

COLOMBIA
Addressing Violence & Conflict
in a Country Strategy

GEOGRAPHY/ECONOMY

Population : **42.3 million**

Surface area: **1,138.9 thousand sq. km**

Population per sq. km: **37.1**

Population growth : **1.8 %**

Poverty (% of total population): **47.9 (1995) 55.4 (1999)**

GNP per capita : **2,170 US\$**

GDP : **86.6 billion US\$**

Total Debt/GDP: **40%**

Where We Are

Macroeconomic Indicators

Colombia Key Economic Indicators

	1990-1995	2000	2001pr
<i>Percentage Changes</i>			
GDP	4.5	2.8	2.0
Per Capita GDP	2.4	0.9	0.3
Exports	9.1	12.6	-5.2
Imports	17.4	6.7	13.9
Real Exchange Rate (depreciation = -)	5.3	-6.7	-2.0
CPI Inflation	24.8	8.8	8.0
<i>Percent of GDP</i>			
Poverty (% of total population)	47.9 (1995)	55.4 (1999)	..
NFPS balance	-0.7	-3.6	-3.3
Fixed Capital Formation	18.5	13.1	14.0
<i>of which</i> Public	7.0	7.4	7.4
Private	11.5	5.7	6.6
External CAB	-3.7	-0.2	-2.8
Total External Debt	36.7	42.9	43.6
Public External Debt	29.6	25.4	27.3
Gross Reserves (months of imports GNFS)	8.2	6.9	6.9

HISTORICAL SETTING

- In 1849, two political parties were established: Conservatives - Liberals.
- The parties divided the nation, which eventually led to the bloody War of a Thousand Days in 1899 and *La Violencia* from the late 1940s.
- In 1953, both parties supported a military coup by General Gustavo Rojas Pinilla (the only military intervention in Colombia in this century).
- In 1957, Liberals and Conservatives agreed to share power for the next 16 years in an agreement known as the National Front.
- This political monopoly encouraged the emergence of left-wing guerilla groups such as the Revolutionary Armed Forces of Colombia (FARC), National Liberation Army (ELN), and the April 19 Movement (M19), as well as paramilitary and self-defense movements.

