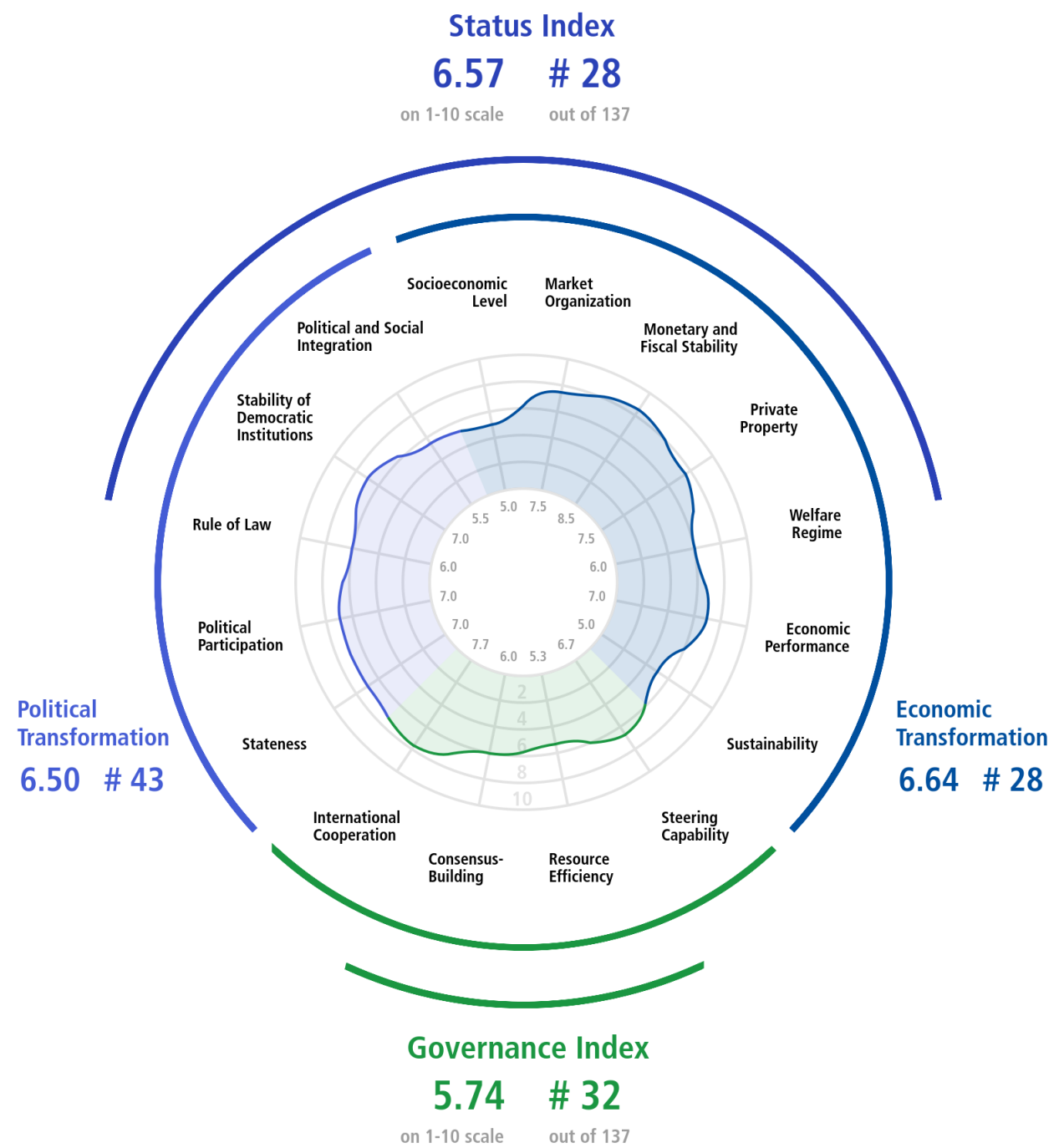


Colombia



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	51.9	HDI	0.752	GDP p.c., PPP \$	20287
Pop. growth ¹	% p.a.	0.7	HDI rank of 189	88	Gini Index	51.5
Life expectancy	years	72.8	UN Education Index	0.697	Poverty ³	16.0
Urban population	%	82.1	Gender inequality ²	0.424	Aid per capita \$	37.2

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the period under review, Colombia faced significant political and socioeconomic challenges. First, the country grappled with the far-reaching and multifaceted impact of the COVID-19 pandemic. Official statistics indicate that by December 2022, over 60% of the population had received at least one dose of a vaccine. To alleviate the severe socioeconomic consequences for the most vulnerable populations, the government implemented expanded social protection measures. However, despite these efforts and notable economic growth in 2021 and 2022, poverty rates remain high and have not returned to pre-pandemic levels.

Second, citizen discontent and dissatisfaction with former President Iván Duque's administration increased. Throughout 2021, there were widespread protests against the government, with additional focus on the structural inequalities and exclusions within the country. The state's violent response to these demonstrations further fueled citizen dissatisfaction and amplified the calls for change.

Third, security conditions in Colombia continued to deteriorate. Violence escalated, particularly in areas that have historically had more serious problems. While some progress was made in specific regions, the implementation of the 2016 peace agreement with the FARC remained slow and lackluster.

Against this backdrop, Gustavo Petro was elected as the first left-leaning president in Colombia's history in August 2022. To say that the victory of Petro and Francia Márquez (the vice-president) marks a milestone in Colombia's history is not an overstatement. Petro, a former member of the M-19 guerrilla group, is the first leftist leader ever to win the position of head of state in Colombia. Francia Márquez is an Afro-Colombian human rights and environmental activist from a rural area in the country's south. She is also the first Black woman to be elected to such a position. The new government's plan envisions an ambitious and comprehensive agenda of reforms.

Inequality, poverty, unemployment and informality remain the most concerning issues at the economic level. Colombia's economy experienced a remarkable recovery from the COVID-19 crisis, supported by strong fiscal and monetary policies. After falling by 7% in 2020, GDP growth rebounded to 10.6% in 2021 and is projected to grow around 8% in 2022. However, this trend is expected to change, and according to OECD projections, GDP growth is forecasted to be only 1.2% in 2023.

Inflation in Colombia has increased to unprecedented levels, reaching a rate of 13.28% in February 2023. The central bank reacted by tightening its monetary policy. With narrowing fiscal flexibility, the Colombian government has also sought to generate additional revenue. Tax reforms were enacted in September 2021 during the term of President Iván Duque (2018 – 2022), and then again in November 2022 under the leadership of current President Gustavo Petro.

In the six months since assuming the presidency, the Petro administration has been able to define some of its strategic priorities and make progress in their implementation. Notably, it has passed legislation enabling a new tax reform, implemented a peace strategy, established the Ministry for Equality, resumed peace negotiations with the ELN guerrilla group and re-established diplomatic relations with Venezuela. While the government has attempted to reach agreements and find common ground with opposing sectors in certain areas, its proposals on crucial issues such as energy policy, the economic model, and health and systems reforms have already sparked significant disagreements and tensions.

History and Characteristics of Transformation

Political and social transformation in Colombia has been shaped by the interaction of democratization and market-oriented reform processes, as well as multiple forms of violence, conflict and inequality. The country experienced a political conflict called “La Violencia” from 1948 to 1958. From 1958 to 1974, the political elite of the Liberal and Conservative parties established a system of power alternation known as the “National Front” in response to the wave of rural political violence. During this period, the Revolutionary Armed Forces of Colombia (FARC) guerrilla organization consolidated its presence. Economically, the years between 1958 and the 1980s were characterized by a “soft” protectionist model of economic growth known as the import-substitution industrialization strategy.

Although the country showed reasonable economic growth and a stable macroeconomic environment during that time, income distribution worsened, dependency on coffee exports increased, and infant industries were not as successful as hoped. Structural economic reforms began in the late 1980s and were deepened and extended by the liberalization reforms of President César Gaviria (1990 – 1994), which effectively internationalized the country's previously fairly isolated market. However, the economy did not grow as fast as expected, and several economic sectors, such as agriculture and manufacturing, were negatively affected by Gaviria's reforms.

Whereas the country's security situation deteriorated during the 1990s due to the emergence of paramilitary groups and the burgeoning illegal drug trade, the 1991 constitution represented a significant advance in the country's democratization and political transformation. It created crucial institutions such as the Attorney General's Office, the Constitutional Court and the democratic election of governors. It additionally spelled out several human rights and established Colombia as a constitutional state.

In the late 1990s and early 2000s, the Pastrana government (1998 – 2002) conducted an unsuccessful peace process with the FARC, which led to the radicalization of political discourse in the country. Álvaro Uribe (2002 – 2010), who was elected president on a strict anti-FARC agenda, reformed the armed forces with financial support from the United States under the Plan Colombia and allowed the army to deliver historical blows to the FARC. Uribe's so-called Democratic Security Policy was aimed at the recovery of territory for the state and the elimination of illegal armed actors. Economically, GDP grew at an average of 3.7% between 2003 and 2008, and foreign direct investment was made a centerpiece of the country's economic strategy.

Juan Manuel Santos (2010 – 2018) initiated a new peace process with the FARC in 2012. This process concluded with the final peace agreement ratified by Congress and the international community's endorsement of the president's dedication to peace, resulting in the awarding of the Nobel Peace Prize in December 2016. The implementation of the accord has become a subject of contention in Colombian politics. Dissatisfaction with the agreement's terms, coupled with a backdrop of increasing polarization, led to the election of Iván Duque as president in 2018. While the agreement has ushered in certain pockets of peace, it has not triggered significant structural transformation. Although there has been a decrease in homicide rates in recent years, certain regions of the country have experienced a surge in violence. Colombia remains plagued by the presence of numerous illegal armed groups, including left-wing guerrillas, successor paramilitary organizations and organized crime syndicates.

Increasing citizen discontent, the lackluster performance of the Duque administration, and unsolved structural issues such as inequality and exclusion – which the COVID-19 pandemic aggravated – are among the factors that cleared the way for the victory of Gustavo Petro in the 2022 presidential elections. This development is underpinned by the advances leftist movements and parties have achieved over the last years and the political dynamics that the 2016 peace agreement enabled.

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

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force is limited. In several parts of the country, the state coexists and interacts with a wide range of non-state armed actors, including rebel forces such as the Ejército de Liberación Nacional (ELN) and the Ejército de Liberación Popular (EPL), as well as both dissidents and rearmed factions of the demobilized FARC. Additionally, right-wing paramilitary successor groups, organized crime organizations and street gangs play a significant role. The largest organized crime group in Colombia is the Gulf Clan, also known as Autodefensas Gaitanistas de Colombia. These actors exercise varying degrees of control over territories, populations and resources.

The 2016 peace accord with the FARC put a formal end to a five-decade war between the state and the country's largest armed group. Despite its encompassing agenda, the treaty only partially addressed or left out structural and institutional factors that contribute to the reproduction of conflict and violence. Additionally, the post-agreement phase has encountered difficulties. During the presidency of Iván Duque (2018 – 2022), implementation of the accord faced challenges and was ultimately weakened.

Meanwhile, the constellation of non-state armed actors and the dynamics of violence have transformed in the wake of the peace deal. Current violent conflicts tend to be more fragmented and localized. Areas formerly controlled by the FARC, and where coca crops and illegal mining are located, are among the most affected by violence. The downward trend in lethal violence during the last decade had a setback in 2021 as the homicide rate increased to 27.7 per 1,000 inhabitants – the highest rate in the last seven years. Considered from a subnational perspective, there are several differences in the patterns of violence. Some regions display the largest share of homicides, and violence has heightened in areas historically affected by armed conflict. For instance, the average homicide rate in the 170 municipalities prioritized for the implementation of the peace accord is far above the average of the rest of the country (48.6 vs. 27.7 in 2021). Similarly, the homicide rate in rural areas is higher than in urban zones (41.6 vs. 22.3 in 2021).

