why transfers show such high elasticity<sup>27</sup> is because they benefited those at the lowest end of the income distribution the most. Overall, the growth in transfers combined with their “pro-poor” redistribution effects had a positive and relatively large impact on the reduction of income inequality over the past decade. (WBG, 2015)

One of the most controversial points within the agreement is the level of assistentialism granted by the Rural Development Policy (first point.) To solve the problem of territorial distribution and give rural population the opportunity to increase productivity and move out of poverty, some resources need to be provided.

<sup>27</sup> Elasticity refers to the responsiveness or the degree to which something, in this case poverty alleviation, reacts to something else, in this case well-targeted public transfers. Highly elastic transfers suggest the idea that these had a very big impact in reducing poverty, particularly extreme poverty.

The large impact on transfers in poverty reduction implies that when transfers are targeted correctly (poorest segment of the population), they have a positive impact. But the problem arises when policies follow an assistance-based model, becoming unsustainable in the long term, and creating vicious poverty cycles in which people are not encouraged to work. There needs to be a differentiation between assistentialism and social investments.

#### iv) Inequality of opportunity

Inequality of opportunities refers to the share of total inequality that can be ascribed to circumstances at birth such as birth place, race, gender, or parents' income. A study by the Center of Study of Economic Development (CEDE) at Universidad de los Andes in Bogotá found that “18-24% of inequality in adult labor outcomes in Colombia (labor income or per capita household income) is explained by circumstances such as parental education—the most relevant— followed by place of birth (defined by county, department, or urban/rural area).” (Ferreira & Meléndez, 2012)

Relating this issue to the point discussed previously: inequality of opportunities, by considering inequality as one of the most preoccupying issues in Colombia, needs to be urgently tackled by the new post-conflict scenario. As long as the per capita income gap, but also opportunity gap keeps existing in such a pressing manner, underlying conflict and tensions will remain within society.

Resource transfer programs –if well-targeted, accompanied with a correct follow-up of recipients, put some conditions on the cash transfer, and create education/labor opportunities– can lead to very positive results.<sup>28</sup> What needs to be avoided is

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<sup>28</sup> A very successful Conditional Cash Transfer program was the “Familias en Acción” program. It aims to break the intergenerational transmission of poverty by providing more than 2.6 million families with cash transfers when they

unsustainable programs that affect both recipients –by making them dependent– and the economy of the country. Mere assistentialism limits itself to supply the basic needs of the population without exerting a greater change, and generating some degree of dependence between the programs and the users. To give a clear example, it would be the difference between giving a farmer free fish, and teaching a farmer to fish. With the former he will eat once, with the latter he will eat forever.<sup>29</sup>

v) Access to credit and financial services

Credit for SMEs, particularly microcredit, remains limited. According to Asobancaria<sup>30</sup> the number of firms with at least one financial product reached 632,000 in December 2013, an increase of 25% compared to 2012, with the most used product being the savings account. However, just 1% of these firms offer microcredit. This not only prevents small farmers and small/new enterprises from catching up with their bigger competitors, but also from engaging in international markets.

vi) Labor market as a mechanism for inclusion

The Colombian labor market is characterized by high rates of unemployment and informality. Unemployment rate in Colombia now accounts for 10,5% in 2017, and the informality rate in Colombia hovers around 60%. These factors according to the

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comply with their co-responsibilities in terms of investments in their children's human capital; in parallel, the Government provides basic health, nutrition, and education services. For review and evaluation see: Overseas Development Institute (ODI), 2006

<sup>29</sup> While the final agreement makes a differentiation between people who will get free award and full subsidy and those who will be given special credit to buy it, government will need to be careful with this targeting to prevent creating the previously mentioned vicious poverty traps.

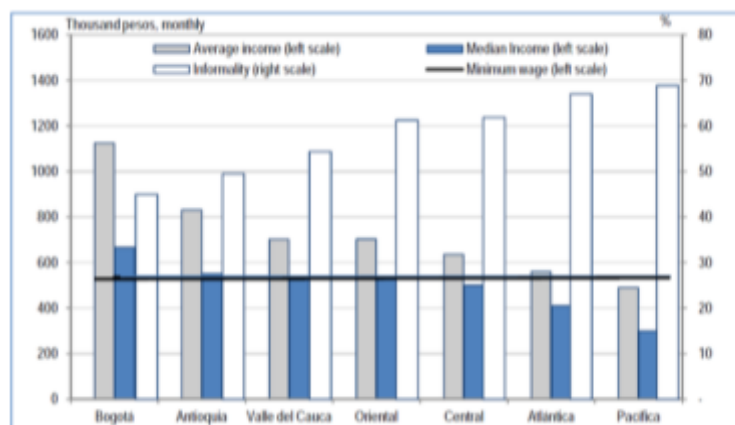
<sup>30</sup> Asobancaria is the representative association of the Colombian financial sector. It is composed of the national and foreign commercial banks, public and private, the most significant financial corporations and special official institutions.



SCD are one of the main drivers of high inequality in Colombian labor markets. (WBG, 2015)

The high level of informality is attributed to complex and expensive employment protection legislation (EPL) and the high level of unemployment is attributed to high minimum wages. Colombia has a very high wage wedge<sup>31</sup> due to labor taxes and quasi-fixed labor costs instituted in its labor and tax legislation. Both factors contrast hugely when considering differences at regional level. Bogotá has an informality rate of 45% whereas the Pacific and Atlantic regions have informality rates above 65%. Figure 25 shows that higher average and median income are associated with lower

Figure 25: Minimum Wage, Average Income and Informality by Region in Colombia, 2011



Source: WBG, 2015

informality rate, less stringent the minimum wage, and lower unemployment rates. In addition, armed conflict has also greatly impacted labor markets. Almost 6 million IDPs, mostly from rural areas, is a first indicator of the disruption in economic activities that the conflict has created. The presence, or perceived presence, of paramilitary groups, guerrilla groups, and cases of violence are the main determinants

<sup>31</sup> A tax wedge is the difference between before-tax and after-tax wages. The tax wedge measures how much the government receives by taxing the labor force. Taken from: Tax Wedge Definition | Investopedia (Investopedia, s.f.)

of population displacement. Conflict threatens the productive use of assets (be it land, machinery, or animals) and workers; it hinders legal economic activity; and it propels families into limited economic activity, displacement, and poverty.

Additionally, armed conflict has a direct impact through the expropriation and/or destruction of productive assets, upon poverty and inequality in Colombia. The risk of land expropriation, loss of animals and equipment, as well as loss of human lives severely affects the means of living. (WBG, 2015) These losses in human and physical capital shorten the possibilities of subsistence, and the loss of social capital (when displaced), makes it even harder to integrate and start again in a new place, hampering inclusion.

As for the extractives-based growth is concerned in the labor markets a mechanism to promote inclusion, evidence shows that while the mining industry has become the sector with the highest and fastest growing output/worker (Figure 27) the sector has created less than one percent (0.6%) of total direct new employment in the period, so it is not a direct contributor to poverty or inequality reduction through employment creation. This fact is yet another argument to support diversification of the economy away from extractives. Extractive industries represent only around 7.5% of output/head growth in the last decade (Figure 26 and Table 4)

Figure 26: Patterns of Employment Creation Across Sectors (2002-2014)

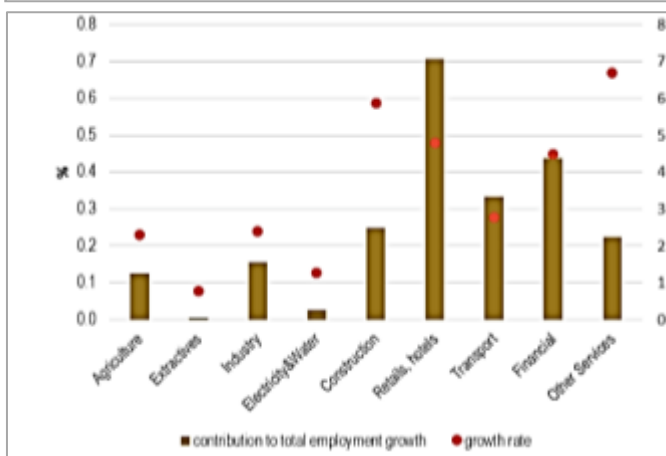
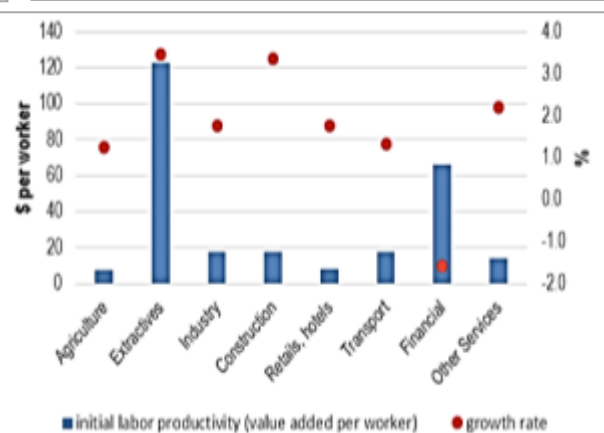


Figure 27: Labor Productivity Sector



Source: WBG, 2015

Table 4: Percentage Contribution to Total Growth in Value Added per Capita (2001- 2013)

