Why and How to Aid Middle Income Countries (MICs): the case of Colombia

Introduction

1. A joint UK DFID and Spanish AECI mission visited Colombia from 8-11 March 2004 with the objective of gathering case study material on how aid can be made more effective in MICs. This report does not attempt to set out the detail of the development context in Colombia. As a stand-alone record it may be of use to those who have some knowledge of Colombia, but it is intended mainly as a component of a wider study bringing together the cases of Bolivia, Peru and Jamaica from which key issues will be presented to UK and Spanish Ministers. The report is structured according to some of the issues and propositions raised in Why and How to Aid Middle Income Countries-A DFID/AECI Discussion Paper, September 2003.

2. What does it mean for Colombia to be classified as a MIC?

2.1 Our primary observation is that the conflict has had a powerful mobilising effect on the international donor community, making Colombia a distinct and, in many ways, positive Middle Income Country case study. Donors have taken a pragmatic approach to organising the most appropriate mechanisms for dialogue with government and Colombia’s Middle Income Country status (around $2000 per capita income) has not driven donors away from Colombia, as has been the case in other countries. But the crisis nature of the conflict has determined the way in which donors think and act. Despite the intractable nature of the conflict, planning horizons among donors in Colombia are medium-term at most. Longer-term, nation-building agendas (e.g. helping to tackle resource mobilisation issues such as tax or political systems development through support to political parties) are not part of the mainstream discourse.

2.2 The conflict has driven two broad and separate agendas where foreign involvement is focused. On the one hand, the need for security (including tackling the drugs problem) and the need to protect human rights and provide an effective humanitarian response on the other. There is a delicate balance to be struck between these two themes and all those we spoke with are aware of the risks of polarization. To date, potential tensions have been managed successfully largely because the process initiated through the London Declaration, continued through the Group of 24 (G24), has linked political and development agendas.

2.3 The highly political nature of the dialogue means that it matters what the international development community says, as much as what it does. Coherent messages from the donors have an important legitimising effect on the government, in particular in pursuing its security objectives. Messages

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1 The London Declaration: a statement issued by an international meeting in London hosted by the UK Government on 10th July 2003. The statement supports the Colombian Government’s policy on the conflict highlights the importance of human rights; endorses a role for civil society.

2 The G 24 is a locally formed international group with 24 country members from Europe, the US, Japan, and Latin America.
from the donor community to Colombia could usefully extend the current human rights focus to include longer-term issues such as health and education and possibly more structural issues such as taxation. In this regard, the World Bank and the IADB knowledge and experience of the health and education sectors, derived through their lending operations, could be more closely brought into the mainstream of the G24 process.

2.4 Our second central observation is that, within the MIC group, Colombia seems distinct in that the Government has clearly articulated what it wants from the international donor community. Again, the impetus seems to have been the crisis nature of the conflict.

Government of Colombia views
2.5 The Colombian Agency for International Cooperation (ACCI) has produced a plan for international cooperation, the core of which is the policy of Democratic Security which sees security as a prerequisite to development: ‘without security there is no democracy, no growth and no equity’. The policy aims to ‘construct a social order which protects citizens, that assures the viability of democracy and enhances state legitimacy’. The plan invites the international community to help in 6 areas: forestry; peace and development; alternative (to coca) development; strengthening the rule of law; regional development; population displacement and humanitarian assistance. There is no doubting the leadership the Government provides in seeking outside support and the quality and honesty of the dialogue between the Government and the international donor community—assisted, according to ACCI, by the embryonic work to report more systematically against the Millennium Development Goals (MDG) in 2005. In addition, ACCI are fully aware of some of the constraints, taking a pragmatic route through the complications of donor countries seeking to serve their own commercial interests through development work.

2.6 Our discussion with the Ministry of Foreign Affairs demonstrated how the Government views the conflict as a critical impediment to inward investment. Similarly, there were other long-term structural issues the Government would have to address—like taxation reform, public administration reform and stabilising the political party system—again, the pre-requisite to increased inward investment. But these were largely domestic concerns where foreign assistance was not sought.

Bilateral donor views.
2.7 At an operational level, there is a consensus that the G24 provides an effective mechanism for engaging with Colombia. Leadership amongst the donors rotates, the Swiss currently leads with UNDP providing a secretariat to the group. The presence of five Latin American countries in the G24 was seen as particularly important in terms of legitimacy and credibility with the Colombian Government. Brazil will lead the Group later in 2004. Between them, donors bring grants totalling approximately $440 m per annum. All

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4 OECD DAC 2002 figures.
bilateral donors agree that closer involvement by the Multilateral Banks in the G24 dialogue would be welcomed.

