
CHAPTER 1

INTRODUCTION AND SYNTHESIS

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Achieving peace and promoting economic and social development are the two main challenges facing countries like Colombia, affected by a serious internal armed conflict. A variety of studies, including the analyses in this volume, indicate that Colombia's violence and armed conflict stem from a complex interaction of economic, social, historical, and political factors.¹ Economic growth in Colombia, as in other Latin American countries, has not been enough to significantly reduce poverty and correct inequality in the distribution of productive wealth (i.e., land). There is a need for fostering a more equal access to economic opportunities such as jobs, education, and credit, as well as to improve the capacity of low-income groups to influence public decisionmaking in democracy.

Colombia also has a long history of armed conflict: confrontations between liberals and conservatives in the nineteenth century, the period of *La Violencia* in the mid-twentieth century, and the escalation of armed conflict since the 1980s and 1990s with the onset of drug-trafficking and paramilitary activity. Chronic armed conflict is indicative of the profound difficulties besetting Colombia's political institutions as they try to resolve their society's underlying conflicts by peaceful means. The strains of conflict in society are such that a prosperous, peaceful, and democratic Colombia will probably need a new social contract, founded on the principles of peace, economic growth, and social justice.

Between 1950 and 1980, it was thought that the armed conflict did not significantly affect Colombia's economic growth and development.

¹ The World Bank, in its current strategy of assistance to Colombia, has identified violence and armed conflict as the main obstacle to Colombia's full development of its potential for economic growth and social progress. Thus, the World Bank, in its analytical work, has focused on understanding the causes—particularly the socioeconomic ones—behind the violence and conflict in Colombia, in an attempt to identify policies to reduce the effects of violence and to promote economic development. The Bank has also financed pilot projects in conflict-affected areas (Magdalena Medio, Caquetá, and others), which attempt to rebuild the social fabric and capital affected by the war, financing small productive projects carried out by local institutions of civil society.

Throughout that period, Colombia avoided significant macroeconomic imbalances, maintained a respectable record of economic growth, and made social progress. Interestingly, all this was accomplished despite an armed conflict (although less intense than today).

This situation began to change in the 1990s. Colombia's macroeconomic imbalances, particularly fiscal deficits, started to build up and internal and external debt steadily increased. In turn, the armed conflict expanded and intensified as guerrilla forces' presence and influence in Colombian territory grew, challenging the State's capacity to enforce law and order. In the second half of the 1990s, economic growth slowed down and, toward the end of the decade, the economy was in a serious recession with high unemployment. Around 3 million people are without jobs in Colombia as of mid-2000. If we add more than 1.5 million people internally displaced by the war, it is apparent that Colombia is living a social crisis of unprecedented proportions. In addition to being a constant source of distress for the people, violence and armed conflict destroy different types of capital (human, physical, social, and natural), impair the creation of wealth, and worsen citizens' quality of life. This vicious circle must be stopped.

Achieving peace and tackling the structural causes of violence are goals that will also help to address the basic development problems of the country. The goals of achieving peace and securing economic development complement and reinforce each other.

ECONOMIC AND SOCIAL POLICIES FOR PEACE

Peace should encourage investment, entrepreneurial activity, job creation, and economic growth. The largest obstacles to prosperity in Colombia today are its high level of violence, armed conflict, and the ensuing disorganization of society. The peace dividend that is expected to be gained in a scenario of peace should be oriented to reconstruct Colombian society, increase productive investment, and strengthen much needed social safety nets. The peace dividend will also free up public and private resources now allocated to the armed conflict for productive uses. However, some costs must also be subtracted from the economic dividend conferred by peace. These costs are associated with the reconstruction of physical and institutional infrastructure damaged by the war. Institutions (formal and informal) need to be reshaped and adjusted to be functional for peace; all these tasks also entail costs. In addition, jobs are needed to absorb people that will be released from activities related to the war, as well as those in the unemployment pool.

