

**The Colombian conflict: its
costs and the impact of peace**

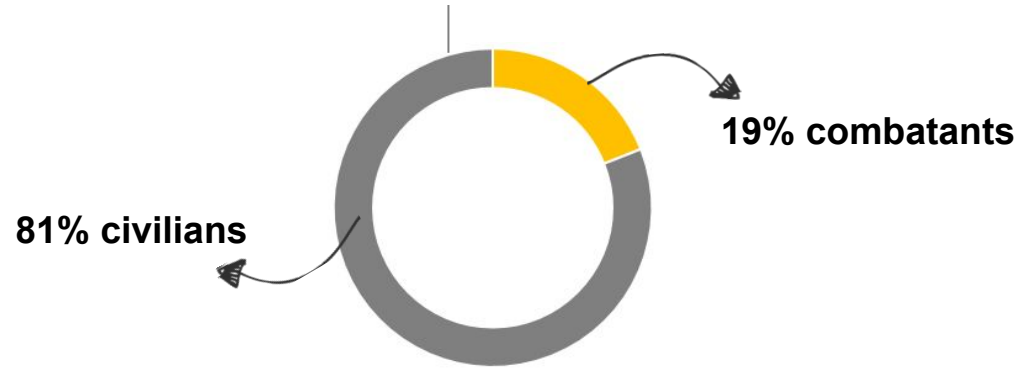
-Hernando José Gómez-

Moscow October 2016

Knowing the conflict's costs
is the first step towards
understanding the benefits
and importance of peace

THE ARMED CONFLICT IN COLOMBIA

Between 1958 y 2012, the conflict has caused the death of 218.094 people.



**THE ARMED CONFLICT IN
COLOMBIA**

TERRORIST ATTACKS



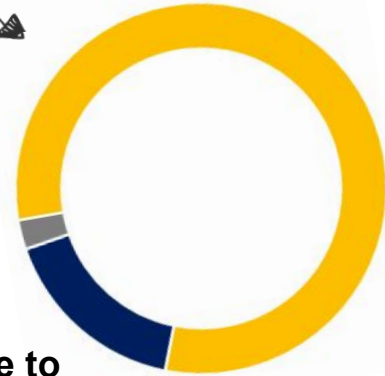
1,566 **VICTIMS** 95 **CASES**

223 **Dead** 1,343 **Injured**

2% due to paramilitary groups

16% due to unidentified groups

81% due to guerrillas



MASSACRES



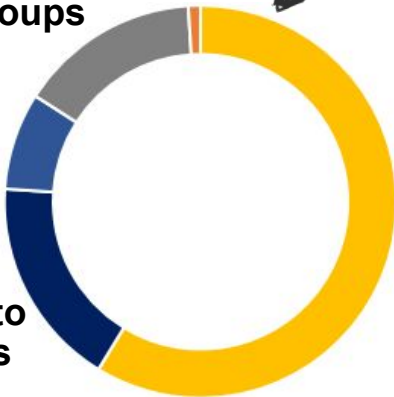
11,751 **VICTIMS**
1,982 **CASES**

15% due to unidentified groups

8% due to national armed forces

17% due to guerrillas

59% due to paramilitary groups



CONFLICT EXPOSITION IS ASSOCIATED WITH LESS HUMAN CAPITAL ATTAINMENT

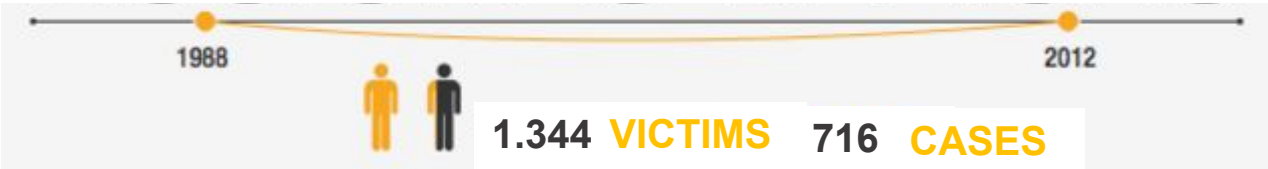
- In absence of conflict, the child population would have attained an additional year of education. This effect is doubled when it comes to the teenaged population.

The armed conflict reduces the average years of schooling by 8.78% among the child population in Colombia. This estimate reaches 17.03% for people among 16 and 17 years old.

- The economic return of an additional year of basic schooling is 600.000 colombian pesos yearly (about 200 dollars).



WARFARE ACTIONS



ATTACKS ON CIVILIAN PROPERTY



CONFLICT EXPOSITION IS ASSOCIATED WITH ECONOMIC CONTRACTIONS

- “The 50 municipalities that experienced more attacks on civilians had a five times higher probability of disappearance of their productive facilities”

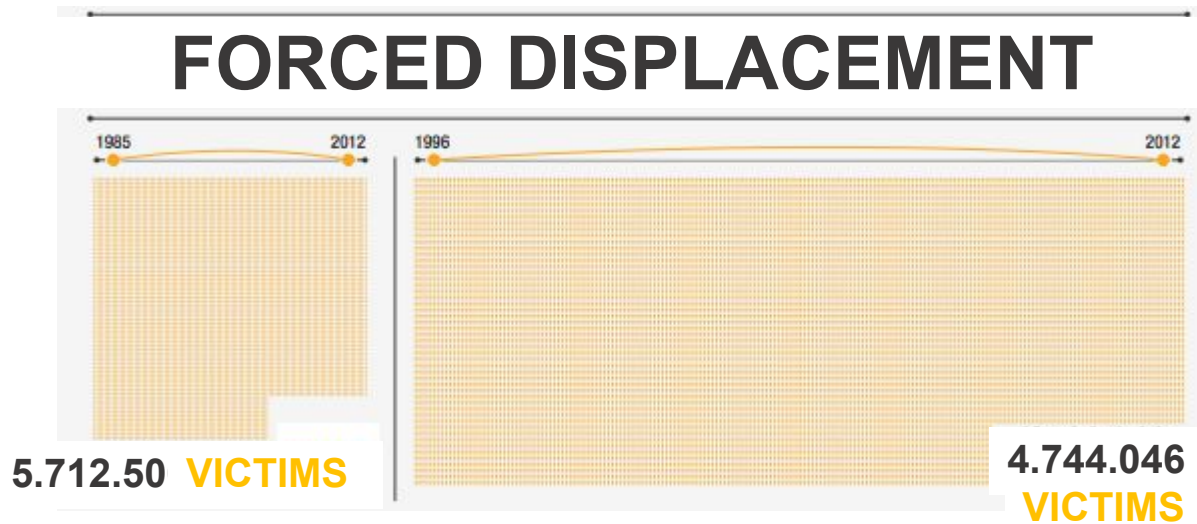
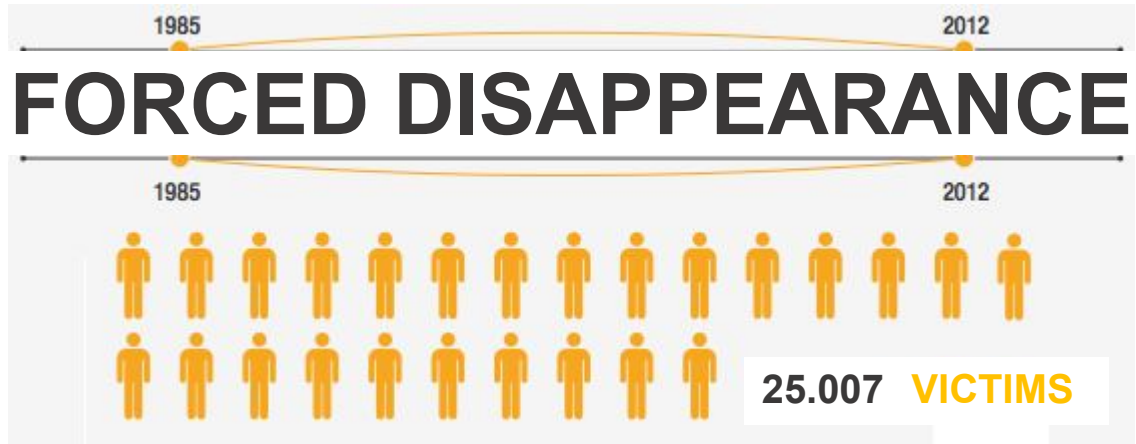
–Marcela Eslava