	Contribution of changes in employment (%)	Contribution of within- sector changes in output per worker (%)	Contributions of inter- sectoral shifts (%)	Total (%)
<i>Sectoral contributions</i>				
Agriculture	-7.07	4.63	6.52	4.07
Mining and hydrocarbons	0.38	5.88	1.14	7.41
Manufacturing	-0.75	5.63	-0.27	4.61
Electricity, gas, and water	0.21	0.23	0.78	1.22
Construction	4.67	6.56	0.75	11.98
Commerce, hotels, restaurant	9.90	7.75	-2.15	15.49
Transport and communication	6.32	3.07	0.13	9.52
Financial services and real state	9.96	-10.51	18.44	17.89
Communal, social, and personal services	-2.39	13.52	1.00	12.13
Change in capital per worker			24.85	
TFP			11.91	
<i>Subtotals</i>	21.23	36.76	26.33	84.31
Demographic component				15.69
<i>Total</i>				100.00
<b>Annual % change in value added per capita 2001-2013</b>				<b>3.08</b>

Source: WBG, 2015

This supports the initial idea that new sources of growth and productivity need to be encouraged, as well as new sources of employment creation. If the extractives industry slows down as it has done so due to lower oil international prices, output/head will be at least 8% slower than in the previous decade. (WBG, 2015)

In summary, there is set of challenges to poverty eradication, share prosperity and inequality reduction through social policy promoted by the agreement and labor markets as mechanisms of inclusion. Assistentialism will need to be avoided by targeting programs effectively towards the poorest segment of the population, providing for those necessary conditions without which they would not be able to overcome poverty anyhow. Evidence presented shows the large impact of transfers in poverty reduction, but this will happen only when accompanied by policies that avoid user dependence from transfers in the population –or being considered as

charity– resulting in a poverty trap.<sup>32</sup> This goal can be achieved by imposing some kind of conditionality that promotes productivity, good behavior –like sending children to school or undertaking health checks– and self-inclusion, resulting in equality of opportunity, labor creation, and access to credit and financial services equally. The crucial point is to reduce inequality of opportunity as much as possible, and boost behaviors that allow people to be part of the society, not as charity-receivers, but as active parts and contributors to the society’s well-being. The aim must be that of empowering people, and encouraging them to prosper.

### Obstacles for Sustainability

The SCD identifies three types of sustainability to achieve when thriving for inclusive growth and development, namely fiscal, environmental, and social sustainability. Sustainability-related issues are mapped on the following table.

Even if these will not be studied in depth, it is important to point that these three types pose important and different challenges to both existing and post-conflict scenario.

Table 5: Sustainability – related constrains mapped onto Colombia’s distinguishing characteristics

<i>Uneven Territorial Development</i>	<ul style="list-style-type: none"> <li>• Regional social unrest, unrelated to armed conflict (Social)</li> <li>• High pollution levels in large cities (Environmental)</li> </ul>
<i>Armed Conflict</i>	<ul style="list-style-type: none"> <li>• The fiscal cost of compensations and reparations in the post-conflict era. (Fiscal)</li> <li>• Lack of citizen security as consequence of both armed conflict and its legacy of increased common violence. (Social)</li> <li>• Insufficient forest, land, and natural resource management in post-conflict areas. (Environmental)</li> </ul>
<i>Extractives-based growth</i>	<ul style="list-style-type: none"> <li>• Volatile natural resource public revenues. (Fiscal)</li> <li>• Insufficient environmental regulation of oil and illegal mining activities. (Environmental)</li> </ul>
<i>Systemic</i>	<ul style="list-style-type: none"> <li>• Fiscal consolidation heavily skewed towards public expenditure reduction. Un-funded and regressive pensions. (Fiscal)</li> <li>• Inadequate disaster risk management and adaptation in the face of worsening natural disasters and climate change. (Environmental)</li> </ul>

Source: WBG, 2015

<sup>32</sup> A poverty trap is a self-perpetuating condition whereby an economy, caught in a vicious circle, suffers from persistent underdevelopment. It traps itself in this stable equilibrium but at a low level of wealth and output, and it cannot get out of this low-level equilibrium (sometimes called a “low-level attractor”) without a potentially large injection of external assistance. (WBG, 2009)

As for environmental sustainability is concerned, early investments to diminish risks coming from environmental disasters, improving resource management, pollution and sanitation are crucial.

As for social sustainability is concerned, IDPs', ex-combatants', victims' and most vulnerable segments of the population such as ethnic minorities' integration will be fundamental to avoid cycles of violence due to social unrest and recurrence to arms as means.

As for fiscal sustainability is concerned, its dimension will be closely related to post-conflict costs, and therefore will depend on an efficient and transparent management of budget, funds and tax revenues.

### Rural sector in post-conflict Colombia: Jackpot!

One of the areas that contributed the least to productivity growth in the last decade is agriculture, which has repeatedly been pointed as a potential booster for the Colombian economy, as for instance shown by the stakeholder consultations at the end of the SCD report.<sup>33</sup> As it was argued before, rural and agricultural development has been identified by the agreement as of the focus of post-conflict Colombia. Press, public opinion and academics have concentrated on its potentiality, and until now, it has been identified as the main recipient of the post-conflict resources for development.

At La Habana, the rural sector was identified as one of the locomotives that moves the economy of the country. Projects need to be focused on promoting small holdings and small farmers, and their access to land. They need to combat single-crop farming and train peasants, to attract foreign investment, boost productivity, to make Colombia more competitive in international markets. In this way, not only foreign

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<sup>33</sup> The potentiality of Colombia as an agro-industry and agro-export economy was voiced by different groups during stakeholder consultations that helped inform this diagnostic. See Annex 1: Stakeholder Consultations, sessions with Academics, Private Sector Representatives, and Organizations of the Pacific Region of the SCD, WBG 2015

investors will be encouraged to invest in human capital, but IDPs, small farmers, ex-combatants, women and other vulnerable sectors of the population will be effectively included. The Ministry of Agriculture has already promoted similar projects,<sup>34</sup> like “Alianzas Productivas” which links small rural producers to specialized markets with a commercial partner. The project receives an initial subsidy by the Government, international organizations and the private partner, but after 18 months the productive chain needs to be auto-sustainable.

The enormous potentiality of the sector is due to the dynamics of global supply and demand for food. According the Food and Agriculture Organization (FAO), in the next four decades mankind will have to produce more food than the ones generated in all the years spent together. It declared that demand of agricultural products is expected to rise by 50% from 2013 to 2050. This implies a great opportunity for Colombia, it is one of the seven nations that can become a world food pantry, thanks to the fact that it has enough land to expand the agricultural frontier without the need to bring down forests. (FAO, 2017) In addition, it enjoys natural privileges as being the third country with greater water resources and climate diversity, and the second in biodiversity. (FAO, 2016)

The point is not only on involving Colombian rural sector on larger production chains, but in increasing the value added of products before they leave the country. If Colombia finds the way of exporting not only the raw materials, but the final goods, by internalizing a larger share of the value added within the value chain, the profit gains would be much larger, productivity would experience larger gains, and the whole system would benefit those at the lowest levels the most. Providing legal assurance and reducing expropriation risks will be fundamental for this to happen. Government has taken important steps towards this goal, for instance with the

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<sup>34</sup> For further information: Min. Agricultura, 2002. For Evaluation and opinion: Revista Semana, 2016

creation of Interest Zones for Rural, Economic and Social Development (Zidres), which provide legal security on land ownership.<sup>35</sup>

### Funding post-conflict?

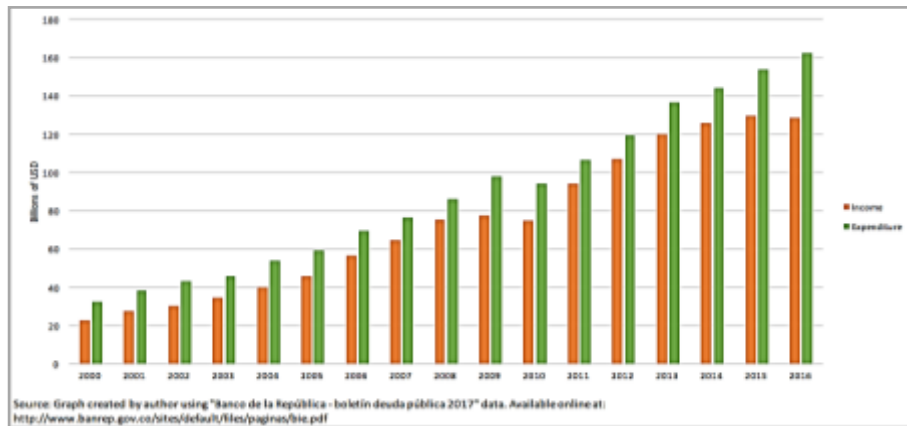
Questions regarding the sectors that should receive post-conflict resources and efforts are pressing. As it was discussed previously, agriculture, education, equality of opportunity, market diversification, transport and infrastructure upgrades, and regional equality promotion are just some of the many. Nevertheless, funding all these initiatives is as well one pivotal issue that has caused most controversies, regarding the expenditure of post-conflict funds both provided by the international community that has decided to support Colombia, or the designated funds by the government. While there is no doubt that peace needs to be seen not as a cost but as an investment, the transition will need to be accompanied by sound macroeconomic policies and utilizing in the most efficient manner the available resources.

Government debt as a percentage of GDP and government expenditure have been increasing, (Figures 28 and 29) and with the fiscal pressures that Colombia will face in funding post-conflict policies and development, unsustainable pressure on taxpayers needs to be avoided to preserve stability and avoid social unrest.

