RECENTRALISATION AND ITS CAUSES:

COLOMBIA, 1994-2014

JULIAN DANIEL LOPEZ MURCIA

Harris Manchester College

Doctor of Philosophy in Politics

Department of Politics and International Relations

University of Oxford

2 July 2017

ABSTRACT

This thesis aims to explain *why* and *how* after a comprehensive set of decentralising processes, Colombia experienced significant recentralising policies and reforms (1994-2014). These changes emerged not only against what was expected by leading works on decentralisation in Latin America, but in a way that the existing hypotheses on recentralisation cannot fully account for. This is a hypothesis-generating case study.

The growing literature on recentralisation is still very limited. With few exceptions, there are no big theoretical efforts. In general, the case studies assume temporal causal homogeneity. The analyses are excessively focused on the impact of only one type of factor (economic, political or administrative), instead of on the interactions between them. And they are excessively focused on the national governments, while neglecting the explanation of the role of legislators and subnational authorities.

Using *process-tracing* and combining evidence from documentary sources and elite interviews, the thesis suggests that Colombia's recentralisation was an outcome of the interaction between economic inputs and institutional context. When an economic crisis takes place in a decentralised context, one can expect an increase of recentralisation. If an economic boom occurs in the same context, one should expect a decrease of recentralisation. If there is an economic crisis in a recentralised context, one can expect less recentralisation. If, instead, an economic boom occurs in the same context, one should expect even more recentralisation. The causal mechanisms are self-destroying/self-reinforcing dynamics.

The thesis provides a deep analysis of the Colombian case plus an updated review of the literature. It also aims to tackle the main definitional issues and brings new concepts for the analysis of the recentralising strategies used by national and intermediate levels of government. Noteworthy, it offers a hypothesis that identifies the relevance of changing institutional contexts, the interactions between different types of factors, and the role of legislators and subnational authorities. Still, this thesis does not aim to propose a general theory of recentralisation.

ACKNOWLEDGEMENTS

I have many debts to acknowledge. I had the privilege of being supervised by two outstanding professors: Christopher Hood and Eduardo Posada-Carbó. With skill, patience and generosity, they pushed me to develop careful empirical research and sophisticated conceptual development to the best of my ability. Being their student was one of the most amazing and memorable experiences in my life.

I also gratefully acknowledge my debt to Revd Dr Ralph Waller, Principal of Harris Manchester College, as well as to the caring staff of HMC. They provided me with the perfect college environment to refine my ideas during my last year living in Oxford, spending my life between my room, the dining hall and the college library.

Two Colombian institutions made this thesis possible with generous financial support: *Banco de la República,* with the Low Murtra scholarships programme, and *Colciencias*.

The love and unconditional support of my parents Lilián and Julio, my brother, Fernando, and my aunts Elizabeth and Edelmira enabled me to live a very full life as well as to pursue my postgraduate studies abroad.

And most of all, of course, I want to express my love and gratitude to my inspiring wife, Laura, and our children, Arturo and Emma. I have no doubt that Laura's dedicated love has brought us to this point: after five years in England, we go back to Colombia with two master's degrees, two doctoral theses and two children, all of them safe and sound! She provided me with support every step along the way, while conducting her own research and raising our children. She snatched my full draft from my hands and reminded me that our family really needed me to submit it. This thesis is dedicated to Laura.

TABLE OF CONTENT

LIST OF ACRONYMS

CAF	Corporación Andina de Fomento (Development Bank of Latin America)
CCC	Corte Constitucional Colombiana (Colombian Constitutional Court)
COLCIENCIAS	Departamento Administrativo de Ciencia, Tecnología e Innovación (Colombia’s Department for Science, Technology and Innovation)
CONPES	Consejo Nacional de Política Económica y Social (National Council for Economic and Social Policy)
DAF	División de Apoyo Fiscal, Ministry of Finance (Division of Fiscal Support)
DANE	Departamento Administrativo Nacional de Estadística (National Administrative Department of Statistics)
DNP	Departamento Nacional de Planeación (National Planning Deparment)
ELN	Ejército de Liberación Nacional (National Liberation Army)
FARC	Fuerzas Armadas Revolucionarias de Colombia (Armed Revolutionary Forces of Colombia)
FECODE	Federación Colombiana de Trabajadores de la Educación (National Teachers Union)
Fedemunicipios	Federación Nacional de Municipios (National Federation of Municipalities)
FND	Federación Nacional de Departamentos (National Federation of Departments)
FOGAFIN	Fondo de Garantías de Instituciones Financieras (Fund of Guarantees for Financial Institutions)
GDP	Gross Domestic Product
IMF	International Monetary Fund
SGP	Sistema General de Participaciones (General Revenue Sharing

	System)
SGR	Sistema General de Regalías (General Royalties Sharing System)
SNG	Subnational Governments (including municipalities, districts and departments)
SSPD	Superintedencia de Servicios Públicos Domiciliarios (Superintendence of Public Utilities)
FINDETER	Financiera del Desarrollo Territorial (Financial Institution for Territorial Development)
FONPET	Fondo de Ahorro y Estabilización (Fund of Saving and Stabilization)
OCADs	Órganos Colegiados de Administración y Decision (Collegiate Body of Administration and Decision)
OECD	Organization for Economic Co-operation and Development
PDAs	Planes Departamentales de Agua (Departmental Water Plans)
UNDP	United Nations Development Programme

LIST OF FIGURES AND TABLES

Figures

Tables

1. LOOK WHO'S BACK: RECENTRALISATION IN COLOMBIA

The aim of this thesis is to explain *why* and *how* after a comprehensive set of decentralising processes (political, fiscal, and administrative), Colombia experienced significant recentralising policies and reforms (particularly in 2001, 2007 and 2011). The period under study begins in 1994 (first presidential administration after the decentralising Constitution of 1991 during the Gaviria administration 1990-1994) and ends in 2014 (four different administrations). These recentralising changes emerged not only against what was expected by leading works on decentralisation in Latin America (that did not predict this type of "back pedalling"), but in a way that the existing hypotheses on recentralisation cannot fully account for. This thesis does not aim to propose a general theory of recentralisation.

There is an extensive scholarship on the worldwide trend of decentralisation (that took place in the 1980s and 1990s), but relatively few studies that attempt to explain the content, causes and mechanisms that characterised the growing number of subsequent recentralisation processes.

Furthermore, the scholarship on recentralisation is almost entirely based on empirical literature. With the notable exceptions of Eaton, Dickovick, Hooghe et al., González, Arretche, and more recently Olmeda and Armesto, there are no big theoretical efforts regarding the notion and dimensions of recentralisation or any analysis beyond the case under study. Also, the existing case studies generally assume temporal causal homogeneity. They do not account for the change of context generated by the initial recentralising reforms (sometimes because the period under study is too short). The analyses are also particularly focused on the impact of only one type of factor (economic, political or administrative) on the emergence of recentralisation instead of on the role of the interactions between them in that process. And some of them are excessively focused on the incentives of the national governments to recentralise, while neglecting the explanation of the role of legislators and subnational authorities during the emergence and implementation of these policies and reforms.

Particularly, the existing hypotheses are unsuitable to explain the full trend of recentralisation reforms in Colombia. For instance, among the leading works on decentralisation in Latin America, Falleti contends that, "decentralization policies in Latin America produced self-reinforcing effects such as the reproduction of power of the early winners." Regarding Colombia, she specifically argues that the subnational authorities were the early winners. And, consequently, the decentralisation policies followed a "subnational dominance path".[1] However, Colombia experienced a strong recentralisating trend for at least four administrations (1994-2014). Eaton and Dickovick, on the other hand, proposed an influential account of recentralisation processes around the world based on an *economic crisis* as the main explanatory variable.[2] In Colombia, this variable was present in the case of the reform of 2001. But, the remaining substantial recentralising reforms (2007 and 2011) took place in the middle of economic booms. And from a different perspective, González proposes that if the *president is powerful* (institutional and partisan powers) and subnational

[1] Tulia Gabriella Falleti 2010

[2] K. Eaton and Dickovick 2004

executives are weak in a context of *fiscal surplus*, then fiscal and administrative decentralisation should decline. [3] But, again, this approach cannot explain Colombia's substantial recentralising reforms.[4] In 2001, the Pastrana administration was able to recentralise despite its political weakness. And in 2007 and 2011, Uribe and Santos (two powerful presidents) were able to pass subtantial recentralising reforms despite the fiscal deficit of both administrations. [5]

Using the *process-tracing* method and combining evidence from documentary sources and elite interviews, the thesis suggests that Colombia's recentralisation was an outcome of the interaction between economic inputs and institutional context. In Colombia, when an economic crisis takes place in a decentralised context, one can expect an increase of recentralisation. If an economic boom occurs in the same context, one should expect a decrease of recentralisation. If there is an economic crisis in a recentralised context, one can expect less recentralisation. If, instead, an economic boom occurs in the same context, one should expect even more recentralisation. The causal mechanisms are self-destroying and self-reinforcing dynamics.

These trends are illustrated mainly using examples from the water supply and sanitation sector. Nonetheless, it is clear that the recentralisation reforms also affected education and health services.

This thesis aims to offer a deep analysis of the Colombian recentralising reforms from 1994 to 2014 (hypothesis-generating case study). This study offers a new approach that recognises the relevance of changing institutional contexts

---

[3] Gonzalez 2008

[4] See the Chaptes 5, 6 and 7 of this thesis.

[5] For a full explanation of the limitations of the existing hypothesis on the emergence of recentralisation processes see the second chapter of this thesis.

(decentralised/recentralised), causal mechanisms (i.e. self-destroying and self-reinforcing dynamics) –that explain the role of legislators and subnational authorities- and the interaction between economic, political and administrative factors. This research recognises the importance of both formal and informal policies and reforms. Nonetheless, given the prevalence that informal institutions (like armed clientelism[6]) have had in explaining Latin American politics (particularly in Colombia because of the internal armed conflict), one of the main contributions of the thesis is the documented evidence showing the impact of formal rules on the behaviour of national and subnational authorities. Moreover, this thesis offers an updated review of the literature on recentralisation around the world, and some analysis to tackle the main definitional issues and brings new concepts (e.g. "regulation inside government") for the analysis of the (veiled) recentralising strategies of national and intermediate levels of government.

The dependent variable: recentralisation

Recentralisation is, like many concepts in the social sciences, not easily and precisely defined. Extrapolating some elements of the notion of decentralisation developed by Falleti as well as based on the works on recentralisation by Eaton and Dickovick, this thesis defines recentralisation as the *set of formal and informal policies and reforms that transfer resources, authority, or responsibilities from lower to higher levels of government, after a process of decentralisation*.[7] This notion of

---

[6] K. Eaton 2006

[7] Falleti explains decentralisation:

> as the set of policies, electoral reforms, or constitutional reforms that transfers responsibilities, resources or authority from higher to lower levels of government.

Tulia Gabriela Falleti 2010

recentralisation not only includes transfers from local or intermediate levels of government to national authorities, but also from local to intermediate levels. [8]

Resembling Falleti's classification of decentralising measures, recentralisation policies and reforms can be classified into three general categories: *political*, *fiscal*, and *administrative*. [9] This typology is not only relevant to develop a more precise description of this phenomenon (or as a "stamp collector" classification), but mainly from a positive perspective. For instance, higher, intermediate and lower levels of government have different preferences between these types of recentralising measures. However, these preferences are not fixed.[10] They depend on the economic performance and estimated costs and benefits associated with legislative process and implementation.

The country under study: Colombia

Colombia was one of the earliest countries in Latin America to experience the contemporary wave of decentralisation (since the mid 1980s).[11] But, later on, it was also one of those in which there were substantial recentralising reforms (particularly in 2001, 2007 and 2011).

---

[8] See also: Fenwick 2009

[9] A full description of this typology appears in the second chapter of this thesis. See also: Tulia Gabriela Falleti 2010 In 2015, Olmeda and Armesto proposed a similar analysis regarding the types of recentralisation. Olmeda and Armesto 2015b

[10] By contrast, Falleti presents a fixed scheme of preferences regarding the types of decentralisation. Tulia Gabriela Falleti 2010

[11] Faguet 2013; Tulia Gabriela Falleti 2010; O'Neill 2005a

Country profile

Despite its five decades long internal armed conflict and the problems associated with its role as world's largest coca producer, Colombia is one of the most stable countries in Latin America in economic, political and institutional terms. [12]

Since the end of the 1950s until the 1970s, "armed groups of peasants who had been expelled from their lands" [13], communists, Maoists, "*Castristas*", nationalists and indigenous peoples, organized different types of guerrilla groups. In the 1980s, drug dealers created paramilitary groups in collusion with some landowners and members of the army to combat these guerrillas.[14]

Nonetheless, Colombia has managed to become the fourth largest economy of the region, (after Brazil, Mexico and Argentina), and also the less volatile one (per capita GDP 1870-2008), as it is shown in Table 1.1. [15] Moreover, unlike its neighbours, Colombians have not experienced the effects of hyperinflation since 1905.[16] Still, in 2015, the Multidimensional Poverty Index was 20,2%, while the monetary poverty was 27,8%.[17]

---

[12] Tulia Gabriela Falleti 2010; O'Neill 2005
[13] Vidal-López 2012
[14] See Deas 1997, 374; Palacios 1995, 264, 2012, 74–98
[15] Bértola and Ocampo 2012
[16] Méisel Roca 1997
[17] Departamento Administrativo Nacional de Estadística 2016

Table 1.1 Volatility of per capita GDP in Latin American countries, 1870-2008

	Total volatility	Share of the first product	Average per capita GDP	Average growth rate	Terms of trade volatility
Argentina	6.9%	23%	5,129	1.6%	9.1%
Brazil	5.4%	54%	2,170	1.7%	14.1%
Chile	7.4%	40%	4,156	1.9%	12.7%
Colombia	2.9%	49%	2,320	1.7%	16.2%
Costa Rica	5.9%	53%	3,449	2.0%	12.9%
Cuba	11.6%	77%	1,866	1.9%	9.6%
El Salvador	6.7%	70%	1,994	1.3%	17.9%
Guatemala	7.9%	64%	2,613	1.7%	17.9%
Honduras	5.4%	43%	1,604	0.9%	14.3%
Mexico	4.8%	31%	3,500	1.8%	8.6%
Nicaragua	9.0%	40%	1,797	0.8%	19.1%
Peru	5.6%	29%	2,548	2.2%	9.3%
Uruguay	7.4%	38%	4,240	1.5%	14.1%
Venezuela	8.4%	63%	4,408	2.6%	16.9%
Correlation coefficient		**0.441**	**0.013**	**0.045**	**0.062**

Note: The correlation coefficient is calculated as a cross-correlation between the variables and the total volatility.
Source: (Bértola and Ocampo 2012, 19)