An increase of one standard deviation on the quantity of violent attacks in the municipalities, increases the probability of disappearance of their productive facilities by 8,1%.

- Furthermore, the conflict affects the state capacity measured in terms of tax collection and investment in public goods.

“If the amount of conflict related deaths in a municipality is doubled, then 10% of its fiscal income is lost.”

**THE ARMED CONFLICT IN
COLOMBIA**



FORCED DISPLACEMENT

CHANGE IN ECONOMIC CONDITIONS DUE TO DISPLACEMENT

	Before Displacement	After Displacement
Labor income per adult equivalent	1'928.321	624.167
Consumption per adult equivalent	1'627.002	1'054.040
Head of household unemployment	1,7%	16.1%
Other family members unemployment	5%	16.1%
High overcrowding	22,8%	39,8%

THE ARMED CONFLICT IN
COLOMBIA

Forced displacement is a direct pathway towards chronic poverty. The poverty rate among displaced people doubles the national average.

**THE ARMED CONFLICT IN
COLOMBIA**



LANDMINES



10.189 **VICTIMS**

2.119 Dead

8.070 Injured



ILLEGAL RECRUITMENT



5,156 **VICTIMS**



SEXUAL VIOLENCE



1,754 **VICTIMS**

BEYOND STATISTICS.....



The conflict affected most of the country

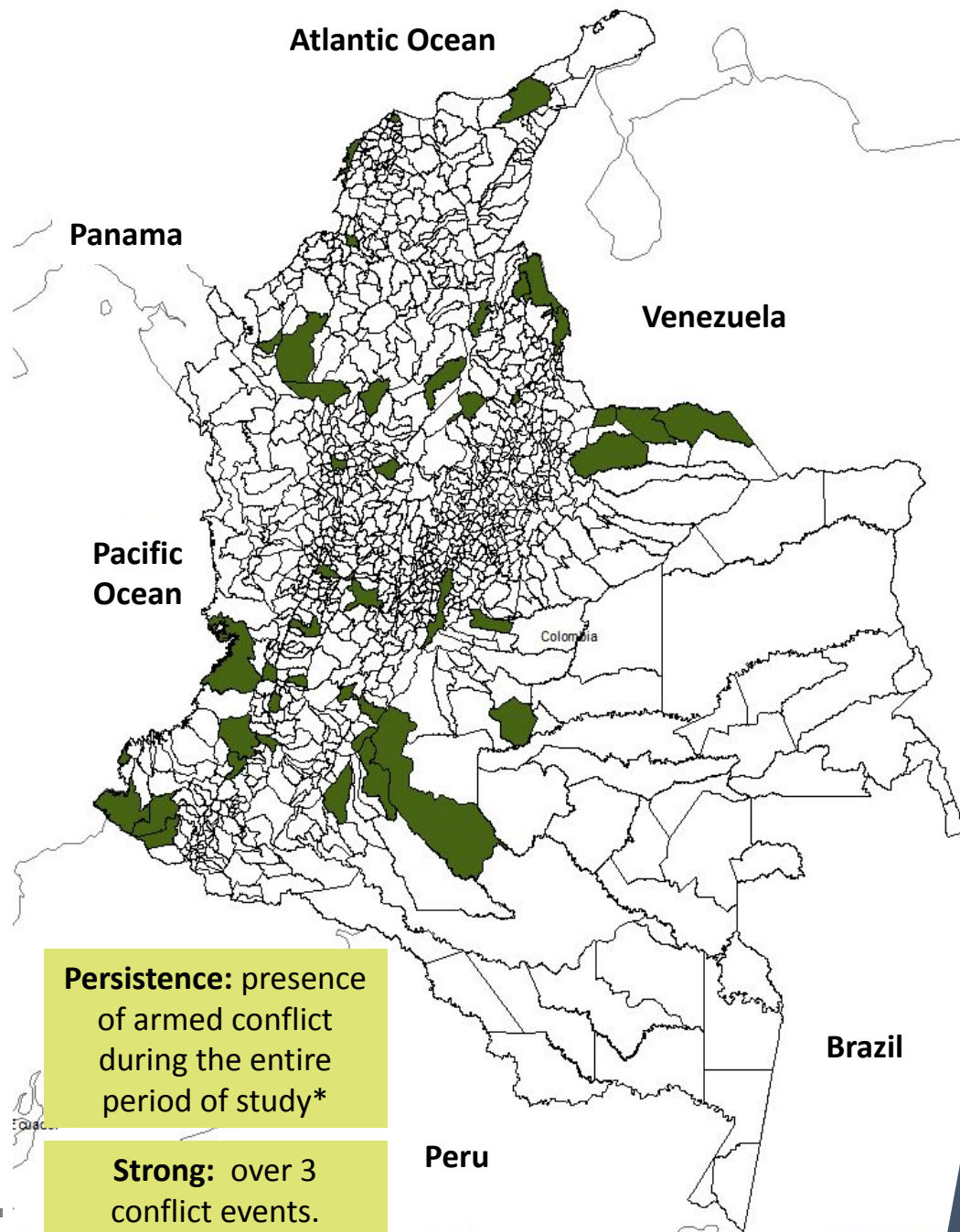
Municipalities

SAP

38 **Strongly affected and persistent**

4 %

Regions where the conflict is **persistent, suffer higher levels of violence**. Mainly located on **periferic areas** of the country.