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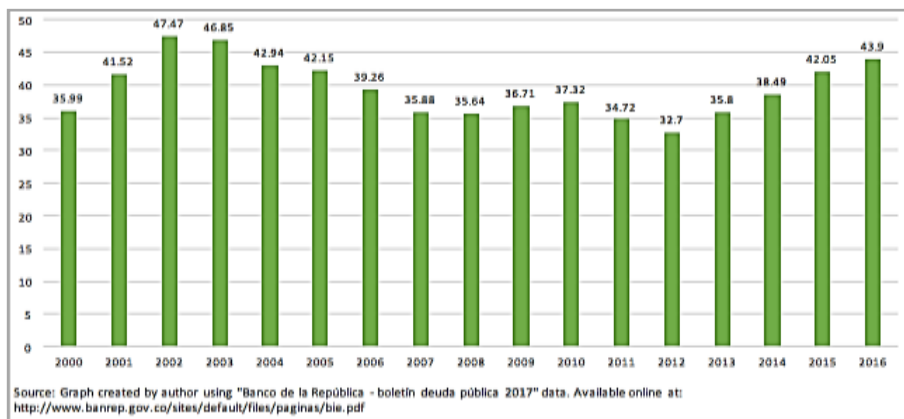
<sup>35</sup> Zidres or Zonas de Interés de Desarrollo Rural, Económico y Social are special zones designated by the Government of Colombia promoting social inclusion of the agricultural workers, and seeks to increase productivity, promote social and economic development, and promote rural employment and food security, among others. For information see “What you need to know about Zidres Law”: (Government of Colombia, 2016c)

Figure 28: Government expenditure and income (Billions of USD)



Source: Graph created by the author using Banco de la República, 2017

Figure 29: Gross Public Debt (% of GDP)



Source: Graph created by the author using Banco de la República, 2017

As the SCD argues, current funding of government expenditure is heavily based on natural resource revenues, which highly sensitive to economic cycles. Together with diversification of revenue sources away from extractives, fiscal reforms will be needed. This though need not to imply a widening of tax rates as the government has been doing.<sup>36</sup> Increased tax collection can be achieved without changing present tax

<sup>36</sup> Law 1819 of 2016 makes significant changes to certain corporate income tax and individual income tax provisions, including rate reductions and the repeal of certain corporate-level taxes. The legislation also aims to raise tax revenue mostly by increasing the rate of the value added tax (VAT) to 19% (up from 16%) and through a variety of excise taxes. For specific law consultation visit: Legis, 2016



rates but through policies that lower tax evasion and make changes in fiscal exemptions. (WBG, 2015)

Recent scandals such as Panama Papers,<sup>37</sup> Odebrecht<sup>38</sup> and Reficar<sup>39</sup> imply that tax revenue losses in the country are huge due to corruption, and that increasing debt and expenditure may not be due to more investment in education or health, but on paying off politicians and magistrates with contracts and favors. According to Colombia Reports, more than 1,200 Colombians appeared in the list of tax haven account owners of the Panama Papers affair, among which there are prominent politicians, sports heroes, TV stars and members of the business elite. Additionally, according to Chief Prosecutor Nestor Humberto Martinez, Odebrecht paid \$1 million for an opinion poll carried out during President Juan Manuel Santos' re-election campaign in 2014, among other illegal contributions. (Colombia Reports, 2016; Colombia Reports, 2017), (Periódico El Tiempo, 2017)

According to Transparency International, Colombia scored in 2016, 37 points out of 100 in the Corruption Perception Index,<sup>40</sup> position that has worsened increasingly since the peace talks began at La Habana in 2012 (Graph). (Transparency International, 2016)

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<sup>37</sup> The Panama Papers are an unprecedented leak of 11.5m files from the database of the world's fourth biggest offshore law firm, Mossack Fonseca. The records were obtained from an anonymous source by the German newspaper Süddeutsche Zeitung. The documents show the myriad ways in which the rich can exploit secretive offshore tax regimes. For more information see: The Guardian, 2016

<sup>38</sup> Grupo Odebrecht is Latin America's largest construction conglomerate. In 2016, Odebrecht executives have confessed to paying bribes in exchange for contracts not only in Brazil, but in various parts of the world. From 2001 to 2016, Odebrecht paid hundreds of millions of dollars in bribes in association with projects in 12 countries, including Brazil, Argentina, Colombia, Mexico and Venezuela, according to the U.S. charging papers. The uncovered corruption includes an alleged \$11.1 million in bribes in Colombia so far, with the legitimacy of Colombia's politicians being brought into question. For more information see: Colombia Reports, 2017

<sup>39</sup> Reficar o Refinería de Cartagena is one of the most modern industrial complex of South America. Produces petroleum products and fuels considered clean because of their low sulfur content. In January 2016, the Office of the Comptroller General of Colombia published a report detailing irregular costs that would exceed 4.000 million dollars in what was known as the Reficar scandal of 2016. The construction of this refinery is Colombia's largest corruption scandal in its history. (Free translation from <https://es.wikipedia.org/wiki/Reficar>)

<sup>40</sup> The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). The organization generally defines corruption as "the misuse of public power for private benefit." The CPI ranks countries "by their levels of corruption, as determined by expert assessments and opinion surveys." (Transparency International, 2016)

Figure 30: Colombia Corruption Index



Source: Trading Economics, 2017a

Mechanisms against tax evasion have been implemented by the recent Law 1819 of 2016. Under it, the omission of asset declaration or the inclusion of nonexistent liabilities have been typified as a crime. The legislation also aims to raise tax revenues mostly by increasing the rate of the value-added tax (VAT) to 19% (up from 16%) and through a variety of excise taxes. The Inter-American Development Bank has asked Colombia to reduce direct taxes<sup>41</sup> as these “reduce the savings capacity of its inhabitants and, together with the low tax collection capacity, also reduce the resources received by the State.”<sup>42</sup> Various reforms to the tributary system are working on the issues, but little change will be achieved if corruption preserves its damaging effects.

<sup>41</sup> A direct tax is paid directly by an individual or organization to an imposing entity. A taxpayer, for example, pays direct taxes to the government for different purposes, including real property tax, personal property tax, income tax or taxes on assets. Direct taxes are different from indirect taxes, where the tax is levied on one entity, such as a seller, and paid by another, such as a sales tax paid by the buyer in a retail setting. Taken from Investopedia - (Investopedia, Indirect Tax definition, s.f.)

<sup>42</sup> This is because of the weak collection capability coupled with high direct taxes, and the informality and evasion of companies that prefer to operate without registration or regulation, to avoid high tax burdens. See: Dinero, 2017

## **Peace: a good business**

When presenting the World Development Report on Conflict, Security and Development in 2011, Robert B. Zoellick, President of the WBG argued that “civil conflict costs the average developing country roughly 30 years of GDP growth, and countries in protracted crisis can fall over 20 percentage points behind in overcoming poverty.” (WBG, 2011) As it was stated before, some economists estimate that, on average, countries in conflict could add 1.5% points to its annual growth rate if the country were at peace. (WBG, 2015) Even if studying in depth these changes that the economic environment of the country will undertake would be not only extremely relevant but also encouraging, this will have to be left open for further research. However, as the estimated dividends are crucial for the future of the country and what it can expect in the following years, the main points of the DNP report of economic dividends of peace will be reviewed.

As a conclusion, the author of this thesis argues that peace is effectively a good business that, if managed carefully, transparently and inclusively, promises are kept, the transitional justice system proves to be well-balanced between justice and peace, and the whole process is accompanied by sound macroeconomic policies (as those discussed in all the previous sections). Accordingly, the path towards an inclusive and integral development<sup>43</sup> will be a success.

### **DNP Report: Economic Dividends of Peace**

The literature on economic costs and potential advantages of peace processes around the world is extensive. The main added value of the DNP's report on economic

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<sup>43</sup> The expression integral development here comprises all the ideas that have been developed along this thesis. Incorporating Amartya Sen's ideas of “development as freedom,” development here is considered to be integral if it comprises not only GDP growth and better macroeconomic outcomes. Rather, it intends a kind of development that comes from social integration, the presence of equality opportunity, and the capacity of individuals of making part of their society, having the capability to function in it. (Sen, 1999)

dividends for the Colombian case is that it calculates potential economic benefits based on the experience of other countries that have gone through similar processes. This is crucial to leave the mere speculative sphere by adding observed events and empirical data. “In particular, the study presented analyzes the effect of the termination of the conflict in 36 countries, 18 of which have characteristics similar to those of the Colombian case. The analysis for these countries involves variables such as the growth of the economy, domestic and external demand, the structure of growth of supply, the insertion of economies in the international context, unemployment and inflation, collection and spending fiscal, as well as foreign direct investment flows.”<sup>44</sup> Considering only 18 countries seeks to delimit the study to those countries with greater similarities to the Colombian case in terms of the nature of the agreements that were signed and their coincidence with the points of the negotiation agenda at La Habana. The report calculates the mean for each variable before and after the agreement in order to compare its impact in each case.

As for the sources are concerned, the report takes data from three of the most recognized sources in the analysis of conflict termination and resolution: the Uppsala University Armed Conflict Database, the Peace Accords Matrix database built by the Kroc Institute of the University of Notre Dame and the Yearbooks of Peace of the School of Peace of Spain.