Moreover, Colombia has been atypical from the rest of the region with regards to some political and institutional dynamics. Unlike the rest of Latin American countries (where long periods of authoritarian regimes took place during the twentieth century), this country only experienced four years of a relatively moderate military rule (from 1953 to 1957).[18] In more recent times, in contrast with the rest of the Andean countries (i.e. the cases of Chavez in Venezuela, Correa in Ecuador, Fujimori in Peru, and Morales in Bolivia), the Colombian judiciary resisted attempts of a very popular president (Álvaro Uribe, president from 2002 to 2010) to change the constitution in order to run for a third consecutive term. Ideologically, this country did not have the left-wing trend that the region experienced at the beginning of the new millennium.[19] Also, as Eaton and Chambers-Ju explain, unlike

[18]Posada Carbó 2006
[19] Baker and Greene 2011; Levitsky and Roberts 2011

the rest of Latin America, clientelism (at every level of government) has been far more powerful than populism.[20] And in such an environment, at least from the 1930s until 2002, two traditional parties that emerged in the mid-nineteenth century (Liberals and Conservatives) dominated presidential elections (although with strong intra-party rivalry for legislative seats and subnational elections).[21]

On the other hand, Colombia's topography can help to explain why, since pre-colonial times, the history of this territory has been characterised by coexistence and rivalry between different cultural, political and economic centres (e.g. there were no centralising powers like the Incas or Aztecs).[22] Colombia has one of the highest indexes of geographic fragmentation in the world.[23] It is about five times the size of Great Britain.[24] It is the only South American country with coastlines on both the Pacific and Atlantic oceans (northwest of the subcontinent).[25] Three mountain ranges run along the territory from southwest to north.[26] This topography includes flat coastal lowlands, central highlands, high Andes Mountains and eastern lowland plains.[27] The climate is tropical along coast and eastern plains and cooler in highlands.[28] These factors have made land transportation and the integration of a

[20] K. H. Eaton and Chambers-Ju 2014

[21] Posada Carbó 2015

[22] Etter, Mcalpine, and Possingham 2008

[23] Montenegro Trujillo 2006, 119

[24] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on: March 27, 2017

[25] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on: March 27, 2017

[26] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on: March 27, 2017

[27] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on: March 27, 2017

[28] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on: March 27, 2017

national market very challenging.[29] On the other hand, the Magdalena River crosses the western half of the country (1528 km).[30] However, different political, economic and technical problems have substantially constrained the navigation on this river (almost completely since 1950).

The population is relatively diverse, mostly urbanised, and dispersed. The estimated population is about 48 million people.[31] According to the census of 2005, about 84.2% of the population recognises themselves as mestizo or white, 10.4% as Afro-Colombians, 3.4%, as Amerindian, and 2% non-specified or other racial background.[32] Some of the indigenous and black communities live in collective lands (officially these are not levels of government, but have special constitutional protection in order to preserve their cultural identities).[33] Currently, about 78.5% of the population lives in urban areas.[34] The six major cities are Bogotá (9.765 million people), Medellín (3.911 million), Cali (2.646 million), Barranquilla (1.991 million), Bucaramanga (1.215 million) and Cartagena (1.092 million).[35] And there is a plurality of large and midsize cities (e.g. the number of cities with more than 100,000 inhabitants grew from 9 in 1951 to 33 in 2006).[36] Colombia's population is one of the most disperse in Latin America.[37]

---

[29] Tulia Gabriela Falleti 2010; Safford and Palacios 2002

[30] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on: March 27, 2017

[31] See DANE: https://www.dane.gov.co/index.php/estadisticas-por-tema/demografia-y-poblacion, visited on March 17, 2017.

[32] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on March 27, 2017

[33] Hooghe 2016

[34] Bértola and Ocampo 2012

[35] See https://www.cia.gov/library/publications/the-world-factbook/geos/co.html, visited on March 27, 2017

[36]Samad et al. 2012, 2

[37] Montenegro Trujillo 2006, 119

Currently, Colombia is divided into thirty-two departments (intermediate level of government), six districts (cities with some prerrogatives) and 1102 municipalities (lower level of government).

To some extent, the National Constituent Assembly of 1991 (that produced the current Constitution) was a diverse forum. The political movement organised by former members of the guerrilla group M-19 obtained 19 of the 74 seats, the Liberal party gained 25 seats, and three separate groups of Conservatives (with some Liberal figures) obtained in total 20 seats, with the remaining 10 seats divided among smaller groups such as aboriginal groups and descendants of African slaves.[38]

Most of the decentralising and recentralising reforms were included in the Constitution. This type of "thick" constitution is a common phenomenon in developing countries associated with a critical lack of trust in the legislature. As Landau and López explain, the Colombian Congress failed to initiate policy proposals, supervise major policy proposals originating from the executive, and check the implementation of these policies[39]. Generally, presidents have unilaterally dominated the policy-making process. However, passing bills was not easy, "because it required that the president shower individual legislators with sufficient amounts of pork and other particularistic benefits to buy their support". Therefore, "when presidents were unable to cobble together a sufficiently large coalition of legislators because of unwillingness or lack of resources, their proposals were blocked". [40]

In such an environment, the National Constituent Assembly created the Constitutional Court (CCC) to ensure that the Constitution would have powers even

[38]Angell, Lowden, and Thorp 2001, 28
[39] Landau and López Murcia 2009
[40] Archer and Shugart 1997, 116; Landau and López Murcia 2009

if traditional political actors were not reformed.[41] As Landau and López explain, the CCC

> has acted as a replacement for the legislature on various issues and at various times, by injecting policy into the system, by managing highly complex, polycentric policy issues, and by developing a thick construct of constitutional rights that it uses to check executive power. [42]

This is also important because in Colombia a constitutional amendment has a special legislative process. It requires not four, but eight debates. It has to be promoted in two ordinary and consecutive legislative periods. And in the second legislative period, it requires the majority of the members of each chamber (not merely the majority of participants in the debate).[43] This, of course, increases the veto power of the opposition.

Recentralisation reforms

Very soon after the pinnacle of the processes of decentralisation (with the Constitution of 1991), starting in 1994, the national executives promoted fiscal, administrative and political recentralising reforms.[44]

Without an economic crisis, but facing serious fiscal concerns, the social democratic Samper administration (1994-1998) tried to reduce the political independence of governors and local mayors from Congress and the President (synchronising the national and subnational electoral calendars); to decrease the resources transferred to departments, districts and municipalities (modifying the revenue sharing system of the Constitution of 1991); as well as to decrease the

---

41 Landau and López Murcia 2009

42 Landau and López Murcia 2009, 57

43 Republic of Colombia 1991 Article 375.

44 Regarding Colombia's decentralisation see chapter three.

policy-making authority of subnational authorities (creating a new set of conditions to obtain loans in the financial market).[45] Eventually, the national Congress only approved the administrative restrictions to obtain loans from the banking sector in 1997.

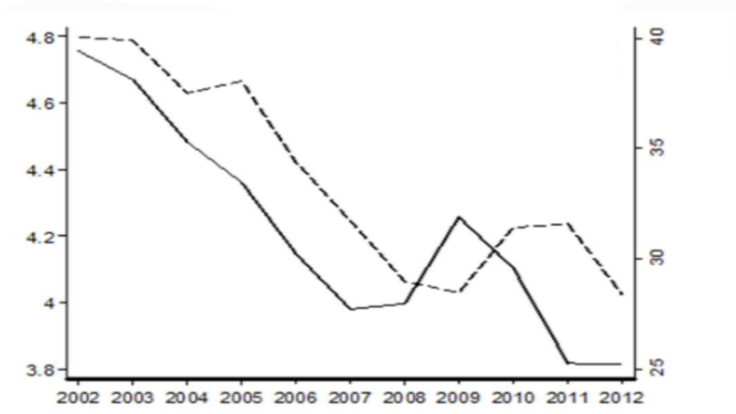
In 2001, in the middle of the worst economic crisis in Colombia since the Great Depression and despite its political weakness, the Conservative Pastrana administration passed in Congress the constitutional reform of the revenue sharing system that decreased the subnational transfers (as percentage of the GDP). The Liberal party (with majorities in both chambers) made its support conditional on the approval of the subnational governments. Local mayors and representatives of the national government led by the Minister of Finance Juan Manuel Santos (future president of Colombia 2010-2014, 2014-present) agreed to change the constitutional and legal rules concerning the automatic fiscal transfers to departments and municipalities for the period 2002 to 2008. According to the reform of 2001, the transfers would increase at a percentage equal to the rate of inflation plus 2% from 2002 to 2005 and plus 2.5% from 2006 to 2008. Not only did the levels of the transfers get disassociated from the variations of the central government revenues, but also the rates of increase of the fiscal transfers were set below the expected growth of the national economy (see Figure 1.1).

---

[45] O'Neill 2005, 120

Figure 1.1 Transfers as per cent of GDP (---) and Central Government Revenues (---)

% of GDP



% of CGR

Source: (Bonnet, Pérez, and Ayala 2014)

Without a subsequent reform, the calculation of the transfers would have returned to the revenue sharing system of the Constitution of 1991 in 2008.

However, in 2006, in the middle of an economic boom the Uribe administration promoted a new reform to the revenue sharing system. The new system linked the annual increases of the transfers to the inflation rate of the previous year plus 3.5% from 2009 to 2010 and plus 2% from 2011 until 2016. According to the former Minister of Finance Alberto Carrasquilla (2003-2007), these percentage escalations additional to the inflation rate were deliberately set below the expected growth of the Colombian economy.[46] Unlike the reform of 2001, the Congress approved this constitutional amendment without requiring the approval of the subnational governments.

The reform of 2007 also earmarked part of the transfers to water supply and sanitation not only for municipalities, but also for departments. The creation of a specific account in the revenue sharing system mandatorily devoted to water supply and sanitation was specifically promoted to provide funds to the departmental water

[46] Alberto Carrasquilla is former Minister of Finance 2003-2007, interview 17 October 2013

plans (*planes departamentales de agua,* hereinafter PDAs).[47] The central government argued that the lack of coordination between national, departmental and municipal investments, and the uncertainty regarding the availability of funds were the main problems of this sector. In this way, the PDAs were presented as the institutional instrument to coordinate national, departmental and municipal investments using trusts.

This new approach generated an additional source of conflict between governors and local mayors. Water supply and sanitation was a sector hitherto almost exclusively controlled by municipalities. The central government did not increase the total resources devoted to these services in the revenue sharing system. It simply reallocated municipal transfers in favour of the departments. The governors not only controlled their recently allocated resources, but also the municipal transfers devoted to water supply and sanitation. And the Ministry of Housing had the power to reject the feasibility of the PDAs.

During the legislative process of the reform of 2007, legislators of the presidential coalition also included in the Constitution the foundations of a central government system to monitor and control the use of the fiscal transfers. Since 2007 the system of control and monitoring was developed through laws and national decrees. The result was that the municipal authorities had to comply with governance and public services outcomes targets set by the national government, mainly based on pre-existing legal obligations and the national development plan. Otherwise, they would lose the management of the transfers in favour of departmental or even national authorities.

---

[47] Juan Lozano is former Minister of Housing Environment and Territorial Development, intervire October 2013.

And it was in 2011 that Colombia's Congress approved a reform of the constitutional mandates regarding the distribution and administration of the royalties on natural resource extraction. The royalties are the payments of the companies to the Colombian State for the exploitation of non-renewable resources such as oil, coal, gold, emeralds, etc. These royalties increased from less than 0,5% of GDP in the mid-1990s to over 1,3% in 2011.[48] Furthermore, in 2010 the national government stated that it was possible to estimate the royalties increasing more than 60% in the next ten years.[49]

The legislators of the presidential coalition also included in the Constitution the foundations of a central government system to monitor and control the execution of the projects financed with royalties similar to the one approved in 2007. The constitutional amendment granted the National Planning Department (DNP) strong instruments to control the execution of the royalties. This agency could suspend the transfer of the royalties to the subnational entities, cancel their projects, and even ask them for reimbursement.

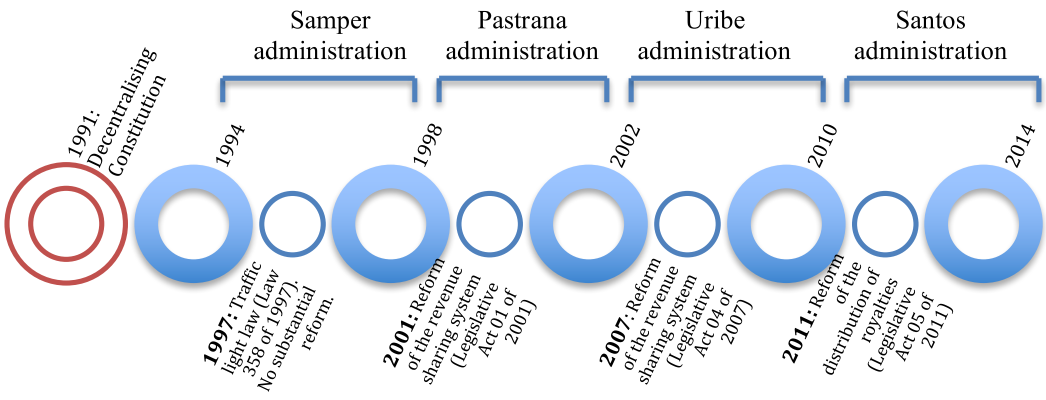
In 2014, the Santos administration also tried to synchronise the national and subnational electoral calendars. The Congress rejected that constitutional reform proposal.

---

[48] OECD 2013

[49] Congreso de la República 2010, 2–23

Figure 1.2 Timetable of the main recentralising reforms



Source: The author

The empirical puzzles

The recentralising policies and reforms described in the previous section occurred not only against what was expected by leading works on decentralisation in Latin America, but in a way that the existing hypotheses on recentralisation cannot fully account for.

Among the leading works on decentralisation in Latin America, Falleti contends that, "decentralization policies in Latin America produced self-reinforcing effects such as the reproduction of power of the early winners." Regarding Colombia, she specifically argues that the subnational authorities were the early winners. And, consequently, the decentralisation policies followed a "subnational dominance path". The first layer of Colombia's decentralisation was the popular election of local mayors (political decentralisation) in 1986. Once local mayors were politically empowered they pushed for resources and fiscal decentralisation to take place, particularly in 1991. And then the national government compensated the allocation of resources with an increase of responsibilities (administrative decentralisation). Under this scenario, further decentralising developments were expected.[50]

From this perspective, Colombia's aggressive recentralisation is an unexpected outcome and, hence, a particularly puzzling question emerges: How did Colombia's national governments manage to obtain the political support to regain a significant part of resources, responsibilities and authority from 32 governors and more than 1100 local mayors (in general, self-interested interested politicians, democratically elected, beneficiaries of automatic fiscal transfers and in charge of the most important social programmes in a highly clientelistic environment)?