Question
Score

Monopoly on the
use of force

6



Other indicators confirm the persistence and even worsening of violence. The NGO INDEPAZ reported 171 assassinations of social leaders in 2021, and 215 in 2022. Selective killings have likewise continued to affect former FARC combatants. Forty-two ex-combatants were murdered in 2022 and 43 in 2020. In addition, various organizations have reported worrisome increases in the number of internally displaced people, massacres and populations undergoing humanitarian crises.

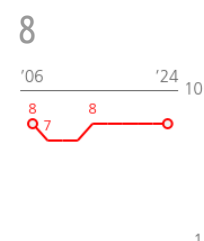
President Petro has committed to the full implementation of the 2016 peace agreement and has promoted negotiations with existing non-state armed groups as a means of ending armed conflict within the framework of a policy known as “Paz total” (total peace). Pursuant to this agenda, the government resumed peace talks with the ELN in October 2022, while also considering negotiations with FARC breakaway factions and organized crime groups.

The vast majority of the population recognizes the legitimacy of the nation-state and the state’s constitution. The Colombian constitution guarantees equal rights (including civil, political, social and collective rights) to all citizens, regardless of race, religion, gender or political beliefs. However, certain populations, such as those in rural and urban peripheries, Indigenous communities, Afro-Colombians, peasants, and particularly women, do not have the ability to fully exercise their rights due to the lack of resources and structural constraints. Such groups have been neglected by the state. To bridge the gap between formal and substantive citizenship, the Constitutional Court frequently intervenes to compel the state to implement necessary policies. In certain rural and urban marginalized areas, non-state armed actors are responsible for establishing and enforcing rules and providing governance.

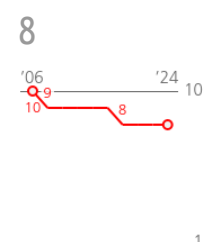
Freedom of religion is a constitutionally protected right. The law protects individuals from discrimination based on religious beliefs and practices. Nevertheless, the Roman Catholic Church holds both a formal and informal privileged status. Although there is no noteworthy intervention of religious dogmas in political institutions or public policy design, religious organizations have mobilized through institutional and noninstitutional channels against abortion and the rights of sexual minorities. For instance, in 2022, a ruling from the Constitutional Court decriminalized abortion up to 24 weeks of pregnancy. Sectors self-identifying as pro-life took to the streets to protest against the ruling; they have also filed legal actions against the regulation issued by the Ministry of Health regarding the implementation of the Court’s decision.

The state has engaged in expanding and strengthening administrative structures. However, large parts of the country still lack efficient and reliable access to public services. In certain areas, the state focuses heavily on deploying the military while neglecting public services and the rule of law. The state’s functions and activities in Colombia are decentralized to a significant extent. Municipalities are responsible for providing essential services like water supply, basic health and education. State capacity is undermined by corruption, inadequate infrastructure, the impact of armed conflict, and a lack of technical and managerial expertise. Clientelism and patronage also affect the functioning of the state.

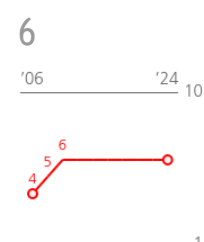
State identity



No interference of religious dogmas



Basic administration



The Colombian state has limited capacity to raise fiscal revenue. According to the OECD, the tax-to-GDP ratio was 19.5% in 2021 – an increase of 0.7% compared to 2020. Some of the goals of a tax reform approved by Congress in November 2022 are an increase in revenue, an improvement in progressivity and a reduction in inequality.

The Ministry of Housing, City and Territory reported that 93% of households have access to water as of 2020. However, it is estimated that for at least 12 million people (around 24% of the population), the water supply is intermittent or the water quality is poor. According to the National Department of Statistics' data for 2021, 75% of households have access to sewer systems, 97.4% to electricity and 82.5% to garbage collection services. The government has committed to the Four Generation (4G) road program, aiming to improve infrastructure and facilitate connectivity throughout the territory. As of July 2022, the national infrastructure agency reported an average progress of 66.14% in the program.

In terms of health care provision, about 99% of Colombians are covered by the national social security health system. Although the government has made strides toward the achievement of universal health coverage, and toward ensuring that a majority of the population is formally insured, a noteworthy portion of the public still faces obstacles in accessing health services in a timely and efficient manner.

COVID-19 and related containment measures caused significant disruption in the provision of education, according to UNESCO. In 2020, the net enrollment rate for primary education was 94%, while for secondary levels it was 82.3%. The IMF reported that schools in the country were either entirely or partially closed for a total of 77 weeks. The National Department of Statistics noted a significant increase in school absenteeism, with this rate rising from 2.7% in 2019 to 16.4% in 2020. Additionally, it reported a decline in enrollment at the pre-primary, primary and secondary levels in 2021 compared to the previous year. The most significant drop was observed in pre-primary education, where there was an 8.5% decrease.

2 | Political Participation

Democratic elections are regularly held at the national and subnational levels. Universal suffrage with secret balloting is ensured, and several parties with diverse platforms field candidates. Political posts are filled according to election outcomes. Nonetheless, fraud, violence, vote-buying, opaque campaign financing and candidate-selection mechanisms, as well as the lack of enforcement of electoral laws, continue to affect the fairness of elections and the quality of democracy. The Opposition Statute (Law 1909 of 2018) grants national and regional media access to all political parties, as well as the right to reply to statements from members of the executive by opposition parties. However, in practice, candidates and parties from political minorities face obstacles to accessing the media.

Free and fair elections

7

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In 2022, congressional and presidential elections were held, resulting in significant victories for leftist political forces. Notably, Gustavo Petro was elected president, marking a major setback for the Centro Democrático party, headed by outgoing President Iván Duque and former President Alvaro Uribe. The congressional election results were contentious due to irregularities in the vote-counting process. Following reporting errors in the initial count, Petro's Historical Pact coalition secured approximately 750,000 additional votes in the final tally. Some parties affected by these discrepancies called for a comprehensive recount, alleging election fraud by the Historical Pact. However, their demands did not progress, as they failed to substantiate the accusations. Moreover, Colombian electoral legislation lacks provisions for a complete recount of votes.

Presidential elections were held on May 29, 2022, with a runoff on June 19, 2022. Gustavo Petro and his running mate Francia Márquez, candidates from the Pacto Histórico, won the election, defeating Rodolfo Hernández and his vice-presidential candidate, Marelen Castillo. Given the problems experienced in the vote counting in the congressional poll, the run-up to the presidential poll was filled with messages expressing mistrust of the electoral authorities and fears of fraud.

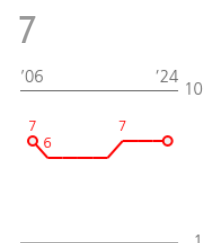
Rising distrust of the electoral management body is a concerning aspect. In addition to the irregularities in the voting count mentioned during the congressional elections, political actors from across the political spectrum have expressed serious concerns regarding the current National Civil Registrar, Alexander Vega, and his political connections and interests.

The electoral observation mission (MOE) reported a significant increase in the activity of non-state armed actors during the pre-electoral phase. Similarly, electoral participation was deemed to be at risk due to armed violence in 344 municipalities. In a joint report, the Comisión Colombia de Juristas (CCJ) and the MOE reported 113 lethal violent attacks against social and grassroots leaders, including assassinations and forced disappearances. The number of nonlethal attacks increased by 229%, rising from 106 events in the 2018 electoral phase to 349 in 2022.

In November 2022, Petro's government attempted to pass a fast-track proposal for a new Electoral Code through Congress. The bill draft contained significant changes to the electoral institutions and included the adoption of an electronic vote system, among other elements. However, the legislative process could not continue due to a lack of a quorum in the plenary of the Senate. As a result, the debate on the bill was postponed until the next legislative term in 2023.

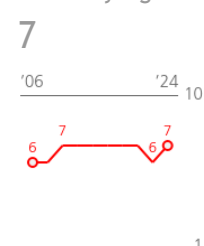
In principle, elected rulers possess the effective power to govern without undue interference by veto actors. However, certain groups, such as economic groups and businesses, wield significant influence over decision-making processes. In peripheral regions, the government is vulnerable to violence perpetrated by illegal armed actors, as well as to the power of local elites and landowners who resist democratic reforms through clientelism, co-optation, and violence against political competitors and grassroots activists.

Effective power to govern



The constitution guarantees the freedoms of association and assembly, and these rights are enforced. Political and independent civil groups are allowed to form freely. However, legal provisions and elements of institutional design have the potential to obstruct the recognition of minority political parties. Violence remains a significant barrier to the exercise of the rights to association and assembly. A clear instance is the persistence of targeted violence against human rights defenders and grassroots activists, known commonly as social leaders. It is estimated that 215 social leaders were killed in 2022. Such violence undermines community-based and grassroots collective organizations.

Association / assembly rights



In the period under review, police forces have relied on intimidation and outright violence when dealing with demonstrations. A massive wave of protests took place in 2021. It is estimated that around 1.5 million people in urban and rural areas participated in the “national strike” between April and early June 2021. While most protests were peaceful, there were pockets of violence, vandalism and looting. Roadblocks within and between Colombia’s cities disrupted the provision of essential goods and services. The police and its anti-riot force (ESMAD) responded with excessive use of force. All this took place despite a 2019 Supreme Court ruling ordering the government and security forces to implement a set of measures to prevent and punish arbitrary intervention in demonstrations and protests. The NGOs Temblores and INDEPAZ estimated that 75 people were killed while participating in the demonstrations; at least 44 of these killings were presumably perpetrated by security forces.

There has been an increasing criminalization of activism and protests, particularly through the enactment of new legislation and the criminal justice system. In the wake of the national strike of 2021, the government proposed a controversial bill known as the Citizen Security Law. Congress passed the bill in December 2022. The law toughens penalties against crimes usually associated with protests, such as traffic obstruction, road and highway blockages, and the destruction of private property, thereby easing the application of pretrial detention in these cases. In addition, in June 2021, Attorney General Francisco Barbosa revoked Directive 008 of 2016, which established the acts of protest, even if violent, were not terrorist offenses. He also issued Directive 002 of 2021, which facilitates the prosecution of persons participating in demonstrations.

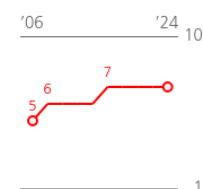
The freedoms of expression and information are guaranteed by the Colombian constitution. Media outlets and journalists enjoy legal protections, and there is no official censorship. However, in practice, these rights often face interference from the government and security forces, as well as other de facto restrictions. In 2022, Colombia was ranked 145th out of 180 countries in the Press Freedom Index. The country is described as one of the most dangerous for journalists in the Western Hemisphere, with particular concerns surrounding death threats, physical attacks, stigmatization and intimidation. Between January 2021 and December 12, 2022, the Foundation for the Freedom of Press (FLIP) registered 684 violations against press freedom, including 393 death threats, two assassinations and 27 instances of illegal detention.

Media ownership is highly concentrated among a few private conglomerates. The dominant news and opinion outlets generally champion pro-establishment perspectives at the expense of diverse content and critical voices. Despite media concentration, technological changes have enabled the proliferation of alternative sources of information and watchdog journalism through online platforms. According to Reporters Without Borders, approximately 600 media outlets in Colombia received government aid during the COVID-19 crisis. Resource allocation was skewed against regional, community and independent media. With the advent of Petro's government, it is expected that support for the community and independent media will improve.

The constitution grants the right to access public information. Through a mechanism called the "right to petition" (*derecho de petición* in Spanish), citizens have the right to submit requests for information, and public institutions are required to answer requests within a time frame that varies between 10 and 30 days, depending on the type of information demanded. As part of the measures implemented due to the COVID-19 pandemic, the Colombian government doubled the deadline for responses to these requests. Given that most of the restrictions had been lifted, on November 10, 2021, the Congress approved a law setting the return to the time limits prior to the pandemic. However, President Duque challenged the law, arguing that the health emergency remained ongoing and that public officials still faced difficulties in accessing paper records. After discussing Duque's objections, the law was finally approved in May 2022.