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<sup>44</sup> Translation done by the author from the DNP report (DNP, 2015)

Table 6: Selected Countries: Similar to the Colombian Case (18)

Country	Date	Country	Date
Bangladesh	12/1997	Burundi	08/2000
Camboya	10/1991	Costa de Marfil	03/2007
Filipinas	09/1996	Guatemala	12/1996
India	02/1993	Indonesia	08/2005
Irlanda del Norte	04/1998	Liberia	08/2003
Macedonia	08/2001	Mali	04/1992
Níger	04/1995	Papúa Nueva Guinea	08/2001
Ruanda	08/1993	Senegal	12/2004
Sudáfrica	11/1993	Yibuti	05/2001

Source: DNP, 2015

### Result analysis:

To calculate the economic dividends of peace, the report used 16 macroeconomic variables, namely: GDP, GDP per capita, investment, savings, foreign direct investment, inflation, unemployment, government income and expenditure, degree of trade liberalization, exports and imports, household consumption, agriculture, industry and construction sectors. The analysis was carried out in 6 time periods: the year of the agreement, 3 and 5 years before it, and 3, 5 and 10 years after it. This in order to have a short, medium and long-term perspective on the evolution of the different variables. The peace dividend results from the difference between the average of the calculated data 3 and 5 years before the agreement and the average of the calculated data 3, 5 and 10 years after the agreement.

Table 7: Dividends for Each Variable with time variation before and after the agreement

Variable	Unit of measure	Mean		Dividend
		Before the agreement	After the agreement	
GDP	Variance %	3.1	4.9	1.9
GDP per capita	USD	1,719	3,628	1,909
Investment	% of GDP	16.4	21.9	5.5
Savings	% of GDP	15.2	17.6	2.4
Foreign Direct Investment	% of GDP	0.8	4.1	3.3
Inflation	Variance %	6.7	6.2	-0.5
Unemployment	Variance %	17	15.7	-1.3
Government income	% of GDP	20.5	21.9	1.4
Government expenditure	% of GDP	22.1	24.2	2.1
Degree of trade liberalization	% of GDP	56.7	74.4	17.7
Exports	% of GDP	27.4	33.8	6.4
Imports	% of GDP	29.3	40.6	11.2
Household consumption	Variance %	6.3	6.9	0.6
Agriculture	Variance %	3.9	5.3	1.4
Industry	Variance %	4.9	5.7	0.8
Construction	Variance %	5.3	9.6	4.4

Source: Table crated by the author using the DNP's report. DNP, 2015

For each variable, the relevant graph is presented to show the precedent trend, the short, medium and long-term effects of the agreement on each macroeconomic indicator.

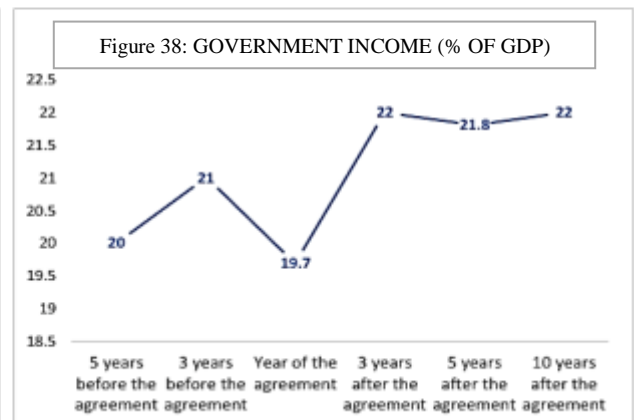
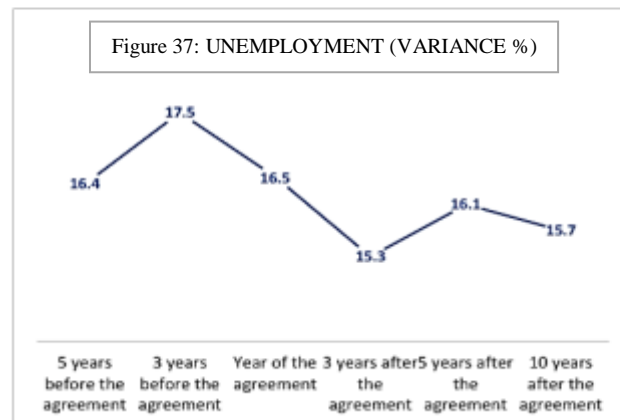
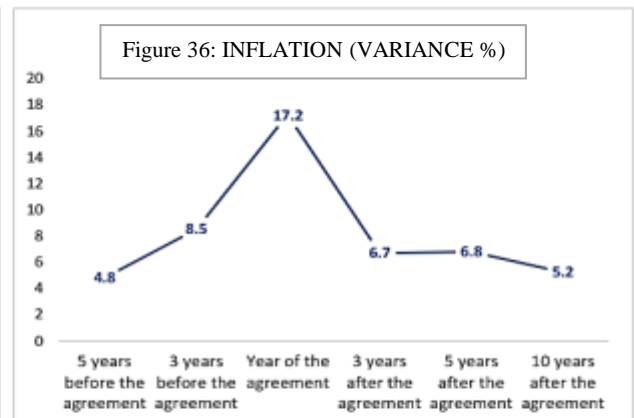
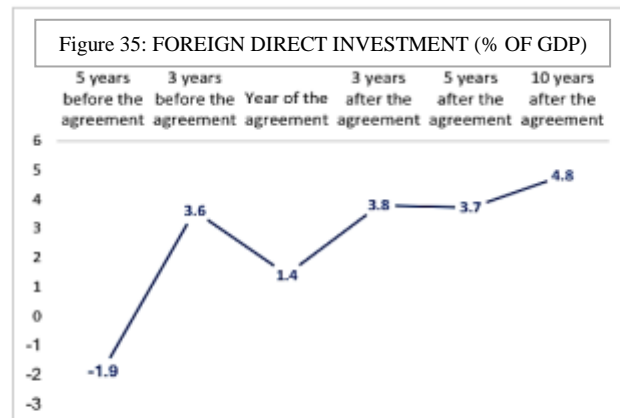
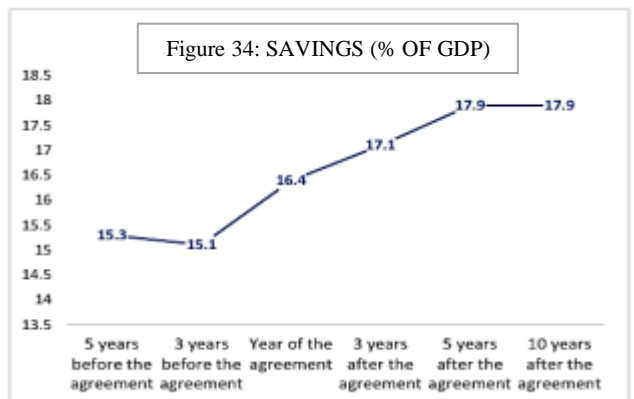
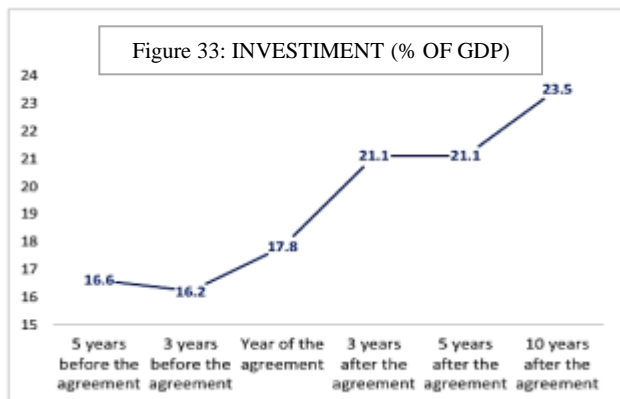
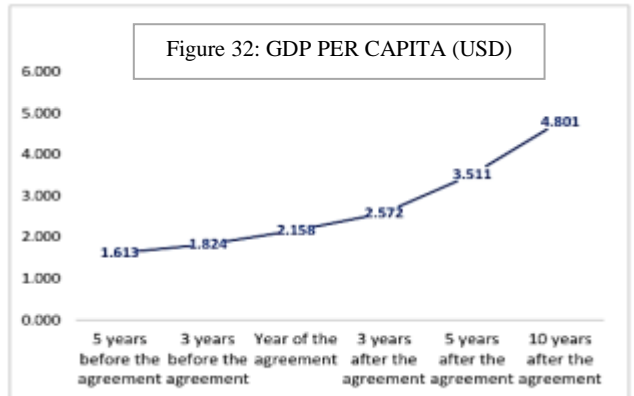
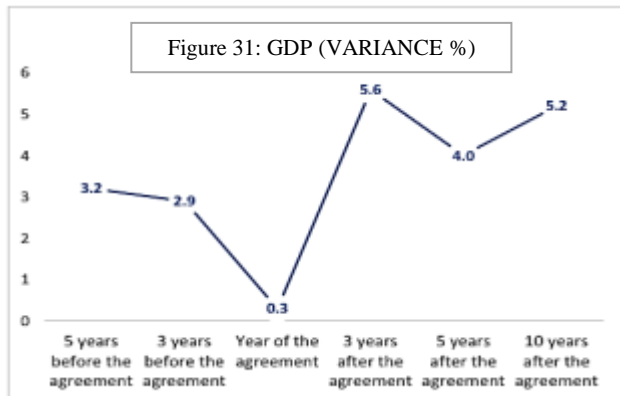


Figure 39: GOVERNMENT EXPENDITURE (% OF GDP)