While there is an extensive scholarship on the worldwide trend of decentralisation, there are relatively few studies that attempt to explain the content, causes and mechanisms that characterised the growing number of subsequent recentralisation processes.[51] Furthermore, the scholarship on recentralisation is almost entirely based on empirical literature. With the notable exceptions of Eaton, Dickovick, Hooghe et al., González, Arretche, and more recently Olmeda and Armesto, there are no big theoretical efforts regarding the notion and dimensions of recentralisation or any analysis beyond the case under study.[52]

There have been different types of arguments in the still emerging literature on the factors that have shaped recentralisation around the world, but none of them can fully account for Colombia's recentralising trend (i.e. reforms of 2001, 2007 and

---

[50] Tulia Gabriela Falleti 2010, 128–46

[51] Akilli and Akilli 2014; Bolgherini 2014; James Tyler Dickovick 2011; K. Eaton 2013a; K. Eaton and Dickovick 2004; Kessy and McCourt 2010; Konitzer and Wegren 2006; Lewis 2014; Maiz, Caamaño, and Azpitarte 2010; Malesky, Nguyen, and Tran 2014; Oi et al. 2012; Olmeda and Armesto 2015b; Searle and Bunker 2010

[52] James Tyler Dickovick 2011; K. Eaton 2004; K. Eaton and Dickovick 2004; J. Tyler Dickovick and Eaton 2013; Hooghe 2016; Gonzalez 2008; Olmeda and Armesto 2015a; Arretche 2006, 40–73

2011).[53] On the one hand, some of these arguments could explain one reform, but none of them could explain the whole trend. On the other, these explanations have at least one of these shortcomings: (i) they do not account for the change of context generated by the initial recentralising reforms (sometimes because the period of analysis is too short); (ii) they are particularly focused on the impact of only one type of factor (economic, political or administrative) instead of on the (relevant) effects of their interactions; (iii) or, to some extent, they are excessively focused on the incentives of the national governments to recentralise, while neglecting the explanation of the role of legislators and subnational authorities during the emergence and implementation of these policies and reforms.

The existing hypotheses on recentralisation can be classified depending on the nature of their main independent variable into three main categories: economic, political and administrative.

At least three different economic factors have been identified as explanatory variables of recentralisation processes: economic crisis (in general, hyperinflation), commodities boom (when the royalties are mostly allocated to the producing areas), and privatisation of subnational assets. An *economic crisis* has been presented as the main explanatory variable of recentralisation processes across a list of countries with a varied level of economic development (e.g. Russia, Italy, Brazil, Argentina, and Peru).[54] In Colombia, this variable is present in the case of the reform of 2001. However, the remaining recentralising reforms took place in the middle of periods of economic boom (and the last event of hyperinflation in Colombia took place at the beginning of the twentieth century). The *commodities boom* hypotheses (used to

[53] The hypohteses and their limitations are fully explained in the second chapter of this thesis.
[54]Bolgherini 2014; James Tyler Dickovick 2011; K. Eaton and Dickovick 2004; Gel'man 2009

explain recentralisation processes in Botswana, Nigeria, Chile, Peru and Bolivia) could only explain the incentives of the national government to recentralise the royalties in 2011.[55] But none of them explain the remaining reforms (or even how the government was able to pass this reform in Congress). And Colombia's recentralisation trend was more about constitutional amendments regarding fiscal transfers and administrative procedures than *privatising processes* of subnational assets (as it was the case in Spain regarding some public utilities).[56]

There is also a broad range of political factors associated with the emergence of recentralisation: partisan control of government (at every level), politically powerful presidents and governors (vis-à-vis lower levels of government), left-wing national governments, opposition-targeted strategies, capture of higher levels of government by private interests, and counter-reaction by national politicians reclaiming clientelistic networks.

The recentralising reforms in Russia, Argentina and Mexico have been explained using the hypothesis of powerful political party.[57] Regarding Russia (early years of Putin's first term), Konitzer and Wegren explain:

> The rise of a party of power has been a key element in the recentralization of power, as party leaders in Russia's regions help to implement the wishes of the center by reining in previously recalcitrant regional executives.[58]

In a paper that analyses both federal (Argentina, Brazil, Mexico, Venezuela) and unitary (Chile, Ecuador, and Uruguay) Latin American states, Lucas González proposes a hypothesis on *the role of political power* (input) and fiscal crisis and

---

[55] Thorp 2012; Perez-Sebastian and Raveh 2014
[56] Maiz, Caamaño, and Azpitarte 2010
[57] Konitzer and Wegren 2006; Olmeda and Armesto 2015b
[57] Gonzalez 2008
[58] Konitzer and Wegren 2006; Gonzalez 2008

surplus (context) on the variation of the levels of decentralisation in Latin America. According to González, if the *president is powerful* (institutional and partisan powers) and subnational executives are weak in a context of *fiscal surplus*, then fiscal and administrative decentralisation should decline. He also explains that, if the *president is weak* and subnational executives are powerful in a context of *fiscal crisis*, then fiscal decentralisation should increase and (what he calls) administrative decentralisation should decline.[59]

If the hypotheses based on a powerful political party or presidents were correct in Colombia, one should not find significant recentralising reforms during the Pastrana administration (least likely case). However, the first substantial recentralising reform took place in 2001.

On the other hand, the hypothesis of recentralisation as part of *opposition-targeted strategies* is based on Eaton's work on Venezuela, Ecuador and Bolivia.[60] This is an adaptation of the *electoral strategy* hypothesis of the decentralisation literature (i.e. the processes of decentralisation can be explained as strategic decisions taken by national governments when they face an electoral decline at the national level and expect more political support at the local level).[61] In this way, recentralisation took place when national governments were "confident of their continued success in national elections" and faced "persistent and significant sub-national electoral defeats". From this perspective, "recentralisation can be explained by paying attention to the territorial distribution of electoral support". Particularly, "presidents used it to weaken the sub-national governments where the opposition had

59 Gonzalez 2008
60 K. Eaton 2013b
61 O'Neill 2005

found political shelter, while simultaneously redirecting recentralised resources toward supporters". In this way, recentralisation did not face the same cross-temporal trade-offs of decentralisation. [62] One of the most dramatic cases was the recentralising approach of the Correa administration in 2007 and 2008 against Guayaquil in Ecuador. Eaton also suggests that the left-wing tendency of the national governments of these countries could be part of the explanation of the recentralising trends. From this perspective, the left-wing leaders Chavez (Venezuela), Correa (Ecuador) and Morales (Bolivia) were against decentralisation "to reverse the legacies of their neoliberal predecessors".[63]

Unlike the cases of Venezuela, Ecuador and Bolivia, the Colombian recentralising reforms were fostered by market-friendly administrations and affected every subnational entity (not only those led by members of the opposition to the national government).[64]

Regarding the *capture of government by private interest*, according to Searle and Bunker, among the reasons behind the recentralisation concerning urban planning promoted by the Australian states over the local governments, there was the

> Growing political influence of the development industry on state governments, particularly via donations to the main political parties and through the increasing importance of public–private infrastructure partnerships funded by Australia's very large and growing pool of compulsory superannuation (pension) contributions.[65]

This hypothesis could account for the behaviour of the national government, but does not offer an explanation about how the Colombian presidents could obtain enough political support to change the distribution of resources, responsibilities and

---

[62] K. Eaton 2013b

[63] K. Eaton 2013a

[64] Camacho and Mejía 2014

[65] Searle and Bunker 2010

authority among levels of government.

Eaton and Chambers-Ju recently developed an interesting analysis on Colombia's clientelism, which includes a reference to recent recentralising reforms (mainly the reforms of 2001 and 2007). In this work, they explain the emergence of recentralisation in Colombia as a response from the national authorities (both executive and legislative) to the growing power of local mayors:

> When mayors used the assets provided by decentralizing reforms to assert themselves as patrons and not just clients, they also triggered a counter-reaction by national politicians who responded by seeking to reverse the reforms that had originally made possible this decentralization of power.[66]

This work makes an important contribution regarding the relevance of clientelism in the recentralisation processes in Colombia, particularly to explain the behaviour of presidents and legislators. Nevertheless, it does not include the analysis of the constitutional reform of 2011. And even more importantly, it does not explain the variation in the levels of recentralisation, neither the role of local mayors during the emergence of this trend. For instance, there is no mention of their informal veto power in 2001. The main condition of the majorities in the Congress to pass the reform was the approval of the local mayors. However, the negotiations between local mayors and national government were omitted in this explanation. And these negotiations cannot be understood without taking into account the centrality of the macroeconomic factors (the local mayors accepted the reform of the revenue sharing system because of the decrease of their automatic transfers caused by the decrease of the GDP in 1999). In other words, in Colombia there has always been clientelism.[67] The relevant changes have taken place in the economic performance.

---

[66] K. H. Eaton and Chambers-Ju 2014

[67] On the Absence of Economic Populism in Colombia. Urrutia 2014

Finally, recentralisation has also been explained as the national government's reaction to inadequate levels of local governance (administrative issues). For instance, lack of capacity of the lower levels of government to resists captures by local elites or even illegal armed groups.[68] Again, this approach could account for the behaviour of the national government (regarding both fiscal and administrative measures), but does not offer an explanation about how the president obtained enough political support in Congress to recentralise. And it is far from being clear that legislatures tend to support this type of changes just in the name of the general interest.

Considering the limitations of the recentralisation literature, it is clear that a number of particular questions emerge from the analysis of Colombia's recentralising reforms to test the existing hypotheses: What could explain Colombia's recentralisation reforms (during the Uribe and Santos administrations) without an economic crisis? What could explain the failure of the Samper administration (with majorities in both chambers) to reform the revenue sharing system of 1991? By contrast, what could explain the success of the Pastrana administration (with a Congress controlled by the opposition) to promote the same reform? Why did the right-wing administration of Uribe promote recentralising reforms in the same way as his left-wing neighbours from Venezuela, Ecuador and Bolivia? What are the electoral incentives associated with these general processes of recentralisation (instead of focusing on the opposition-controlled subnational units)? To what extent, were the internal armed conflict or the lack of institutional capacity

[68] Alonso Biarge and Ortiz 1999; Malesky, Nguyen, and Tran 2014; Sánchez and Chacón 2005; K. Eaton 2006; Cramer and Goodhand 2002

at the lower levels of government relevant factors in the recentralising attempts in Colombia?

The method: process tracing

For the questions about *why* and *how* the recentralisation identified in Colombia came about, this thesis uses the research method of *process tracing*.

Based on the scientific realism, according to George and Bennett, process tracing

> attempts to identify the intervening causal process -the causal chain and causal mechanisms- between an independent variable (or variables) and the outcome of the dependent variable.[69]

This research method is characterised by the

> insistence on providing a continuous and theoretically based historical explanation of a case, in which each significant step toward the outcome is explained by reference to a theory that makes process-tracing a powerful method of inference.[70]

A satisfactory hypothesis must undergird each step of the causal process. The

> causal interpretations gain plausibility if they are consistent with the available data and if they can be supported by relevant generalizations for which a measure of validity can be claimed on the bases of the existing theories.
> (…)
> The plausibility of an explanation is enhanced to the extent that alternative explanations are considered and found to be less consistent with the data, or less supportable by available generalizations.[71]

The specific type of process tracing technique this thesis uses is based on *key decision points*. This is because, as George and Bennett explain, when we are before "cases that consist of a sequence of events, some of which foreclose certain paths in

---

[69] George and Bennett 2005, 13, 206
[70] George and Bennett 2005, 30
[71] George and Bennett 2005, 90

the development and steer the outcome in other directions", it is necessary to recognise the possibility of path dependency, and identifying key decision points is one of the ways to deal with it.[72]

In this case, the starting point of the research is the Samper administration (1994-1998) in order to cover all the presidential administrations after the Constitution of 1991. This Constitution is a critical juncture in the institutional history of Colombia in general, and particularly in the history of subnational institutions. This constitution incorporated almost all of the historical claims of the promoters of decentralisation.[73]

The deep analysis of the content of the reforms attempts in Colombia is particularly useful not only to identify the recentralisation policies in this country (in general, the national government publicly promoted them as decentralising efforts), but also to highlight some of the common problems in what is currently considered decentralisation or recentralisation.[74] As George and Bennett explain,

> as for measurement error, case study research is less prone to some kinds of measurement error because it can intensively assess a few variables along several qualitative dimensions, rather than having to quantify variables across many cases.[75]

Based on the thesis' notion of recentralisation, the most relevant recentralising attempts following the Constitution of 1991 (peak of the decentralisation trend) were identified (i.e. reviewing both formal and informal policies as well as fiscal, political and administrative information at the national and subnational levels). Then, the analysis began with a range of alternative explanations

---

[72] George and Bennett 2005, 212–13

[73] See Chapter 3 of the thesis.

[74] George and Bennett 2005, chap. 2

[75] George and Bennett 2005, 220

from the aforementioned existing literature on recentralisation around the world. It was a process of verification of the observable implications of each hypothesis.[76] For instance, if the left-wing national governments explanation were correct in the case of Colombia, one should not find significant recentralising reforms during the market-friendly administrations of Ernesto Samper (Liberal party), Andrés Pastrana (coalition led by the Conservative party), Álvaro Uribe (considered a right-wing leader, this is a clear “least likely” case), and Juan Manuel Santos (coalition led by Uribe’s own party). However, one can find recentralising attempts during all these four administrations.

But there were less obvious analyses. If the economic crisis explanation were correct in Colombia, one should find a substantial recentralising reform during or immediately after the economic recession of 1999 (most likely case), and should not find significant recentralising reforms during the economic booms that took place from 2004 to 2007 as well as from 2010 to 2011 (least likely cases). The first substantial recentralising reform took place in 2001. But, there were also substantial (and very similar to that of 2001) recentralising reforms in 2007 and 2011. Moreover, there seems to be clear evidence of the links between economic inputs and the emergence of the recentralising reforms in both cases (economic crisis and economic boom). Therefore, there must be something else - like changes in the relevant context (conditions) - that altered the way in which the independent variable operated and can help explain this equifinality.

On the other hand, process tracing requires detailed information. This thesis is based on more than ten months of fieldwork research mostly carried out in Bogota

---

[76] George and Bennett 2005, chap. 2

(Colombia's capital). I also conducted some interviews and archival work in Cartagena, Villavicencio, Yopal, and El Carmen de Bolivar. Because of the recent occurrence of the reforms under analysis (e.g. constitutional amendment of 2011) and the consequent lack of previous academic works, it was particularly necessary to go to original sources.