The conflict affected most of the country

Municipalities

SAP

38

Strongly affected and persistent

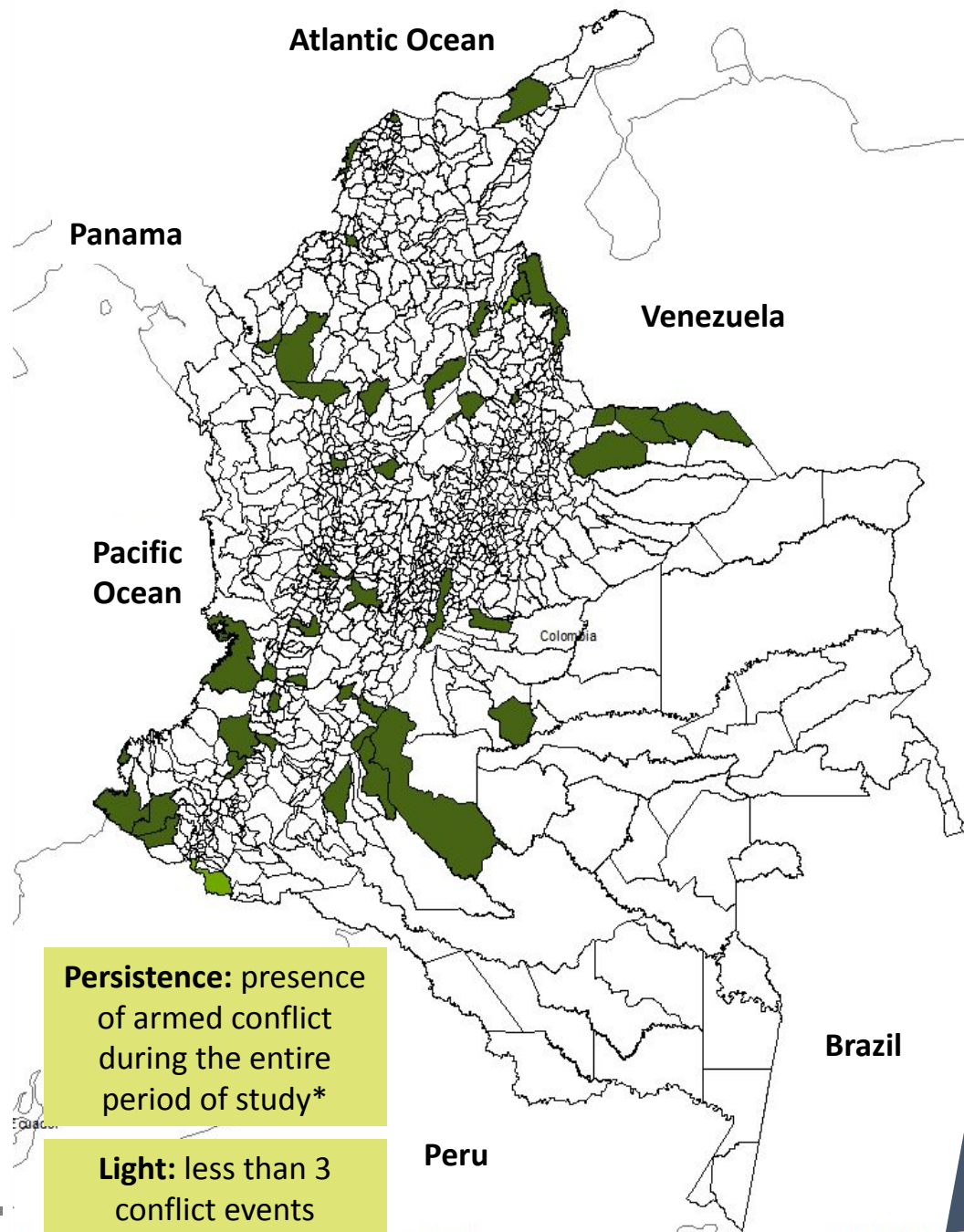
4 %

LAP

2

Lightly affected and persistent

0,2 %



* Based on data covering the 2000-2012 period.

The conflict affected most of the country

Municipalities

SAP

38

Strongly affected and persistent

4 %

LAP

2

Lightly affected and persistent

0,2 %

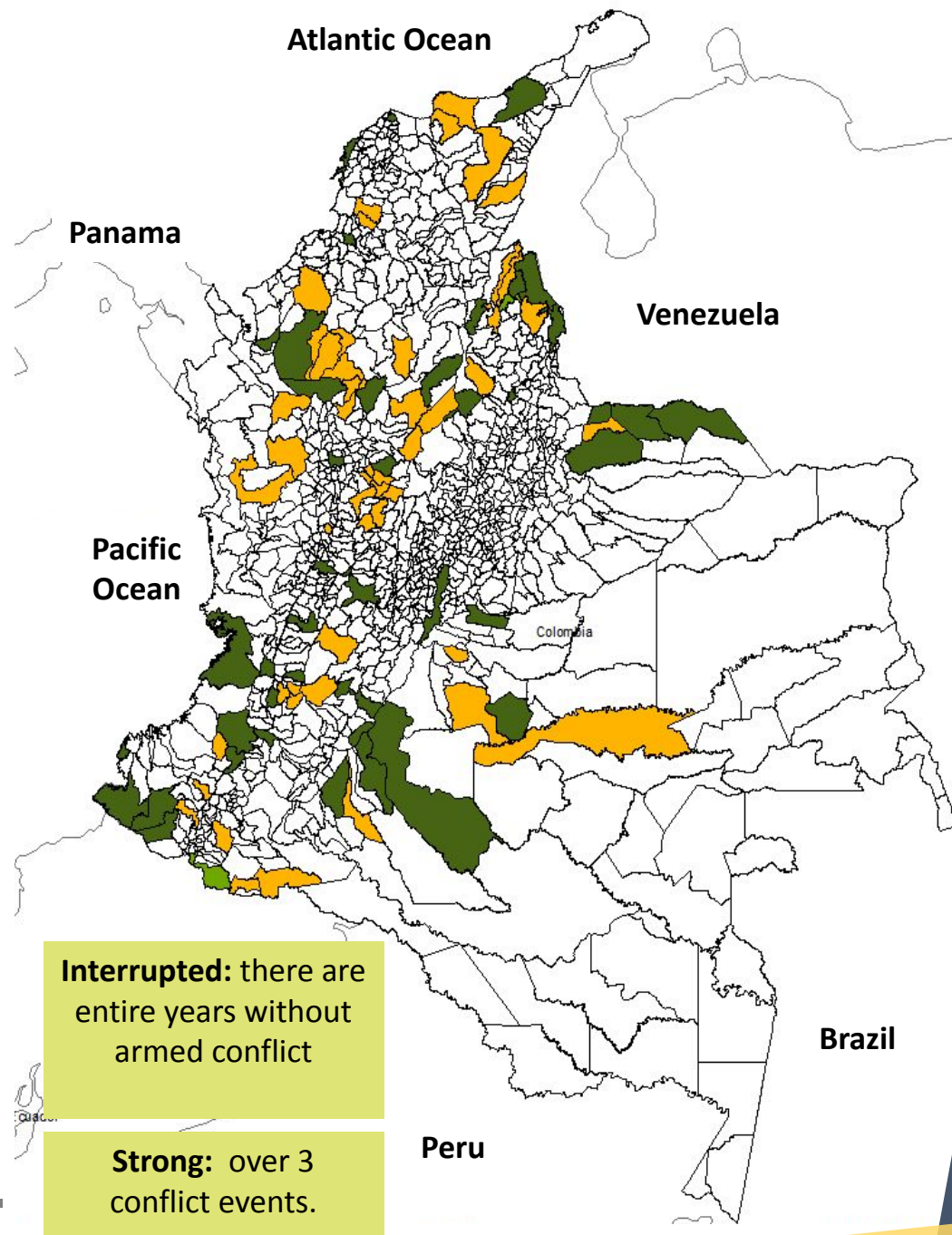
SAI

47

Strongly affected and interrupted

4 %

The conflict **returned on 80%** of the municipalities that managed to **stop it for at least an entire year.**