2.8 In terms of strategic thinking, attitudes amongst most bilateral donors is similar to those observed in other Middle Income Countries in one important respect: the impact that relatively short-term planning horizons has on defining the role for the international development community. A number of donors stated that there would no aid relationship with Colombia were it not for the violent conflict, or in the case of USAid, a serious narcotics problem which has a direct impact on the USA. This is not to say that donors have been unable to make strategic interventions. For example, all of those we spoke to felt the European support to the Peace Laboratories was making a real difference to the lives of large groups of ordinary people in rural areas. But with efforts so focused on the crisis, we found little appetite amongst donors to see the conflict as a symptom or consequence of broader structural issues which in other countries donors have committed to address over sustained periods.

The UN System
2.9 The UN system provides important support, not just through UNDP to the G24, but in the challenging task of delivering and coordinating the services of 20 UN Agencies with 38 field offices. Of particular importance is the presence of the Office of the UN Commissioner for Human Rights.

Multilateral Banks
2.10 Between them, the CAF, IADB and the World Bank provide multi-billion $ non-concessional lending to meet Colombia’s fiscal gap of 2.8% of GDP in 2003. This gap is set to grow because of increases in both military and social sector investments, despite the serious debt position (around 40% of GDP). IADB support includes emergency lending of $1.2 billion for social protection and policy based lending in health and education, which has considerable policy leverage. The Banks also undertake important analytical work on taxation, corruption and studies to examine the costs of violence. Both the IADB, the World Bank and the UNDP are involved in supporting the Governments efforts to produce a PRSP and to help the Government to report effectively on the MDGs in 2005. The Banks would welcome invitations to be more closely involved in the G24.

NGO and Church views
2.11 International NGOs were keen to highlight the humanitarian impact of the conflict: a crisis involving over 2 million displaced people; rising poverty (67% of the population live below the poverty line). In addition, Colombia’s inequality as measured by Gini (0.59) is second only to Brazil in Latin America.

2.12 Civil society groups claim to have long-term citizenship and democracy building agendas despite the international funding focus on humanitarian work. They pointed out that local level collective action, essential to political change, was threatened by the violence: trade union leaders, church leaders

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5 The CE Country Strategy Paper 2002-2006 for Colombia defines the concept of Peace Laboratories as movements of civic participation in favour of peace which in some regions transformed themselves into social laboratories.
and mayors have been targeted for assassination by the guerrillas; 25% of murder victims are social group leaders. This was hampering the role the church could play in brokering peace deals and in negotiating the release of hostages.

2.13 Despite some difficulties in agreeing which particular groups should be represented, there was strong endorsement for the inclusive way in which civil society and church leaders had been brought into the London Declaration meeting and subsequent discussions with the G24. The G24 plays an important role as intermediary between Government and civil society. Outside of this high-level process, the picture is more fragmented with a plethora of NGOs (some 5000) competing for international grants.

3. **Do donors support the agenda of those local actors, government or otherwise, who are working for the kind of change that a donor judges worthwhile?**

3.1 In general terms, aid is channelled through two routes: (i) most bilateral grant aid being channelled through NGOs (we were told well over 50% of total oda flows) (ii) the multi-lateral Banks on the other hand channel sector loans through government budgets. The net effect is that because of the office of the President’s authority over international cooperation (via ACCI) and the fragmented donor support for a large number of NGOs at the local level, line Ministries (e.g for health and education) seem not to be included in the mainstream G24 dialogue and are not an automatic partner for bilateral donors as they are in other countries.

3.2 In addition to this clear split between support to state and non-state actors are some well documented cases of grass roots initiatives which have strong links to trans-national institutions. Most well known are the *Peace Communities*" which are conceived by the Catholic Church, neutral zones set up as an alternative form of territorial and political organisation. They operate effectively as states within, and independent from, the state, supported by a vast network of national and international church and social organisations—often with international donor funding. These global connections, which circumvent Government-to-Government relations, are nevertheless an important part of the development picture, particularly in conflict areas where the state is effectively absent.

4. **Are the choice of channels and instruments of aid determined by commercial and political interests of the donor government? Is the overall aid effort undermined?**

4.1 As noted earlier, the conflict has created a climate in which donor countries can organise coherent political messages for Colombia and a strong mechanism to manage the process exists in the form of the G24. But whilst

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6 San Jose de Apartado is an example: displaced people because of the armed conflict organise themselves unilaterally with the support of the Church and NGOs (Comisión Congregacional de Justicia y Paz). They have their own statutes and internal regulations. They have their own authorities and Internal Council with the advice from the Church and NGOs

7 These cases are extensively covered in the LSE Crisis States Working Paper No 40: Constructing Authority Alternatives in Colombia by Ann C Mason, February 2004.
donor countries share common ground in supporting a vision for a peaceful, stable and prosperous Colombia, some tensions have arisen in the details of implementation, particularly over the controversial US backed coca eradication programmes.

4.2 Donor countries with commercial interests in Colombia appear not have opted out of a coherent international position on Colombia that involves delivering clear messages about human rights. This contrasts with the picture in other MICs where the tendency to protect commercial advantage has a fragmenting effect on donor coherence. Indeed one of the encouraging developments arising from the London Declaration has been the mobilisation of the Colombian private sector foundations to seek European private sector involvement in the creation of jobs and in promoting education.