The data was gathered from more than 70 elite interviews and different documentary sources.[77] All these primary sources were contextualised using the national and subnational media of the period, and considering "who is speaking to whom [audience], for what purpose and under what circumstances [planned vs. spontaneous]".[78] I also paid attention to silences (what is not said or is no longer said), particularly regarding the internal armed conflict during the legislative processes of the reforms.

The elite interviewing consisted of "unstructured interviews" according to the "synthesized style". The latter because

> all of the participants have a similar story to report arising from similar circumstances in the interview topic and the research question, so that the content from all interviews is reasonably consistent and approximately follows a similar course.[79]

Specifically, this thesis uses in-depth interviews with former presidents and high-ranked public officials (e.g. ministers of Finance, Interior, Housing, and Planning) at the moment of the reforms; as well as with the Members of the Congress that led the debates of these reforms; former governors and local mayors at the moment of the reforms; public officials from the National Planning Department (DNP) and the ministries involved (who led the design of the national systems of

---

[77] See list of elite interviewing.

[78] George and Bennett 2005

[79] Morse 2012, 194,196

control and monitoring); as well as with the directors and professionals of the subnational governments associations (*Fedemunicipios* and *Federación Nacional de Departamentos*).

Among the documentary sources, this thesis uses presidential political programmes; national development plans; CONPES documents (public policy assessments and sets of recommendations by the Colombian National Council of Economic and Social Policy); constitutional and legal reforms with the record of the congressional debates (Official Journal of the Colombian Congress); National Administrative Department of Statistics (DANE); presidential speeches; and national and subnational media. These documents were considered taking into account “what purpose(s) the document was designed to serve.”[80]

This method is not only well suited to cope with the specific characteristics of the Colombian reforms (deviant cases and path dependency), but also with more general needs of the still emerging research programme on recentralisation. The process tracing method is suitable not only to uncover *independent variables*, but also *causal mechanisms* and relevant *contexts* of this type of reforms.[81]

Plan for the rest of the thesis

The next chapter (*Chapter 2*) presents my *theoretical framework* to answer the questions regarding *why* and *how* the recentralising processes took place in Colombia. It aims to tackle the definitional issues (conceptually and operationally) regarding the notion and types of recentralising policies and reforms (main dependent variable of interest). It also reviews the existing hypotheses on the

---

[80] George and Bennett 2005, 100
[81] George and Bennett 2005, 215, 223

emergence of recentralisation around the world and their limitations to account for the Colombian case. The third part is devoted to the main argument of the thesis about the emergence of recentralisation in Colombia, based on a *path-dependence theory of recentralisation,* including its assumptions, its inputs (economic boom and economic crisis), contexts (decentralised and recentralised) and causal mechanisms (self-destroying and self-reinforcing dynamics).

Chapter 3 seeks to provide a baseline of the levels of subnational autonomy against which the following empirical chapters measure the recentralising reforms. This chapter begins with a brief historical background. The second section describes the emergence of the decentralised institutional context mainly through fiscal decentralisation. The following section presents the main political descentralising reforms during the 1980s and the 1990s. The fourth presents the administrative decentralising reforms of the Constitution of 1991. The last section concludes by summarising the main elements of Colombia's decentralised institutional context.

The following empirical chapters include an analisis of the four administrations after the emergence of the decentralised institutional context (Samper 1994-1998, Pastrana 1998-2002, Uribe 2002-2010 and Santos 2010-2014). Each chapter analyses one administration. And all of them follow the same structure: the first section describes the main (successful and unsuccessful) recentralisation attempts (*what*). The second section presents the economic *inputs* and institutional *context* that influenced the emergence (or failing to emerge) of those attempts (*why*). The following section explains the causal mechanism (self-reinforcing or self-destroying dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms (*outcome*), on the other (*how*). And the last section concludes by explaining to what extent the recentralising reforms during the administration under analysis can be explained as outcomes of the economic inputs and the institutional context of the moment (*hypothesis*).

Chapter 4 traces the attempts to recentralise of the Samper administration (1994-1998). It shows the serious difficulties that accompanied attempts to promote recentralising reforms in a decentralised context (Colombia's decentralisation trend of the late 1980s and Constitution of 1991) without an economic crisis (decrease of the GDP per capita for two years). The Samper administration tried in vain to reduce the automatic transfers to the subnational governments as well as to synchronise the electoral calendar (in practice, a political recentralisation reform). Still, it did manage to promote some controls concerning the levels of debt of departments, districts and municipalities.

Chapter 5 explains the recentralisation reforms promoted by the Pastrana administration (1998-2002), particularly the constitutional amendment of 2001. It shows how an economic crisis in 1999 (the worst since the Great Depression of the 1930s) in a decentralised context (Samper's government did not manage to modify it) opened the door for Colombia's recentralising reforms. It also explains how these reforms changed Colombia's institutional context from a decentralised context to a recentralised one. This administration significantly reduced the fiscal transfers to the subnational governments (as percentage of the GDP) and created legal restrictions to their operational expenditures.

Chapter 6 then turns to the main recentralisation reforms during the Uribe administration (2002-2006 and 2006-2010), particularly the constitutional amendment of 2007. It shows how an economic boom (2004-2007) in a recentralised context (because of the reform of 2001 during the Pastrana administration) reinforced Colombia's recentralising trend. This administration not only decreased the subnational fiscal transfers (as percentage of the GDP), but also affected their automaticity. The central government also implemented case-by-case transfers of responsibilities from departments and municipalities to the national level (associated to specific local projects).

Chapter 7 presents the main recentralisation reforms during the Santos administration (2010-2014), particularly the constitutional amendment of 2011. It mainly shows how an economic boom in a recentralised context (because of the reform of 2007 during the Uribe administration) again reinforced Colombia's recentralising trend. The reform of 2011 starkly highlights some of the ambiguities over what is to be considered decentralisation or recentralisation. Here there is a central question about how to evaluate the interaction between different dimensions of the subnational autonomy. Specifically, in this case it is necessary to analyse whether the decrease in the policy-making dimension (administrative recentralisation) was more important than the redistribution of royalties among every subnational unit (fiscal redistribution).

Chapter 8 summarises the main findings of the thesis regarding the recentralisation reforms in Colombia and the role of the interaction between economic inputs and institutional context on their emergence (or failing to emerge). It then turns to the main contributions the thesis makes not only to the still emerging literature on recentralisation, but also regarding institutional change and path dependence. It also outlines research tasks for future studies on recentralisation.

2. DEFINITIONAL ISSUES, LIMITATIONS OF THE LITERATURE, AND A NEW HYPOTHESIS

This chapter presents my *theoretical framework* to answer the questions regarding *why* and *how* the recentralising processes took place in Colombia (1994-2014). It aims to tackle the definitional issues (conceptually and operationally) regarding the notion and types of recentralising policies and reforms (main dependent variable of interest). It also reviews the existing hypotheses on the emergence of recentralisation around the world and their limitations to account for the Colombian case. The third part is devoted to the main argument of the thesis about the emergence of recentralisation in Colombia, based on a *path-dependence theory of recentralisation,* including its assumptions, inputs (economic boom and economic crisis), contexts (decentralised and recentralised) and causal mechanisms (self-destroying and self-reinforcing dynamics).

Although still very limited compared with the scholarship on decentralisation, there is a growing academic interest on the recentralising processes around the world. Some of the countries analysed in this literature are Russia, Italy, Spain, Argentina, Brazil, Mexico, Venezuela, Ecuador, Peru, Bolivia, Uganda, Tanzania, South Africa, Senegal, Turkey, China, Vietnam, and Australia.[1]

[1] Akilli and Akilli 2014; Bolgherini 2014; James Tyler Dickovick 2011; K. Eaton 2013a; K. Eaton and Dickovick 2004; Kessy and McCourt 2010; Konitzer and Wegren 2006; Lewis 2014; Maiz, Caamaño, and Azpitarte 2010; Malesky, Nguyen, and Tran 2014; Oi et al. 2012; Olmeda and Armesto 2015b; Searle and Bunker 2010

The scholarship on recentralisation is almost entirely based on empirical literature. In general, there are no big theoretical efforts regarding the definition of the concept or explanations beyond the case under study (with the notable exceptions of Eaton, Dickovick, González, Hooghe et al., Arretche, and more recentrly Olmeda and Armesto).[2] The existing case studies do not account for the change of context generated by the initial recentralisation reforms (sometimes because the period under analysis is too short). And the analysis are particularly focused on the impact of only one type of factor (economic, political or administrative) on the emergence of recentralising reforms instead of on the interactions between them (again, González's work is the exception).[3] And some of them are excessively focused on the incentives of the national governments to recentralise, while neglecting the explanation of the role of legislators and subnational authorities during the emergence and implementation of this type of reforms.

Unlike the earlier works on recentralisation, the approach proposed in this thesis explicitly aims to tackle the definitional issues and seeks to emphasise the critical role on the emergence of recentralising reforms of the *interaction* between economic factors as *inputs* and the institutional *context*, as well as of the different *causal mechanisms* that link the economic factors with recentralising reforms (outcomes) in each institutional context. It pays attention to causal temporal heterogeneity.

In this chapter, after the definitional issues regarding the notion and types of recentralising policies and reforms (political, fiscal and administrative) are settled,

---

[2] Arretche 2006; James Tyler Dickovick 2011; K. Eaton 2004; Gonzalez 2008; Hooghe 2016; Olmeda and Armesto 2015b

[3] Gonzalez 2008

the following section reviews the existing hypotheses on the emergence of recentralisation around the world. These approaches are classified into political, economic and administrative issues. The third part is devoted to the main argument of the thesis about the emergence of recentralisation in Colombia, based on a *path-dependence theory of recentralisation,* including its assumptions, inputs (economic boom and economic crisis), contexts (decentralised and recentralised) and causal mechanisms (self-reinforcing and self-destroying dynamics, including political learning). The last section concludes by suggesting the main theoretical contributions of the thesis.

Definitional issues

The boundaries between the *stages* of decentralization and recentralization in a country's history are not always clear. The policies and legal reforms promoted by the Brazilian President Fernando Henrique Cardoso to deal with a serious fiscal crisis in the 1990s are a good example of the existing scholarly contention among the leading academics in Latin American subnational politics.

The Cardoso administration promoted significant fiscal policies and reforms. [4] As Eaton explains, Cardoso negotiated with the states a "Social Emergency Fund" to cut the amount of revenues the federal government was obliged to send to the states and municipalities through the automatic transfer programmes. This measure was institutionalised through the "Fiscal Stabilisation Fund". Then, Cardoso moved to "withhold revenue sharing from states that default on debt repayment

[4] Arretche 2006; K. Eaton and Dickovick 2004; Fenwick 2009

agreements". He exempted Brazil's exports from the payment of one of the most important state taxes. He also promoted: the limitation of personal expenditures in subnational governments to 60 per cent of revenues, specific percentages devoted to education and health, and the privatisation of enterprises and banks owned by states.[5]

Eaton and Dickovick consider this process as a clear example of recentralisation, but, to some extent, Falleti, Samuelson and Mainwaring disagree. In their analysis, Dickovick and Eaton understand recentralisation as "a series of changes designed to reverse prior reforms that expanded subnational autonomy and thereby limited the prerogatives of the national government".[6] Falleti, Samuelson and Mainwaring do not offer a specific definition of recentralisation, but it is possible to assume that for them recentralisation is a process that should include not only fiscal, but also formal political and administrative policies and reforms. In the case of Brazil, for Falleti

> these fiscal and economic measures were the result of stabilization policies designed to confront the fiscal crisis of the early 1990s and do not amount to a process of recentralization of government. This is evident when political and administrative decentralization are taken into account together with the fiscal reforms of the 1990s.[7]

Similarly, Samuels and Mainwaring, argue,

> notwithstanding Cardoso's success in altering the terms of the relationship between the central government and state actors, Cardoso did not irreversibly weaken state actors.[8]

According to the approach of this thesis, the described reforms by Cardoso in Brazil were a clear case of recentralisation. The main reason is that unlike decentralisation, an effective recentralisation process does not need to include

[5] K. Eaton 2004, 162
[6] K. Eaton and Dickovick 2004, 94
[7] Tulia Gabriela Falleti 2010
[8] Samuels, David J. Mainwaring 2004, 122

political, fiscal *and* administrative measures.[9] Despite the fact that there is no formal political recentralisation, the higher levels of government are able to decrease the autonomy of the lower levels of government through significant reductions of their revenues or intensifications of the control over their expenditures. As Montero and Samuels explain:

> If subnational governments control few resources and have no policy autonomy, subnational elections might be fairly meaningless. Thus, decentralization of fiscal resources and policy authorities are also necessary to empower subnational governments.[10]

Similarly, Eaton argues that:

> dependence on central government officials for revenue transfers and spending projects represents a serious constraint on subnational politicians that prevents them from building their own political support coalitions independent of national politicians".[11]

Very recently Olmeda and Armesto defined recentralisation in the following terms:

> Recentralization should be understood either as the reversal of some previous devolution of power to elected subnational officials - whether in the form of resources, authority, or decision-making autonomy- (Dickovick 2011) and/or the modification of the balance of power in favor of the center in a post-decentralization scenario.[12]

Recentralisation is, like many concepts in the social sciences, not easily and precisely defined. Extrapolating some elements of the notion of decentralisation developed by Falleti, this thesis defines recentralisation as the *set of formal and informal policies and reforms that transfer resources, authority, or responsibilities*

---

[9] On decentralisation see: Faguet 2013, 2

[10] Montero and Samuels 2004, 7

[11] K. Eaton 2004

[12] Olmeda and Armesto 2015b

from lower to higher levels of government, after a process of decentralisation.[13] In this way, there can be recentralisation when there are transfers from local to national authorities, from intermediate to national authorities, as well as from local to intermediate levels of government.[14]

And resembling Falleti's typology of decentralisation, this thesis identifies three types of recentralisation policies or reforms: political, fiscal, and administrative.[15] This typology is not only relevant to develop a more precise description of this phenomenon (or as a "stamp collector" classification), but mainly from a positive perspective. For instance, higher and lower levels of government can have different preferences between the types of recentralisation as well as different strategies to promote them considering their political costs.