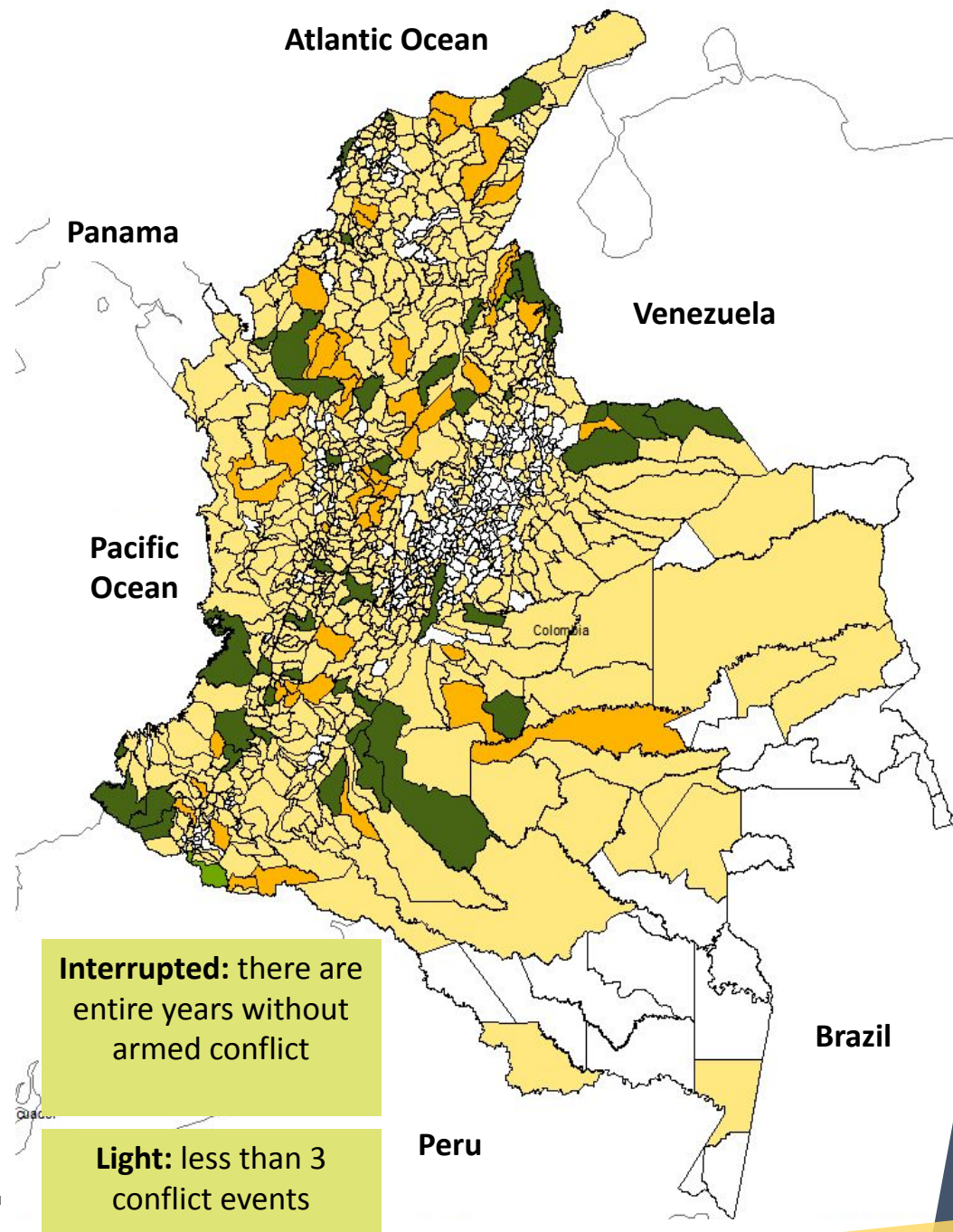


* Based on data covering the 2000-2012 period.

The conflict affected most of the country

Municipalities

SAP	38	Strongly affected and persistent	4 %
LAP	2	Lightly affected and persistent	0,2 %
SAI	47	Strongly affected and interrupted	4 %
LAI	681	Lightly affected and interrupted	64 %



* Based on data covering the 2000-2012 period.

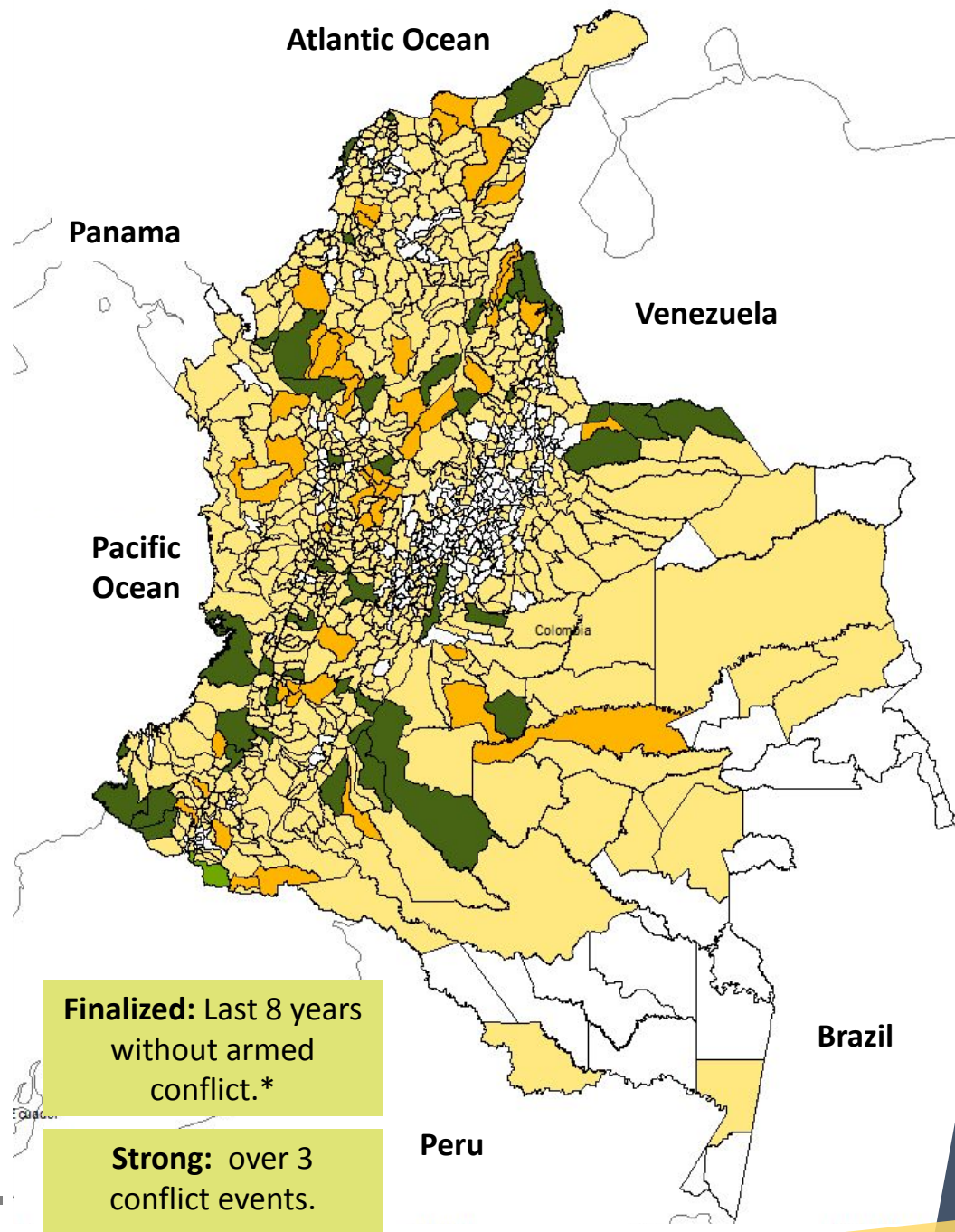
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LAI	681	Lightly affected and interrupted	64 %
SAF	0	Strongly affected and finalized	0 %

There are not strongly affected municipalities that were able to finalize the conflict.