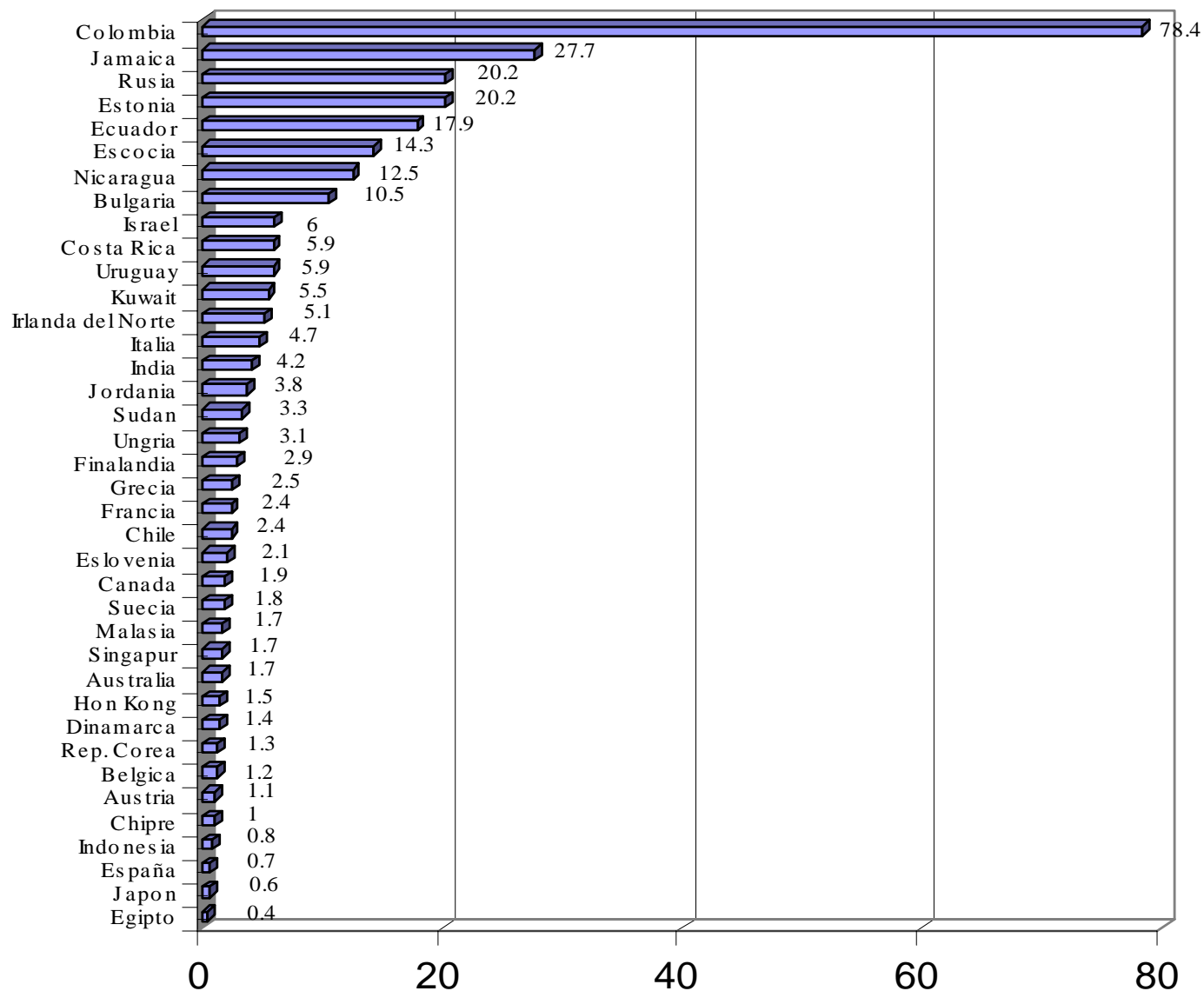
CAUSES OF VIOLENCE IN COLOMBIA

- The historical legacy of violence
- Unequal access to economic power (especially land and natural resources)
- Exclusion from political power
- Poverty
- The funding related to the tremendous increase of drug trafficking that serves to finance both the guerrilla and paramilitaries.

IMPACT OF VIOLENCE

- Colombia ranks among the countries of the world with the highest incidence of violence.
- In the past decade the scale and intensity of violence has changed from a marginal conflict to generalized violence that now dominates the daily lives of many Colombians.
- Violence impacts Colombia's economic growth and productivity, as well as its capacity to reduce poverty, inequality and exclusion.
- NGOs' estimate that a total of 1.9 million persons have been displaced by violence.
- There is increasing displacement within the region, mainly to Ecuador, Venezuela and Panama.
- Colombia is also suffering "brain-drain" with many professionals migrating to the United States, Costa Rica and Spain.