In 2015, Olmeda and Armesto proposed a similar analysis (also based on Falleti's work) regarding the types of recentralisation (although with a different content of the one proposed in this thesis):

> Like in the case of decentralization, recentralization policies can affect the three aspects that shape the relationship between levels of government: administrative, fiscal and political.[16]

In this thesis, *political recentralisation* refers to the set of formal and informal policies and reforms (particularly electoral) that reclaim political authority for the national government or reduce the spaces for the representation of subnational polities (such as the territorial representation of interest in national legislatures and

[13] Falleti explains decentralisation "as the set of policies, electoral reforms, or constitutional reforms that transfers responsibilities, resources or authority from higher to lower levels of government". Tulia Gabriela Falleti 2010

[14] See also: Fenwick 2009

[15] Tulia Gabriela Falleti 2010

[16] Olmeda and Armesto 2015b

subnational associations).[17] Probably, the clearest example of political recentralisation is the change in the system of election of authorities of lower levels of government from democratic (direct) election to one in which the appointment or removal is controlled by a higher level of government. In such an environment, these authorities become agents of the higher level of government (principal). They are not officially accountable to the population anymore, but to the higher level of government in charge of their appointment or removal.[18]

Fiscal recentralisation is related to a set of formal and informal policies and reforms that decrease the share of public resources allocated to the lower levels of government.[19] There are at least five institutional forms of fiscal recentralisation: (i) elimination or limitation of the lower levels of government's taxes, (ii) retaking of previously delegated tax authority, (iii) decreasing in the percentage of the public revenues transfers from higher to lower levels of government that is not tied to a similar reduction of their expenditures (including the creation of new sources of revenues by higher levels of government not shared with the lower levels of government),[20] and (iv) expropriating assets owned by lower levels of government in favour of a higher level of government.

In turn, *administrative recentralisation* not only includes the set of formal and informal policies and reforms that transfer the provision of public services to a higher level of government,[21] but also those that allow a higher level of government to determine how the resources allocated to a lower level of government can be used or

---

[17] See "political decentralisation" in: Tulia Gabriela Falleti 2010

[18] On the issue of accountability see: Ribot, Agrawal, and Larson 2006

[19] Panizza defines "*centralization ratios as the percentage of revenues (or expenditure) of the central government out of the total revenues (or expenditure) of the public sector*." Panizza 1999

[20] Olmeda and Armesto 2015b

[21] See Tulia Gabriela Falleti 2010; González 2012

the organisation of the services at this level, for instance through *regulation inside government*.

The *regulation inside government* (as a type of administrative recentralisation) has certain elements: (i) the higher level of government aims to shape the activities of the lower level of government, (ii) there is some degree of organisational separation between the higher level (e.g. the Ministry of Housing) and the lower level of government (e.g. municipal administration), and (iii) the higher level of government has an official mandate to scrutinize the behaviour of the lower level of government and seek to change it (e.g. a constitutional mandate).[22]

The interdependence between the three types of recentralisation policies and reforms must be reaffirmed. Substantial fiscal recentralisation also decreases the political authority of lower levels of government because they have to beg for resources from higher levels. Allowing a higher level of government to remove the authorities of lower levels of government also decreases their administrative autonomy. Similarly, the *regulation inside government* could be used to decrease the fiscal autonomy of lower levels of government (e.g. setting demanding requirements or procedures for the use of the fiscal transfers).

On the causes of recentralisation

There have been different types of arguments in the empirical literature on the factors that have shaped recentralisation around the world. They may be classified

[22] As Hood et al. explain, regulation inside government is related to three main elements: (i) "*one bureaucracy aims to shape the activities of another*", (ii) "*there is some degree of organizational separation between the 'regulating' bureaucracy and the 'regulatee'*", and (iii) "*the regulator has some kind of official mandate to scrutinize the behaviour of the 'regulatee' and seek to change it*". Hood et al. 1999, 8

depending on their main independent variable into three main categories: economic (e.g. hyperinflation), political (e.g. partisan control of government) and administrative (e.g. lack of institutional capacity of the lower levels of government).

Economic approach

At least three different economic factors have been identified as explanatory variables of recentralisation processes: (i) economic crisis, (ii) commodities boom and (iii) privatisation processes.

The central government is allowed to recentralise by the rest of significant players in the political system as part of the measures to deal with an economic crisis (mostly understood as *hyperinflation*) or afterwards as a consequence of the improved political leverage related to a successful solution. While in the absence of economic crisis, there are far less chances to recentralise.[23] In the second hypothesis, one substantial assumption is that the central government already has strong incentives to recentralise and the solution of the economic crisis merely opens the door to change the balance between national and subnational governments.[24]

The economic crisis has been presented as the main explanatory variable of recentralisation processes across a list of countries with a varied level of economic development (e.g. Russia, Italy, Brazil, Argentina, and Peru).[25] For example,

[23] James Tyler Dickovick 2011; K. Eaton 2004

[24] Interestingly enough, the decentralisation processes have been also associated with economic crisis. For instance, in 2004, a World Bank report pointed out that "*most countries implemented decentralization hastily as a response to political or economic crisis*". Public Sector Group/Decentralization Thematic Group Funding 2002-2003, Activity Title: "Assessment of the Impact of Decentralization: The Case of Colombia (1991-2001)", February 2004, Task Manager: Fernando Rojas (LCSPS), Report written by: Jonas Frank (LCSPS). Gonzalez 2008

[25] Bolgherini 2014; James Tyler Dickovick 2011; K. Eaton and Dickovick 2004; Gel'man 2009

regarding Russia, Gel'man explains that:

> The economic crisis of August 1998 demonstrated how significant Centre-regional relations were for the development of the country, and this created a demand for recentralization on the part of the federal elite. The demand was to be fully satisfied –in contrast to the seven years of decentralization from 1991 to 1998- the following seven years up to 2005 were to be no less radical in the direction of centralization.[26]

In Italy, according to Bolgherini, "anti-crisis measures have also produced structural effects that may actually weaken Italian local autonomies, suggesting the existence of an on-going recentralisation". She explains,

> following a period of strong momentum for local authorities and a dominant pro-decentralisation approach, a trend inversion – that is to say, recentralisation – has been taking place since around the mid-2000s. Just as in previous decades Italy decentralised along with many other European countries (Bobbio 2002), so too it is not alone now in experiencing this trend inversion (Viver 2010).[27]

Concerning Latin America, according to Eaton and Dickovick, Brazil, Argentina and Peru experienced recentralising processes because of an economic crisis.[28] According to Dickovick, in Peru, recentralisation was a political measure taken by President Alberto Fujimori (1990-2000), after his successful policies of economic stabilization.[29] Likewise, during the first term of President Carlos Menem (1989-1995), Argentina is characterized as another example of recentralization after an economic crisis resolution.[30]

In contrast, as Dickovick explains, in South Africa and Senegal, which did not experience similar processes of economic crisis resolution, the same levels of recentralization were not present, despite the existence of stronger political parties

[26] Gel'man 2009, 3
[27] Bolgherini 2014
[28] James Tyler Dickovick 2011; K. Eaton and Dickovick 2004
[29] James Tyler Dickovick 2011, 13
[30] K. Eaton and Dickovick 2004

(that theoretically should be able to favour recentralization policies).[31] In this way, he concludes that one of the key factors that 'opens the door' to recentralization policies are crises that directly affect common citizens such as hyperinflations.[32]

A *commodities boom* has also been associated with the emergence of recentralisation. In their research on extractives, Thorp et al. point out that

> an important characteristic of the process in each case was the degree of the mechanics of centralism –extractives are always a pressure towards centralism, politically and economically, and we have seen how this could be a two-edge sword.[33]

The main explanation is the strong incentive of the national government to control the royalties. As they explain

> the dependence produced by abundance of extractives invariably generates pressures to centralized control, since central government sees it as essential to have access to the revenues. This frequently reinforces political tendencies there already: this was clearly the case for Chile, Peru, Bolivia, Botswana and Nigeria. In the case of Bolivia, however, weak central institutions and the location of the extractives necessitated a "politics of accommodation" which modified the outcome over the period of the dominance of tin.[34]

Nonetheless, according to a recent paper by Pérez-Sebastian and Raveh, the subnational governments of the producing areas are also interested in promoting recentralisation processes. Their framework is based on two key notions: (i) a trade-off between risk sharing and heterogeneity and (ii) a positive association between resource dependence and risk. This model shows that not only the central government, but also the regional governments have an incentive to recentralise following a resource boom. They explain that in equilibrium, regional governments

> redistribute a positive amount of [their] resource rents in exchange for a reduction in the degree of revenue volatility and local inefficiency. Empirical testing of

---

[31] James Tyler Dickovick 2011, 178
[32] James Tyler Dickovick 2011, 7–12
[33] Thorp 2012, 213
[34] Thorp 2012, 218

> various potential mechanisms implied that income volatility and, therefore, risk sharing is the primary channel that drives the negative impact of natural resources on fiscal decentralisation.[35]

Finally, recentralisation has also been seen as an unintended consequence of *privatisation processes*. For example, according to Maiz et al., the privatisation processes in Spain during the 1990s resulted in the recentralisation of decision-making regarding important areas of the economy. They explain, for instance, that the merger and subsequent privatisation of the state-owned power companies did not create a competitive market,

> but a set of privately owned monopolies, some of them under the control of multinational corporations
> (…)
> since these large firms pay little heed to local preferences in pursuing their activity, the result has again been to drain effective power away from the Autonomous Communities, whereas central government, as the representative of a larger market, retains at least some influence.[36]

Political approach

There is also a broad range of political factors associated with the emergence of recentralisation: (i) partisan control of government, (ii) political power of presidents and governors, (iii) opposition-targeted strategies, (iv) left-wing national government, (v) capture of higher levels of government by private interests, and (vi) counter-reaction by national politicians reclaiming clientelistic networks.

Russia, Argentina and Mexico have been characterised as countries in which *partisan control of government* helps to explain the emergence of recentralising

---

[35] Perez-Sebastian and Raveh 2014
[36] Maiz, Caamaño, and Azpitarte 2010

processes.[37] Regarding Russia (early years of Putin's first term), Konitzer and Wegren explain,

> the rise of a party of power has been a key element in the recentralization of power, as party leaders in Russia's regions help to implement the wishes of the center by reining in previously recalcitrant regional executives. Within the broader literature on federalism such developments demonstrate that although institutions may provide a certain framework to structure the balance of power within federal states, other factors such as polity-wide political parties play a key role in determining the actual content of those structures.[38]

For instance, the *veto power* of the lower levels of government would not be effective to maintain their autonomy if their assemblies are controlled by the president's political party.

In a paper that analyses both federal (Argentina, Brazil, Mexico, Venezuela) and unitary (Chile, Ecuador, and Uruguay) Latin American states, Lucas González proposes a hypothesis on *the role of political power* (input) and fiscal crisis and surplus (context) on the variation of the levels of decentralisation in Latin America. According to González, if the *president is powerful* (institutional and partisan powers) and subnational executives are weak in a context of *fiscal surplus*, then fiscal and administrative decentralisation should decline. He also explains that, if the *president is weak* and subnational executives are powerful in a context of *fiscal crisis*, then fiscal decentralisation should increase and (what he calls) administrative decentralisation should decline.[39]

The hypothesis of recentralisation as part of *opposition-targeted strategies* is based on Eaton's work on Venezuela, Ecuador and Bolivia.[40] This is an adaptation of the *electoral strategy* hypothesis of the decentralisation literature (i.e. the processes

---

[37] Konitzer and Wegren 2006; Olmeda and Armesto 2015b
[38] Konitzer and Wegren 2006
[39] Gonzalez 2008
[40] K. Eaton 2013b

of decentralisation can be explained as strategic decisions taken by national governments when they face an electoral decline at the national level and expect more political support at the local level).[41] Recentralisation took place when national governments were "confident of their continued success in national elections" and faced "persistent and significant sub-national electoral defeats". From this perspective, "recentralisation can be explained by paying attention to the territorial distribution of electoral support". Particularly,

> presidents used it to weaken the sub-national governments where the opposition had found political shelter, while simultaneously redirecting recentralised resources toward supporters.

In this way, recentralisation did not face the same cross-temporal trade-offs of decentralisation. [42]

Eaton also suggests that the *left-wing* tendency of the national governments of these countries could be part of the explanation of the recentralising trends. From this perspective, the left-wing leaders Chavez (Venezuela), Correa (Ecuador) and Morales (Bolivia) were against decentralisation "to reverse the legacies of their neoliberal predecessors".[43]

Regarding the *capture of government by private interest*, according to Searle and Bunker, among the reasons behind the recentralisation concerning urban planning promoted by the Australian states over the local governments, there was the

> growing political influence of the development industry on state governments, particularly via donations to the main political parties and through the increasing importance of public–private infrastructure partnerships funded by Australia's very large and growing pool of compulsory superannuation (pension) contributions.[44]

---

[41] O'Neill 2005
[42] K. Eaton 2013
[43] K. Eaton 2013
[44] Searle and Bunker 2010

Finally, Eaton and Chambers-Ju recently developed an interesting analysis on Colombia's clientelism, which includes a reference to recent recentralising reforms (mainly the constitutional amendments of 2001 and 2007). In this work, they explain the emergence of recentralisation in Colombia as a response from the national authorities (both executive and legislative) to the growing power of local mayors:

> When mayors used the assets provided by decentralizing reforms to assert themselves as patrons and not just clients, they also triggered a counter-reaction by national politicians who responded by seeking to reverse the reforms that had originally made possible this decentralization of power.[45]

Administrative approach

In this set of arguments, recentralisation is explained as the reaction to the failures of decentralisation that affect the provision of public goods or services. The main reasons are: (i) lack of resources at the lower levels of government, (ii) fragmentation and (ii) lack of capacity to resists the capture of the lower level of government by local elites or illegal armed groups.

The recentralisation of the roads administration in Bolivia is a good illustration of the first two types of administrative arguments. According to Alonso-Biarge and Ortiz, after a radical road decentralisation in Bolivia (including the dissolution of the central road agency and the transfer to departmental governments of its responsibilities over the national network), given "the difficulties of lending for improvements in a network that was no longer under the central government responsibility and with an implementation agency with no competencies in road activities", the central government (advised by the World Bank) started a programme

[45] K. H. Eaton and Chambers-Ju 2014

of recentralisation of the national road network and restoration of some of the roles and competencies of the national agency. In this way, the national government reversed some of the decentralization measures of 1995 through the redefinition of the national, departmental and municipal networks' economic and financial arrangements; and assignment of planning and implementation functions.[46]

The capture of the lower levels of government by local elites or illegal armed actors can also be seen as another failure of decentralisation that opens the door to recentralising reforms. As Malesky, Nguyen, and Tran explain:

> Decentralization can actually facilitate capture of the policy-making apparatus by local elites, especially by wealthy notables and large enterprises, creating a company town atmosphere in which elections are undermined and policy is diverted to the benefit of the powerful at the expense of other citizens (Reinikka and Svensson 2004; Campos and Hellman 2005).[47]

In countries with security issues (e.g. Colombia and Afghanistan), local governments and revenues can be 'captured' by sectors linked to the illegal armed groups. In such an environment, by recentralising the central government aimed at regaining control over those resources, while taking away resources from illegal groups.[48]

Limitations of the existing approaches

In general, the existing approaches do not account for the change of context generated by the initial recentralisation reforms (sometimes because the period under analysis is too short). And the analyses are particularly focused on the impact of only

[46] Alonso Biarge and Ortiz 1999

[47] Malesky, Nguyen, and Tran 2014

[48] Sánchez and Chacón 2005; K. Eaton 2006; Cramer and Goodhand 2002

one type of factor (economic, political or administrative) instead of on the interactions between them (González's work on the political power of presidents and governors is the main exception).[49] In other words, they assume temporal causal homogeneity.