In Colombia, important segments of the population, especially young people in rural areas, are fighting or derive their income from occupations

associated with the armed conflict. Hence, along with the provision of jobs, there is need for a productive retraining process to prepare people for their reintegration to the working force, by teaching them new skills, along with discipline and civic responsibility. A requisite to generate jobs on a sustained basis, is of course, the recovery of economic growth; however, this may take time. Therefore, emergency jobs must be created through, for example, labor-intensive programs of public investments, employment subsidies, and other measures oriented to create employment.

In El Salvador, Guatemala, and other countries that emerged from armed conflict in the early 1990s, nonpolitical violence and urban crime, perhaps paradoxically, *increased* after peace agreements were signed. This phenomenon is connected to massive migrations from rural areas (where the armed conflict took place) to cities where only a few productive jobs were available in relation to the large number of people looking for jobs. The increase in nonpolitical violence after an armed conflict needs to be better understood; however, it is apparent that its causes stem from the difficulties of reintegrating large contingents of people—whose main “skills” and experience are related to violence and war—into a peaceful society. The transition from a culture based on violence to one based on peace requires a reform of the educational process and a change in values and habits.

Preventing an escalation of crime after peace is achieved will require, besides job creation, an active social policy structured around social protection networks to deal with people’s new needs after the war. An effective social protection program must (a) provide food security for children, vulnerable groups, the poor, and the refugees of war; (b) generate emergency jobs and productive opportunities for the unemployed; (c) implement job-training programs; and (d) provide medical and psychological care to people physically and emotionally traumatized by the war. The social protection network just sketched should complement more “structural” social policies in education, health, credit, housing, and pensions. These policies are necessary to both increase the income-generating capacities of the people as well as equalize the access to opportunities and upward social mobility of all members of Colombian society, particularly the poor. Since the armed conflict in Colombia is concentrated in rural areas, two issues will need special attention: the need to define a realistic agrarian reform process and a policy of access to and exploitation of natural resources that fosters sustainability.

FINANCING PRO-PEACE POLICIES

These pro-peace social policies need to be financed, so fiscal policy is a crucial element. The international experience of other countries in conflict

highlights that the definition of fiscal targets should take into account the financing needs associated with the launching of programs of war alleviation and post-conflict reconstruction. At the domestic level, efforts are needed to increase tax collection, control nonessential public expenditures, and give priority to investments that generate synergies with pro-peace programs. Priority must also be given to social spending aimed at reaching people affected by the war and other vulnerable groups. In addition, spending on infrastructure and housing must also receive preferential treatment because of their positive effects on employment and economic recovery.

Colombia must redouble its efforts to secure multilateral foreign financing and bilateral cooperation to support and help finance the peace process. This effort has already started with the Madrid conference of the international support group for peace in Colombia, carried out in July 2000. It is now increasingly recognized that the Colombian conflict is also a security and solidarity concern for the Latin American region and the international community at large. Foreign donors are becoming increasingly aware of the conflict's various implications (on migration flows, security, etc.), particularly for the neighboring countries of Colombia, Brazil, Ecuador, Peru, Panama, and Venezuela, as well as for the United States.

INSTITUTIONS, ACTORS, AND A NEW SOCIAL CONTRACT

The international experience and history show that the existence of internal armed confrontation is an indication of serious institutional failures in those societies affected by internal conflict. One of the main roles of social institutions is, precisely, to regulate by peaceful means society's latent conflicts. Social conflict (armed or otherwise) can have an economic origin, associated with pressure from different groups and economic sectors seeking a larger share of real income and the stock of national wealth. Social conflict can also be a response to armed groups' appropriation of income derived from the exploitation of national resources or be related to illegal activities such as drug-trafficking. Moreover, social conflict can also stem from differences in views about how society should be organized and from political ideologies not easily reconcilable within a society. The latter case would apparently seem less likely in the post-cold war era, but it is still relevant in Colombia, given the guerrillas' political agenda.