Freedom of expression

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3 | Rule of Law

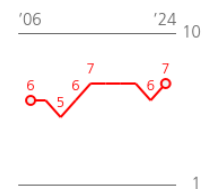
The 1991 constitution guarantees the separation of power between the executive, legislative and judicial branches. The law includes autonomous constitutional and electoral institutions, and a system of mutual checks and balances is in place. However, episodes of undue interference are not uncommon. In practice, the balance of power varies according to the constellation of political groups in power.

The trend of increasing concentration of power within the executive, noted in the BTI 2022, continued during the review period. For instance, in April 2021, the Ministry of Justice issued a decree that altered the distribution system of cases of tutela (a constitutional complaint for the urgent protection of fundamental rights). Of particular concern was an article that established that tutela claims against the actions of the Presidency of the Republic, including those related to national security matters and the forced eradication of illicit crops, should be resolved by the Council of State in the first instance. Previously, tutelas against the president's actions were handled by the administrative courts or the high judicial district courts. A number of experts and political actors have argued that this provision undermines the independence of the judiciary and the system of checks and balances. By giving himself the right to choose his own judge – thereby avoiding regional judges and the Supreme Court – it is presumed that the president wanted to prevent possible adverse judicial decisions. Additionally, the new provision creates new barriers to accessing justice and rights protection, particularly for marginalized communities in conflict-affected areas of the country. Critics argue that according to the constitution, reforms on topics related to the protection of fundamental rights should be processed through Congress, so for the executive to legislate on this matter is outside of its competence.

The election of Gustavo Petro as president raised several questions regarding the separation of powers and the relationship of the executive with other branches, particularly those under the control of alleged allies of the former government. Petro's government presented several bills to Congress, including a political reform. The proposal passed the first debates but was eventually withdrawn in March 2023 after losing the support necessary for its approval. Opponents argued that some of its provisions had the potential to undermine the legislature's political oversight of the executive and thus affect the degree of independence between the two branches.

Separation of powers

7



De jure, Colombia's judiciary is independent and autonomous. It includes the Constitutional Court, the Supreme Court and the Council of State. Additionally, the Superior Council of Judicature is responsible for overseeing the judicial branch. The 2016 peace agreement with the FARC established the Special Jurisdiction of Peace (JEP) as part of the transitional justice system. Corruption, inefficiency and limited territorial operability continue to be widespread, which impacts citizens' confidence in the judiciary. In the 2021 Political Culture Survey conducted by Colombia's national statistics department, DANE, 28% of the respondents believed that the justice sector was involved in the worst cases of corruption. Data collected from the 2020 Latinobarómetro survey reveals that 41% of respondents expressed little confidence in the judiciary, while 31% reported having no trust in the judiciary at all.

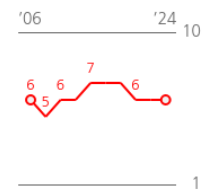
Law 270 of 1996 establishes the regime for judicial service. The selection of judges is conducted through a merit-based competition. On several occasions, the effectiveness of these competitions has been compromised due to procedural errors, including flaws in the evaluation tests. Alternatively, the selection of high court judges is carried out through other mechanisms. For instance, members of the Constitutional Court are elected by the Senate from nominations presented by the president of the republic, the Supreme Court of Justice and the Council of State.

During the government of Iván Duque (2018 – 2022), judicial decisions concerning the peace process were a continual source of friction between the judiciary, particularly the JEP, and the executive and sectors opposing the peace agreement with the FARC. The arrest and subsequent failed attempt to extradite Seuxis Hernandez, better known as Jesus Santrich and a former member of the FARC, on charges of drug trafficking, is perhaps one of the most severe instances of conflict among government branches within the context of the peace process. In April 2018, Santrich was taken into custody, and the United States requested his extradition. However, the JEP rejected the request, ruling that the evidence was insufficient to allow for a decision on the case. As the statute of limitations came into effect, the JEP ordered Santrich's release on May 19, 2019. Although he was immediately rearrested on the orders of the Office of the Attorney General, the Supreme Court released him on the same day. President Duque strongly criticized the court's rulings in this matter. In protest against the JEP, Attorney General Nestor Humberto Martínez resigned from his role. Subsequent investigations revealed that Santrich's arrest had been orchestrated as a frame-up by the DEA and the Office of the Attorney General. The frame-up also affected two JEP officials.

In early December 2022, President Petro signed Decree 2422, which facilitates the release of people prosecuted and jailed in connection with their participation in the massive 2021 protests by designating some of them as "peace promoters" (gestores de paz). While the decree does not imply the end of the criminal proceedings, it creates a means of suspending prison warrants. Although former presidents have employed similar mechanisms to facilitate dialogue with armed groups in anticipation

Independent
judiciary

6



of peace processes, the decree has raised criticism in some circles. Critics argue that the decree implies an interference in the powers of the legislature and the judiciary, as it grants the president discretionary power to decide on the conditions for the release of imprisoned individuals. Moreover, they say that any such legislation should be enacted via laws issued by Congress instead of by presidential decree.

The prosecution of office abuse is a generally respected goal. However, corruption and clientelism remain salient problems in Colombian politics. Officeholders who abuse their positions and engage in corruption are generally prosecuted, but they often try – and sometimes succeed – to exploit political, legal or procedural loopholes. Additionally, the prosecution of public officeholders tends to focus on prominent nationwide cases revealed or reported on by the media, while many local cases go under the radar and never see the light of day in court. According to the Latinobarómetro 2021, 61.5% of respondents consider that corruption in the country had either “increased a lot” or “increased some” during the year prior to the survey, while only 7% responded that it had “decreased some” and 2.7% that it had “decreased a lot.”

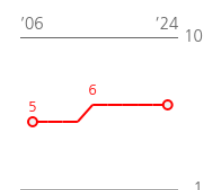
Public scrutiny and media reporting are essential to exposing and holding accountable the officeholders engaged in corruption. Nevertheless, journalists and local citizens are susceptible to intimidation and retaliation.

During the period under review, significant corruption scandals emerged. In June 2022, journalists exposed a large contract issued by the Ministry of Information Technologies and Communications (MinTIC) for internet provision to 15,000 rural communities that was plagued with irregularities. The contractor, Centros Poblados, relied on manipulated and falsified documents to secure the contract and receive an advance of 70 billion Colombian pesos (approximately \$1.4 million). Following the revelations, the contract was declared null and void. The Attorney General’s Office initiated an investigation and sought assistance from the FBI to trace the money, as a portion of it had been transferred to a company in the United States. The scandal resulted in the resignation of Minister of Information Technologies and Communications Karen Abudinen in September 2021. Centros Poblados’ management, individuals involved in the contract and former Minister Abudinen are currently facing legal action.

In July 2022, another journalistic investigation revealed a corruption scheme involving the funds allocated for the implementation of the peace accord. These resources, intended for development programs in the 170 municipalities most affected by violence and poverty, were diverted through bribes to mayors, members of Congress and other officials. It is estimated that this scheme resulted in the misappropriation of approximately 12% of the funds from the peace fund, known as OCAD-Peace. In response to these allegations of corruption, the Attorney General’s Office established a special task group to conduct an investigation.

Prosecution of office abuse

6



The Colombian constitution and corresponding laws codify civil rights and provide the mechanisms to enforce them. The tutela constitutes an expeditious procedure under which citizens can demand the urgent protection of their fundamental rights. The Constitutional Court is an independent tribunal that has historically been committed to safeguarding and protecting human rights, particularly in the case of minorities. The offices of the inspector general and the ombudsman are tasked with oversight and protection of human rights. Despite the law and institutional arrangements, civil rights are not fully respected in Colombia. The situation is particularly concerning in conflict-affected areas, where citizens face the threat of violence perpetrated by criminal groups.

The killings of community activists and human rights advocates – known as social leaders – and former FARC combatants, as well as the surge in the number of massacres, are particularly alarming. These crimes are generally attributed to illegal armed groups. However, experts and human rights advocates have drawn attention to the role of shady alliances between local elites, state agents and criminal actors in the phenomenon. Violence by security forces persists as a worrisome issue. They have been particularly visible in the context of the massive protests that have taken place since 2019. Abuses include unlawful killings, arbitrary detention, beating, torture and sexual violence.

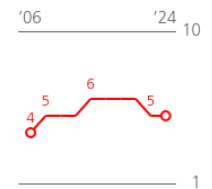
Discrimination against ethnic and gender minorities remains prevalent. Based on data from the 2018 National Census, a joint report from the Department of National Statistics and UNFPA reveals that Indigenous, Afro-Colombian, Raizal and Palenquero communities experience higher levels of multidimensional poverty than do the rest of the population. In Indigenous communities, 49.2% of households live in multidimensional poverty, while the figure stands at 43% for Afro-Colombian communities. In contrast, 29% of individuals without an ethnic identification face multidimensional poverty.

4 | Stability of Democratic Institutions

Democratic institutions are stable and perform their functions; however, limitations regarding state capacity, corruption, and frictions between branches and levels of government hinder their efficiency. The 1991 constitution established the basis for political, fiscal and administrative decentralization. Regional and local governments have a broad array of competencies. Despite remarkable improvements in institutional strength and coordination, misalignments between the national and local authorities still hamper the operation of democratic institutions. Efforts to build peace and strengthen democracy have not fully transformed or dismantled the profoundly entrenched structures and actors underlying the reproduction of violence. Perhaps the most evident manifestation of this dynamic is the persistence of the assassination of social leaders and former FARC combatants, as well as the worsening of armed conflict in some regions of the country.

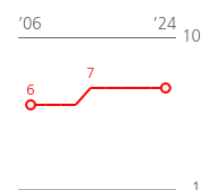
Civil rights

5



Performance of democratic institutions

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The 2022 presidential elections, with the victory of Gustavo Petro and Francia Márquez, marked a milestone in Colombia's history. Petro is a former member of the M-19 guerrilla group and is the first leftist leader to win a position as head of state in Colombia. His vice-presidential running mate, Francia Márquez, is an Afro-Colombian human rights defender and environmental activist from a rural area in the south of the country. She is the first Black woman to be elected to such a position. This result is an extraordinary development for the political trajectory of the country given the exclusionary character of a political system in which leftist leaders have been the target of violence, as well as the historical political exclusion of racial and gender minorities. The prospect of a leftist president's victory raised doubts about whether the transition would be smooth or face resistance from key political actors, such as the armed forces and economic elites. In this sense, the 2022 elections were a test of the stability of Colombia's democracy.

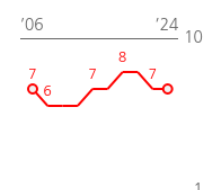
In principle, all relevant actors accept democratic institutions as legitimate. The 2016 government peace deal with the FARC and the latter's integration as a political party within Colombian democracy was a breakthrough in this realm. Although it rejects some political configurations and the prevailing economic system, the current largest rebel group, ELN, has agreed to start peace negotiations with the Colombian government within the framework of the country's democratic institutions. Rearmed sectors of the former FARC and former group members that did not join the peace agreement have rejected the legitimacy of the political regime. While they do not seek formal state power, organized crime groups constitute a threat to democracy, as they weaken institutions and undermine the guarantees of citizen rights. From a subnational perspective, landowners and political elites resist democratic reforms, either by relying on clientelistic practices and patronage or via violent means and alliances with non-state violent actors.

5 | Political and Social Integration

In the period under review, the party system in Colombia underwent some notable changes. In the congressional elections of 2022, centrist and left-wing political parties achieved significant progress. Additionally, election results led to a highly fragmented Congress; no party obtained the majority in either of the two chambers. The Pacto Histórico, a leftist political coalition led by President Gustavo Petro and formed in 2021, secured the largest number of seats in the Senate (20) and 28 seats in the House of Representatives. Together, this equals 17% of the seats in Congress. The trajectory of the party system in Colombia since the 1991 constitution has been characterized by the diminishing power of the two historically dominant parties, the Liberal and Conservative parties, and the emergence of various newer political parties and independent social movements. However, the Liberal and Conservative parties remain relevant within the party system. Currently, the Conservative Party controls 15 seats in the Senate and 25 in the House of Representatives, which is equivalent to 13% of the seats in Congress. The Liberal Party, on the other hand, holds 14 seats in the Senate and 32 in the House of Representatives.