Regarding the Colombian case, there are some specific limitations. The *economic crisis* hypotheses could not explain the reforms of 2007 and 2011. First, in this country there has not been hyperinflation in more than 80 years. Moreover, given the good performance of the national economy there was no sense of urgency in 2007 and 2011 like there was for the reform of 2001. Both of the *commodities boom* hypotheses could explain the incentives of the national government to recentralise the royalties in 2011. However, none of them explain how the government was able to pass the reform in Congress (because the producing areas rejected the reform at all times). Furthermore, the hypothesis that suggests that the regional governments also have incentives to recentralise following a resource boom cannot explain the opposition of these regions during the Uribe and Santos administrations to the attempts to change the distribution of royalties. And, finally, there were no big processes of privatisation in Colombia when the analysed recentralisation reforms took place.

On the other hand, the hypotheses based on a powerful political party or president cannot account for the reform of 2001 because there was strong fiscal recentralisation despite the fact that President Pastrana was very weak (e.g. the opposition controlled both chambers of Congress and the majority of subnational govenments, economic recession in 1999, and the illegal armed groups' power was at

[49] González, 2008

its peak) and the subnational executives were powerful (i.e. popularly elected, with 46.5% of the central government revenues in 2001, and important levels of administrative autonomy).[50] Nonetheless, the approach developed by González on the interaction between the political power of the president and the fiscal context could help to explain the reforms of 2007 and 2011.

With regards to the opposition-targeted hypothesis, there are two main differences between Colombia, on the one hand, and Venezuela, Ecuador and Bolivia, on the other. Typically, in Colombia the recentralising reforms were not as focused on specific opposition-governed units as in those countries (as Eaton explains, the most dramatic case was the recentralising measures of the Correa administration in 2007 and 2008 against Guayaquil in Ecuador), but more general measures (for every subnational unit). Secondly, the resources transferred to the national government because of the reforms of 2007 and 2011 were not necessarily reallocated to areas already controlled by the President's allies, but to opposition-governed departments and municipalities in order to obtain their political support.[51]

The left-wing government hypothesis does not seem applicable in Colombia. None of the four administrations analysed here were characterised by a left-wing orientation. On the other hand, the processes of decentralisation initiated in Colombia in the 1980s were not only supported by left-wing political parties (e.g. *Unión Patriótica*, *Alianza Democrática M-19*) and social movements, but also by left-wing guerrillas such as the FARC. In this way, these processes were not predominantly seen as part of a neoliberal project.[52]

---

[50] See the fifth chapter of this thesis (on the Pastrana administration).
[51] Mejía, Botero, and Rodríguez 2008
[52] K. Eaton 2006; Restrepo Botero 2015

The hypothesis based on relevance of clientelism in the recentralisation processes in Colombia does not explain the role of local mayors during the emergence of this trend. There is no mention of their informal veto power. In 2001 (during the Pastrana administration), the main condition of the majorities in the Congress to pass the reform was the approval of local mayors. However, the negotiations between local mayors and national government were omitted in this explanation. And these negotiations cannot be understood without considering the centrality of the macroeconomic factors (the local mayors accepted the reform of the revenue sharing system because of the decrease in their automatic transfers caused by the decrease of the GDP in 1999).[53] In other words, in Colombia there has always been clientelism.[54] The relevant changes here have taken place in the economic performance variable.

In any case, this hypothesis contributes to the understanding of the special relevance of fiscal and administrative recentralising reforms in Colombia, given its clientelistic environment.

These administrative approaches as well as the hypothesis of capture of higher levels of government by private interest could account for the behaviour of the national government, but do not offer an explanation about how the president obtained enough political support to change the distribution of resources, responsibilities and authority among levels of government.

---

[53] See Chapter 5 of this thesis.

[54] Urrutia 2014

The thesis' hypothesis: economic inputs and institutional context

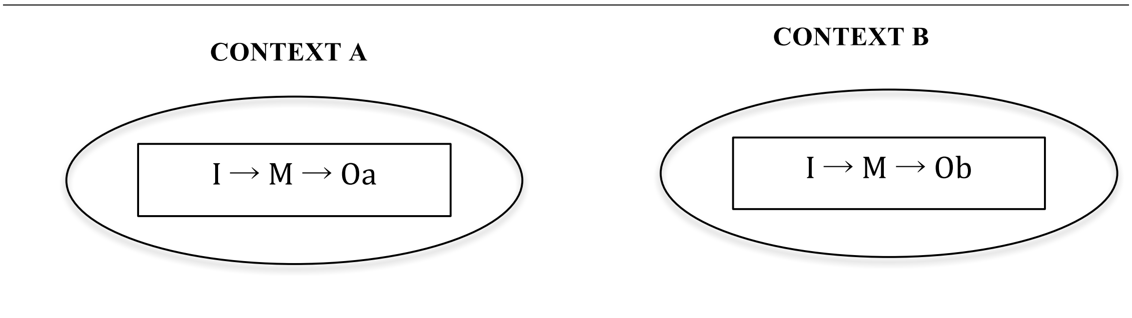
The arguments of the thesis to explain the Colombian case are based on the recognition of the central role of *context* and *causal mechanisms* for any causal explanation, as well as on a power-distributional view of institutions.[55] Falleti and Lynch define *context* as:

> The relevant aspects of a setting (analytical, temporal, spatial, or institutional) in which a set of initial conditions leads (probabilistically) to an outcome of a define scope and meaning via a specified causal mechanism or set of causal mechanisms.[56]

They also define causal mechanisms "as portable concepts that explain how and why a hypothesized cause, in a given context, contributes to a particular outcome." [57] The change of context, therefore, is fundamental for a causal explanation because it affects the way in which the independent variables and causal mechanisms operate (see Figure 2.1).[58]

Figure 2.1 Context, causal mechanism and outcomes

I → M → O Model in Different Contexts



Note: I= inputs; M= mechanisms; O= outputs
Source: (Tulia G. Falleti and Lynch 2009)

[55] Tulia G. Falleti and Lynch 2009
[56] Tulia G. Falleti and Lynch 2009
[57] Tulia G. Falleti and Lynch 2009
[58] Tulia G. Falleti and Lynch 2009

As Falleti argues,

> Even if we assume that the actors' preferences remain unchanged throughout the process of study, we must acknowledge that the earlier events on the process may change in fundamental ways the relevant contexts in which actors must make decisions as the remainder of the process unfolds. Each step or event along the process is thus required to be contextualized, if we are going to meaningfully interpret the options and actions of actors.[59]

Hence, it is questionable that the same independent variable and causal mechanisms could explain the emergence of the first substantial recentralising reforms and the subsequent ones, as it is generally presented in the existing literature on recentralisation.

In this thesis, the *context* is related to the *institutional arrangements at a certain moment concerning the distribution of resources, responsibilities and authority between levels of government*. There are two general types of context: *decentralised* and *recentralised*. An institutional context is *decentralised* when a set of reforms or policies had already transferred a significant part of resources, responsibilities *and* authority from higher to lower levels of government. In other words, a decentralised context requires all three types of prerogatives (political, fiscal and administrative).[60] Consequently, the lower levels of government obtain formal or informal veto powers with regards to redistributions of resources, responsibilities and authority.[61] Conversely, an institutional context is *recentralised* when policies or reforms had already regained a significant part of resources, responsibilities *or* authority from lower to higher levels of government. Unlike decentralisation, a recentralised context only requires one type of prerogatives for the higher levels of government. But, the recentralising policy or reform has to be substantial in order to

[59] Tulia G. Falleti and Lynch 2009, 22
[60] See: Faguet 2013, 2
[61] On veto powers see Arretche 2006

produce a change of institutional context (from decentralised to recentralised context). A clear evidence of the change of context is the lack of veto powers of the lower levels of government.

The main reason behind the difference between decentralisation and recentralisation -as institutional contexts- lay in the interdependence between the three types of recentralisation. For instance, a substantial fiscal recentralisation also decreases the political authority of lower levels of government because they have to beg for resources from the higher levels. Allowing a higher level of government to remove the authorities of lower levels of government (political recentralisation) also decreases their administrative autonomy. Similarly, significant *administrative recentralisation* can be used to decrease the fiscal autonomy of lower levels of government (e.g. setting demanding requirements or procedures for the use of fiscal transfers). In sum, in practice, a substantial modification of just one dimension (political, fiscal or even administrative) might be enough to obliterate the subnational autonomy.

On the other hand, as Pierson explains,

> once established, specific patterns of political mobilization, the institutional "rules of the game," and even citizens' basic ways of thinking about the political world will often generate self-reinforcing dynamics.[62]

However, this framework also recognises that

> institutional stability is a function not simply of positive feedback but of active, ongoing political mobilisation, and institutions are vulnerable to change not just in moments of crisis but on a more ongoing basis.[63]

Moreover,

---

[62] Pierson 2003, 195–96

[63] Mahoney and Thelen 2010b, xi

> given a view of institutional stability that rests not just on the accumulation but also on the ongoing mobilization of resources, one important source of change will be shifts in the balance of power.[64]

The power-distributional view of institutions is particularly clear regarding the analysis of recentralisation. There are some institutional arrangements that distribute resources, responsibilities and authority among different levels of government. There are significant changes in the terms of distribution when *critical junctures* (not only an economic crisis, but a Constituent Assembly, for example) take place. And the resulting institutional context provides advantages to the "winners" in order to maintain their privileged position regarding the distribution of resources, responsibilities and authority.[65] However, they can be affected not only by new critical junctures, but also by "small" changes animated by the power-distributional implications of institutions.[66]

The key argument

The *main* transfers of responsibilities, resources and authority from lower to higher levels of government in Colombia (after the processes of decentralisation of the 1980s and early 1990s) can be explained as the outcomes of the interaction

---

[64] Mahoney and Thelen 2010a, 9

[65] For example, as Bird and Smart explain,

> once a political settlement is reached in intergovernmental finance it often proves exceptionally hard to alter thereafter, as illustrated, for example, by Argentina's inability to date to alter the fixed percentage shares established in 1989 despite the constitutional mandate to do so by no later than 1996.

Bird and Smart 2002

[66] Mahoney and Thelen 2010a, 14

between economic inputs (crisis/boom) and institutional contexts (decentralised/recentralised).[67]

In Colombia, not only an *economic crisis*, but also an *economic boom* (not necessarily associated with a commodities boom) can induce substantial recentralising processes, *depending on the institutional context*. The significant variations of the GDP per capita not only directly affect common citizens (generating strong political pressures), but also impacted the revenues of higher and lower levels of government (via *revenue sharing systems* or autonomous taxes). When an economic crisis (i.e. decrease of the GDP per capita for two years) takes place in a decentralised context, one can expect an increase of recentralising policies or reforms. On the contrary, if an economic boom (i.e. significant increase of the GDP per capita) occurs in the same context, one should expect a decrease of recentralising policies or reforms. If there is an economic crisis in a recentralised context, one can expect less recentralising policies or reforms. If, instead, an economic boom occurs in the same context, one should expect even more recentralising policies or reforms. The interactions between economic performance and institutional context are laid out in Table 2.1.

[67] By contrast, for González, the independent variable is related to political power and the context is related to fiscal issues. González 2012

Table 2.1 Economic performance, institutional context and expected changes in the trend of recentralisation

Economic performance	**Context**	
	Decentralised	Recentralised
Economic crisis	More recentralisation	Less recentralisation
Economic boom	Less recentralisation	More recentralisation

Source: The author

In this country, economic performance and recentralisation are connected by *self-destroying* and *self-reinforcing dynamics*. The causal mechanisms between economic performance and recentralisation are laid out in Table 2.2.

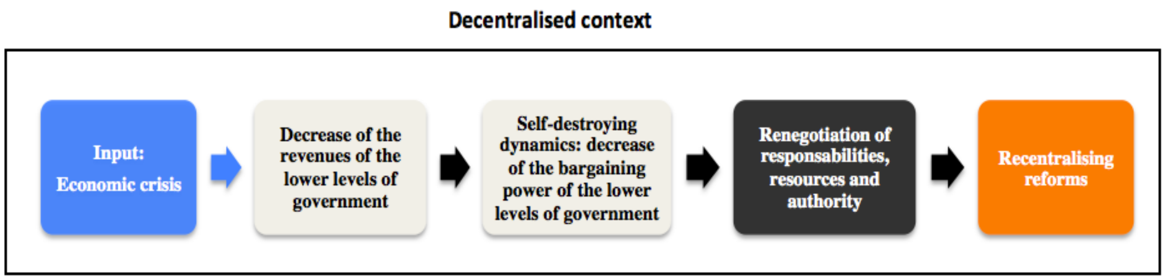
Table 2.2..Economic performance, institutional context and causal mechanisms

Economic performance	**Context**	
	Decentralised	Recentralised
Economic crisis	Self-destroying dynamics	Self-destroying dynamics
Economic boom	Self-reinforcing dynamics	Self-reinforcing dynamics

Source: The author

The *causal mechanisms* can explain some increase of recentralisation in one phase of the cycle, but could equally work well in reverse in the opposite phase (depending on context). In Colombia, when there is an economic boom in a decentralised context, most of the benefits are received by the lower levels of government. This is because they receive more resources (fiscal decentralisation), have more autonomy to spend them (administrative decentralisation), and obtain the political recognition associated with the funded policies or projects (political decentralisation). In consequence, there is an increase of their bargaining power in the negotiation of the distribution of responsibilities, resources and authority with higher levels of government. This situation constrains the emergence of recentralising reforms (self-reinforcing dynamics). The flip side is that when an economic crisis takes place in a similar context, the lower levels of government have to deal with most of the costs. They receive fewer resources, and because they are not agents of the higher levels of government anymore they have to deal with the blame of unfunded policies or projects. There is, therefore, a decrease of their bargaining power (they are more prone to negotiate in order to avoid the political cost of the crisis,). Moreover, they are looking for short-term benefits, despite the long-term cost for the subnational units (in other words, for future mayors or governors). [68] And this circumstance prompts the emergence of recentralising reforms (self-destroying dynamics). The causal mechanisms (links) between economic performance and recentralisation in a decentralised context are laid out in Figure 2.2.