Tasa de Homicidios por Cien mil habitantes: 1993-1994



IMPACT OF THE DRUG TRADE

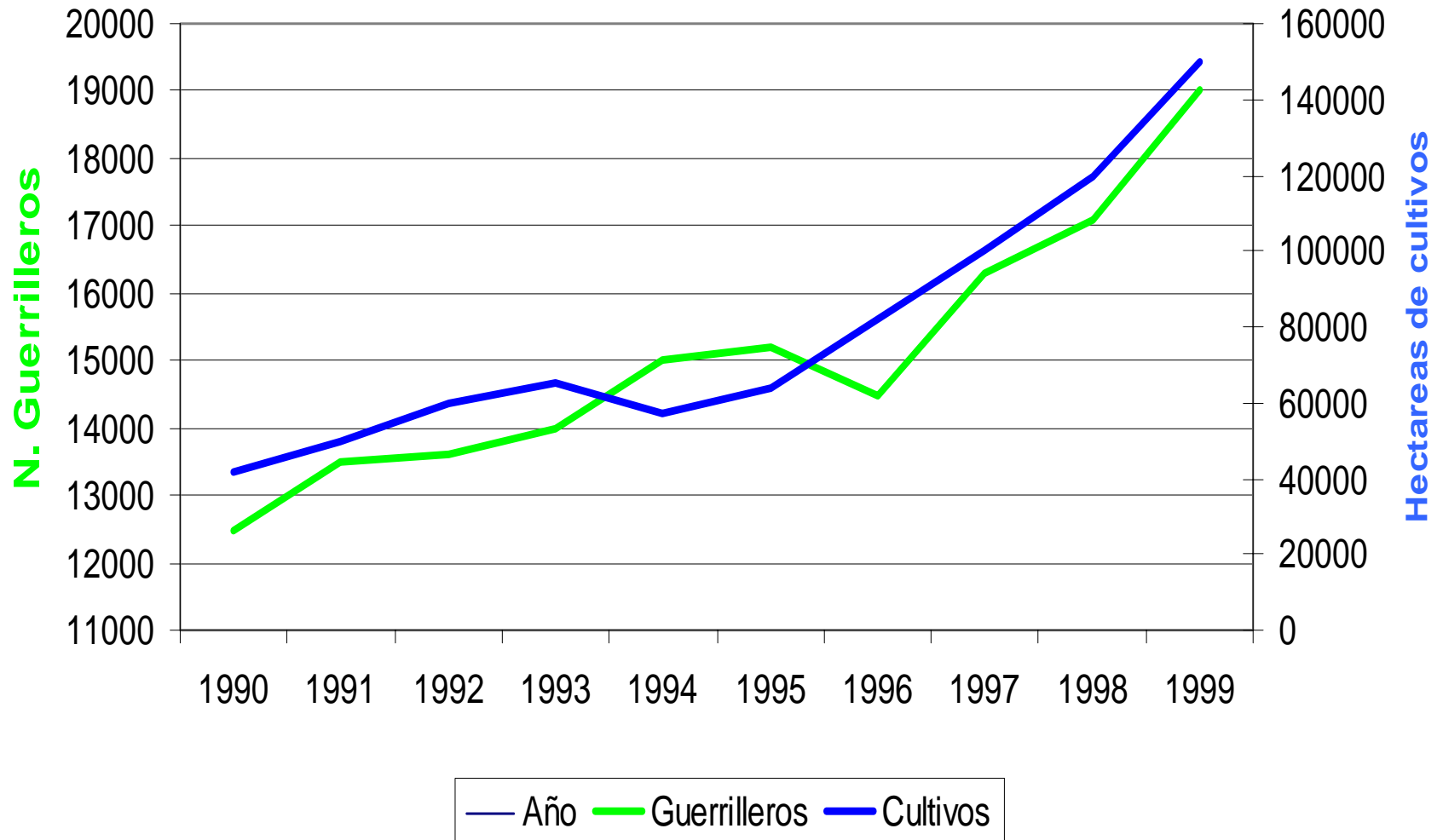
- Colombia is the world's largest producer and exporter of cocaine and the second-largest supplier of heroin to the United States.
- In the mid 1990s, the governments of Peru and Bolivia launched important anti-drug campaigns. Drug traffickers shifted their crops to Colombia.
- The growth of the cartels in Medellín and Cali had an enormous economic and social impact on Colombia.
- Links between drugs and guerrillas.
FARC gets US\$600 million annually from drug protection
(i.e. 70% of its financing)
- The judicial system and other government institutions have been debilitated and corruption has rocketed. The whole society is impacted (moral implications).
- The country has now weakened the drug cartels, but a new social class has emerged that has taken control of the industry.