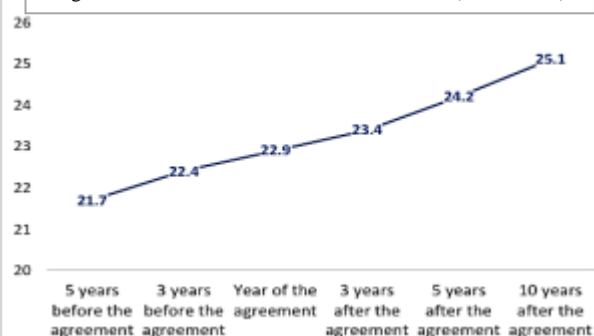


Figure 40: DEGREE OF TRADE LIBERALIZATION (% OF GDP)

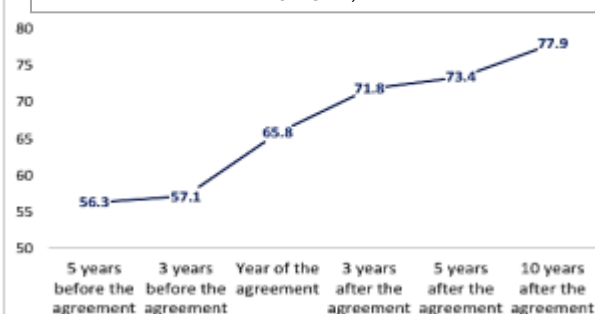


Figure 41: EXPORTS (% OF GDP)



Figure 42: IMPORTS (% OF GDP)

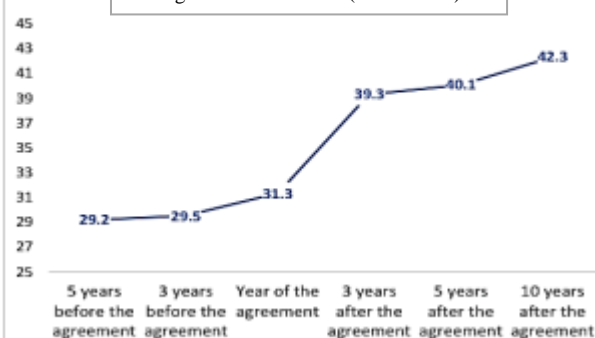


Figure 43: HOUSEHOLD CONSUMPTION (VARIANCE %)

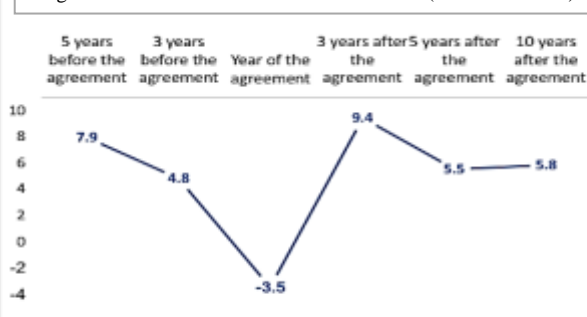


Figure 44: AGRICULTURE (VARIANCE %)

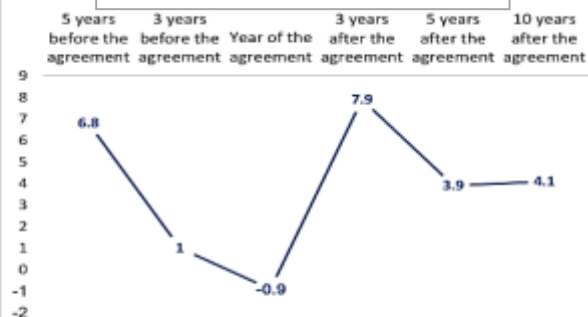


Figure 45: INDUSTRY (VARIANCE %)

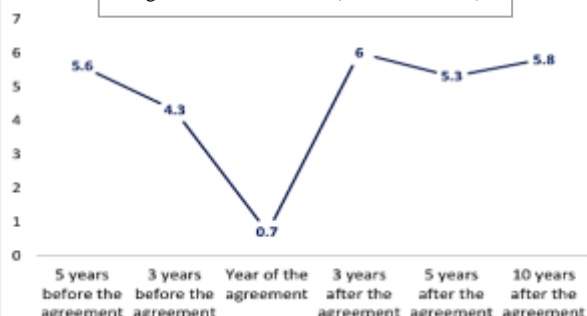
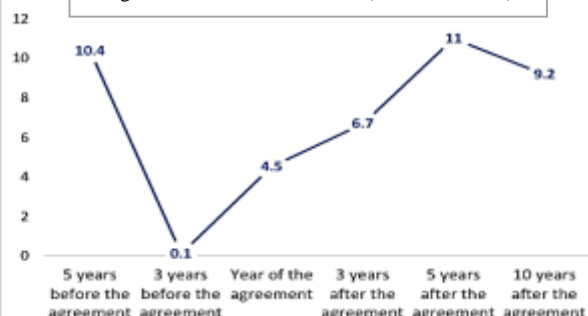


Figure 46: CONSTRUCTION (VARIANCE %)



Source: Graphs created by the author using DNP's report. (DNP, 2015)



Data presented on the graphs based on the experience of the selected 18 countries leave elements to discuss about the economic effects of the agreement in Colombia. The main result of the report is presented by the GDP data, which is calculated to grow between 1.1%<sup>45</sup> and 1.9% more per year.

As for the demand side is concerned, the report identifies that more confidence in the post-conflict economy generates an increase of 5.5% household consumption, allows foreign direct investment to triplicate, and increases the trade balance<sup>46</sup> by 17.7%.

As for the supply side is concerned, results show an increase of 1.4% in the agricultural sector, an increase of 0.8% in the industrial sector, and a remarkable increase of the construction sector of 4.4% which is apparently caused by the special infrastructural needs that surge after the end of the conflict.

These results allow to affirm that the economic dividend of the peace in the Colombian case could be significant and potentially have a very a positive impact.

### Conditional success

The idea a perpetual peace dates back to the 18th century with Charles-Irénée Castel de Saint-Pierre when he conceived the idea of an ever-lasting peace, safeguarded by an international organization, while drafting the Treaties of Utrecht,<sup>47</sup> and later made famous by Immanuel Kant in his essay “Perpetual Peace: A Philosophical Sketch” (Kant & Humphrey, 1932). It has had many developments, and the ways in which it has impacted modern politics are innumerable. Kant’s ideas were used as bases by U.S President Roosevelt in 1941 in a speech known as the “Four Freedoms speech” in which he outlined used to outline four freedoms that people anywhere in the world ought to have. These include: Freedom of speech, freedom of worship, freedom of

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<sup>45</sup> This number refers to the result as for all the 36 countries studied in the report are concerned. In this thesis, only the results for the 18 countries with similar characteristics to the Colombian are considered in the graphs, which is in this case the 1.9% result. This outcome results from the difference between the average of data of 3, 5 and 10 years after the agreement, and the data 3 and 5 years before the agreement. (DNP, 2015)

<sup>46</sup> Sum of exports and imports as a percentage of GDP

<sup>47</sup> Treaties of Utrecht, also called Peace of Utrecht, (April 1713–September 1714), a series of treaties between France and other European powers in 1713 and another series between Spain and other powers in 1714, concluding the War of the Spanish Succession (1701–14). (Encyclopaedia Britannica)

want and freedom of fear, and were later on included in the preamble of the Universal Declaration of Human Rights as adopted by the United Nations. Kant identified three definitive conditions for this perpetual peace, namely:

- i) The civil constitution of every state should be republican
- ii) The law of nations shall be founded on a federation of free states
- iii) The law of world citizenship shall be limited to conditions of universal hospitality

His ideas further on have impacted principles of international law, the European Union, and philosophers such as Jeremy Bentham, and so on. Even if the idea of a perpetual, flawless and eternal peace is sadly far away from our reality, the reductive and pessimistic idea of considering peace as the mere absence of war<sup>48</sup> is something that has left long ago the political arena, and academics cited previously in this thesis such as Amartya Sen and his “Capability Approach”.<sup>49</sup> Of course, the absence of war is necessary for peace to exist, but is not enough to have a high GDP or peace, if individuals are not able to function in their societies.

According to the Institute for Economics & Peace, “In addition to the absence of violence, ‘Positive Peace’ is also associated with many other societal characteristics that are considered desirable, including better economic outcomes, measures of wellbeing, levels of gender equality and environmental performance. In this way, ‘Positive Peace’ can be thought of as creating an optimal environment in which human potential can flourish.” (Institute for Economics & Peace, 2017) For peace to be durable and stable, but most important: for peace to bring harmony, well-being, and inclusive development, there are conditions to be satisfied. A declaration of

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<sup>48</sup> Johan Galtung in 1964 when founding the Journal of Peace Research, suggested a differentiation between ‘positive’ and ‘negative’ peace, in which “negative peace is the mere absence of violence, absence of war, and positive peace is the integration of human society.” He argues that they should be conceived as separate dimensions, since one can have one without the other. (Galtung, 1964)

<sup>49</sup> See also: Höglund & Söderberg Kovacs, 2010

peace, or in this case the signature of a peace agreement, is just the first step of a long journey to normalcy and progress.

“Capability approach,” is the concept used by Amartya Sen to explain the view of “living as a combination of various ‘doings and beings’, with quality of life to be assessed in terms of the capability to achieve valuable functionings. Some functionings are very elementary, such as being nourished or having shelter [...]. Others may be more complex, such as achieving self-respect or being socially integrated.” (Sen, 1993) Sen points out the importance of these elementary functionings, especially when dealing with extreme poverty.

