

USAID/Colombia

Annual Report

FY 2004

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Please Note:

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Colombia

Performance:

Country Setting: Colombia is the fourth largest economy in South America and the United States' fifth largest export market in Latin America with over \$9 billion annually of bilateral trade. Historically, Colombia has been one of the most prosperous countries in the region with sound economic management and stable political institutions. Since 1993, however, the country has faced economic instability and an increasingly complex and violent civil conflict exacerbated by the production and export of illicit drugs. The pivotal role that Colombia plays in the overall stability of the Andean region, coupled with the increased volatility of its neighbors, makes a peaceful and stable Colombia more important than ever to the United States and the western hemisphere as a whole.

Since President Alvaro Uribe Velez took office in August 2002, he has worked relentlessly to establish state control throughout the country, revitalize the Colombian economy and combat corruption. Throughout 2003, the Colombian economy has grown at roughly 3% per quarter. Colombia's ranking in the Transparency International Corruption index improved 17% between 2000 and 2003, the highest improvement among the more than 40 medium and low-income countries surveyed. Similarly, the country's human rights record improved significantly as the national homicide rate fell by 22%, trade unionist killings were reduced by 68%, and kidnappings fell by 27%. Moreover, the National Planning Department reported a 60% reduction in the number of attacks on populations and a 46% reduction in the forced displacement of Colombian families. With critical support from the U.S., the Colombian military is hitting the country's illegal armed groups harder, demonstrated by an 85% increase in desertions. Furthermore, the combined tactics of eradication, interdiction and alternative development resulted in a coca crop reduction of 37.5% between 2000 and 2002 and an additional 43% between 2002 and 2003, exceeding Plan Colombia goals.

Despite these significant accomplishments, Colombia continues to face several challenges. Numerous rural municipalities remain isolated by poor infrastructure and fragile institutions and thus remain prone to violence, illicit crop cultivation, forced displacement and human rights abuses. Colombia also continues to face grave income disparities, poverty, and inadequate social services. The World Bank estimates that 65% of the population lives below the poverty line and rural poverty is especially acute. The poverty rate for rural dwellers is estimated at 80%, of which 42% is considered extreme. Only 15% of rural dwellers have access to telephone services, 62% to potable water and 32% to sewage treatment services. These conditions are exacerbated in rural areas by a 15% illiteracy rate. World Bank studies calculate that Colombia will require sustained economic growth of 4% through 2010 to reduce poverty to the levels recorded in 1995. This is especially challenging considering that the Uribe government has tightened fiscal spending while foreign direct investment in 2002 fell to just under \$2 billion -- a decline of about one-half in comparison to the mid-1990s. While Colombia's illegal armed groups have been weakened, their presence and ability to wield violence against the state and civilians continues.

It is against this difficult and complex socioeconomic backdrop that USAID programs are benefiting a wide array of Colombia's poorest and most vulnerable citizens through comprehensive alternative development, democracy strengthening, and support to internally displaced persons programs. All three of these programs are working closely with the Uribe Administration to consolidate and expand upon the considerable achievements recorded to date. All three of these programs pay special attention to the development needs of the country's significant afro-colombian and indigenous populations.

Donor relations: Throughout the last fiscal year, USAID has been an active participant in the "Group of 24" international donors committee. This committee, which includes the 24 primary donor countries active in Colombia, has met on a regular basis to discuss and coordinate programs and policies. The "Group of

24” has also worked closely with the Colombian government to assist in preparing for the international donors conference scheduled for March, 2004. The U.S. government and the other donor countries have helped the Colombian government formulate a strategy for presenting its medium and long-term programmatic and policy priorities to the international donor community as a means of garnering greater EU and individual EU member state support and funding critical Plan Colombia activities: 1) IDPs and humanitarian assistance; 2) Regional Peace program; 3) Alternative development including forestry; 4) Human rights, transparency and impunity; 5) Demobilization/reincorporation; and 6) Productive activities (i.e., small to medium-sized enterprise and economic development). USAID has worked closely with the Colombian Agency for International Cooperation (ACCI) to fully describe, map and quantify donor activities. These efforts will help achieve greater coordination, ensure enhanced harmonization and eliminate unnecessary duplication.