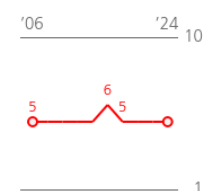
Commitment to democratic institutions

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Party system

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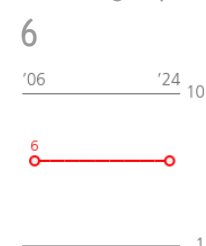
The party system has become more competitive, yet fragmentation and electoral volatility have increased. Due to the lack of social rooting and the persistence of corruption and clientelism, political parties tend not to articulate social interests. Levels of trust in political parties have remained notably low and have even declined over the past few years. According to the Political Culture Survey conducted by the national statistics department (DANE), political parties are considered the least credible institutions in Colombia. Only 8% of respondents expressed trust in political parties in DANE's 2021 survey, which is four points lower than the 2019 survey. Similarly, the 2020 Latinobarómetro reports that 51% of respondents said they did not trust political parties, while only 1.9% stated that they trusted them “a lot” and 9.1% trusted them “some.” Although political parties play a central role in national politics, experts have observed that at the subnational level, electoral dynamics differ significantly. In local and regional elections, leaders of political machines, as well as regional and local political organizations, are more influential than political parties.

A comprehensive network of interest groups, including business associations, unions, Indigenous and Afro-Colombian groups, social movements, and local NGOs, mediates between society and the political system. However, wealthy businesses and private associations have exerted dominance, enjoying privileged access to predominantly business-friendly governments. The rise of a leftist government in 2022, supported by social movements, grassroots groups, ethnic minorities and progressive sectors, has introduced a shift in the prevailing power relations among interest groups. In the initial months of the new administration, the government's relationship with business groups and economic elites displayed a mixed dynamic, characterized by instances of friction and cooperation.

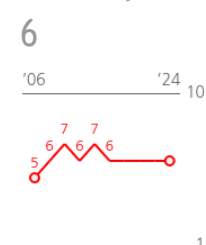
Different interest groups develop cooperative relationships – for instance, conglomerates and business associations serve as spaces for coordination among their members and act as interlocutors with the government. On the other hand, social movements form regional and national platforms. However, frictions and institutional weaknesses frequently undermine the development and organizational capacity of these groups.

Survey data indicates that the majority of Colombians approve of the democratic system. However, compared to the data included in the BTI 2022 report, support for democracy has diminished. According to the 2020 Latinobarómetro survey, 43.1% of Colombians agreed that democracy was preferable to any other form of government, which was 11% less than in 2018. Additionally, 57% either said they “strongly agree” or “agree” that, despite some problems, it is the best system; this represented a decrease of 24 percentage points compared to the 2018 edition. The 2021 Political Culture Survey conducted by the national statistics department found that 76.6% of people consider living in a democracy to be very important. Levels of dissatisfaction with democratic performance are high. According to the 2020 Latinobarómetro survey, 47.6% of respondents expressed being “not very satisfied,” and 31.3% said they were “not at all satisfied” with democracy. Furthermore, 51.7% described Colombia as a democracy with significant problems.

Interest groups



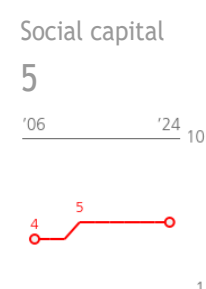
Approval of democracy



Levels of trust in institutions are relatively low and have decreased in recent years, according to the 2021 Political Culture Survey. The armed forces remain the most trusted institution, with a trust rate of 26.8%. However, there has been a significant drop of over 10 percentage points compared to the 2019 survey. This decline in trust is widespread among all institutions included in the survey. Alongside the armed forces, the National Civil Registry experienced a reduction in the share of people saying they trust it from 30.7% in 2019 to 18.3% in 2021, while the ombudsman office saw a decrease from 29.2% in 2019 to 18.9% in 2021.

Levels of interpersonal trust among people in Colombia are very low. In the 2020 Latinobarómetro survey, only 13% of the respondents agreed that one could trust most people, whereas 84.3% agreed with the sentence “one can never be too careful in dealing with others.” According to the 2021 Political Culture Survey by the national statistics department (DANE), people mostly trust family members (94.4%), followed by friends (39.1%), colleagues (32.9%) and neighbors (20.5%). In contrast, only 5.6% said they trusted people of other nationalities, and 5.6% said they trusted unknown people.

There is a strong network of autonomous, self-organized groups and civic organizations operating at the national and local levels in Colombia. However, institutional weaknesses, coordination challenges and security conditions hinder their development and participation.



II. Economic Transformation

6 | Level of Socioeconomic Development

During the period under review, the country has struggled with the adverse effects of COVID-19 on people's socioeconomic conditions and the country's productive capacities, as well as heightened citizen discontent and social unrest. According to the World Bank, Colombia is an upper-middle-income country with a per capita GDP (PPP) of \$16,819 in 2021. Colombia ranked 88th out of 191 countries on the Human Development Index in 2021, with a score of 0.752. This is the lowest score since 2014.

While Colombia has experienced notable progress in the provision of public goods and poverty reduction, the multidimensional impact of COVID-19 meant a significant setback to the country's socioeconomic development. Colombia's economic recovery from the COVID-19 crisis – GDP rebounded by 10.7% in 2021 and was forecast to grow by 7.1% in 2022 – has not been enough to tackle monetary poverty, which rose sharply during the pandemic and has not returned to pre-COVID levels.



The National Administrative Department of Statistics (DANE) reported that monetary poverty and extreme monetary poverty reached 39.3% and 12.2%, respectively, in 2021. According to DANE data, multidimensional poverty rose to 18.1% of the population in 2020 but has since declined (16.0% in 2021 and 12.9% in 2022). However, the rate in rural areas is still around three times higher than in the capital cities.

Inequality levels remain high in Colombia. The Gini coefficient for the country was 54.2 in 2020, and the overall loss in HDI score due to inequality was 21.7% in 2021. Yawning differences in socioeconomic conditions between urban and rural areas persist. Whereas the incidence of multidimensional poverty in urban areas in 2021 was 11.5%, the figure was 31.1% in rural environments. Similarly, there are marked differences in the levels of socioeconomic development across subnational units. For instance, the department of La Guajira registered the highest incidence of monetary poverty in 2021, at 67.4%. In contrast, the department of Cundinamarca had the lowest such rate, at 22.8%. Poverty and social exclusion are structurally ingrained and are more commonly found within Indigenous groups, Afro-Colombian communities, rural populations, women and children, and victims of the armed conflict. According to information from 2021, the rate of monetary poverty for Indigenous groups was 61.6%, and the rate of extreme poverty was 33.7%. For Afro-Colombians, these rates were respectively 46.1% and 17.3%. In the case of victims of armed conflict, the levels of monetary poverty and extreme poverty are 10.8 and 5.7 percentage points, respectively, above the national average. The country's score on the Gender Inequality Index was 0.424 in 2021.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	323031.7	270151.0	318511.8	343939.4
GDP growth	%	3.2	-7.3	11.0	7.5
Inflation (CPI)	%	3.5	2.5	3.5	10.2
Unemployment	%	10.0	15.0	13.9	10.7
Foreign direct investment	% of GDP	4.3	2.8	3.0	4.9
Export growth	%	3.1	-22.7	15.9	14.9
Import growth	%	7.3	-19.9	26.7	23.9
Current account balance	\$ M	-14809.6	-9266.8	-17950.9	-21252.4

Economic indicators		2019	2020	2021	2022
Public debt	% of GDP	52.4	65.7	64.0	60.4
External debt	\$ M	138907.3	155695.6	171993.0	-
Total debt service	\$ M	19227.5	21711.9	25361.2	-
Net lending/borrowing	% of GDP	-2.2	-8.5	-7.5	-5.3
Tax revenue	% of GDP	14.9	14.1	14.4	-
Government consumption	% of GDP	15.8	17.2	16.0	14.1
Public education spending	% of GDP	4.5	5.3	-	-
Public health spending	% of GDP	5.8	6.5	-	-
R&D expenditure	% of GDP	0.3	0.3	-	-
Military expenditure	% of GDP	3.1	3.5	3.2	3.1

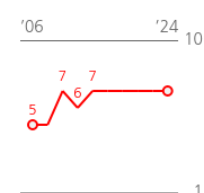
Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

A robust and stable legal and institutional framework ensures the fundamentals of free-market competition. Colombia scored 65.10 and ranked 60th out of 161 countries in the 2022 Heritage Foundation's Index of Economic Freedom. While the score is above regional and global averages, it represents a decline of 3.0 points compared to the 2021 index. The country's performance worsened in dimensions such as property rights, government integrity, fiscal health, government spending, trade freedom and labor freedom. In the Global Competitiveness Report 2019, Colombia ranked 57th out of 140 countries with a score of 62.7 out of 100. The country was ranked fourth in Latin America and the Caribbean. According to a 2019 study by the OECD, exit barriers in Colombia result in market inefficiencies. However, because all market participants experience them, they do not create unbalanced competition. Some entry and exit barriers include overlapping tariff applications, cross-subsidies in certain sectors, the requirement to have a commercial presence in the country, and burdensome and unpredictable bureaucratic processes. In some cases, merger operations face difficulties, as the responsible authority restricts company exits when these promise to significantly reduce competition.

Market organization

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Promoting a socioeconomic transformation is at the core of President Gustavo Petro's government. As part of this plan, the Colombian Congress approved a tax reform in November 2022 that introduced several changes to the corporate tax regime. These changes included an increase in the income tax rate for sectors such as mining, energy and finance. The reform also eliminated the deductions for royalty expenses paid by the oil and gas sector.

Under the terms of the new legislation, free trade zones can maintain a preferential tax rate of 20% if they satisfy an approved internationalization plan and meet other requirements. However, if they fail to do so, they will be subject to a tax rate of 35%.

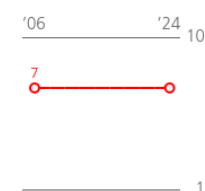
The informal economy constitutes a significant portion of the economy and labor market. According to ILO data, it accounted for 63.2% of total employment in 2021. Based on data from August to October 2022, the National Administrative Department of Statistics (DANE) estimated that 58% of Colombia's population earns their livelihoods in the informal economy. Informal employment occupies 45.3% of the labor force in the country's 23 cities and metropolitan areas. Market segmentation, a tendency for positive trends in productivity to occur primarily in economic sectors that create few jobs, along with high costs and barriers to formalization, are among the reasons for this persistent problem.

Antitrust regulation was first introduced in 1959. The principle of free competition was enshrined in Article 333 of the 1991 constitution. The country has a well-established and strong competition framework based on Law 962 of 2005 and Law 1340 of 2009. The agency responsible for ensuring compliance with competition law and protecting consumer welfare is the Superintendency of Industry and Commerce (SIC). The SIC is a member of both the International Competition Network (ICN) and the OECD Competition Committee. However, its law enforcement activities are inconsistent because of limitations to the scope of SIC's oversight and political dynamics.

A case in point is the merger operation of Viva Air and Avianca, two of the largest airlines operating in the country. The two companies announced their intentions to merge in August 2022, citing Viva Air's financial difficulties. While the civil aviation authority (Aerocivil) initially rejected the proposal due to the potential negative impact on competition and consumer welfare, it decided to reconsider the merger in January 2023. Prior to the Aerocivil decision, Viva Air entered into a business recovery process in early February 2023. On February 27, the airline suspended all its operations, citing delays in Aerocivil's decision regarding the merger, which affected at least 18,000 passengers. Several weeks later, Aerocivil announced its approval of the merger under certain conditions, such as maintaining Viva Air's low-cost model. If integrated, the airlines would control 53% of the market and have a monopoly over 16 national routes. The SIC initiated an investigation against the two companies in December 2022. Specifically, the SIC aims to determine whether the companies engaged in a de facto merger without consent from the authorities, thereby engaging in restrictive practices that hinder free competition.