4.3 A highly fragmented series of small grants to NGOs has not so far raised concerns about duplication of efforts, but several donors agree that information sharing between donors could be better. As with most MICs, there seems little appetite for pooled bilateral funds or for Sector Wide Approaches. Despite short-term planning horizons opportunities for basket funding could be explored, possibly along the lines of models developed in Bolivia.

5. How appropriate are coordinated aid mechanisms, such as Poverty Reduction Strategy Papers (PRSP), for Colombia.

5.1 Colombia has recently expressed a strong interest in systematically reporting against the MDGs and in developing a PRSP, although the latter is unlikely to represent the kind of framework it provides in poorer HIPC countries. Indeed, it could be advantageous if both MDG and PRSP developments (currently supported by the Multilaterals) could be subsumed into the G24 dialogue, rather than generating new parallel donor coordination and dialogue groupings. This is partly because the overall donor cooperation picture is already complicated by the perception that Plan Colombia (a US/Colombia bilateral plan) sits uneasily outside the National Development Plan and the Government’s International Cooperation Plan. It is unfortunate that, to many, Plan Colombia has become synonymous with controversial anti-narcotics policies.

6. Are efforts to achieve donor coordination in Colombia proportional to the importance of aid?

6.1 Aid is inextricably linked with the international community’s political messages on Colombia. The coherence of the dialogue between the G24 and the Government is critical for Colombia’s development—results so far indicate that it is worth the considerable effort. But the effort required to coordinate project level aid to Colombia could well outweigh the potential benefits.

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8 The essence of Bolivia’s basket funding arrangements, canasta común, is a single account and a single procedure for disbursement, monitoring and evaluation. No donor agency plays a lead role.

9 Plan Colombia, Bogotá, 1999. A ten-point plan, one of which relates to narcotics.
7. Are the synergies between bilateral and multilateral aid donors exploited in Colombia?

7.1 The division between the urgent conflict-related agendas of security and rights and the longer-term sectoral development agenda is mirrored in a parallel split between bilateral and multilateral lending donors. Whilst the UN Agencies, and UNDP in particular, form an important part of the post-London Declaration mechanisms, the multilateral Banks are absent from the G24 effort, as are long term development issues such as health and education. The knowledge and understanding that the Banks can bring to the G24 is considerable. Those concerned with human development and the consequences of the conflict would benefit considerably from this knowledge.

7.2 The split between the multilateral and bilateral donors means that other opportunities for e.g. co-financing could be missed. In addition, bilaterals would benefit from the policy leverage that the multilateral Banks currently enjoy in the social sectors. As in other MICs, we found no evidence to suggest that bilateral donors see the connection with their IFI Board representatives as avenues for influence or engagement in Colombia.

7.3 The IADB and WB involvement in work to integrate the MDGs into Colombia’s planning system and work on the development of a PRSP could usefully be brought into the mainstream of the dialogue between the international donor community and the Government of Colombia.

8. Conclusions.

8.1 The nature of the violent conflict provides a mobilising effect on developing a forum for dialogue between the international community and the Government. The Government has a clear plan for what it wants from donors. Leadership issues amongst donors, which have caused friction in many other countries, have been resolved with pragmatism and common sense by those on the ground. Donor behaviour in Colombia mirrors in part the experience of Sri Lanka where the civil war has had a similar mobilising effect on the international community.

8.2 The political nature of the dialogue relating to the conflict, and the legitimising effect that a coherent international position has on the Government, indicates that what the international community says collectively is as important as what is does. The mechanism established by the London Declaration is essential in this regard.

8.3 Risks of polarized and myopic international positions on the mantras of ‘security’ and ‘rights’ could be reduced with rhetoric that brought the two together (e.g. extending the concept of security to health, job and welfare security etc; extending rights concepts to the right to safety and security etc)

8.4 Where Colombia’s experience is similar to other MICs is the relatively short planning horizons adopted by most donors. There is a sense that if the conflict were ‘solved’, either peacefully or by force, the international task
would be complete. This mentality may preclude more long-term thinking about nation building, the role of the state and what will drive pro-poor change in Colombia.

8.5 Risks of polarized positions on ‘rights’ and ‘security’ could also be reduced if the G24 accommodated a more mainstream development agenda. In this regard, closer involvement of the Multilateral Banks, who have detailed knowledge of social sector and other structural issues, could help. In general, synergies between Multilateral and Bilateral donors could be improved.

8.6 Basket funding arrangements for suitable Colombian institutions could follow the model developed by donors in Bolivia.

8.7 Future donor assistance to the Government of Colombia for a PRSP and to report against the MDGs should not necessarily be translated into new donor coordination and dialogue mechanisms. Opportunities to bring both into the G24 dialogue should be considered.