To maintain social order, public institutions (political parties, the judiciary, parliament) must mediate these latent or open conflicts. In a democratic system, public institutions must guarantee to all citizens the right to be heard and to participate in public decisionmaking. Of course, this

would require all citizens to have a genuine respect for the law and for the system's rules of the democratic game. This is typically a topic dealt with in peace accords, where new institutional structure and social agreement are defined, by assigning rights and responsibilities to rebel groups (guerrilla forces, paramilitary groups, the army) when they are reincorporated into the democratic system, so that their political agendas can be pursued by peaceful, not armed, means.

An important emerging player in the Colombian social process is "civil society," consisting of many heterogeneous groups and organizations such as labor unions, business associations, religious groups, human rights organizations, art and cultural groups, cooperatives, grassroots organizations, and the like. Many of these organizations have played a significant role in the peace process by helping build an internal consensus around peace and, to some extent, by influencing the formulation and implementation of peace-oriented policies. Nevertheless, differences of opinion have arisen between some civil society groups and authorities in regard to the peace process, particularly around human rights and foreign intervention.

PEACE AS A GLOBAL PUBLIC GOOD: THE ROLE OF THE INTERNATIONAL COMMUNITY

Unlike the experience of countries such as El Salvador, Guatemala, and Nicaragua, which achieved peace after the end of the cold war, the Colombian armed conflict has not only lasted, it has also sharply intensified in the post-cold war era.² Today, the Colombian conflict is the longest and most geographically extended armed confrontation in Latin America; thus, achieving peace in Colombia would be a stabilizing element for the whole Andean region and the Latin American continent in general. In the era of globalization, national conflicts have stronger regional and global repercussions than ever. Therefore, at a conceptual level, peace can be understood as a global public good that tends to be "under-supplied" at the national level; hence, its adequate provision requires collective action at the international level.

In the analytical framework of peace as a global public good, international organizations such as the United Nations, the Bretton Woods institutions, and regional development banks can be important catalyzers of such international collective action. The challenge for these institutions is,

² A plausible hypothesis for the persistence and intensification of Colombia's armed conflict connects it with the enormous income that rebel groups receive from drug-trafficking "taxes."

thus, of integrating peace, particularly in its development dimension, into their operational activities and assistance strategies for countries in conflict. The country assistance strategy must be devised in a realistic manner, taking into account the realities of conflict or post-conflict reconstruction (physical and institutional), mobilizing knowledge, financing, and international best practices to make international assistance in conflict-related situations more effective.

PLAN OF THE BOOK

This volume is composed of four chapters, including this introductory chapter, and a foreword written by Colombian President Andrés Pastrana. The main highlights of each chapter are as follows:

Chapter 2, entitled “Violence in Colombia: Building Sustainable Peace and Social Capital,” written by Caroline Moser with the collaboration of a group of Colombian scholars, provides a conceptual framework for understanding a broad spectrum of political, economic, and social violence issues. The framework seeks to understand the causes of violence and the mechanisms for its propagation. Four levels of causality are established for each type of violence: structural, institutional, interpersonal, and individual. This chapter identifies the role played by both Colombia’s turbulent political history and the unequal access to economic and political power in the outbreak and resilience of political violence. Among the determinants of “socioeconomic” violence, poverty and inequality are identified as important factors, combined with other, family-related propagating factors. This chapter identifies as costs of violence its adverse impact on Colombia’s physical, natural, human, and social capital. Finally, the chapter examines different policy initiatives that are in progress in Colombia to reduce violence, and proposes other areas of public policy to strengthen the links with civil society, grassroots organizations, the family, and municipalities.

Chapter 3, “The Hidden Costs of Peace in Colombia” by Cecilia López Montaña and Arturo García Durán, focuses on the social and economic origins of Colombia’s armed conflict. The authors emphasize in their analysis elements of political and economic exclusion surrounding the Colombian conflict and identify “three myths” present in many analyses of Colombian history and society, i.e., the existence of a well-functioning representative democracy, a solid economy, and poverty as a fundamental cause of violence. The authors examine the costs of achieving peace and its fiscal implications and advance the hypothesis that Colombian problems are not so much due to a lack of economic resources, but a complex interplay of power relationships that make the achievement of peace so elusive.