Competition policy

7



Foreign trade liberalization was at the core of the structural reforms implemented in the early 1990s and 2000s. Changes included tariff reductions, the removal of prior-license requirements and the simplification of customs procedures. Colombia has been a member of the WTO since 1995. The country currently has 17 preferential trade agreements with 65 countries. According to the WTO World Tariff Profiles, Colombia's simple average most-favored nation (MFN) applied tariff rate in 2021 was 5.8% to 14.3% for agricultural goods and 4.6% for non-agricultural goods. There are a large number of non-tariff barriers (153, according to the 2022 Economic Freedom Index). These barriers include bureaucratic inefficiency, complex customs procedures, indefinite detainment of merchandise when documentation is missing or improperly filled out, high costs associated with returning merchandise, robberies of trucks, and thefts in warehouses.

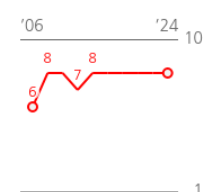
President Petro ran for office on a platform that included changes in international trade practices, such as the renegotiation of free trade agreements and the revision of tariff policy to maintain and strengthen domestic industry and production. Given current conditions, it is unlikely that the government will be able to implement the promised changes; however, measures to increase protectionism will probably be enacted in the coming years.

The institutional foundations of the banking system and capital market are solid. The Financial Superintendency of Colombia (SFC) is the agency responsible for overseeing financial institutions. In the last few years, Colombia has strengthened the instruments of financial regulation, including the implementation of Basel III standards since January 2020 and the adjustment of regulatory schemes so as to transform the banking system. For instance, the SFC published a general supervision framework in 2015, and in 2017, Law 1870 established the legal and procedural frameworks for the supervision of financial conglomerates. However, a 2022 IMF report identifies significant room for improvement in the SFC's operational independence.

In 2021, the bank capital-to-assets ratio was 12.4%, while nonperforming loans accounted for 3.9% of total gross loans. The total amount of domestic credit issued to private sector entities reached 54.3% of GDP in 2020, the highest such figure on record. In its most recent financial stability report, the Colombian central bank noted that, due to the performance of institutions and markets, the first semester of 2022 marked the complete end of the cycle of extraordinary policies that authorities had enacted to support the financial system in response to the COVID-19 pandemic.

Liberalization of foreign trade

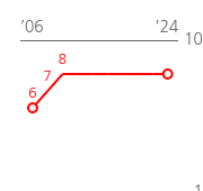
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Banking system

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8 | Monetary and fiscal stability

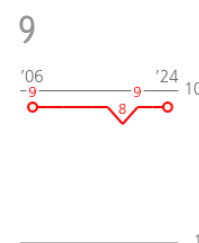
The central bank (Banco de la República) is an independent and autonomous institution responsible for monetary policy and foreign exchange rules and regulations. In the period under review, the central bank implemented monetary policy measures seeking to achieve price stability in the midst of increasing inflation rates and tightening financial conditions. The inflation rate fell from 3.5% in 2019 to 1.61% in 2020. However, this trend began to reverse in mid-2021, with inflation steadily rising thereafter. In November 2021, the rate reached 5.26% – exceeding the annual inflation target of 3.0% – and further escalated to 12.75% in January 2023. Several factors have contributed to this surge in the inflation rate, including elevated food prices due to supply shocks, demand growth that was higher than anticipated in the post-pandemic period, and accumulated pressure on prices caused by exchange rate fluctuations. To address this situation, the central bank responded by tightening monetary policy. The interest rate rose by more than 10 percentage points between October 2021 and December 2022, climbing from 1.75% in September 2021 to 12.0% in December 2022. While the central bank exercises independence within the realm of its monetary authority, it has faced disagreements with the government and certain business associations regarding the efficacy of a tight monetary policy in combating inflation, especially within an economy that has a significant informal sector. In fact, President Petro has long expressed reservations about the independence of the central bank concerning monetary policy.

The Colombian peso underwent a significant depreciation of more than 20% in 2022. The real effective exchange rate index for 2021 stood at 65.1.

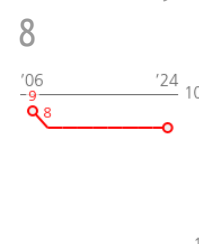
Colombia has a historical record of commitment to macroeconomic stability. The country has prioritized the consolidation of fiscal and debt management policies since implementing structural reforms in the 1990s. However, Colombia has also encountered challenges in maintaining fiscal stability and meeting fiscal rule targets. Structural weaknesses, including limited tax capacity, budget inflexibility and dependence on oil revenues, have been further exacerbated by the effects of large migration flows from Venezuela. Additionally, the related humanitarian crisis has had an impact on public expenditure, along with the lingering effects of the COVID-19 pandemic on public finances.

Fiscal policy sought to mitigate the impact of COVID-19, leading to a significant increase in the fiscal deficit and public debt, both of which reached historically high levels. According to estimates from the Comptroller General, Colombia's public debt reached 74.3% of GDP in 2021. The surge in debt servicing costs was driven by substantial changes in interest rates and fluctuations in the exchange rate. In response to the pandemic, the fiscal rule advisory committee approved the temporary suspension of the fiscal rule for both 2020 and 2021.

Monetary stability



Fiscal stability



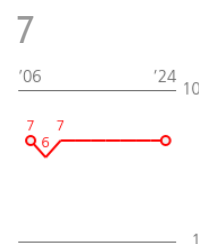
In order to support economic recovery, enhance fiscal stability and alleviate the effects of the pandemic on the most vulnerable populations, Congress passed a tax reform in September 2021. The new legislation altered the formula used to calculate the target for the fiscal deficit, established a public debt limit of 71% of GDP, and set a debt anchor of 55% of GDP. Additionally, the reform included an escape clause to address significant economic shocks. As outlined in the reform, the fiscal deficit limit for 2022 is set at 4.7%, followed by 1.4% in 2023 and 0.2% in 2024. The reform also projected a fiscal surplus of 0.5% for the year 2025.

The new government of President Gustavo Petro faces a complex fiscal situation. On one hand, its ambitious agenda of reforms requires an expansionary fiscal policy. On the other hand, the state of public finances has been deeply affected by the multiple effects of the pandemic, rising levels of public debt and a context of global economic slowdown. To address budgetary pressures and raise the resources for the government plan, a new tax reform was approved by Congress in November 2022. The reform created new and increased surcharges on the oil and mining sectors and financial institutions, raised the capital gains rate from 10% to 15%, eliminated VAT-free days, removed some corporate tax exceptions, and set higher taxes for the wealthiest sectors of the population. It is estimated that the reform will allow the collection of additional revenue of \$4 billion in 2023. Critics of the reform point out that it may discourage foreign investment and could negatively affect the country's economic performance prospects.

9 | Private Property

In principle, property rights and regulations governing the acquisition, use, and sale are adequately defined. However, there is a substantial gap in implementation between urban and rural areas. The land tenure system is poorly enforced in the latter. Rural dwellers have too often been victims of internal displacement and coercive dispossession. It is estimated that approximately 8 million hectares of land, equivalent to 14% of the national territory, have been acquired illegally. Colombia has the world's largest population of internally displaced persons (IDPs). As of January 2021, the Registry of Victims (RUV) reported a total of 8,095,593 IDPs. In 2011, the state initiated a land and property restitution program as part of the implementation of the Victims and Land Restitution Law (Law 1448/2011, extended by Law 2078/2021). According to the Land Restitution Agency (Unidad de Restitución de Tierras), as of early 2022, the amount of land to be restituted was approximately 6,249,226 hectares, with judges having already ordered the restitution of 538,212 hectares. Slow implementation, insufficient resources, political opposition to the process, institutional and bureaucratic deficiencies, and the persistence of violence in certain areas present challenges to land restitution. In November 2022, a bill was introduced in the House of Representatives with the goal of making the restitution process more accessible and expedient.

Property rights



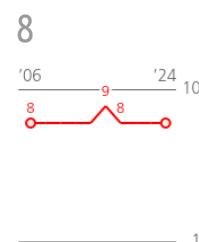
Land redistribution is a cornerstone of President Gustavo Petro and Vice President Francia Márquez's government plan. To achieve this goal, the Colombian government has chosen a market-based approach. In October 2022, the government closed a deal with the Colombian Federation of Cattle Ranchers (FEDEGAN) to purchase 3 million hectares of land, which will be used to create a national land fund.

Colombia scored 16.5 out of 30 in a 2016 index assessing the quality of land administration. In the international property rights index of 2022, Colombia was ranked 74th out of 129 countries, achieving a score of 4.64.

The private sector is considered a primary engine of the economy. In 2019, Colombia was ranked 57th (out of 141 countries) in the World Economic Forum's Global Competitiveness Report. The country performed above the regional average in categories such as macroeconomic stability and health. In contrast, components such as "efficiency of legal framework in settling disputes," "burden of government regulation," "quality of road infrastructure," "distortive effect of taxes and subsidies on competition," and "prevalence of non-tariff barriers" remain some of the most challenging for the country.

The privatization of state companies is regulated by Article 60 of the constitution and Law 226 of 1995. Privatization processes are conducted in line with market principles; however, the issue is frequently subject to political contestation. Colombia initiated its process of privatization for state-owned enterprises in the early 1990s. To date, more than 20 major companies have been either fully or partially privatized. Following OECD guidelines on corporate governance of public entities, the Colombian government established the "Grupo Bicentenario" in 2019. This group is a holding company consisting of nine (projected to reach 14) wholly and partially state-owned companies.

Private enterprise

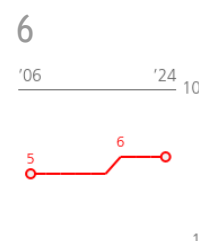


10 | Welfare Regime

Social safety nets are well developed in design but deficient in practice. The provision of public health and education is based on a universal model, while access to benefits such as old age and disability pensions, paid maternity and paternity leave, and unemployment support is linked to social security contributions. Eligibility for noncontributory benefits in the form of subsidies and social transfers depends on socioeconomic criteria, largely targeting individuals living in poverty and extreme poverty. The System for Selecting Beneficiaries of Social Spending (Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales, SISBÉN) is a national survey of household income and assets used by the government to determine eligibility for social assistance programs.

Successive Colombian governments have increased public social spending and developed programs to alleviate poverty and improve health care and education coverage. However, asymmetries in infrastructure and the quality of service provision across the country, as well as corruption, clientelism and funding constraints, hamper

Social safety nets



the development of the welfare system. From a structural perspective, the persistence of high levels of labor informality (58% of the economically active population) is one of the main factors compromising the sustainability of the social protection system. The Petro government has envisioned significant health and pension system reforms but has not yet reached a political consensus.

The 1991 constitution stipulated the right of all Colombians to health care as a public service. Health care is provided by both the private and public sectors. Law 100 of 1993 is the cornerstone of the health care system. It introduced mandatory health insurance and established the General Social Security Health System (SGSSS), which has both a contributory and a subsidized regime. The system is financed via a mix of payroll contributions and general taxation. The contributory regime is financed by members, who are able to afford health care provision. The subsidized regime covers poor and disadvantaged people and is funded by a combination of state contributions and resources from the contributory regime. Health-promoting entities (entidades promotoras de salud, EPS) are insurance companies responsible for managing and delivering health care to the population. According to the Ministry of Health, as of November 2022, 99% of the population was insured, with 49.7% affiliated through the subsidized regime. Due to the gap between the financing supplied via the contributory regime and the expenses required to afford universal coverage, the system's financial sustainability faces serious challenges. Complicating matters, the health care system has been deeply affected by corruption, embezzlement and fraud.

Similar to health care, the pension system in this country is divided into public and private regimes. The Prima Media (Average Premium) scheme is administered by the state and operates on a pay-as-you-go basis. On the other hand, the Ahorro Individual (Individual Savings) scheme operates on a defined contribution basis and is managed by Pension Fund Administrators (Administradoras de Fondos de Pensiones, AFP). Workers have the option to switch between the two schemes every five years until 10 years before they reach retirement age. Because the public system provides higher replacement rates than the private system, there are more transfers from the latter to the former. According to a study conducted by the central bank in 2019, the coverage rate of pensions is only 23%, which amounts to fewer than 1.5 million individuals. Additionally, pension transfers in the public budget constitute 3.4% of GDP.