* Based on data covering the 2000-2012 period.



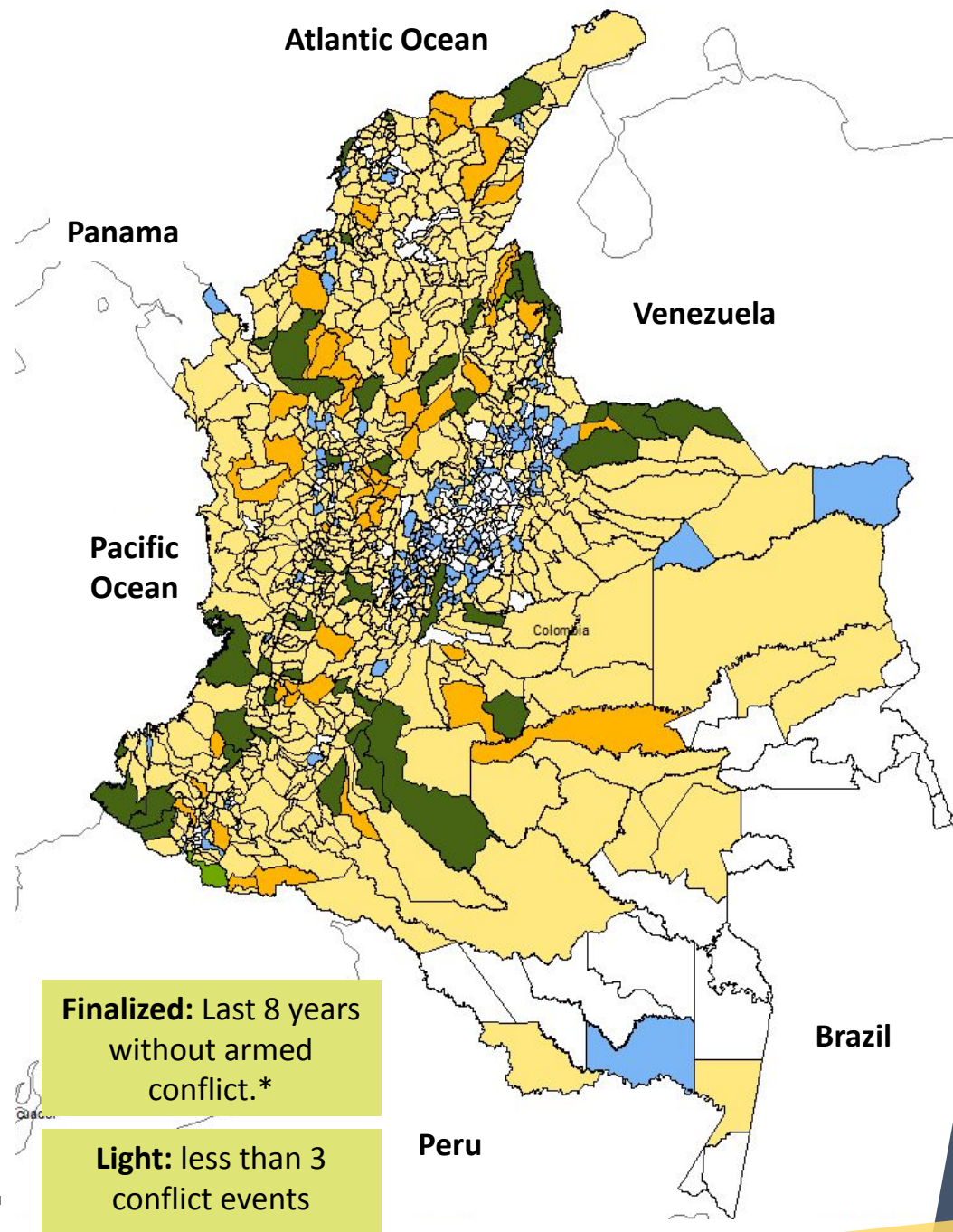
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SAF	0	Strongly affected and finalized	0 %
LAF	118	Lightly affected and finalized	11 %

The conflict has finalized only on urban areas in the Andean region

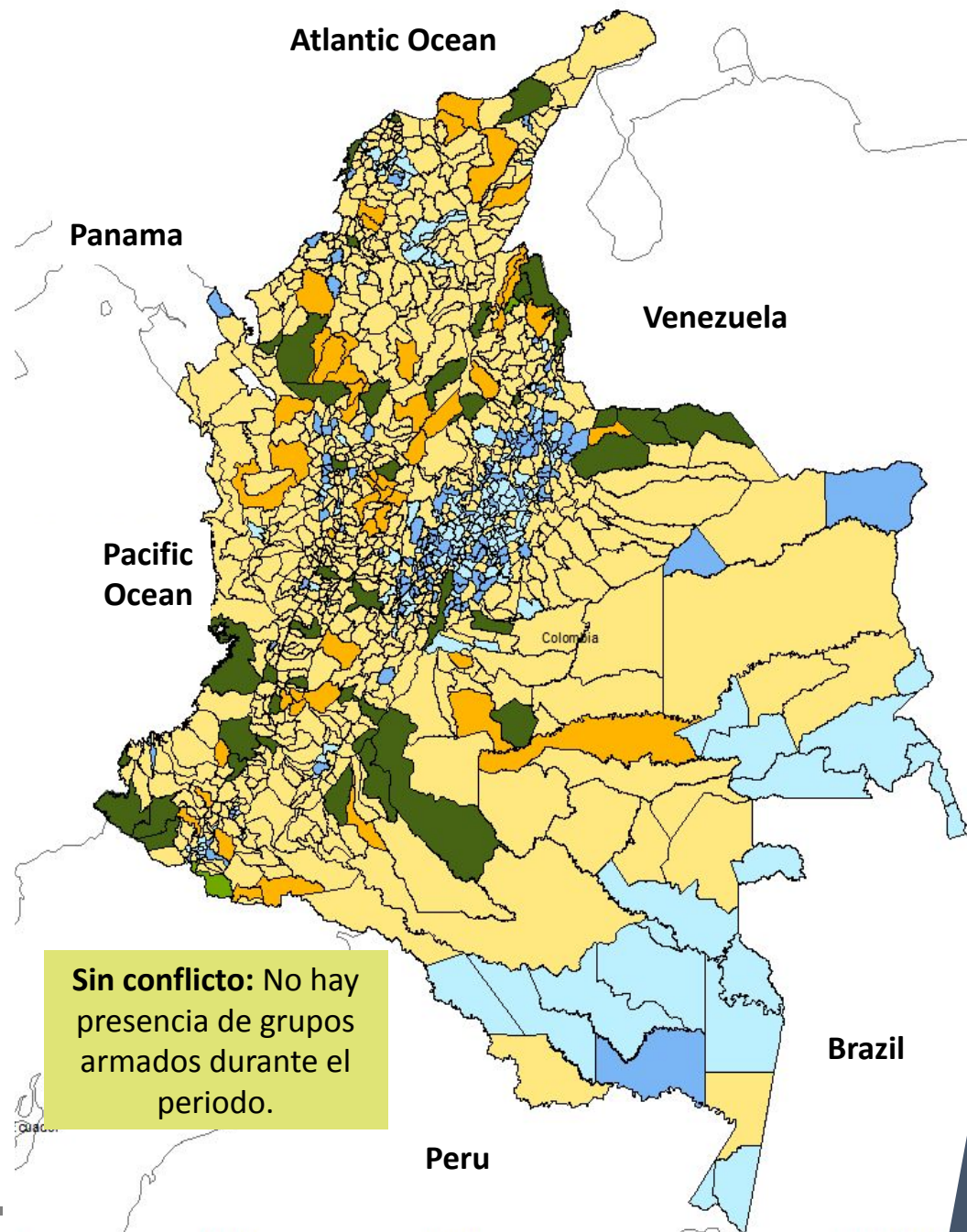
* Based on data covering the 2000-2012 period.