One could identify a two-level model, in which only once these elementary functionings, or basic needs, are satisfied, a person will aspire to the second-level functionings; the more complex ones. It is intuitive to think that everybody to function needs to have those basic needs covered. Putting it as a matter of survival and rationality, in very concrete grounds: a hungry child will care more about having breakfast than about getting better results in school. It is not that the second-level aspirations and functionings are not important, but they will be achieved and pursued only once a basic base is assured. Personal views about the aspired functionings may and will differ from one individual to the other, and the assessment needs to be sensitive to these personal considerations. But there is nonetheless some common functionings we all share due to our human nature.

Discussing about covering basic needs recalls a point that was touched previously when discussing assistentialistic policies. The crucial debate lies within the difference between these two levels of functionings. While what creates a poverty trap in society is assistentialism by merely providing for services without encouraging a good behavior of aspiring for second-level functionings, it is unthinkable to say that a policy that seeks to eliminate child hunger in the poorest segment of the population

by directly giving food to families will ever be wrong. Policies that intend to only provide for a basic need may be classified as assistentialistic, but policies that other than providing for those needs to allow those people to be nourished to help them get educated and prosper as human beings are not, just to make an example.<sup>50</sup> The point is to argue that people need to be able to function properly in society, and for this they need both levels of functionings. People do need to and must be nourished, healthy, have a home and feel physically safe, but they also need to feel empowered, integrated, owners of their choices and capable of doing something for their society and for themselves: not as charity receivers. When Sen talks about the capability approach, he is referring exactly to this. Providing for material commodities or cash transfers to cover basic needs need not to be associated by receivers to charity, because this damages not only their perception of themselves, as contributors to their society, but also their initiative to prosper and flourish. These provisions cannot have as an end just a transfer of cash or goods. They need to aim at empowering individuals, and encourage them to be integrated and able to contribute to their society's wellbeing.

While empowerment is associated with transforming individuals with respect to their environment, assistentialism is limited to supplying the basic needs of the population without exerting a greater change on the current reality, resulting in some degree of dependence between programs and users. It is not about providing for the material needs to survive: it is about fueling a desire, and especially the opportunity to flourish as a human being, and together with others, as a society.

A very good example to illustrate this point is the “100,000 Houses” program carried out by the ex-Minister of Housing, City and Territory Germán Vargas Lleras, current

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<sup>50</sup> The point is not discussing or supporting the effectivity of conditional cash transfers, or the rejection of unconditional cash transfers. What this thesis is trying to argue does not only concern cash transfers, but programs and policies that follow the idea of some kind of service or good being provided to the population. Whenever the former is provided without a consideration of whether individuals will take advantage of such provision to prosper and function in consequence is where the flaw lies.

vice-president of Colombia, and further on, Luis Felipe Henao, also ex-Minister of Housing, City and Territory in 2012, which aimed at providing family-housing credit to Colombians living in extreme poverty through a public-private sector collaboration to assure efficiency, transparency and effectiveness. Not going into details, the program targeted poorest segments of the population, especially those affected by armed conflict, part of minority group (female-headed households, afro-Colombians, and indigenous people), IDPs (58.68% of participants), or individuals living in environmentally high-risk areas. According to the ex-Minister Henao, this was a comprehensive poverty reduction policy that –other than the house– provided for training of many kinds and other additional benefits such as libraries, internet access, subsidies for computer purchases, etc. Constructed urban facilities comprise sports complexes, recreational centers, schools, health centers and roads. Anecdotes revealed by the Minister included benefiteres from the program using toilets as flower vases, making obvious the fact that previously they lacked the most basic public services, and that further efforts are urgent. (Periódico El Tiempo, 2015)

The purpose of providing this example is to argue that, without a house, public services and such, these families would probably never be able to expect their social position to get any better. Without a house, they would never aspire for a university degree, or sending their children to study abroad. Yes, the house was free: it did not require any monetary contribution from participants. But other than providing for the kind of first-level needs previously argued, it allows those families to satisfy such needs for them to be able to aspire for more as human beings, and in future, with a house, internet, public services and most importantly, dignity, they will be able to function in society; to flourish.<sup>51</sup> Providing for equality of opportunity to access

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<sup>51</sup> Another good example of this approach of equality of opportunity and first/second level needs is the program "Ser Pilo Paga," which aims at helping students from low-income backgrounds to access high-quality tertiary education (TE) institutions, using the motto "Hard Work Pays Off" (Ser Pilo Paga.) The program grants 10,000 students every year from 2014, covering loans for full tuition and living costs. Qualifying students must be below a certain level of household income, and the most important point is that students must have a very good performance on their SABER 11 test. This policy, enables a large number of students who otherwise would not have had the opportunity to access these institutions

education and the labor market, and empowering individuals is what will allow people to depend their choices rather than circumstances, and allow them to be the owners of their paths rather than slaves of their conditions.<sup>52</sup>

The reason why this point is crucial for this thesis and to reinforce certain points made previously, is to make clear that what will allow Colombian society to thrive for a successful development story and a smooth peace transition, by accommodating to the new scenario that is imminently being constructed under the new peace agreement, is not given by the signature of the text, or the demobilization of guerrilla soldiers, a ceasefire or white flags flying all over Bogotá. It will not happen by providing unlimitedly with credit to poor peasants, which (other than impossible,) as discussed before, will only create dependency and poverty cycles in society.

### What rule of law?

Recent events in Colombia have been more troubled than one could have expected. The opposition abstained from voting both the revised agreement's text and the recently approved Law of Amnesty, but both were approved nevertheless. Corruption scandals have been recurrent on the front pages of newspapers, and violations to the rule of law has become normality. When the Constitutional Court approved the "fast-track" procedure, it signed its death sentence in terms of its independence and legitimacy: Montesquieu's nightmare became true. Political processes have been 'judicialized' and justice has become a political tool.<sup>53</sup> It permitted the government to have an ex-ante say over modifications made by the Congress, or even block any

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to have a high-quality education in the most prestigious TE institutions, but also reduces substantially social segregation, and promotes diversity and integration. (OECD, 2016a, p. 271-272)

<sup>52</sup> For a more detailed analysis on responsibility-based egalitarianism, see Dworkin, 1981 and Rawls, 1971

<sup>53</sup> Montesquieu's theory of the separation of powers defines three separate powers: executive, legislative and judicial, all of which must be distinct branches to limit any one branch from exercising the core functions of another. The intent is to prevent the concentration of power and provide for checks and balances. In "The Spirit of the Laws," 1748 he stated that "When the legislative and executive powers are united in the same person, or in the same body of magistrates, there can be no liberty; because apprehensions may arise, lest the same monarch or senate should enact tyrannical laws, to execute them in a tyrannical manner."

modification without its consent, to the projects of implementation of the agreement, and required for laws and texts to be approved in block instead of article per article. Other than transforming the Congress into a mere notary, it lost its role of legislator, of a body empowered to reform the Constitution, of a deliberative and autonomous entity, of representative of the people. According to José Gregorio Hernández Galindo, ex-Magistrate and ex-President of the Constitutional Court, Colombia is witnessing a “substitution of the constitution,” and claims such events to be painful for democracy, for the rule of law, and for the constitution itself. (Galindo, 2017) Due to harsh criticism, and the instability caused by all these events, the Court declared as unenforceable two literals of the legislative act by considering that they replaced the principle of separation of powers. Congress will not need to vote complete laws and texts in block, or government endorsement to make changes. The reduction in the number of debates remains.

## **Conclusions**

What is it, then, that is needed for the peace agreement to accomplish its goals of reaching the termination of conflict, the construction of a stable and lasting peace, leaving behind violence, combat drug-trafficking, guarantee victims' rights to the truth, justice and reparation, expand democracy, promote rural development, strengthen state's presence in the territory and boost participation of communities? What is it that will allow for proposed policies, projected programs and expected dividends to become a reality? What is it that will make the hopes both of every Colombian and the international community inevitably attached to the whole process become finally true?

Douglass North identifies ‘institutionalism’<sup>54</sup> as the pivotal factor determining successful development. “Successful development policy entails an understanding of the dynamics of economic change if the policies pursued are to have the desired consequences. And a dynamic model of economic change entails as an integral part of that model analysis of the polity since it is the polity that specifies and enforces the formal rules. [...] It is polities that shape economic performance because they define and enforce the economic rules of the game.” (North, 1994) Following this idea, the cruciality of institutions is obvious. It is institutions that at the end will shape a country’s development path, not only by shaping economic incentives through fiscal policy for instance, but also the most basic interactions between people, therefore trust and cooperation in market and non-market transactions. Rodrik et al. (2002) argue that once institutional quality<sup>55</sup> is controlled for as a variable determining income levels of a country, other factors –in their study: geography and integration, measured as flows of trade– are not statistically significant. What this means is that additional factors may be completely null in their effects, if institutions do not work for the interest of society’s well-being, with transparency, accountability, efficiency and respecting the rule of law. As Adam Smith said in his famous work ‘Wealth of Nations’: “Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government.” (Smith, 1776)

Integrating everything that has been said in this thesis comes down to this. It is institutions that mainly trump or encourage development by shaping present features through policies and behaviors. It is institutions that can revolutionize history, or maintain conditions as usual. This is evident in the Colombian case, and the signature of the peace agreement is the best example. Something extraordinary has happened,

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<sup>54</sup> The concept of institutionalism refers to the basic attribute of a form of government within a state or rule of law. It comprises those characteristics of trusted, transparent, accountable, inclusive institutions which guide country towards a successful development path.