The Colombian government implemented a series of measures to mitigate the socioeconomic effects of the COVID-19 pandemic, including the expansion of social assistance programs and additional cash transfers within existing programs. Furthermore, the government established an unconditional cash transfer program called "Ingreso Solidario," which provided monthly payments of approximately \$45 (COP 160,000). Initially intended to last for a few months, the program was subsequently extended until December 2022. Moreover, the program's coverage was expanded from 3 million to 4.85 million beneficiary households between March and April 2022.

The legal framework guarantees equal access to fundamental rights and social services; it also includes provisions prohibiting and penalizing exclusion. The constitution prohibits discrimination based on race, gender, religion, language or political beliefs and establishes special measures to safeguard ethnic minorities. However, in practice, access to opportunities varies across societal groups and throughout the country. Indigenous groups, Afro-Colombian communities, women, peasants, and residents of urban and rural peripheries experience marginalization and discrimination. Venezuelan migrants also encounter additional challenges in accessing employment, which include obstacles to skills validation, limited information about the legal framework among both employers and migrants, and bureaucratic burdens.

Women have fewer opportunities to run for public office and more limited access to employment. Likewise, they face barriers to access to land and basic services in rural areas. Ratios of female to male enrollment in primary and secondary education are 1.0. In the case of tertiary education, it is slightly in favor of women (1.1:1), with the literacy rate showing a similar pattern (95.9% vs. 94.4% for men). Colombia was ranked 75th among 146 countries in the Global Gender Gap Index 2022, with a score of 0.710. While the country performs well in this index with regard to educational attainment (first), it fares particularly badly in participation and opportunity and political empowerment. In the component of participation and opportunity, the country was ranked 97th, a significant drop compared to the 2020 and 2021 indexes, in which the country occupied positions 42 and 60, respectively. According to the national statistics department (DANE), the labor force participation rate for women was 51.7%, and the employment rate was 45.4% in November 2022. The unemployment rate for women reached 12.1% in November 2022, whereas the unemployment rate for men was 7.6%.

The NGO Sisma reported an increase in women's participation in the congressional elections for the 2022 to 2026 term. Of the total number of candidates running for Congress, 39.93% were women. This represents an increase of 5.3 percentage points compared to the 2018 elections and 7.5 percentage points more than in the 2014 elections. The number of women elected to Congress also increased, with women obtaining 83 seats (29.3%) in Congress, which is 9.6 percentage points more than in the 2018 to 2022 term.

Equal opportunity

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11 | Economic Performance

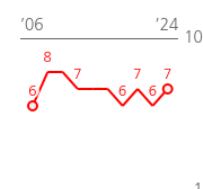
Colombia's economy underwent a remarkable recovery following the pandemic's peak, supported by strong fiscal and monetary policies. After falling by 7% in 2020, GDP rebounded by 10.6% in 2021, marking the highest annual growth rate in the country's history. GDP per capita (PPP) declined by 8% in 2020 but recovered by 9.7% in 2021. Private consumption is estimated to have increased by around 12.4% and was the main driver of the economic upswing. Despite this notable output, long-standing macroeconomic problems and the lingering effects of the pandemic at both the global and national scales continue to create a challenging environment for Colombian economic performance. According to OECD projections, GDP growth is forecasted to slow sharply from 8.1% in 2022 to 1.2% in 2023.

Foreign direct investment (FDI) totaled 2.8% of GDP in 2020, 1.5 percentage points less than in 2019. The Colombian central bank reported that FDI in 2021 amounted to \$9.38 billion, up from \$7.46 billion in 2020. FDI grew in 2022, reaching \$13.49 billion by the third quarter of 2022. Colombia's trade balance in 2021 showed a deficit of \$15.42 billion. The country's imports in 2021 increased by 40.5% compared to 2020. Manufactured products account for the largest import share (77%). Colombia's debt-to-GDP ratio increased from 52.4% in 2019 to 65.7% in 2020. As of November 2022, the National Administrative Department of Statistics (DANE) reported an unemployment rate of 9.5%, equivalent to 2.3 million people, but lower than in November 2021 (11.5%). Informal workers represented 58% of the active workforce.

In line with global trends, inflation in Colombia has increased to unprecedented levels. The inflation rate reached 5.26% in November 2021 and 12.53% in November 2022. The central bank responded with strong monetary tightening and increased the interest rate by more than 10 percentage points between October 2021 and December 2022 (from 1.75% in September 2021 to 12.75% in January 2023). To generate additional revenue, tax reforms were enacted in September 2021, under President Iván Duque (2018 – 2022) and then in November 2022 under the leadership of current President Gustavo Petro.

Output strength

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12 | Sustainability

Environmental regulations encompass a broad spectrum of both national and international laws. Remarkable progress has been made in the country's development of legal and institutional tools aimed at safeguarding the environment. Notable examples include decisions by the Constitutional Court and the Supreme Court that acknowledge nature's rights and mandate the implementation of specific measures to preserve rivers and ecosystems. Additionally, the country has enacted fresh legislation to tackle climate change and is firmly committed to diminishing its carbon emissions. In 2015, it set the objective of reducing carbon emissions by 20% before 2030, subsequently setting the goal of reaching a net-zero emissions status by 2050.

The subordination of environmental protection to economic growth, imbalances and conflicts among regulatory agencies at the national and subnational levels, political interference, corruption, and the continuing effects of armed conflict and organized crime collectively result in inconsistent enforcement of existing regulations. The 2022 Yale University Environmental Performance Index ranks Colombia in 82nd place worldwide and 20th in the regional ranking of Latin America and the Caribbean, with a score of 42.40 out of 100 on this issue. Compared to previous reports, the country's performance has fallen over time.

Increasing violence against environmental advocates is one of the most pressing problems and offers a revealing example of the gaps between the normative component and the political dynamics of the country. According to the organization Global Witness, 65 land and environmental defenders were killed in Colombia in 2020. It is estimated that a third of these attacks targeted Indigenous and Afro-Colombian people, and almost half were against small-scale farmers. The Colombian Congress ratified the Escazú Agreement in October 2022.

Environmental protection is central to the government program of Gustavo Petro, whose vice president is Francia Márquez, a prominent environmental activist. Petro has promised reforms to reduce the country's fossil fuel production and to promote decarbonization, climate adaptation and a greener economy. However, the government's plans have encountered opposition from political sectors both within and outside the government coalition, as well as from business groups.

Deforestation in Colombia has been on the rise in recent years. In 2020, the country lost 171,685 hectares of forest, marking an 8% increase from the previous year. The primary drivers of deforestation include the expansion of cow pastures, gold mining, large-scale palm oil plantations and coca cultivation. To tackle this issue, the Colombian government received a donation of seven helicopters from the United States in November 2022. This donation aims to enhance efforts in combating deforestation. However, some members of civil society and experts have voiced their

Environmental
policy

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concerns about the military-focused approach employed to address this phenomenon. They argue that these measures often disproportionately impact the most vulnerable communities rather than effectively targeting the main agents responsible for deforestation.

The education and training system in Colombia is substandard, with notable gaps between private and public schools and between urban and rural areas. The country has made progress in reducing illiteracy rates and improving school enrollment rates. According to survey data from the National Administrative Department of Statistics (DANE), the literacy rate was 95.1% in 2020. The youth literacy rate was 98.8%, and net enrollment rates in primary and secondary education were respectively 94% and 82.3%. However, education quality remains a problem. In the 2018 survey for the Program for International Student Assessment (PISA), Colombian students scored lower than the OECD average in reading, mathematics and science. According to a study published by the central bank in 2021, primary and secondary education indicators show that the COVID-19 pandemic has led to greater demand for educational services in formal schools, an increase in dropout and repetition rates, and a deepening of achievement gaps. In higher education, the downward trend in student enrollment has continued, as have gaps in academic achievement.

There are several inequalities in attainment and educational quality. Rural children face more barriers to accessing education, particularly with regard to poor infrastructure and quality. According to the UNESCO Worldwide Inequality Database, children in urban areas perform better than children in rural areas on all indicators – primary completion rate: 95% versus 85%, and secondary completion rate: 79% versus 46%. There is also a significant gap in completion rates between the wealthiest children (98% at the primary level and 95% at the secondary level) and the poorest children (82% at the primary level and 38% at the secondary level). Completion rates are lower for children from Indigenous and Afro-Colombian communities.

Public spending on education accounted for 4.9% of GDP in 2020. According to the OECD, annual public spending on educational institutions from primary to tertiary level per full-time student in Colombia was \$2,425 in 2018, compared to the average of \$10,000 across OECD countries. Research and development is also an underdeveloped sector, with less than 1% of Colombia's GDP (0.29% in 2020, according to World Bank data) devoted to financing R&D.

Education policy /
R&D

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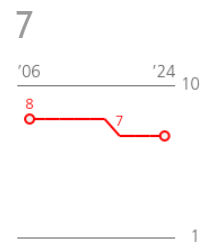
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Governance

I. Level of Difficulty

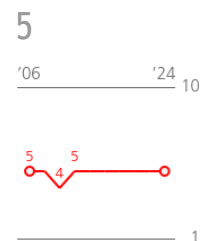
Structural constraints on governance are relatively high. The most serious structural constraints include social inequality, poverty, a large informal labor market, an underperforming education system, poor infrastructure, the inconsistent presence of the state throughout the territory, weak fiscal capacity, a high level of economic dependence on commodities, and the existence of violent armed actors. Complicating matters, trends in violence and the reshuffling of non-state armed actors in the period following the 2016 peace agreement with the FARC appear to mark the beginning of a new phase of armed conflict. An additional challenge is that Colombia hosts nearly 2.5 million Venezuelan refugees. While immigration flows are not a problem per se and can foster positive developments for the host society, such as the demographic dividend, the demands and pressures on resources and services, coupled with the structural limitations of the Colombian state and economy, can negatively impact governance capacity. State capture and co-optation are widespread phenomena. Legal and illegal actors have infiltrated the state and exploited it for their private interests. In several areas of Colombia, state and non-state armed actors coexist and interact in relationships that range from competition to collusion.

Structural
constraints



Colombia has a moderate to strong civil society tradition. Historically, the political system has been exclusionary, with the Conservative and Liberal parties as the main political actors and serving as mediators between the state and society. The effects of armed conflict and violence have hindered the development of civil organizations. However, the 1991 constitution opened new opportunities for the creation and participation of civil organizations, leading to gradual growth in organization, scope and importance in recent decades. While institutionalized non-governmental organizations (NGOs) with international connections have the most influence, there are also community-based organizations, social movements and informal platforms. In Colombia, political participation encompasses various activities, from traditional forms of participation to contentious political debates to expressions on social networks and virtual communities.

Civil society
traditions



Two aspects are worth mentioning about Colombian civil society during the period under review. First, there has been an intensification of social mobilization, prompted by the impact of COVID-19 on living conditions, an unpopular government and police brutality. Protesters took to the streets in 2020 and 2021, with the nationwide demonstrations in 2021 being particularly intense. It is estimated that approximately

1.5 million people participated in these protests. While the protests were initially sparked by the actions of Iván Duque's government, they also addressed various historical and social grievances.

Second, a left-wing government with strong ties to civil organizations came into power. The election of Gustavo Petro as the current president was supported by several community-based and social movements. The new government is expected to prioritize the strengthening and participation of civil society.

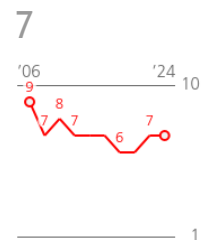
Violence continues to pose a significant barrier to organization and engagement within civil society. Within historically marginalized areas grappling with armed conflict, human rights defenders and social leaders bear the brunt of selective violence. Furthermore, state security forces have responded to protests with excessive force. The preceding administration, led by Iván Duque, also fostered the criminalization of protests.