The conflict affected most of the country

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LAF	118	Lightly affected and finalized	11 %
NC	184	No conflict	17 %



**The impact of the conflict's
end is multidimensional**



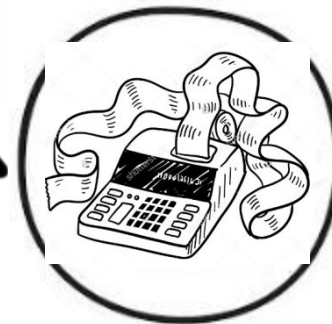
More economic growth



Less direct costs

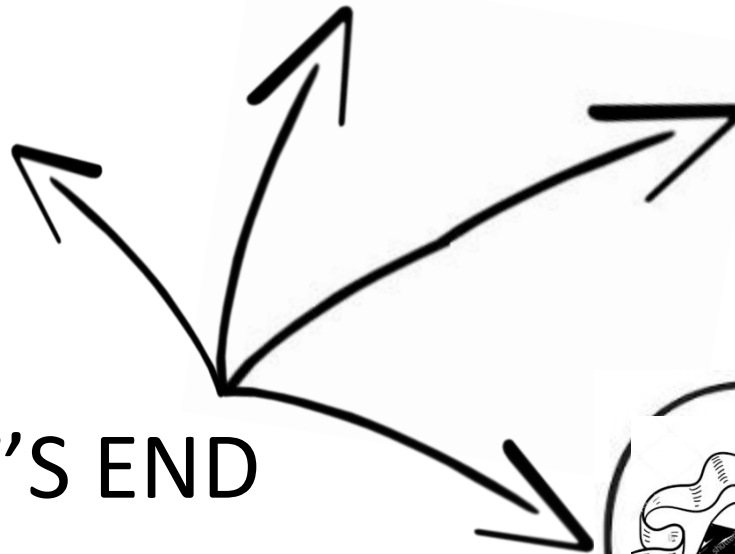


Less violence



Less asset losses

CONFLICT'S END





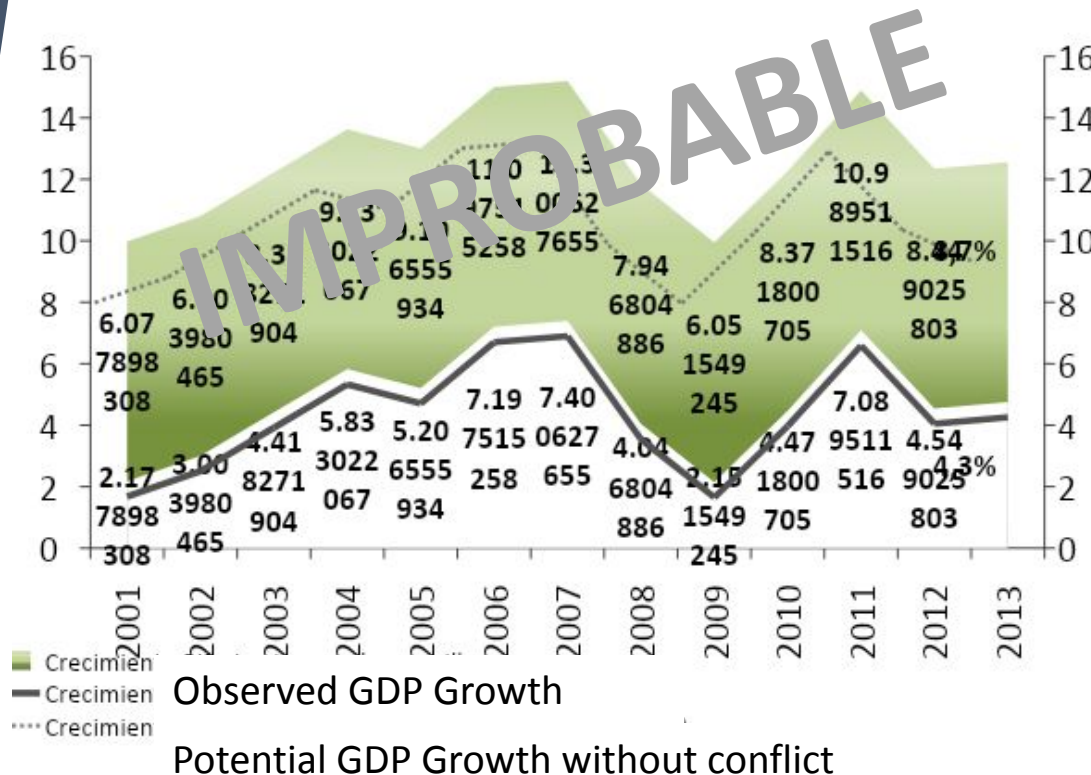
More economic growth

Estimating the economic impact of the conflict's end is a complex task with different outcomes depending on the approach used.



The idealistic approach...

“The conflict costs around 4.4 percentage points of the national GDP growth rate”



- **In absence of conflict** (without guerilla's attacks) the economy would have grown at an average rate of 8% annually.

- **The GDP would have been doubled in half of the time:** The historical growth rate could have been 8.7% instead of 4.3%.