<sup>55</sup> In their study, they consider protection of property rights and rule of law as a proxy of institutional quality. (Rodrik et. al, 2002)



but now it will be up to institutions to opt for a path that will lead to a successful development story, or a fiasco. Robert Zoellick identified additionally a crucial point on the importance of institutional legitimacy. “Institutional legitimacy is the key to stability. When state institutions do not adequately protect citizens, guard against corruption, or provide access to justice; when markets do not provide job opportunities; or when communities have lost social cohesion—the likelihood of violent conflict increases. [...] Strengthening legitimate institutions and governance to provide citizen security, justice, and jobs is crucial to break cycles of violence.” (WBG, 2011)

Peace is indeed a good business, but building the peace that Colombia so long desires will not happen spontaneously. Desires may be noble, but means for fulfilling them must be right. With institutionalism, and equal opportunities and favorable conditions to function and flourish, Colombia will thrive for success, and not just dream about it. There is no space for another failure on the path of peace: let this be the farewell to decades of suffering.

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## Abstract in Italian

La Colombia rappresenta da sempre la terra della biodiversità, il connubio di due oceani, delle Ande, della fauna in fiore e delle persone deliziose. Purtroppo, la Colombia è anche la terra della violenza, del traffico di droga e della corruzione. Un paese dalla storia ricca e multifasica, con una profonda unicità culturale e un difficile contrasto geografico. Entrambe benedizioni e sventure di un destino incerto.

Questi elementi si sono uniti, scontrati, ed evoluti, e hanno interagito, portando a determinate istituzioni, lotte politiche e stratificazioni sociale, formando e determinando il modo in cui il conflitto civile colombiano è sorto e ha colpito il percorso di sviluppo del paese.

Un paese pieno di strettoie e sfide, opportunità e speranza, attraversato da decenni di combattimenti e tentativi falliti verso accordi di pace, centinaia di migliaia di omicidi civili e quasi sei milioni di sfollati.

Il governo colombiano ha finalmente raggiunto un accordo di pace con il più grande gruppo di guerriglieri del paese, le Forze Armate Rivoluzionarie della Colombia (FARC), che aspira a realizzare il più grande sogno di ogni colombiano: la pace.

Questa tesi mira a esplorare le fasi della storia più difficili che la Colombia ha attraversato e come questi passaggi possono essere rivisti alla luce del nuovo scenario creato dall'accordo di pace recentemente concluso. Inoltre questo mio elaborato, analizza i possibili dividendi economici dell'accordo, basandosi sull'esperienza di 18 paesi che hanno attraversato processi di pace simili. Se la Colombia vuole essere più competitiva nel gioco internazionale, e se vuole che sia questa la volta buona per la pace, un approccio corretto alla giustizia transizionale rappresenta la sfida cruciale.

Utilizzando la metodologia di analisi della crescita del *Systemic Country Diagnosis* (SCD) della *World Bank* (WBG) 2015 come pilastro principale, verranno presentate le caratteristiche macroeconomiche del paese, nonché le sue recenti prestazioni e risultati. La metodologia diagnostica è stata progettata per studiare le principali sfide volte al



raggiungimento di una solida crescita economica ed una crescente e sostenibile inclusione sociale. Saranno presentati anche gli impedimenti identificati e le sfide per il paese e come sarà presa in considerazione come questi svolgano un ruolo fondamentale nell'ambito dello sviluppo del nuovo accordo di pace concluso.

Per creare uno scenario concreto di possibilità, questa tesi utilizzerà la relazione elaborata dal *Departamento Nacional de Planeación* (DNP): "Dividendi economici per la pace in Colombia". Questo studio ha utilizzato prove empiriche su 36 paesi, 18 delle quali hanno una situazione che potrebbe essere facilmente paragonabile al caso colombiano per presentare i potenziali vantaggi economici del processo di pace. I risultati principali fanno concludere che un miglioramento della fiducia avrà luogo, con conseguente incremento degli investimenti produttivi, del consumo e degli investimenti diretti esteri, provocando a sua volta una crescita aggiuntiva del PIL di circa 1,1% e 1,9% all'anno.

In conclusione, questa tesi afferma che se si vuole ottenere una transizione regolare e di successo, i potenziali dividendi economici vogliono essere raggiunti e addirittura superati, ma solo con una grande somma di trasparenza e fiducia nelle istituzioni. Lo sviluppo rurale, la stagnazione della produttività, la diversificazione dell'economia lontana dalle estrazioni e la disuguaglianza tra regioni e persone sono le principali questioni economiche che devono essere affrontate da sane politiche macroeconomiche.

L'attuazione dell'accordo richiederà un'attenzione particolare a quelle debolezze che essa presenta, al fine di evitare non solo il conflitto, ma peggiorare l'attuale situazione. L'assenza di guerra non è pace e pace non è solo uno stato raggiunto o non raggiunto. La vaghezza che caratterizza il testo dell'accordo rivela un immenso difetto, che se approfittato dal gruppo sbagliato o affrontato in modo errato dalle istituzioni politiche, potrebbe portare ad un grande disastro.

Il SCD sostiene che la Colombia possiede tre caratteristiche definitive che hanno profonde radici storiche e condizionano il raggiungimento degli obiettivi gemellati dell'eradicazione della povertà e della prosperità condivisa identificata dal WBG. In primo luogo, uno sviluppo territoriale irregolare; in secondo luogo, la presenza di conflitti armati e la terza, e

in fine quasi due decenni di crescita economica basata sulle risorse estrattive. Queste tre caratteristiche definitive si sono evolute per essere quello che sono: veri strettoie per lo sviluppo.

Storicamente, lo stato colombiano ha sempre cercato di porre fine ai conflitti per mezzo di guerra. Tuttavia, questa strategia negli ultimi 50 anni in cui il conflitto è stato latente, è stato accompagnato da diversi vani tentativi per il raggiungimento di diversi accordi di pace con questi gruppi armati. Dal 1982, la Colombia ha cercato di negoziare 7 accordi di pace fallendo 6 volte. Da ciò si capiscono le ragioni per cui questi gruppi all'epoca dei negoziati erano così forti e come i fallimenti passati e le pressioni e le condizioni hanno influito negativamente. (Gutiérrez, 2012)

### **Accordo Finale**

L'obiettivo dei colloqui di pace tenutosi a La Habana, Cuba iniziato il 6 novembre 2012 e concluso il 24 agosto 2016, è stato quello di porre fine ai conflitti armati con il FARC in Colombia. L'accordo in versione originale è stato firmato il 26 settembre 2016 e il plebiscito si è tenuto il 2 ottobre 2016.

I risultati del plebiscito tenutosi il 2 ottobre 2016 mostrano un rifiuto da parte di elettori colombiani da parte di una piccola maggioranza. 50,21% (6,431,376 in numero) della popolazione ha votato contro l'accordo, contro la maggior parte delle previsioni. Il presidente Santos e l'ex presidente Álvaro Uribe, leader della "no" campagna nel referendum, insieme ad altri avversari dell'accordo, si sono incontrati per cercare di salvare il processo. L'opposizione ha proposto modifiche al testo, soprattutto sull'impunità dei crimini - la legge sull'amnistia - e la "Giurisdizione speciale per la pace".

La Corte Costituzionale ha approvato la proposta di una procedura "Fast-Track" per approvare in breve tempo ciò che essa sottopone alla sua considerazione nelle materie del contratto. I guerriglieri di FARC e il governo colombiano hanno annunciato il 12 novembre a La Habana, che avevano concordato un trattato di pace rivisto. L'accordo finale è stato

firmato il 24 novembre 2016, anche se le modifiche applicate non soddisfano l'opposizione che li considera solo dei ritocchi superficiali.

### **Contenuti**

L'accordo finale di pace con la FARC è composto da sei punti principali:

- Politica di sviluppo integrale rurale
- Partecipazione politica: apertura democratica per costruire la pace
- Cessate il fuoco, il disarmo e la demobilizzazione
- Soluzione al problema delle droghe illecite
- Riparazione delle vittime: sistema integrale di verità, giustizia, riparazione e non ripetizione
- Attuazione, verifica e approvazione

### **Sviluppo Post- Conflitto**

Come scrive Amartya Sen nel suo famoso libro *“Development as freedom”*, "Lo sviluppo può essere visto come un processo di espansione delle libertà reali che la gente ama. La messa a fuoco sulle libertà umane contrasta con viste più strette di sviluppo, come l'individuazione dello sviluppo con la crescita del prodotto nazionale lordo, l'aumento dei redditi personali, l'industrializzazione, l'avanzamento tecnologico o la modernizzazione sociale. La crescita del PIL o dei redditi individuali può, ovviamente, essere molto importante come mezzo per espandere le libertà dei membri della società. Ma le libertà dipendono anche da altri fattori determinanti, quali le disposizioni sociali ed economiche (ad esempio, strutture per l'educazione e l'assistenza sanitaria), nonché i diritti politici e civili (ad esempio la libertà di partecipare alla discussione e al controllo pubblico). Lo sviluppo richiede la soppressione delle principali fonti di libertà: la povertà e la tirannia, le scarse opportunità economiche, la privazione sistematica della società, la mancanza di strutture pubbliche, l'intolleranza o l'eccessiva attività degli stati repressivi" (Sen, 1999, p. 3) Seguendo le idee di Sen, è evidente che lo sviluppo riguarda sia le risorse materiali che quelle non materiali - i fatti - per un individuo per vivere una vita di successo. I mezzi economici

sono necessari, ma non sono l'unica componente necessaria: le persone devono essere libere e per questo il conflitto armato non deve esistere.