Figure 2.2 Causal mechanisms (links) between economic crisis and recentralisation in a descentralised context

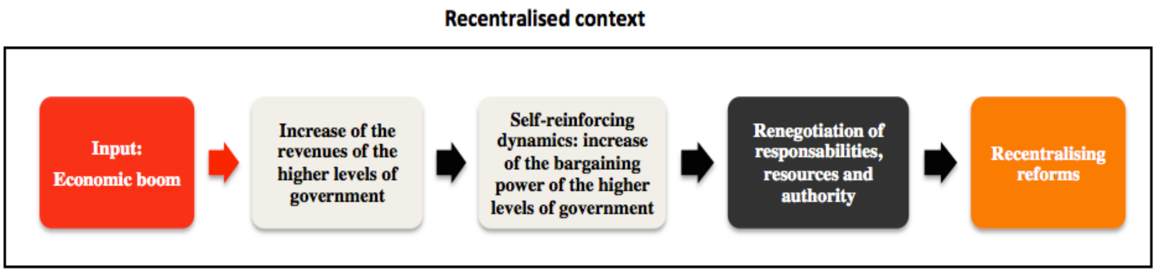


Source: The author

[68] On the politics of time see: Jacobs 2011

On the other side, in Colombia when there is an economic boom in a recentralised context, the higher levels of government receive most of the benefits. This is because they receive more resources (fiscal recentralisation) and have more autonomy to spend them (e.g. when there is a relative decrease of the automatic transfers, they have more discretionary funds), and obtain the political recognition associated with the funded policies or projects (e.g. national social programmes). This situation increases their bargaining power in the negotiation of the distribution of responsibilities, resources and authority with lower levels of government (e.g. they can decrease the political opposition to their recentralising reforms offering their discretionary funds in the negotiations with legislators and lower levels of government). This state of affairs triggered further recentralising reforms (self-reinforcing dynamics). However, when an economic crisis takes place in the same context, the higher levels of government also have to suffer most of the costs. They receive fewer resources and have to deal with the blame of unfunded policies or projects. Moreover, they have fewer discretionary funds to deal with political opposition in Congress and at the lower levels of government. Hence, there is a decrease of their bargaining power in the aforementioned negotiation. And this situation constrains the emergence of additional recentralising reforms (self-destroying dynamics). The causal mechanisms (links) between economic performance and recentralisation in a recentralised context are laid out in Figure 2.3.

Figure 2.3 Causal mechanisms (links) between economic boom and recentralisation in a recentralised context



Source: The author

This model does not use the notions of fiscal deficit and fiscal surplus. The main reason is because a national government in the middle of an economic boom can pursue further recentralising reform using the bargagining power of its increasing revenues without any variation in the levels of its fiscal deficit. For instance, the interaction with the legislators and subnational governmens (in order to renegotiate the terms of distribution of responisbilities, resources or authority) could demand a significant increase of its expenditures (higher than the increase of their revenues), particularly using discretionary funds. This was the case not only in Colombia during the Uribe and Santos administrations, but also during the first term of Putin in Russia (successful recentralisation reforms promoted by national governments with fiscal deficit).

In this country, there are also *learning processes* for politicians and high-ranked officials extracted from recentralisation attempts that are useful to promote further similar reforms. As Hood proposes, here learning was not understood in the sense of "developing policies that are demonstrable superior to what had gone before", but as the "adaptation of behaviour in the light of experience".[69] The thesis focuses on the circumstances in which national politicians and public officials learn in dealing with recentralising reforms. There were also learning processes at the subnational level, but they were not included because they did not favour the *emergence* of recentralisation.

Particularly, the successful and unsuccessful attempts to recentralise stimulated by the economic performance allow politicians and high-ranked officials (at the national level) to *learn how to deal with recentralising reforms*. At the centre of these learning processes is the trade-off between effective recentralisation and avoidance of political opposition. On the one hand, *weak* recentralising reforms face less political opposition in Congress as well as from subnational governments, but they are less useful in terms of retaking resources, authority, or responsibilities. On the other, *strong* recentralising reforms provide for important gains for the national government, but they face strong political opposition from subnational governments and even in Congress.

This is a probable model. The thesis' hypothesis would prove to be wrong in the following cases: (i) when an economic boom takes place in a decentralised context and there is an increase of *substantial* recentralising policies or reforms, (ii) when an economic crisis occurs in the same context and there is a decrease of recentralising policies or reforms, (iii) when *substantial* recentralising policies or reforms, as well as (iv) when an economic boom occurs in the same context and there is a decrease of recentralising policies or reforms.

---

[69] Hood 1996, 36

Conclusion

There have been different types of arguments in the empirical literature on the factors that have shaped recentralisation around the world. They may be classified depending on their main independent variable into three main categories: economic (e.g. hyperinflation), political (e.g. partisan control of government) and administrative (e.g. lack of institutional capacity of the lower levels of government).

In general, the existing approaches do not account for the change of context generated by the initial recentralisation reforms (sometimes because the period under analysis is too short). And the analyses are particularly focused on the impact of only one type of factor (economic, political or administrative) instead of on the interactions between them (González's work on the political power of presidents and governors is the main exception).[70] In other words, they assume temporal causal homogeneity. Moreover, regarding the case study, the main conclusion is the limited explanatory power of the existing hypotheses.

In such an environment, unlike most of existing hypotheses on the emergence of recentralising reforms, this chapter offers a hypothesis that identifies the relevance of changing institutional contexts, the interactions between different types of factors, and the role of legislators and subnational authorities.

This chapter also aims to tackle the main definitional issues of the recentralisation literature and brings new concepts appropriate for the analysis of the current recentralising strategies of the central governments (e.g. regulation inside government). Extrapolating some elements of the notion of decentralisation developed by Falleti, this thesis defines recentralisation as *the set of formal or*

[70] González, 2008

informal policies and reforms that transfers resources, authority, or responsibilities from lower to higher levels of government, after a process of decentralisation.[71] And resembling Falleti's typology of decentralisation, this thesis also identifies three types of recentralisation policies or reforms: political, fiscal, and administrative.

---

[71] Falleti explains decentralisation "as the set of policies, electoral reforms, or constitutional reforms that transfers responsibilities, resources or authority from higher to lower levels of government". Tulia Gabriela Falleti 2010

3. SUBNATIONAL AUTONOMY BEFORE THE RECENTRALISATION TREND

This chapter seeks to provide a *baseline* of the levels of subnational autonomy against which the following empirical chapters measure the recentralising reforms (including the results of the decentralisation processes of the 1980s and 1990s). It also offers some interesting data that challenges certain parts of influential accounts of the emergence of Colombia's decentralisation.

The chapter begins with a brief historical background. The second section describes the emergence of the decentralised institutional context mainly through fiscal decentralisation. The following section presents the main political descentralising reforms during the 1980s and the 1990s. The fourth presents the administrative decentralising reforms of the Constitution of 1991. The last section concludes by summarising the main elements of Colombia's decentralised institutional context.

Historical background

Since the independence from Spain in 1810, the (re) design of subnational institutions has been a critical issue in Colombia. It was in the centre of the split of the Great Colombia (current Colombia, Venezuela, Ecuador and Panamá) in 1830, some of the civil wars in the nineteenth century, the separation of Panamá in 1903 (along with North American interests), and every constitution (including a radically federalist one from 1863 to 1886).[1] It was also discussed in the peace negotiations between the national government and different guerrilla groups.[2]

As Safford and Palacios explain, Colombia "has had no naturally centralizing topographic feature". Safford and Palacios explain that "Mexico from pre-Columbian times has been mastered by the central valley of Mexico", and more recently "Santiago in Chile's central valley, and the coastal cities of Caracas in Venezuela, Buenos Aires in Argentina, and Montevideo in Uruguay, developed commanding power in those nations". By contrast, Colombia's topography divided its population into three main regions: the East, the West and the Caribbean coast. These three regions developed different cultural, racial and economic features. In the Caribbean coast and some parts of the West, there was a rapid decline of indigenous populations that were replaced with African slaves. While in the eastern highlands "the indigenous survived in greater number and few African slaves were introduced".[3] Economically, Popayan, the main city of the West until the end of the nineteenth century, "commanded the great bulk of the country's deposit of gold, the only important export in the colonial era and the first half of the nineteenth century". While the leading city of the Caribbean coast in that moment, Cartagena, "controlled legal commerce with the outside world and a good share of the contraband trade". The advantage of Bogotá, in turn, was the fact that the Eastern region "possessed a total population much larger than that of either of the other two regions". In this way,

[1] Tulia Gabriela Falleti 2010; O'Neill 2005

[2] K. Eaton 2006; Konrad Adenauer Stiftung and RINDE 2014; Oficina del Alto Comisionado para la Paz; 2016; Pardo 2016

[3] Safford and Palacios 2002, 7

since the colonial era Bogotá "has been dominant, but not unchallenged politically, and it has had to share economic power with important rivals in other regions".[4]

Another relevant factor to understand the subnational autonomy issues in Colombia is the perennial lack of infrastructure. Angell et al. explain that although Colombia is not the largest Andean country in area, "the topography of its 440.000 square miles of territory [about 5 times the territory of Britain] has presented immense challenges to communications and given it a great internal diversity of climate and natural resources". The reality is that "before the construction of major road and rail links, overland travel was arduous and slow, with many days, even weeks, of journey separating Bogotá from other regional centres not more readily accessible by river. Even today, air travel provides the only rapid way to traverse the two strands of the Andes which effectively divide the country into three, or of crossing the immense distances of the eastern planes and jungles".[5]

This country experimented with federalism during two decades, mostly under liberal governments[6], and during that time had major civil wars in 1876-1877 and in 1885.[7] But in 1886, Colombia returned to a strongly centralized system through a new constitution. This constitution "reduced the previous sovereign states to the status of departments, with governors appointed by the president of the Republic. Local executives were in turn appointed by the governors, thus ensuring the executive monopoly by the party in power" and "the president was given a longer administrative term and greater executive control over the Congress, and governors

[4] Safford and Palacios 2002, 7
[5] Angell, Lowden, and Thorp 2001, 18
[6] Deas 1985, 531
[7] Deas 1985, 524

retained veto powers over ordinances passed by elected municipal councils".[8] Additionally, this constitution restrained the vote according to income and property qualifications, except regarding municipal councils and departmental assemblies.[9]

The emergence of the decentralised institutional context:

This section of the chapter describes the main decentralisation reforms that changed the institutional context of Colombia during the 1980s and 1990s: (i) *fiscal decentralisation*, (ii) *political decentralisation* and (ii) *administrative decentralisation*.

Fiscal decentralisation

Contrary to what Falleti argued, the first step of Colombia's decentralisation was not political, but fiscal.[10] According to Falleti, the first layer of Colombia's decentralisation was the popular election of local mayors (political decentralisation) in 1986.[11] However, before that measure the Betancur administration had increased the subnational share of revenues through the Laws 14 of 1983 and 12 of 1986. Among others, these Laws allocated the national tax on vehicles to departments and Bogotá. It also allowed the departments to set the main elements (i.e. base and rate) of the taxes on liquor, tobacco, and the lottery. Five years later, during the Gaviria administration (1990-1994), the National Constituent Assembly of 1991 also ceded

[8] Appelbaum 2003, 109
[9] Appelbaum 2003, 109
[10] Tulia Gabriela Falleti 2010
[11] Tulia Gabriela Falleti 2010, 128–46

to the subnational governments the taxes related to industry and commercial activities as well as to real estate in their territories.

Furthermore, according to the Constitution of 1991, departments, districts and municipalities directly received resources from automatic transfers defined as percentages of the central government revenues. They would increase at a rate equal to the average of the percentage variation of the central government revenues in the previous four years. Based on this system, in 2001 the transfers were equal to 46.5% of these revenues.

During the Gaviria administration (1990-1994), there were strong debates between members of the National Constituent Assembly (that was preparing a new Constitution) and the Minister of Finance Rudolf Hommes (1990-1994) on the possibilities of increasing the percentage of the VAT tax assigned to municipalities (in that moment 50%) or using the central government revenues as reference for the transfers, as well as on the specific percentage for their calculation.[12] Eventually, the second option was approved.

From 1994 to 2014 the automatic transfers from the central government were still the main source of revenues. For instance, from 2000 to 2008, the fiscal dependency of the municipalities grew from 41.2% to 44,2%. In the case of the departments, this went from 44.7% to 52%.[13]

The Constitution also allocated most of the royalties (about 80%) to the subnational entities involved in the production and transportation of these commodities. The royalties are the payments of the companies to the Colombian

---

[12] (Rodado 2013)Carlos Rodado was former member of the National Constituent Assembly of 1991, Governor of Atlántico (2004-2008), Minister of Mining and Energy (2010-2011), and Member of the Congress (1986-1990). Interview on 13 November 2013. See also: El Tiempo 1991a, 1991b

[13] Zapata 2010

State for the exploitation of non-renewable resources such as oil, coal, gold, emeralds, etc.[14] Starting in 1991, royalties became a constitutional issue. They were initially regulated through particular contracts. Later on, there were a few national decrees that allocated the royalties produced by specific mines and oil fields to the areas where they were located, mainly bearing in mind their extreme poverty (e.g. La Guajira).[15] Then, in the National Constituent Assembly of 1991, as part of the majoritarian support to the decentralisation processes initiated in the 1980s, the royalties' regulation became a constitutional issue (articles 360 and 361). Particularly, these revenues were divided between the departments and municipalities where these resources and ports used for their transportation were located; and the National Royalty Fund.

Unfortunately, the fiscal decentralisation allowed the appropriation by guerrillas and paramilitary groups of public goods (transfers and royalties) from the municipal and departmental governments through violence, the threat of violence and (illegal) political agreements.[16] These illegal armed groups were also able to exert significant influence over a number of members of the Congress as well as on some national authorities.[17]

Political decentralisation

For about one hundred years, Colombian presidents appointed subnational authorities (since 1886). However, in practice, they were never completely

[14] Alesina, Carrasquilla, and Echavarría 2000, 8
[15] Republic of Colombia 1974a, 1974b, 1974c, 1974d, 1979
[16] K. Eaton 2006
[17] MOE; et al. 2010

autonomous to appoint their own candidates. The dominant political groups of the department or municipality mediated these choices.[18] When a local mayor did not attend the continuous petitions of these political groups they asked the national executive to replace him or her. As a consequence of these dynamics, it was common to have local mayors who governed less than six months. And not only for the subnational governments, but also for the national government, this situation produced a highly inconvenient instability.[19]

In 1986, the Congress approved the popular election of local mayors. The first election took place in 1988. Since the presidential campaign, the Conservative candidate Belisario Betancur opted to promote greater subnational autonomy and a negotiated solution of the conflict.[20] The majoritarian Liberal party was split between two candidates and Betancur won the elections. Betancur also tried to negotiate with the guerrillas in 1984 and 1985, but these negotiations failed. Nonetheless, he promoted the introduction of mayoral elections. Paradoxically, the 1986 reform was approved with the support of the members of the Liberal party (as the majority party in both chambers of the Congress), but against strong opposition from some members of the Conservative party.[21] According to Angell et al.,

> the bargaining process behind the reform relied to some extent on the factionalism of the parties, combined with congressmen's willingness to take long-term political risk in exchange for short-term gains in patronage opportunities.[22]

---

[18] Posada Carbó 2006

[19] Hugo Palacios Mejía was Minister of Finance (1985-1986), interview 19 October 2013; and César Gaviria was President of Colombia (1990-1994), interview 2 July 2015.