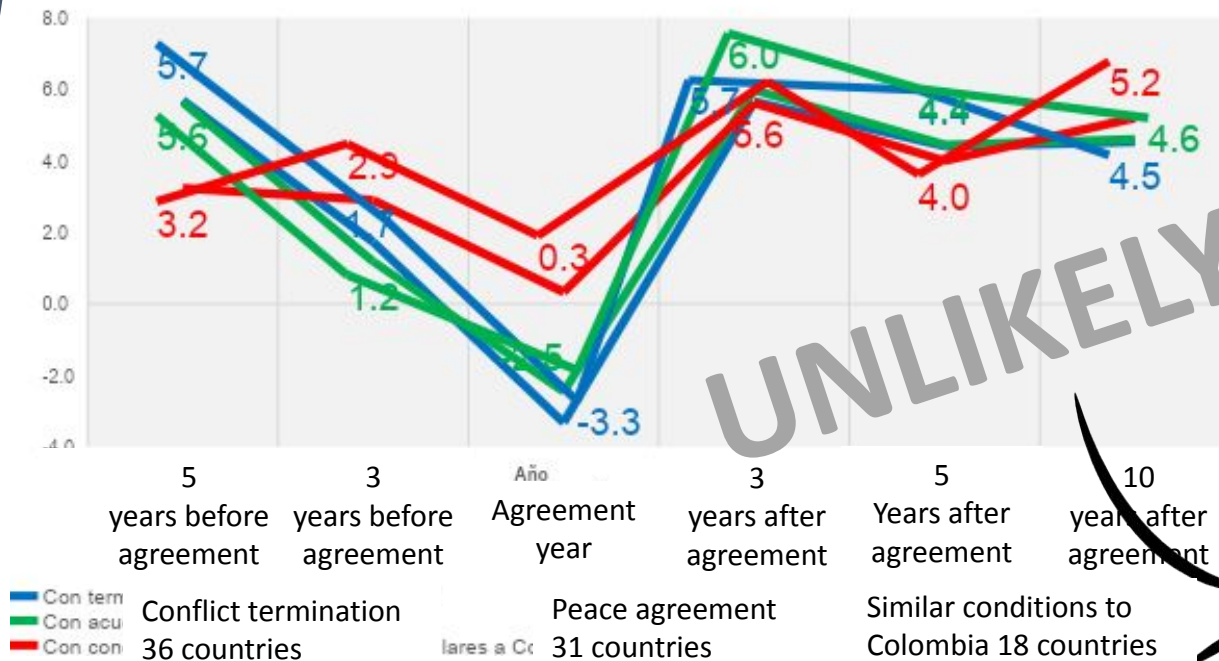
- The income per capita would have been of 16.700 USD, instead of the observed 11.200 USD.



The moderate approach...

“The economic impact of the peace is estimated to be between 1.1 and 1.9 additional points of yearly growth”

GDP Growth Rate (%)



Economic Impact of the Peace

- 1,9** Countries with similar peace conditions to Colombia
- 1,6** Countries with Peace Agreements
- 1,1** Countries with conflict termination

UNLIKELY

Due to the chronic and low intensity profile of the Colombian conflict.



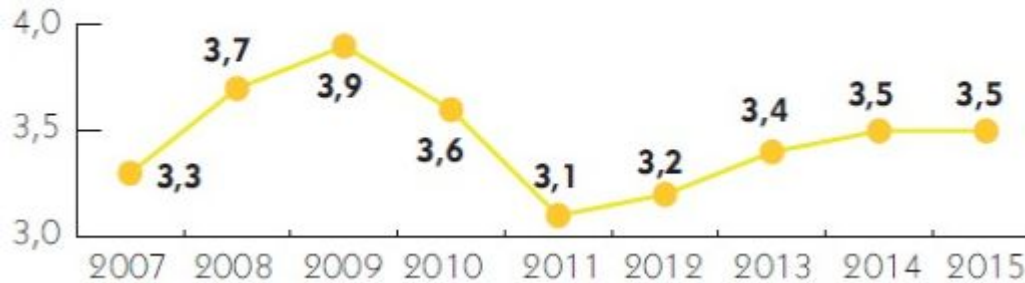
The realistic approach...

- Regardless of the magnitude of the peace impact on economic growth, this will be transitory -Remember Solow-
- A long-term effect requires a permanent increase in the productivity rate. This will only be achieved if a policy of competitiveness and productivity that capitalizes on the lower country risk arising from post-conflict is launched. It is vital to seize this unique opportunity.
- There has never been an important jump in the long-term rate of economic growth in the Latin American countries that ended armed conflict, without a military defeat of any party (Nicaragua, El Salvador and Guatemala).*
- Under these considerations, **additional growth of between 0.3% and 0.6%** in the years after the end of conflict, concentrated in the agriculture sector and remote areas is expected.
- Half a point more of annual growth for 10 years means 7 additional points of growth in a decade and hence, a clear path towards regional convergence.



Less direct costs

Military expenditure (%GDP) in Colombia



The costs of the conflict are not only military spending: according to the Institute for Economics and Peace, **the total cost of containment of violence in Colombia corresponds to 10.8% of GDP**. The estimate includes costs associated with:

- Private security
- Conflict related deaths
- Fear
- Forced displacement
- Prison system, etc.

Military expenditure (%GDP)





Less direct costs

A hypothetical scenario: a reduction of our current spending to one that matches a high level in the Latin American context -Chile 2% of GDP.

An example of what this amount of money could mean...

EDUCATION:
Enrollment and
Quality



40% increase on education's budget. Investment of 12 Billion COP.

OR

AGRICULTURE:
Technology and
infrastructure



Duplication of the agricultural budget. Investment of 2.5 Billion COP

+

POLICE FORCE:
Enforcement of the
Peace Agreement



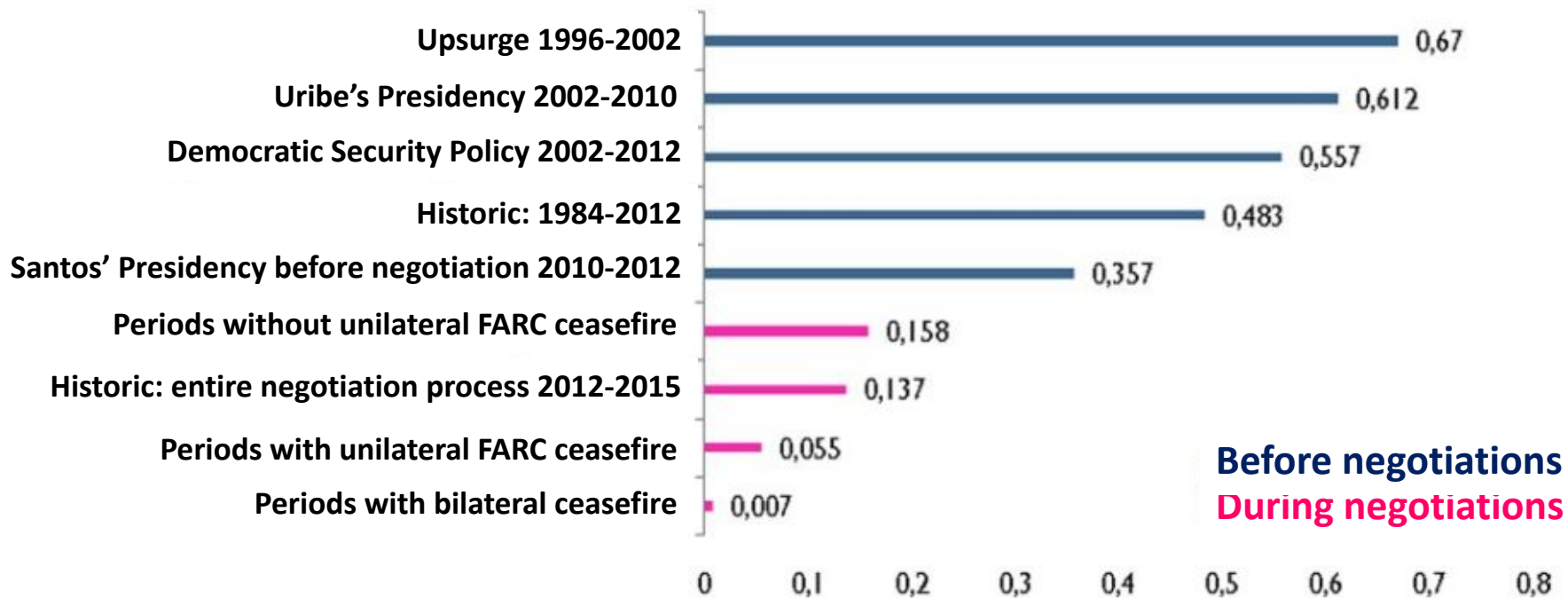
50% increase on Police's budget. Investment of 4.5 Billion COP.