### *Systemic Country Diagnosis (SCD)*

La Colombia ha compiuto passi avanti nel ridurre la povertà e promuovere la prosperità condivisa nell'ultimo decennio. La povertà estrema è scesa dal 17,7% nel 2002 all'8,5% nel 2016, mentre la povertà totale (inclusa la moderata povertà) è scesa dal 49,7% nel 2002 al 28,0% nel 2016. Inoltre ha fatto enormi miglioramenti nei settori della disoccupazione, Il 15,8% del 2002 al 10,5% nel 2017. La disparità misurata con il coefficiente Gini è diminuita notevolmente, passando da 58,25 nel 2002 a 51,7 nel 2016. L'economia ha sostenuto una crescita media del PIL del 4,4% nel 2000, quasi il 2% Rispetto al decennio precedente. Attualmente, con la caduta dei prezzi del petrolio a metà 2014, questi livelli sono stati colpiti e per il 2016 il paese ha presentato un tasso di crescita del 2% del PIL. Tuttavia, per il periodo 2002-2013, la crescita economica spiega il 73% della riduzione della povertà estrema e l'84% della riduzione della povertà totale. (DANE, 2016a, DANE, 2017)

Il SCD sostiene che la Colombia possiede tre caratteristiche definitive con profonde radici storiche che condizionino il conseguimento dell'eradicazione della povertà e la prosperità condivisa (obiettivi gemellati del WB) in modo sostenibile. Questi sono: i) uno sviluppo territoriale irregolare; i) la presenza di conflitti armati; iii) una crescita economica basata sugli estrattori.

La mancanza di integrazione territoriale della Colombia è caratterizzata da enormi lacune negli standard di vita tra le aree urbane e rurali e le regioni geografiche. La disuguaglianza territoriale del paese è profondamente radicata e costituisce una delle principali cause del conflitto sociale sin dai tempi coloniali. Questa caratteristica è stata peggiorata dal conflitto armato, che negli anni ha portato a 5'712.506 sfollati tra il 1985 e il 2012, ma anche dalle caratteristiche geografiche del Paese che contribuiscono a una debole governance locale, all'assenza dello stato e alla scarsa qualità Delle infrastrutture di trasporto.

Per quanto riguarda la seconda caratteristica, la presenza di un conflitto armato è un fattore che ha contribuito al sottosviluppo del paese in molti modi. Inoltre, gli effetti del conflitto continueranno a mostrare per lungo tempo, in quanto il processo di transizione non è mai immediato. Ha lasciato circa 220.000 vittime tra il 1958 e il 2013, di cui l'81% sono stati civili e le persone con 5'712.506 persone forzate dalle loro case dal 1985, la Colombia detiene la seconda più grande popolazione di sfollati dopo la Siria. Alcuni economisti stimano che, in media, i paesi in conflitto potrebbero aggiungere 1,5 punti percentuali al suo tasso di crescita annuale se il paese fosse in pace. (WBG, 2015)

Infine, per quanto riguarda la terza caratteristica, la recente emergenza delle industrie estrattive della Colombia hanno accelerato la crescita economica e hanno fornito fondi di investimento per lo sviluppo, ma pongono domande sulla futura sostenibilità del modello di crescita del Paese.

### **Dividendi Economici**

Per calcolare i dividendi economici della pace, la relazione ha utilizzato 16 variabili macroeconomiche: PIL, PIL pro capite, investimenti, risparmi, investimenti diretti esteri, inflazione, disoccupazione, reddito e spese del governo, grado di liberalizzazione del mercato, esportazioni e importazioni, Consumi, agricoltura, industria e settori delle costruzioni. L'analisi è stata condotta in sei periodi: l'anno dell'accordo, 3 e 5 anni prima, e 3, 5 e 10 anni dopo. Questo per avere una prospettiva a breve, media e lunga durata sull'evoluzione delle diverse variabili. Il dividendo di pace deriva dalla differenza tra la media dei dati calcolati 3 e 5 anni prima dell'accordo e la media dei dati calcolati 3, 5 e 10 anni dopo l'accordo. (Table 7)

Il risultato principale della relazione è presentato dai dati del PIL, che è calcolato per crescere tra l'1,1% e l'1,9% in più all'anno.

Per quanto riguarda il lato della domanda, la relazione indica che la maggiore fiducia nell'economia post-conflittuale genera un aumento del consumo di elettricità del 5,5%,

consente agli investimenti diretti esteri di esplodere e aumenta il saldo commerciale del 17,7%.

Per quanto riguarda il lato dell'offerta, i risultati mostrano un aumento dell'1,4% nel settore agricolo, un aumento dello 0,8% nel settore industriale e un notevole aumento del settore delle costruzioni del 4,4%, che è dovuto a particolari esigenze infrastrutturali che aumentano dopo la fine del conflitto. Questi risultati permettono di affermare che il dividendo economico della pace nel caso colombiano potrebbe essere significativo e potenzialmente avere un impatto molto positivo.

### **Condizioni Per Il Successo**

Il "*Capability approach*" è il concetto usato da Amartya Sen per spiegare la visione di "vivere come una combinazione di vari "fatti e esseri", con la qualità della vita da valutare in termini di capacità di realizzare importanti funzioni. Alcune funzioni sono molto elementari, come essere nutriti o avere riparo [...]. Altri possono essere più complessi, come raggiungere il rispetto di sé o essere integrati socialmente" (Sen, 1993).

Si potrebbe identificare un modello a due livelli, in cui solo una volta che queste funzioni elementari, o le necessità di base, sono soddisfatte, una persona può aspirare alle funzioni di secondo livello, sicuramente più complesse. È intuitivo pensare che tutti devono avere quelle funzioni necessarie per coprire i bisogni fondamentali. Mettendolo come questione di sopravvivenza e di razionalità, in forme molto concrete: un bambino affamato si preoccuperà di più della colazione che di ottenere risultati migliori a scuola.

Il dibattito cruciale risiede nella differenza tra questi due livelli di funzionalità. Il punto è quello di sostenere che le persone devono essere in grado di funzionare correttamente nella società e per questo hanno bisogno di entrambi i livelli di funzionalità. Ognuno deve anche sentirsi potenziato, integrato, proprietario delle proprie scelte e capace di fare qualcosa per la propria società e per se stessi: non come ricevitori di beneficenza. Le politiche non possono avere come fine un semplice trasferimento di denaro o beni. Devono mirare a potenziare gli individui e incoraggiarli ad essere integrati e in grado di contribuire al benessere della loro società.

Mentre l'empowerment è associato alla trasformazione degli individui rispetto al loro ambiente, l'assistenziale è limitato a fornire i bisogni fondamentali della popolazione senza esercitare un maggiore cambiamento sulla realtà attuale, con conseguente un certo grado di dipendenza tra programmi e utenti.

### **Conclusioni**

Che cosa è dunque necessario affinché l'accordo di pace raggiunga i suoi obiettivi? Per porre fine al conflitto e costruire una pace stabile e duratura, lasciando alle spalle la violenza, la tratta di droga, la privazione dei diritti delle vittime, la mancanza di verità, giustizia e riparazione, è necessario che la democrazia si espanda, promuovendo lo sviluppo rurale, rafforzando la presenza dello Stato sul territorio e la partecipazione delle comunità intera. Che cosa permetterà che le politiche proposte, i programmi proiettati e i dividendi attesi diventino realtà? Che cosa farà finalmente concretizzare le speranze di ogni comunità colombiana e internazionale inevitabilmente legata a tutto il processo?

Douglass North identifica "l'istituzionalismo" come fattore chiave per un processo di sviluppo costruttivo. "Una politica di sviluppo di successo comporta una comprensione delle dinamiche del cambiamento economico se le politiche perseguite devono avere le conseguenze desiderate. E un modello dinamico di cambiamento economico comporta come parte integrante di tale modello di analisi della politica poiché è la polizia che specifica e applica le regole formali. [...] Sono politiche che rappresentano la performance economica perché definiscono e applicano le regole economiche del gioco" (North, 1994)

Integrando tutto ciò che è stato detto in questa tesi si arriva a questo. Sono le istituzioni che prevalgono soprattutto e incoraggiano lo sviluppo modellando le attuali caratteristiche attraverso politiche e comportamenti. Sono le istituzioni che possono rivoluzionare la storia o mantenere le condizioni come al solito. Questo è evidente nel caso colombiano e la firma dell'accordo di pace ne è il miglior esempio. Qualcosa di straordinario è accaduto, ma ora starà alle istituzioni optare per un percorso che porterà ad una storia di sviluppo di successo, o un fiasco. Robert Zoellick, presidente della WBG ha individuato un punto cruciale sull'importanza della legittimità istituzionale: "La

legittimità istituzionale è la chiave della stabilità. Quando le istituzioni non proteggono adeguatamente i cittadini, la protezione contro la corruzione o forniscono l'accesso alla giustizia [...] aumenta la probabilità di un conflitto violento. [...] Il rafforzamento delle istituzioni legittime e della governance per garantire la sicurezza dei cittadini, la giustizia e l'occupazione sono cruciali per interrompere cicli di violenza” (WBG, 2011)

La pace paga, ma costruire la pace che la Colombia così tanto desidera non avverrà spontaneamente. I desideri possono essere nobili, ma i mezzi per adempierli devono essere giusti. Con l'istituzionalismo, le pari opportunità e le condizioni favorevoli per funzionare e prosperare, la Colombia fiorirà con successo e non solo sognerà. Non c'è spazio per un altro fallimento sul cammino della pace: lasciamo che questo sia il saluto a decenni di sofferenza.