Based on the hypotheses of the historian Marco Palacios, López Montaña and García Durán posit that violence, political patronage, and corruption have blocked effective democracy in Colombia, leaving poor urban groups and some regional constituencies out of the national decisionmaking process. In terms of the economy, the authors point out that inadequate levels of national savings and productive investment have led to only moderate long-term economic growth in Colombia. At the sectoral level, they maintain that the agriculture and service sectors are underperforming and that the industrial sector is inefficient, with productivity in manufacturing growing at a slow pace. Next, the authors indicate that exclusion and inequality rather than poverty are, in their view, the main determinants of violence and armed conflict in Colombia. Last, this essay identifies the need to develop a national consensus for implementing a vast array of reforms (agrarian reform, a new social policy, judicial reform, and others) that could transform political and economic institutions, for achieving peace in Colombia.

In Chapter 4, "Toward an Architecture for Sustainable Peace and Development: Lessons from the World Bank Experience," Nat Coletta, Markus Kostner, Patricia Cleves, and Johanna Mendelson from the World Bank's Post-Conflict Unit review the Bank's recent experience in assisting countries that are experiencing, or have already overcome, domestic armed conflict.

The authors examine several components of a strategy for a lasting peace, including (a) pacification by means of peace agreements and policies to support them; (b) achieving domestic social consensus to consolidate peace, including both civil society and government; (c) obtaining support for the peace process from the international community; and (d) enlarging the constituencies for peace by including former insurgent groups' support for policies leading to domestic security, human rights, and compliance with the law.

In this chapter, a variety of conflict and peace experiences are evaluated, both within Latin America (El Salvador, Guatemala, Nicaragua) and outside the region (Northern Ireland, the Gaza Strip and Palestine, South Africa, and other cases). The authors use these cases to illustrate the relevance to Colombia of the different components, which they call "the architecture of sustainable peace and development."

CONCLUSIONS

The main conclusions of this book can be summarized as follows:

1. Achieving and consolidating peace is essential for Colombia. Without sustained peace, there will be no economic and social development. In

turn, without economic and social development and democracy, peace will be difficult to consolidate.

2. Violence in Colombia has political, economic, and social determinants. Its causes are many and complex. Violence has historical roots, as Colombia has had a long history of armed confrontations in the nineteenth and twentieth centuries; moreover, violence is also associated with poverty, economic inequality, and social exclusion. Unfortunately, existing institutions in Colombia have faced formidable difficulties in managing its internal conflict by pacific means. Since the 1980s and particularly in the 1990s, increased drug-trafficking, paramilitary, and guerrilla activity have exacerbated violence and the armed conflict.
3. Peace, once achieved, must be supported by a broad domestic consensus and by economic and public policies that promote economic growth, job creation, food security, equal opportunity, transparent institutions, and civic education regarding the values of work and peaceful coexistence. Understanding peace as a global public good gives to the international community a natural role for promoting peace in Colombia. That support may take several forms: the provision of technical and financial assistance for war alleviation and post-conflict reconstruction as a vehicle to raise global and regional awareness about the need for peace, and economic development and advice on the proper public policies to advance both objectives.
4. International support for peace and development in Colombia requires a complementary domestic effort at strengthening national policies for physical and institutional reconstruction and pro-peace social programs.
5. Peace will require deep institutional reforms, possibly a new social contract. This social contract can be visualized in terms of two main components: an economic order leading to stability, growth, and social justice, and a democratic order with strong and transparent political institutions. Such a contract would allow conflicts in Colombian society to be channeled through peaceful and democratic means; in addition, a new social contract must give important priority to replenishing social capital depleted during years of conflict and violence.
6. Colombia is a country with an enormous base of human and natural resources, a good geographic location for international trade and foreign investment, and a valuable democratic and cultural tradition. Peace would allow Colombia, despite all its current problems, to mobilize these talents and assets to enable economic and social progress in the twenty-first century.