Challenges: As in previous years, security remains the main hindrance to development activities. The Colombian conflict continues throughout much of the countryside and some have speculated that recent terrorist attacks within large metropolitan areas, including Bogotá, are reflective of a concerted strategy to escalate the conflict in urban areas. In the field, several USAID contractors and grantees have had unpleasant, and sometimes fatal, encounters with Colombian guerilla and paramilitary groups. In response to the precarious security environment, the Mission continually attempts to minimize the risks faced by members of the USAID staff and its implementing partners. These efforts include utilizing regional staff wherever possible, exempting grantees and contractors from making requirements and carefully monitoring and restricting travel.

Since the election of President Uribe in 2002, the Colombian government has significantly restrained fiscal spending. This policy continues to constrain the Colombian government investment in badly needed socio-economic development initiatives and will present a challenge to USAID programs that seek and require Colombian financial commitment to ensure sustainability. Throughout FY 2004, USAID will work with the Colombian government, civil society and the private sector to focus its program on "growth corridors" in highly conflictive areas in which illegal drug cultivation occurs. By more fully integrating its support for improved democratic and economic governance, USAID will enhance the sustainability of its interventions.

Key Achievements: The Mission obtained excellent results during FY 2003, in most instances surpassing established targets in each of its three programs. With adequate funding, USAID/Colombia believes it can maintain its high level of productivity while responding to demands as the program continues to evolve.

1. **Democracy:** USAID’s democracy program has significantly increased access to justice, successfully protected and promoted human rights, strengthened local governance, promoted transparent and accountable governance and supported key peace initiatives. In FY 2003, under the Justice program, twelve additional Justice Houses - one stop legal shops - were established for a cumulative total of 33, thereby increasing access to justice to a total of 1.9 million poor and marginalized Colombians. The majority of cases handled through the Justice and Peace Houses deal with intra-family violence and women represent the highest number of beneficiaries in this program. Under the Human Rights program, USAID provided “hard” protection (e.g. communications equipment, bullet-proof vests, vehicles) and “soft” assistance (domestic and international airfares, economic assistance, etc.) to 821 individuals and 30 offices under threat for a program cumulative total of 3,145 and 71, respectively. Equally important, the program’s Early Warning System- to advise and warn residents of potential violence- extended to a total of 20 regions, expanding the Colombian Government's capacity to effectively respond to warnings of imminent massacres. To date the GOC has responded to a cumulative total of 117 of 234 alerts, potentially preventing massacres, forced displacement and other egregious human rights violations.

USAID also made significant advances through its Local Governance, Transparency and Peace Initiatives programs. The Local Governance program, which works to improve the capacity of municipal governments to involve citizens in local decision-making, provide services, and effectively and transparently manage resources, supported the establishment of 82 social infrastructure projects for a cumulative total of 142. These projects are administered through local citizen oversight committees that

establish project priorities and oversee their management and financing.

This program also helped fiscally strengthen 51 municipalities and improve service delivery in 36. The Mission's Transparency and Accountability program seeks to harmonize accounting and internal control standards within the Government of Colombia and to increase citizen awareness of available instruments to combat corruption. In FY2003, this program helped standardize internal control procedures in 19 Colombian government entities for a cumulative total of 24 and began a comprehensive E-government project which will increase efficiency and transparency in public procurement. The Peace Initiatives program continued to support civil society initiatives to promote peace and alternative methods of conflict resolution, and, in partnership with the High Commissioner for Peace, established three coexistence centers that provide communities with a neutral space for dialogue, conflict mitigation, and social services. These centers are located in three of the most conflictive municipalities in Colombia. Through this program, USAID also assisted the High Commissioner's Office in its paramilitary demobilization initiative. All grants and programs implemented under the Peace Initiatives component actively include women as both implementers and beneficiaries.

2. Alternative Development: The USAID Alternative Development (AD) program supports activities designed to encourage small farmers in regions primarily influenced by the cultivation of illicit crops to embrace the legal economy. This challenging task is accomplished through strengthening local and national institutions and NGOs, establishing productive infrastructure, implementing profitable productive activities, and promoting the sustainable management of natural resources. In FY 2003, the AD program supported 26,721 hectares of licit crops, improved the management and conservation of 13,249 hectares of forests, completed 406 infrastructure projects, such as schools, sewage treatment systems, health centers, sports facilities (in 13 municipalities located in coca growing areas), thus benefiting 14,345 families. While two of the strategic objective level indicators surpassed targets, the number of families benefited by expanded licit economic opportunities was the only target not met. This is due to USAID's adoption of a strategic adjustment in program focus from crop substitution to income substitution, greater involvement of the private sector and an emphasis on program sustainability. These adjustments temporarily reduced the pace of implementation of existing and newly designed activities. However, it is expected that activities' implementation will accelerate significantly and achieve their potential in 2004.