With 5 Billion COP to spare!



The intensity of the conflict is declining...

Average of civilians death due to FARC actions



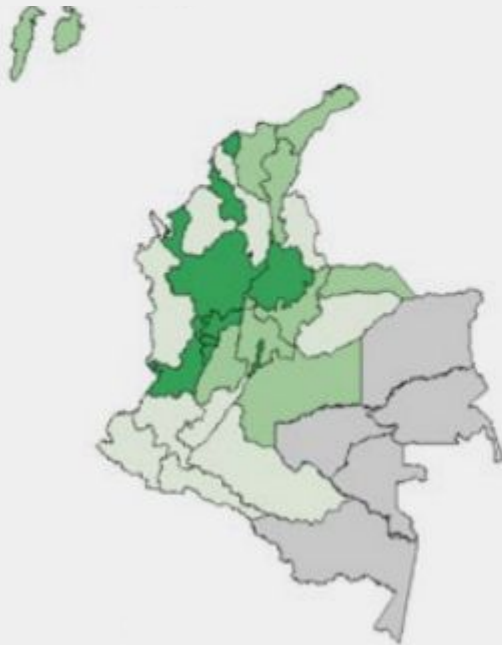
Over its four years, the negotiation process has “prevented” the death of at least 1.500 people.



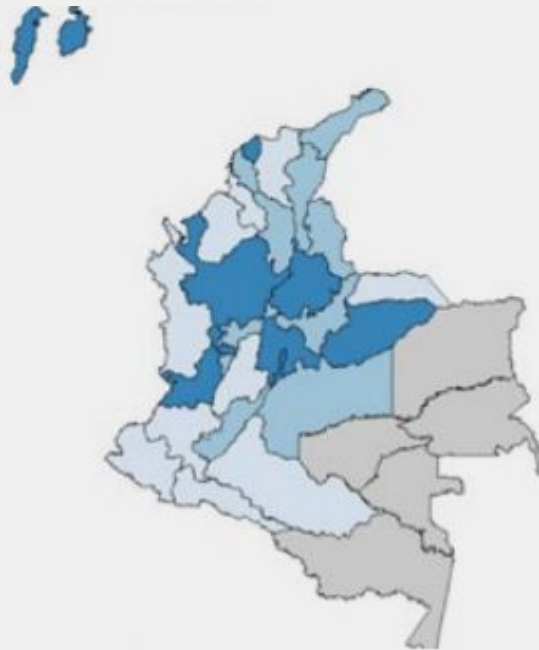
Less asset losses

MDGs, Competitiveness, and Conflict Prevalence

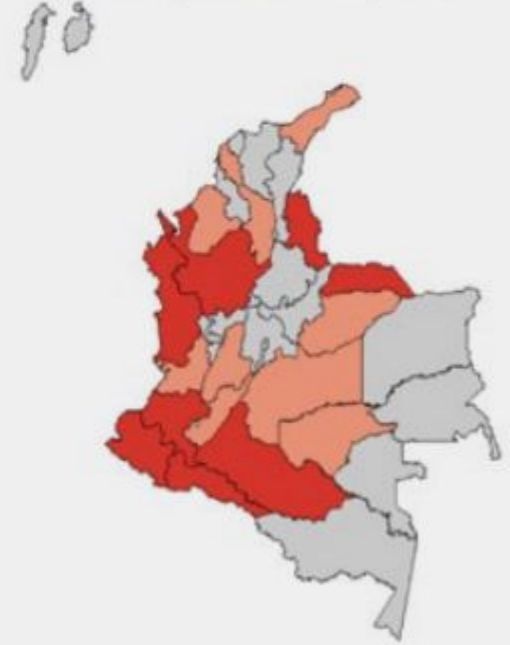
MDGs General Performance



Competitiveness General Performance



Conflict Prevalence



Darker color means higher



Less asset losses

Performance on social variables –MDGs- according to conflict prevalence

Indicator	Normal	Conflict's impact on municipalities	
		Medium	High
Eradicate Hunger	50.57%	47.25%	42.77%
Universal Primary Education	51.54%	40.27%	34.11%
Gender Equality	49.54%	52.71%	55.05%
Reduce Child Mortality	48.78%	59.72%	59.13%
Improve Maternal Health	51.26%	39.92%	40.58%
Combat HIV and others	51.08%	41.19%	42.25%
Environmental Sustainability	50.87%	45.96%	38.67%
Global partnership Development	51.08%	43.59%	38.13%
General	51.03%	44.57%	37.70%



Less asset losses

Performance on competitiveness variables according to conflict prevalence

Indicator	Normal	Conflict's impact on municipalities	
		Medium	High
Institutions	50.15%	49.89%	47.04%
Exports	51.31%	41.93%	36.28%
Private Sector	50.96%	43.56%	40.70%
Human Capital	51.48%	40.48%	35.19%
Infrastructure	51.48%	40.75%	34.68%
General	51.11%	43.21%	38.21%

About the agreement...

- The agreement has 6 chapters: rural reform, political participation, ceasefire and surrendering of weapons, demobilization, illegal drugs and transitional justice.
 - The vision for rural reform is not modern but is relevant to the rural world where poverty affects more people and does not prevent the development of the entrepreneurial economy and export business.
 - The surrendering of arms is certain and overseen by the UN.
-

About the Referendum...

- The Colombian government decided to put the agreements to confirmation in a referendum.
 - This referendum was lost by the government by 50.2% of the votes.
 - Now the government is negotiating with the opposition to make some changes to the peace agreement and probably take it again to a second referendum or to have it approved by congress
 - The issues that generated most mistrust in the majority of voters was the possibility of having persons that committed crimes against humanity go unpunished and their eventual participation in politics.
-

- The conflict has been extensive and far-reaching, with significant economic and human costs.
 - Except for a few privileged ones in large urban centers, the consequences of the war affect the majority of Colombians.
 - Therefore, the benefits of the peace are enormous in terms of welfare and quality of life and improvement, particularly on the rural sector.
 - In contrast, the actual economic impact will be less than the optimistic forecasts. This however does not mean that the benefits of the end of the conflict are not important and regionally significant.
-

- To maximize the benefits associated with the conflict termination, it is necessary to implement a policy of productivity, competitiveness, and innovation.
 - We can say that there is nothing in the agreement that goes against the current social contract.
 - The fundamental concern and challenge ahead is the proper implementation of the agreement, in light of our institutional weakness especially at the regional level.
 - Moreover, the implementation of the agreement should have a constructive community involvement, to induce social change and prevent it from being simply a process of making requests to the state.
 - An observatory on the implementation of the agreements driven by the private sector would be very useful.
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THANKS