Social trust remains low and is on a downward trend. The 2020 Latinobarómetro survey found that only 13% of respondents believe that most people can be trusted, 7 percentage points less than in the 2018 survey. In the 2021 Political Culture Survey by the national statistics department, 46.4% of respondents agreed that organizing with the community for a common cause was either very difficult or difficult.

There are multiple sources of political, social and economic conflict in the country, and their dynamics have evolved in recent years. The country has endured armed conflict for over 60 years. The peace agreement between the Colombian state and the FARC guerrilla group in 2016 signified the end of the war with this rebel group, creating new avenues for political participation and grassroots peacebuilding approaches. However, due to the prolonged nature of the armed conflict, various forms of violence and numerous violent actors remain active on the ground. Violence has escalated in certain regions of the country. Human rights advocates, grassroots social leaders and former FARC fighters are the primary targets of targeted violence. Non-state armed actors include a wide range of groups, including drug trafficking organizations, successor paramilitary groups, left-wing guerrillas, and dissident and rearmed factions of the former FARC.

The 2016 peace agreement and its implementation has become a source of polarization in society. Political factions, particularly center-right and right-wing segments, have capitalized on discontent with the accord. While this division played a crucial role in the 2018 presidential election, it lost its salience in the political debate during the period under review. In contrast to 2018, candidates across the political spectrum agreed on the importance of implementing the peace agreement in the presidential election of 2022. In turn, issues such as inequality, corruption and a lack of social opportunities have gained relevance in the public debate.

Conflict intensity



The intensity of social and political conflicts, as well as of citizen discontent, has increased. Massive protests took place in 2020 and 2021, with citizens taking to the streets to protest against the government, structural exclusions and inequalities. In this regard, high levels of inequality constitute a prominent cleavage between the wealthiest and the most impoverished strata of the population. Inequality manifests in multiple forms and is correlated with geography, ethnicity and gender. There are gaps not only between rural and urban areas but also among subnational units.

II. Governance Performance

14 | Steering Capability

Gustavo Petro won the presidency based on a comprehensive and ambitious agenda that promised significant changes in all areas, ranging from the country's economic model and political organization to peace and security strategies, and environmental and climate policy. The government's current plans contrast with some of the prevailing policy approaches in the country's recent history. They are particularly at odds with former President Duque's agenda in crucial areas such as peace and security, the economy and social policy, and drug and foreign policies.

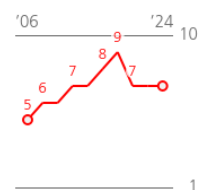
The National Development Plan released in February 2023 outlines the government's priorities. Putting the notion of transformation at the center, using a territorial approach, the plan is structured across five pillars: (a) territorial planning oriented toward environmental justice and the care, conservation and management of water sources; (b) human security and social justice; (c) the human right to food; (d) transformation of the production apparatus, internationalization and climate action; and (e) regional convergence, defined as the overcoming of inequalities between regions and better coordination between the different levels of government.

Given the broad spectrum and depth of envisioned reforms and their complexity, prioritizing some areas above others remains a challenge for the government, as does sustaining the supporting coalition necessary to advance and effectively implement the reforms while managing the expectations of the electorate.

Question
Score

Prioritization

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Former President Duque failed to implement most of his flagship policies. However, his administration achieved the bulk of its priorities in managing the COVID-19 pandemic. Duque's government was unable to address the country's security problems or the rising levels of social discontent and unrest. This was especially evident during the national strike of 2021, when thousands of citizens protested in the streets and encountered disproportionate violence from state security forces.

Any current assessment of implementation during Petro's government carries the caveat that it is in an initial phase. However, it is possible to identify some changing dynamics and trends. Initially, President Petro successfully formed a supporting coalition in Congress. Crucial legislation in areas such as tax reform, peace and security, and social policy was passed. During his first months in office, the president also laid the groundwork for policies to address poverty and inequality. In terms of agrarian reform, the government reached an agreement with the Colombian Federation of Cattle Ranchers (FEDEGAN) to purchase 3 million hectares of land. This territory will be redistributed among landless peasants. To strengthen and expand social protection systems, the government promoted a tax reform to raise the revenue required for this goal. Congress approved a new tax law in November 2022. Additionally, in December 2022, Congress approved the creation of the Ministry of Equality, led by Vice President Francia Márquez, which aims to eliminate political, economic and social inequalities.

Nevertheless, the steady dynamic of reform progress that characterized the administration's first few months has been changing to the extent that prospects for the government to succeed in implementing its ambitious agenda have increasingly diminished. The broad and encompassing nature of the government's agenda poses significant challenges to its implementation at every step. The envisioned reforms have varying levels of support from members of the legislature and other stakeholders, with some topics being more divisive than others. For instance, some parties in the government coalition withdrew their support for the health care reform. Additionally, the government failed to pass its proposal defining a political reform – the bill was withdrawn in the middle of the legislative process. Other bills, such as pension and labor reforms, are expected to cause further friction and divisions within pro-government sectors.

Energy and climate policies have also created divisions within the government coalition. The government has made climate policy a top priority. However, reconciling a policy focused on a green transition with Colombia's economic model, which relies on mining and oil exploitation, presents a significant challenge. For example, the proposal to suspend oil and gas exploration projects has faced strong opposition from business groups, experts, and political sectors. They argue that such a measure would have severe economic and fiscal repercussions for the country. The government's messages have been inconsistent and contradictory, resulting in friction among members of the government cabinet.

Implementation

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Concerning the armed conflict and peace policy, shortly after his inauguration, President Petro announced the re-establishment of the negotiation process with the ELN, which President Duque had suspended in 2019. In the same vein, President Petro has proposed deactivating the armed confrontation with most armed groups, whether political or criminal, in order to achieve peace. To this end, he has adopted a policy called Total Peace, which involves negotiating and facilitating the surrender of non-state armed groups. While the government has achieved some notable progress in its flagship policy – such as the November 2022 congressional passage of the legal framework enabling the policy – the strategy has faced difficulties. These challenges include a lack of clarity about the process and its implementation, as well as problems with communication and coordination with the armed groups involved in the talks.

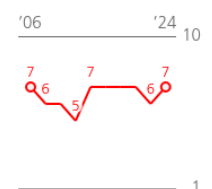
Implementation has also been affected by delays in the deployment of the civil service, as members of the governing coalition lack the experience or training required for certain key positions in state entities. It is worth noting that the election of Petro as the country's first left-wing president presents an opportunity for actors from historically excluded sectors to govern. However, this necessitates a learning process that may impede the speed of policy implementation.

The constitution established the legal framework for a policy assessment system. A monitoring and evaluation unit is integrated into the organizational structure of the national planning department (DNP). This unit is responsible for overseeing the national system of management evaluation and results (SINERGIA). Over the past few decades, Colombia has taken significant measures to improve the guidelines, resources and infrastructure for policy monitoring and evaluation in alignment with international standards. As a member of multilateral organizations, including the OECD, the country has consistently collaborated in the evaluation of its public policies. However, as previous versions of the BTI have indicated, issues such as corruption, inefficient bureaucracies, inadequate monitoring of certain policies, financial constraints and a lack of coordination between different levels of government undermine the ability to learn from past experiences and implement necessary changes.

The current government was elected on a platform that includes structural reforms across a wide range of areas and the rejection of traditional politics and elites. The government's ability to learn from policy and adapt is crucial for successfully achieving its strategic priorities. Thus far, the government's approach has been a mix of successes and challenges. In terms of flexibility, the government has shown willingness to make changes in areas such as land reform and tax policy. For example, rather than taking a confrontational approach with Colombia's largest landowners, President Petro chose to negotiate with FEDEGAN, the largest cattle ranchers' association, to purchase land. Additionally, the president decided to involve José Félix Lafaurie, president of FEDEGAN and a prominent conservative figure, in

Policy learning

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negotiations with the ELN. These steps demonstrate the government's pragmatism and desire to establish broad agreements with diverse sectors of society regarding its policies.

In developing its economic policy, the government has drawn on knowledge from academic experts. For example, President Petro invited professor Mariana Mazzucato, a recognized expert in industrial policy, in October 2022 to meet with the cabinet and representatives from the private sector.

In other areas, however, the degree to which the government can be flexible and pragmatic is not yet clear – for instance, in the areas of energy policy and health system reform.

An additional factor to consider regarding policy learning in Colombia is that innovative and experimental policy approaches are constrained by powerful actors who favor the status quo and resist structural reforms.

15 | Resource Efficiency

Colombia possesses a fairly well-functioning state administrative apparatus at the national level. However, both the national and subnational governments fail to effectively utilize the human, financial and organizational resources that are available. Colombia has committed to improving the modernization of administrative structures and decision-making capacity to enhance government efficiency and transparency. Despite significant variation in the structures and quality of administration at both the national and sub-national levels, long-standing practices within the state apparatus continue to impede the efficient allocation of resources. With regards to administrative personnel, recruitment procedures often prioritize political convenience over merit. Public positions are often utilized to reward political allies and support patronage networks.

As for the efficient use of budget resources, Colombia has struggled to keep public finances on a sound footing for a considerable time. In addition, the country must undertake a comprehensive reform of its pension systems to ensure long-term sustainability. Two tax reforms were passed in the period under review – one in 2021 and the other in 2022. Nevertheless, concerns over the stability of public finances (with a fiscal deficit of 7.1% of GDP in 2021) and the mounting public debt load (74.3% of GDP) remain. The vulnerability of auditing authorities to political influence and corruption at the local and regional levels is a serious problem for public finances. Several studies show that the efficiency of public spending in Colombia is higher than that of other Latin American countries. However, this efficiency is still below average among OECD countries.



Analyses from multilateral and national institutions have noted the need to improve coordination among government and public institutions at the national and subnational levels. According to a 2016 report from the OECD, Colombia falls below the average of OECD countries in the indicators of coordination (vertical and horizontal) of public investment for regional development.

In contrast to his predecessor, President Petro swiftly secured a majority coalition in Congress. The coalition encompasses parties across the ideological spectrum – from left-wing to right-wing. In a somewhat surprising move, the Conservative Party declared its adherence to the government coalition. Such a broad and heterogeneous coalition is necessary for the government's vast reforms. While the government has striven to accommodate conflicting interests and to adapt as needed to ensure support for its proposals, its relationship with this coalition has not been free of tensions, and discontent seems to be increasing. Bills aiming to reform the electoral code and engage in political reform, for instance, were rejected. The reform of the health care system turned into a marked source of friction. Likewise, the contradictory messages regarding energy and oil policy have raised criticism among coalition members.

Along these lines, the absence of clear goals and plans for the government's strategic policies hampers the establishment of a coherent policy framework. This aspect is also pertinent to ensuring the interagency and intersectoral cooperation necessary for policy implementation.

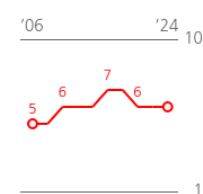
Colombia has a strong anti-corruption legal framework. The office of the comptroller is responsible for auditing public spending, the attorney general is responsible for disciplining public employees, and the national electoral council oversees political parties, including their campaign spending. As part of the OECD's accession process, Colombia implemented multiple anti-corruption programs based on best practices and international standards. Despite positioning the fight against corruption as a policy priority, the results have been insufficient. Corruption remains prevalent in both the public and private sectors.

In early 2022, a new piece of anti-corruption legislation went into effect. Law 2195 contains several provisions to enhance corporate accountability in combating corruption. It establishes the administrative liability of legal entities and branches of foreign companies. Similarly, the law stipulates that all legal entities subject to inspection, monitoring or oversight by the various supervisory authorities must adopt programs to foster transparency and business ethics.

Several aspects hinder effective anti-corruption enforcement, ranging from the architecture of the institutions to dishonest and corrupt officials in law enforcement and in the entities responsible for oversight. Concerning public procurement, public bodies excessively use direct procurement and exceptional regimes, enabling circumvention of public procurement norms and facilitating collusion schemes such as bid rigging. Additionally, officials from the entities responsible for enforcing anti-corruption laws have themselves been involved in malfeasance.