MAIN INSURGENT GROUPS

- **Revolutionary Armed Forces of Colombia (FARC) - 1964**
 - Rural based, 16,000 strong, Focus on southern Colombia
 - 1998 Agreement on demilitarized zone in southern Colombia
- **National Liberation Army (ELN) - 1965**
 - Rural based, 5,000 strong, Focus in Magdalena Medio & Oil producing region
- **Paramilitary Groups/ Self Defense Groups - late 1970's**
 - Defense of specific interests - links with army and drug traffickers

Narco-traffic

Cultivos Ilícitos y Número de guerrilleros



A Crucial Time



- The terrorist attacks on the US make the world more concerned about terrorism
- FARC, ELN and the AUC are identified by the US Government as International Terrorist Groups
- Ex Culture Minister Consuelo Araújo is shot dead while being held hostage by the FARC
- High Commissioner Camilo Gómez Travels to the Area and Meets Manuel Marulanda
- President Pastrana decides to extend the duration of the demilitarized zone up to January 2002
- Refocussed peace talks to center on a cease fire and agreements to end kidnappings

Peace Process and Reform Agenda may Depend on Elections

- Legislative Elections -- March 2002
- Presidential Elections -- May 2002
- New Administration
Takes Office -- August 2002

PLAN COLOMBIA

- Since taking office in August 1998, President Pastrana identified peace as the highest priority of his government.
- After a year in office during which the peace process yielded few tangible results, and under pressure from the Clinton administration, the Pastrana government developed Plan Colombia (“Plan for Peace, Prosperity and Strengthening of the State”).
- Plan Colombia calls for an expenditure of \$7.5 billion over a four-year period.
- Plan Colombia is an integrated strategy whose main components are:
 - to promote the peace process
 - revive the economy
 - combat the narcotics industry
 - strengthen the democratic pillars of Colombian society
 - promote reform of the justice system
 - protect human rights
 - foster greater democratization and social development

CONCERNS REGARDING PLAN COLOMBIA COLOMBIA

- Lack of a clear strategy for peace.
- Focus on a military response to the conflict
- Focus on eradication of drugs which are feared will have negative impact on human rights and democracy
- Environmental impact of coca spraying, including allegations that it is killing food crops and causing health problems and water contamination.
- Brazil, Venezuela, Ecuador, Peru, and Panama are concerned that Plan Colombia could generate regional instability.

WHAT CAN THE BANK DO

- The 1997 CAS and 1999 CAS Update, developed in a participatory manner with government authorities and civil society representatives, identified peace and development as Colombia's number one development priority.
- The Bank is supporting the peace and development agenda with several projects including: Magdalena Medio, Peasant Enterprise Zones, Youth Development, Sierra Nevada Sustainable Development project and the Productive Partnerships for Peace (under preparation).
- Provide support to the Government to maintain macro-stability
- Provide support to broad social programs
 - Manos a la obra
 - Human Capital Protection
 - Social Sector Adjustment
- The Bank is also supporting peace and development through analytical work and through promoting dialogue with civil society to build a consensus on peace and development, including a study tour to Northern Ireland last fall.

LILS - LESSONS LEARNED

- The Magdalena Medio LIL which promoted a community-based, participatory approach to development and peace in one of the most conflictive regions of Colombia, has just been satisfactorily completed and a second LIL has been approved
- Some lessons of this experience are that:
 - a partnership between a diverse set of actors —the Government, national oil company, UNDP, the Bank, and an NGO with Jesuit roots—can be forged, resulting in new ways of working;
 - it is possible to ensure adequate Bank supervision of such a project
 - a respected NGO with credibility and demonstrated capacity to work in the difficult conditions in the region was indispensable;
 - sustainability of project results will be fragile.

QUESTIONS

- What are the incentives for the various actors to negotiate? Why would they want peace?
- What can Colombia do? How can the increasingly divided nation achieve consensus?
- What can the international community do?
- What can the United States do? (Uncertain with new administration that has limited experience in Latin America)

WHAT CAN THE BANK

- How do we develop a CAS where peace is central to development objectives?
- How do we reach the right balance between macroeconomic/growth-oriented activities and longer-term investments?
- What is the Bank's role in dealing with:
 - Drugs?
 - Displaced People?
- How do we mitigate risks to Bank & project staff?
- How do we deal with portfolio risks?