During FY 2003, new activities and partners were added resulting in an increase in the number of NGOs, cooperatives, and national institutions strengthened to a cumulative total of 112. The program supported projects in licit agriculture and productive infrastructure, especially in areas suitable for commercial farming, development of the artisan industry, dairy production, business development and commercial forestry. It also promoted greater private sector participation in USAID supported development projects following the precepts of Global Development Alliances. Several small and medium enterprises were formed in secondary cities that are located in areas where illicit crop cultivation is encountered. An additional activity, slated to begin early 2004, is assistance to the Colombian National Parks Unit (CNPU) to improve the overall management of the Colombian Park System, to protect natural resources, and improve visitor services. The activity will also consolidate and strengthen the government's institutional presence in protected areas.

3. Internally Displaced Persons: The Internally Displaced Persons program provides medium and long-term development assistance to vulnerable groups (such as ex-child combatants, especially persons displaced by civil strife and violence). In FY 2003, the program assisted 670,650 IDPs in the areas of education, healthcare, income generation, shelter, community infrastructure and psychological counseling. Through a network of governmental, non-governmental, and international public organizations, the program targets women and children who are considered the most vulnerable. Women and children account for more than half of all IDPs. Most IDP families are reintegrating into urban settings (primary and secondary cities) from a rural environment. The program also provides assistance to child ex-combatants. In FY 2003, USAID assisted 685 child ex-combatants through education, psychological counseling, healthcare and vocational training, thus facilitating their reintegration into mainstream Colombian society.

In FY 2003, the IDP program sought to consolidate and enhance partnerships with the private sector that

either support IDP activities or are committed to employ IDPs. As a result, the IDP program launches ten new projects focused on developing and strengthening small businesses among the target population. During FY 2003, the program exceeded the Mission's annual target persons benefited by more than 200 percent. This accomplishment is the result of state support coupled with measures taken to achieve greater collaboration and coordination among grantees and community organizations at the local, regional and national levels.

The IDP situation is expected to worsen, despite a reduction in the rate of displacements during 2003, as a consequence of the increasing confrontation between government forces and illegally armed groups. This conflicting situation continues to exacerbate the IDP conditions in Colombia and to aggravate the problem of displacement. The recent demobilization of some paramilitary forces creates a real challenge for the GOC's program in refocusing its resources and reorienting its strategy.

Country Close and Graduation:

Results Framework

514-001 Improve the Effectiveness of the Colombian Criminal Justice System

514-003 Reduced Illicit Crop Production in Targeted Areas

514-007 Promote More Responsive, Participatory, and Accountable Democracy

SO Level Indicator(s):

- Cases handled through Justice Houses
- Coexistence centers established
- Individuals protected
- Internal control standardized in targeted GOC entities
- Number of municipalities with improved public services

7.1 Administration of Justice Improved

7.2 Enhanced and Broadened Respect for Human Rights

7.3 Strengthened Local Governance

7.4 Improved Transparency and Accountability at National and Local Levels

7.5 Support to Peace Initiatives

514-008 Provide Economic and Social Alternatives to Illicit Crop Production

SO Level Indicator(s):

- Families benefited
- Hectares of licit crops supported
- Social and productive infrastructure projects completed

8.1 Strengthened national and local institutions

8.2 Expanded rural infrastructure

8.3 Expanded licit economic opportunities

8.4 Improved management of natural resources

514-009 Provide Economic and Social Opportunities for Vulnerable Groups, Particularly Internally Displaced Persons

SO Level Indicator(s):

- Ex-combatant and other vulnerable children served
- IDPs and other vulnerable people assisted

9.1 IDPs and other vulnerable persons supported

9.2 International, national and local IDP programs strengthened

9.3 Former child combatants and other vulnerable at-risk children supported

514-999 ACI Authorized Use to Cover Operating Expenses