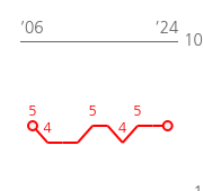
Policy coordination

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Anti-corruption policy

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16 | Consensus-Building

Major political actors agree on the relevance of democracy as a strategic goal for development and transformation. While guerrillas, successor paramilitary groups and organized crime groups are a hindrance to democracy, they do not aim to overturn the state's power. However, there is considerable disagreement regarding what democracy means in practice and the guiding principles and methods of achieving it. Most of the population shares the consensus on the fundamental importance of democracy, despite expressing deep dissatisfaction with its current performance.

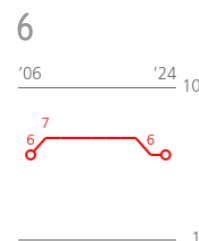
In principle, all major actors agree on the market economy as a normative framework for transformation. Despite this basic consensus, there are several divisions regarding aspects such as the appropriate extent of market regulation, degree of state intervention, social welfare model, and balance between economic growth and environmental concerns. The current government's political program champions a more proactive role for the state in enhancing economic innovation and shaping the economy. It also endorses the expansion of welfare and the strengthening of policies directed at reducing inequalities. Given the relevance of energy and climate policy in President Petro's strategic agenda, the definition of a route for an energy transition and its consequences for an economic model based on fossil fuel extraction have turned into highly contentious issues.

There are several anti-democratic veto actors, with the most prominent being non-state armed groups, including guerrillas, successor paramilitary groups and organized crime groups. These illegal armed groups possess significant power over territories, challenge the state and undermine democratic norms. Petro's "Total Peace" policy seeks to dismantle these groups through negotiations and establish a foundation for sustainable conflict transformation. Nevertheless, the policy encounters numerous challenges. The diversity of armed groups in terms of structure, motivations, territorial presence and organization necessitates a policy that can effectively address these differences. Additionally, it remains unclear whether these groups genuinely possess a commitment to and interest in disarming, or whether they are instead seeking to exploit the policy for their own strategic advantage.

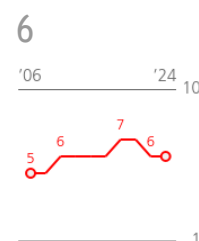
In line with recent regional trends, certain sectors of the Colombian right have radicalized their positions and cast doubt on the foundations of democracy. Some Colombian congressmen explicitly backed Donald Trump's presidential campaign and even endorsed pro-Trump candidates in the 2020 congressional elections in the United States.

From a subnational perspective, powerful local elites and landowners resist democratic reforms. Political order in certain regions of the country could be more accurately described as a type of subnational competitive authoritarianism. In this scenario, institutions formally adhere to democratic rules; however, in practice, political competition and local power are characterized by clientelism, state capture and violence.

Consensus on goals



Anti-democratic actors



Colombian society is marked by profound divisions along class, gender, sexuality, race, spatiality (rural vs. urban) and political identities. The peace process with the Revolutionary Armed Forces of Colombia (FARC) became a new source of controversy. Simultaneously, the resolution of armed conflict with the largest armed group at the time, as well as the creation of new opportunities for political engagement facilitated by the agreement, contributed to the heightened recognition of fundamental issues such as poverty, inequality and racism. In this context, the socioeconomic impact of the COVID-19 pandemic, combined with growing dissatisfaction among citizens toward the then-serving administration, spurred mass protests in 2019, 2020 and 2021. The government under President Duque responded to social mobilization with a combination of vilification and violence.

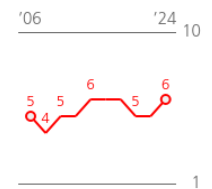
All these factors paved the way for Gustavo Petro's rise to power. The election of a leftist candidate as president marks a significant development for political inclusion. Left-wing sectors have historically been marginalized and subjected to violence and marginalization. In his inaugural speech and subsequent statements, Petro has emphasized that his government seeks to promote national unity and expand consensus across traditional dividing lines. In policies aimed at agrarian reform and peace, he has striven to reach agreements and/or include opposition sectors, avoiding the exacerbation of conflicts. However, given that the government's program includes structural reforms, it is expected that some of them will spark disputes between opposing interests.

In accordance with its political principles, Petro's government has placed political participation and inclusion at the core of its agenda. Accordingly, it has established a variety of channels for citizen participation in agenda setting and policy design. For instance, the government implemented a mechanism called "diálogos regionales vinculantes" (binding regional dialogues) as part of the process of formulating the national development plan. Such dialogues invite civil society to participate in the construction of a shared agenda, which has in fact taken place in various regions of the country. However, the extent to which the proposals gathered in the dialogues will be effectively included in the government's agenda remains unclear.

Historically, civil society organizations representing the better-off sectors of society, such as business organizations, have enjoyed a strong influence over government policy. In contrast, and largely due to the composition of its constituency, the current government has fostered the participation of grassroots and community-based organizations.

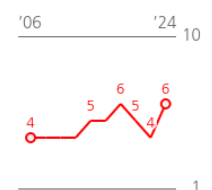
Cleavage / conflict management

6



Public consultation

6



Colombia is a war-torn country that has not reached a consensus on how to cope with its past and pursue justice and reconciliation. The country has implemented several initiatives to foster reconciliation at both the national and subnational levels. However, the reconciliation process between victims and perpetrators, as well as within society at large, still has a long way to go.

Reconciliation and transitional justice were central components of the peace agreement with the FARC guerrillas. The Commission for the Clarification of the Truth, Coexistence, and Non-Recurrence (CEV) was created in 2018 as part of this process. In June 2022, the CEV presented its final report, which consists of 10 volumes and a digital platform. The report accounts for the massive and atrocious impact of the war in Colombia, noting, for example, that 20% of the population has been a direct victim of violence. At the end of its mandate, the CEV created a monitoring and follow-up committee. This committee will function for seven years and is responsible for advocating and tracking the implementation of the recommendations outlined in the final report.

The CEV was met with rejection by political sectors that persistently opposed the peace process, particularly former President Duque and the Centro Democrático political party. Duque, for instance, did not attend the launch ceremony of the CEV report. This event was instead attended by Gustavo Petro, who was then elected president. In the wake of the report's release, members of the Centro Democrático, led by former President Alvaro Uribe, presented what they called an alternative report, in which they questioned the findings of the CEV.

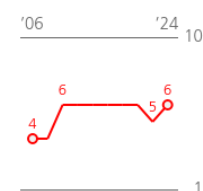
17 | International Cooperation

Colombian governments traditionally depend on the assistance of international partners to carry out their development, security and peace strategies. Colombia receives official development assistance (ODA), mainly from the United States, Germany, the European Union, Norway and Canada. The majority of this aid is allocated to peace-building initiatives, health care, education, economic development and infrastructure projects. In April 2022, the Colombian executive established a national system for international cooperation, outlined in Decree 603, to enhance coordination among international cooperation actors.

Donor countries and multilateral agencies have provided assistance in order to support Colombia's response to the Venezuelan migration crisis. For instance, the World Bank allocated \$1.6 billion to support Colombia's response to this issue in 2021. The country became a beneficiary of the World Bank's Global Concessional Finance Facility (GCFF), which provides countries with concessional financing for projects to support migrant and host communities. Colombia is the first country outside the Middle East to access this fund.

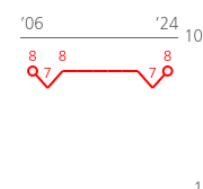
Reconciliation

6



Effective use of support

8



The Petro administration has utilized international support for its peace strategy, specifically for the negotiations with the ELN. The initial rounds of talks occurred in Venezuela and Mexico. The United States, Germany, Sweden, Switzerland and Spain were all invited to participate in the peace process. Chile, Brazil and Mexico serve as guarantors of the process. Nevertheless, limitations in the strategy and political dynamics have impeded the effective utilization of the available support.

For the most part, the government acts as a credible and reliable partner. Colombia is a committed member of several multilateral organizations and has actively contributed to regional cooperation initiatives. Likewise, the country has a positive record of compliance with international agreements, particularly in the economic realm. It has also actively cooperated in developing mechanisms to monitor compliance.

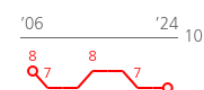
In the period under review, however, the country's credibility in economic terms has diminished. Due to its high levels of debt and fiscal deficits, international rating agencies have downgraded the country's outlook. Government announcements concerning economic reforms, particularly those related to oil and gas exploitation, have heightened uncertainty about the country's economic future.

A notable characteristic of regional cooperation during Duque's presidency was the prioritization of alliances with like-minded governments, at the expense of a more pragmatic approach to addressing regional issues. The relationship with the government of Nicolas Maduro in Venezuela was particularly contentious, as Duque was dedicated to supporting the Venezuelan opposition. In contrast, the Petro administration restored diplomatic relations and cooperation with Venezuela. While there are still tensions in the bilateral relationship, the two countries have committed to collaborating on critical issues. The Colombian government has sought Venezuela's support in its peace strategy, such as by hosting the initial round of talks between the Colombian government and the ELN guerrilla group. However, Venezuelan migration in Colombia, which was a key concern for the Duque administration, has not received the same level of attention from the current Colombian government.

President Petro has emphasized the importance of regional cooperation and the strengthening of integration processes. At the same time, he has pursued cooperation with the United States on crucial issues on his agenda, such as military cooperation and programs combating deforestation. While this may suggest a more pragmatic stance toward regional cooperation, Petro's support for former President Castillo in Peru and his silence on human rights violations in Nicaragua and Cuba do show a preference for ideological affinity at the expense of consistently supporting democratic principles in the region.

Credibility

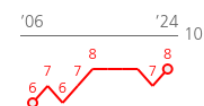
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Regional cooperation

8



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Strategic Outlook

Colombia is in the midst of a delicate transition with highly uncertain outcomes. The present government was elected on a platform promising structural reforms in numerous areas, along with the repudiation of conventional politics and elites. The ascent of President Petro and his coalition to power presents an opportunity to finally enact necessary and long-overdue reforms. However, this process entails significant challenges, which include the government's ability to determine the priorities and content of the reforms, as well as to secure their approval and successful implementation. Domestic and international factors compound these challenges, imposing significant limitations on the extent and scope of this planned transformation.

The government has managed to reach agreements with opposing actors in some policy areas. However, it is unclear whether this dynamic can be extended to all issues. Frictions have arisen due to proposals on health care reform, pensions and energy policy. The growing tensions, combined with the potential effects of the subnational elections in 2023, cast doubt on the government's prospects for garnering the necessary support to pass its reforms throughout its term. Despite this, reforms to the health care and pension systems, among other changes, are of utmost importance due to the unstable state of the Colombian economy and public finances. Public debt, the fiscal deficit and the headline inflation rate have reached historically high levels. Violence and armed conflict will remain significant challenges for the country. The overall peace strategy still possesses critical gaps, as it fails to outline a transformative path for peace beyond negotiations with armed groups. Additionally, problems with coordination and communication have already emerged.

Against this background, there are two scenarios to consider. One possibility is that the government learns from some of its initial mistakes and reshuffles some of its policies. This would involve addressing the need to have a clear road map for the energy transition and the transformation of the country's economic structure. It would also involve improving the "Total Peace" strategy and its connection to security and defense policy. Additionally, in this scenario, the government would be able to establish agreements with the relevant political actors, securing support for the most important reforms. This would require compromising on certain elements of the projects in order to find common ground. Although the government would not fully realize its comprehensive agenda in this scenario, it would be able to set the path for change in crucial areas.

The second scenario would occur if the government failed to implement reforms and flagship policies due to the absence of agreements with political forces, a lack of pragmatism and deficiencies in establishing concrete plans to implement its policies. In this scenario, the government would not make significant progress in its peace policy or in dismantling non-state armed groups. This scenario would lead to an increase in social conflict, violence and insecurity.

The next two years will be decisive for the fate of the government's agenda. If it fails to deliver on its promises, citizen discontent and the level of distrust in institutions will increase, as will levels of violence and insecurity. The government's greatest challenge lies in laying the foundations for sustainable transformation while avoiding the exacerbation of conflicts.