Editorial

The implementation of the Peace Agreements and Development in Colombia

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Colombia is a multicultural and multiethnic country, surrounded by two oceans, with thousands of paramos, lagoons, and rivers born in a complex geography created by three mountain range systems. A territory that, from its highest points to its plains and jungles—like the Darién Gap or the Amazon—, offers an almost infinite variety of ecosystems and ways of life, due to which the country has been included in the exclusive group of megadiverse nations of the world. A nation rich in solar, wind, river, mineral, agricultural, and maritime resources, but with its industrial and service sectors still under development, where high levels of violence, poverty, and inequality are still part of the country's reality.

A historical event that has been transforming Colombian society is the *Final Agreement to End the Armed Conflict and Build a Stable and Lasting Peace*, signed between the Government of Colombia and the Revolutionary Armed Forces of Colombia (FARC-EP) on November 24, 2016, which aimed to close a chapter of the internal armed conflict that had generated violence and instability throughout the national territory for more than six decades (Government of Colombia and FARC-EP, 2016). The Final Agreement sought to contribute to an improvement of a complex reality: an armed conflict originated by other actors, such as the National Liberation Army (ELN), the People's Liberation Army (EPL), drug traffickers, paramilitaries, emerging criminal gangs, and even unlawful and corrupt groups that act in an organized manner within different institutions and corporations of the executive, legislative, and judicial branches of the Colombian State (Centro Nacional de Memoria Histórica, 2013).

In addition to the phenomena of conflict and violence, social and economic environmental development in Colombia is threatened by high levels of deforestation, the exploitation of mineral resources and fossil fuels in territories of high ecological and environmental value, air pollution, and contaminated rivers and arable lands. Similarly, human and economic development is negatively affected by high levels of inequality, poverty, unemployment, informality, low levels of productivity, and deindustrialization. Although Colombia has been admitted to the Organization for Economic

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Cooperation and Development (OECD), indicators show an obvious violation of the economic, cultural, social, and environmental rights of Colombian citizens.

According to the *Latinobarómetro Report 2018*, only 13% of Latin American citizens were in agreement with the policies of their governments, a large reduction compared to the 30% recorded in 2017. In 2018 in Colombia, only 16% of the survey respondents expressed confidence in political parties, 20% said they trusted the Congress, and 22% expressed trust in the Government. For Colombians, the main problem to overcome is corruption (Latinobarómetro Corporation, 2018). The Transparency International report (2017)—which presents the Corruption Perception Index—indicates that in Colombia the bribe rate is 37%, the highest in the region. The OECD's *Latin American Economic Outlook 2017* (2018) also highlighted that 79% of Latin Americans believe that their governments are corrupt, twelve points higher than what was recorded in 2010. According to this report, Colombia is in the last places of the ranking (OCDE, CAF & ECLAC, 2018).

The Global Human Capital Report 2017 (World Economic Forum, 2017) places Colombia in the 68th place over the region's average and underlines that unemployment levels have exceeded 6.7% and continue to rise. Similarly, the *Democracy Index 2017* categorizes Colombia as a weak democracy (The Economist Intelligence Unit, 2018); on a scale of 0 to 10, where 10 is the highest, Colombia obtained a score of 6.67 in 2017. These indicators show the incoming Government the main governance and governability challenges it must face, including the implementation of the Final Peace Agreement with the FARC and the ongoing conversations with other groups outside the law.

Corruption and armed conflict are the main obstacles to human and economic development, as well as to respect for human, economic, social, cultural, and environmental rights in Colombia. Therefore, it is worth highlighting three electoral processes that, in the last four years, left their mark on the contemporary processes of political, social, and economic transformation the country is going through today:

- a. The Plebiscite for Peace on October 2, 2016, where Colombians were asked the following question: "Do you support the Final Agreement to end the conflict and build a stable and lasting peace?". According to the results, of almost 34.9 million Colombians qualified to vote, only 37.46% participated in this electoral contest, where 49.78% of the voters voted YES, and 50.21% voted NO (Registraduría Nacional del Estado Civil, 2016). The Final Agreement was ratified by the Congress of the Republic of Colombia.
- b. The Anti-Corruption Consultation on August 26, 2018, where participation reached only 32.05% of the electoral census and did not exceed the participation threshold required by Paragraph c of the Article 41 of Law 1757 of 2015. Due to this, different issues on the public policy agenda were stalled, such as reducing the salary of congressmen and senior state officials, jail to corrupt leaders while prohibiting them from re-contracting with the State, a mandatory transparent contracting process throughout the country, public budgets with citizen participation, accountability of attendance, voting, and activity of congressmen, making public the unjustified properties and income of elected politicians,

- terminating their possession, and a maximum of three periods in public corporations (Registraduría Nacional del Estado Civil, 2018a).
- c. The presidential elections in Colombia on June 17, 2018, where Iván Duque Márquez, candidate of the Democratic Center party (a party led by Álvaro Uribe Vélez), won in the second round with 10,373,080 votes (53.98%) to Gustavo Petro, leader of the *Colombia Humana* movement, who achieved 8,034,189 votes (41.81%) (Registraduría Nacional del Estado Civil, 2018b).

While the first process was introduced as a partial solution to the armed conflict in Colombia, the second represented a hope to reduce the levels of corruption that hinder development. The election of Iván Duque marks a change of direction in national politics, after his proposal to modify the Peace Agreement, considering it too lenient with former FARC guerrillas, and the promise to govern in benefit of the popular classes, by reducing taxes and increasing wages. Within a year of his government, the results regarding the current social and economic challenges are discouraging; most criticisms are related to aspects such as interference in the affairs of Venezuela and a lack of attention to the humanitarian crisis that exists at the national level, where 137 ex-combatants of the FARC have been killed since the signing of the Agreement (Revista Semana, 2019). And while the Government announced among its achievements the eradication of 80,000 hectares of coca cultivation and the creation of 60,000 jobs in a year (having promised to create 600,000 in four years), the UN identifies Colombia as the producer of 80% of the cocaine exported to the world (United Nations Office on Drugs and Crime, 2019).

The dynamics have not improved in a year neither for this Government, nor for the country, and a lack of governance has been evidenced in the rejection of the Financing Law and the proposed justice reform, as well as in the objection of the Special Jurisdiction for Peace (JEP), which finally had to be signed (The Economist, 2019). The devaluation of the Colombian peso against the US dollar and the euro is one of the main indicators of lack of productivity faced by Colombian economy. Unemployment rose from 9.2% in August 2018 to 10.8% in August 2019 (Departamento Administrativo Nacional de Estadística, 2019). Finally, economic growth for 2019 is expected to be less than 3.0% (Portafolio, 2019).

The reality seen through these figures shows that the most important topics on the national agenda are overcoming the armed conflict and reducing the human, social, and economic development gap. It is expected that the government guarantees the implementation of the Final Agreement signed with the FARC and fulfills its campaign promises, among which are those of generating entrepreneurship with the orange economy and taxing the richest to improve the conditions of the working class. Otherwise, discontent is likely to emerge among different sectors of civil society, who will protest for their rights and against the failure of the Government to fulfill its goals. Consequently, it is important to generate a national dialogue in order to negotiate a solution for the aforementioned problems.

Aiming to contribute from different scientific scenarios, this new issue of the journal *Finanzas y Política Económica* presents nine studies that originate in different countries—Mexico, Spain, Jordan, and Colombia—and address the following topics: Rolle's theorem and its relationship with multiple internal rates of return; the determinants of Mexico's bilateral trade balance; the development of transport infrastructure and competitiveness in the Pacific Alliance member countries; the effects of credit cards on consumption structure and inequality in Mexican households; urban solid waste management in Latin America; different scenarios of a turbulent Brexit; the integration between different quality oil markets based on dynamic conditional correlations; the moderating role of profitability in the capital structure-firm value nexus, and, finally, a study on the effect of anchoring and adjustment heuristic and optimism bias in stock market forecasts.

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