[20] See Angell, Lowden, and Thorp 2001, 22; Ramírez Ocampo 2009, 26-27-35

[21] About the control of the Liberal party in both chambers see O'Neill 2005, 99. About the opposition of members of the Conservative party see: K. Eaton 2006, 542

[22] Angell, Lowden, and Thorp 2001, 25

Five years later, and despite the opposition of Fedemunicipios (national associationof municipalities), the National Constituent Assembly of 1991 also approved the popular election of governors.[23] Since then, the relationship between governors and local mayors was very difficult. The executive director of Fedemunicipios described the situation in the following terms:

> We will always have the rivalry that we have had until now with the governors elected by the people, campaigning with similar programmes to those proposed by local mayors, as if they were going to be chosen for a larger local mayoralty, and a national government understanding that it is better to negotiate with 32 [governors] than with 1101 [local mayors].[24]

The promoters of the decentralisation reforms claimed that these changes would help to bring the country together. For instance, Liberal party leader Jaime Castro (a strong advocate of the decentralisation of government toward the municipalities) even argued that decentralisation could bring about peace to the war-torn country. For him,

> decentralisation constitutes one of the keys to war and peace, because it creates the democratic space that must exist in order to incorporate armed rebels who wish to participate in regional and local public life.[25]

Furthermore, in Colombia local councils and departmental assemblies are also popularly elected since the nineteenth century. Still, they do not have legislative, but administrative functions.[26]

---

[23] Tulia Gabriela Falleti 2010

[24] Gilberto Toro was Executive Director of Fedemunicipios - national association of municipalities, interview 20 September 2013.

[25] Castro 1998, 13

[26] Hooghe 2016

Administrative decentralisation

Expenditure responsibilities regarding health and education services were also transferred to the subnational entities in 1991, as well as some of the main responsibilities to secure the provision of household services (such as water supply and sanitation), particularly to the municipalities.

A very important issue is that according to the Constitution of 1991, the subnational governments did not have to comply with any constitutional or legal requirements to receive the aforementioned fiscal transfers. However, the Inspector General, the National Audit Office and the Attorney General were in charge of different types of controls over the use of these resources by the public officials of the subnational entities. The DNP also monitored and controlled these expenditures since 1993 (Law 60 of 1993), but its faculties were limited by the constitutional protection of the autonomy of departments and municipalities.

According to Faguet and Sánchez, Colombia's decentralization "improved enrolment rates in public schools and access of the poor to public health services".[27] Regarding household services, since 1994, Colombia experienced a significant increase in access and quality, particularly in large and medium size cities. Nonetheless, this change was mainly associated with an unprecedented increase in the levels of private investment in the power and telecommunications sectors (triggered by a centralised public utilities regulation). The same levels of investment, quality and access were not present regarding water supply and sanitation, especially

[27] Faguet and Sánchez 2014

in small towns and rural areas (in 2014, the municipal administrations were still the main providers of these services in the country).[28]

On the other hand, before the reform of 2011, there were two ways to manage the royalties: (i) the producing areas were autonomous selecting the projects to be financed with their royalties (if they were certified by the national government regarding some public services outcomes) and (ii) the National Royalty Fund, controlled by the central government, that managed the remaining royalties. Initially, a Commission linked to the Ministry of Mining and Energy controlled this fund. But because of transparency problems, the administration of the fund was reallocated to the National Planning Department in 2004.[29] The content of the projects financed with royalties had to be harmonised with the departmental or municipal development plan. The Constitution did not require the coordination with the national development plan.

Conclusion

The National Constituent Assembly of 1991 increased the levels of decentralisation up to the point to set a decentralised institutional context in Colombia. During the 1980s and 1990s Colombia experienced a comprehensive set of decentralising reforms, including political, fiscal and administrative decentralisation. The popular election of mayors approved by Congress in 1986 was accompanied by the popular election of governors approved in the National Constituent Assembly of 1991. Since 1991, departments and municipalities directly

[28] Consejo Nacional de Política Económica y Social 2005a
[29] Republic of Colombia 2004a, 2004b

received resources from automatic transfers associated with the variations of the central government revenues (in 2001, the transfers were equal to 46.5% of these revenues), most of the royalties on natural resource extraction (about 70% for the producing areas in 2011), and some taxes (the most important were related to industry and commercial activities and real estate in their territories). Moreover, expenditure responsibilities regarding health and education services were transferred to the subnational entities in 1991, as well as the main responsibilities for the provision of household services such as water supply and sanitation, particularly to the municipalities. Most of these mandates were included in the Colombian constitution.

4. NO ECONOMIC CRISIS IN A DECENTRALISED CONTEXT: THE SAMPER ADMINISTRATION (1994-1998)

This chapter traces the main attempts (both successful and unsuccessful) of the Samper administration (1994-1998) to recentralise, particularly the failed attempt to modify the revenue sharing system of the Constitution of 1991. The analysis of this administration shows the serious difficulties that accompanied attempts to promote recentralising reforms in a decentralised context (generated by Colombia's decentralisation trend of the late 1980s and the Constitution of 1991), without an economic crisis (i.e. decrease of the GDP per capita for two consecutive years).

Ernesto Samper, former Minister of Development and Ambassador to the Kingdom of Spain during the Gaviria administration (1990-1994), was elected President as the official candidate of the Liberal party. The Liberals obtained 50.6% of the votes in the national election, 68.8% in the regional elections (departments) and 48.7% in the local elections (districts and municipalities). They had the majorities in the Senate as well as in the House of Representatives. On the other hand, the Conservatives obtained 48.5% of the votes in the national elections, 21.9% in the regional elections and 40.7% in the local elections. [1]

The Samper administration promoted fiscal, administrative and political recentralising reforms. Particularly, it tried to decrease the resources transferred to departments, districts and municipalities (modifying the revenue sharing system of 1991); to reduce the political independence of governors and local mayors from

[1] O'Neill 2005, 105

Congress and the national government (synchronising the national and subnational electoral calendars); as well as to reduce the policy-making authority of the subnational authorities (creating a new set of conditions to obtain loans in the financial market). Nevertheless, among all the recentralising attempts by this administration, Congress only approved the bill adopting administrative restrictions to obtain loans in 1997. [2]

An in-depth analysis of the Samper presidency is central to avoid proposing misleading conclusions only based on bill proposals (reforms promoted in Congress). Specifically, it is true that this administration did not propose in Congress a constitutional amendment to modify the revenue sharing system of 1991. However, this was not because they wanted to preserve that system (indeed, in 1995 the Minister of Finance Guillermo Perry organised a bipartisan commission to prepare its reform), but due to the political polarisation during the Samper administration (mainly caused by one of the worst political scandals in the recent history of Colombia). In fact, the subsequent Pastrana's government (1998-2002) eventually used some of the main conclusions of that bipartisan commission to support the reform of the revenue sharing system of the Constitution of 1991.

What could explain the failure of the Samper administration to reform the revenue sharing system of 1991 considering the majorities of the Liberal party in Congress as well as in subnational governments? Could the self-defined social democrat Samper administration's attempts to recentralise be considered early responses against the decentralising processes promoted by previous "neoliberal" governments (Betancur 1982-1986, Barco 1986-1990 and Gaviria 1990-1994)? How

[2] Congreso de la República de Colombia 1997

did the political power of local mayors, governors and their subnational associations operate during the legislative processes of these proposals? What were the political incentives associated with these recentralising attempts?

The first section of the chapter describes the main recentralisation attempts during the Samper administration (*what*). The second section presents the economic input and decentralised institutional context (i.e. Constitution of 1991 and subnational government's informal veto power) that influenced the emergence and evolvement of those attempts (*why*). The following section explains the causal mechanism (mainly self-reinforcing dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other (*how*). The last section concludes by suggesting that, as the main hypothesis of this thesis proposes, the (mostly unsuccessful) recentralising attempts during the Samper administration can be explained as outcomes of the economic performance in a decentralised institutional context (*hypothesis*).

Recentralisation attempts (What)

This section of the chapter describes the main recentralisation attempts during the Samper administration: (i) *fiscal recentralisation*: failed attempt to modify the revenue sharing system of 1991, (ii) *administrative recentralisation*: new set of conditions for the subnational governments to obtain loans in the banking sector, and (ii) *political recentralisation*: failed attempt to synchronise the national and subnational electoral calendars.

Fiscal recentralisation: failed attempt to modify the revenue sharing system of 1991

The Samper administration tried in vain to reform the revenue sharing system of 1991 mainly to disassociate the automatic transfers to the subnational governments from the variations of the central government revenues.

In 1995 (a year into this administration), the DNP already identified this change as one of the structural reforms needed to solve the fiscal problems of Colombia's central government:

> To solve in a more structural way the problems of the central government during 1995 and that it would face in 1996, it is necessary to take action in four areas: (a) the increase in the Nation's revenues, through a tax reform, (b) austerity in the operational expenditures of the central government, (c) priorization of the investments included in the National Development Plan, and (d) an agreement with the subnational authorities and Congress to reduce the transfers from the national level, which could generate an unsustainable fiscal situation in the future.[3]

One year later, the DNP specifically proposed a reform to decrease the rate of increase of the transfers for municipalities.[4]

In his official memoirs, Guillermo Perry (Minister of Finance during the Samper administration, 1994-1996) argued in favour of the reform of the revenue sharing system of 1991. The transfers couldn't continue to grow tied to the National revenues, argued Perry, because there was no reform that could cover the national deficit if such a high proportion of the resources had to go to the subnational entities.[5]

---

[3] Departamento Nacional de Planeación 1996; CONPES 1995

[4] Departamento Nacional de Planeación 1997; Público and Departamento Nacional de Planeación 1996

[5] Guillermo Perry is former Member of the National Constituent Assembly (1991) and Minister of Finances (1994-1996), interview 1 November 2014.

In my inteviews, José Antonio Ocampo (Minister of Finance during the Samper administration, 1996-1997) justified the need to reform the revenue sharing system of 1991 in the following terms:

> I think that I was one of the first ones to speak against the 1991 scheme. I did so for a simple reason: everytime that we did a tax reform to balance the finances of the national government, half of it would go to the transfers. This was wricking the autonomy of any tax policies.
> (…)
> I only mentioned it, but never took the lead to change it. There was no proposal to reform the constitution to change the transfers scheme, but the Pastrana administration did present a proposal afterwards.[6]

It was clear that the Samper administration wanted to decrease the rate of increase of the transfers (fiscal recentralisation) and disassociate it from the variations of the central government revenues as part of the measures to deal with the central government's fiscal problems of the moment.[7]

Administrative recentralisation: the "traffic light law": new set of conditions to obtain loans in the financial market

In 1997, Congress approved the "traffic light law" proposal.[8] This law decreased the autonomy of the municipalities and departments to obtain loans from the banking sector. The payment capacity (comparison between the obligations associated with the credit and the available resources to comply with them) was the main criteria (an annual loan interest not higher than 40% of operational savings, and a total debt not higher than 80% of current income). There were three different types of legal requirements to obtain new loans: "green" (minimum administrative

---

[6] José Antonio Ocampo is former Minister of Agriculture (1993-1994), Director of the National Planning Department (1994-1996) and Minister of Finances (1996-1997), interview 18 November 2014.

[7] Castro 1998, 66

[8] Congreso de la República de Colombia 1997

procedures), "yellow" (improvement plan) and "red" (authorisation by the Ministry of Finance).[9] This is why this law was informally known as the "traffic light law". The new legal framework also included "debt restructuring and benchmarks for subnational public expenditures".[10]

The same year, an official report prepared by the Ministry of Finances explained this law in the following terms:

> The law of conditions for loans by subnational entities approved at the end of 1996 (sic) introduced rigurous requierements for these entities to take out loans, in order to avoid them from acquiring debts when their financial capacity would not allow them to. There is currently a bill proposal on guarantees to avoid their unsuported growth, which might mean a dangerous accumulation of debt.[11]

This is a case of *regulation inside government*.[12] (i) The Ministry of Finance (higher level of government) aims to shape the activities (borrowing powers) of the municipal governments (lower level of government), (ii) there is a high degree of organisational separation between the higher level (Ministry of Finance) and the lower level of government (each municipal administration), and (iii) the higher level of government has an official mandate to scrutinize the behaviour of the lower level of government and seek to change it (Law 358 of 1997).

Nonetheless, the "traffic light law" was not a substantial reform (with the capacity to produce a change in the general institutional context). Even though it decreased the autonomy of local mayors regarding loans from the banking sector, this was not their main source of funding. Subnational governments were still

---

9 Jose Antonio Ocampo 1997, 94

10 Jose Antonio Ocampo 1997, 241

11 Ministerio de Hacienda y Crédito Público, Departamento Nacional de Planeación, and CONFIS 1998

12 See Chapter 2 of this thesis.

receiving increasing fiscal transfers, and consequently this reform did not decrease the informal veto powers of the lower levels of government, as it was evident during the Pastrana administration (next chapter).

Political recentralisation: failed attempt to change the electoral calendar

In August 1996, the national government sent to Congress a project of constitutional reform that (among some other reforms) included the synchronisation of national and subnational electoral calendars (i.e. national, departmental, and municipal elections would occur concurrently).

The Samper administration argued that this change would help to consolidate local political movements and improve voter turnout. However, as Van Cott explains:

> The traditional parties would be the clear beneficiaries, since it [synchronisation of the electoral calendars] increased their ability to influence all three levels of elections through clientelist incentives and to improve congressional representation through linkages to popular local candidates. Finally, the counter-reform [reform proposal promoted by the Samper administration] demonstrated a clear tendency to reverse the process of decentralisation.[13]

In sum, this administration not only failed to decrease the automatic transfers to departments and municipalities, but also to synchronise the electoral calendar (both changes required constitutional reforms). However, Minister of Finance Ocampo did manage to obtain the support of the legislature to regulate the borrowing powers of the subnational governments in 1997 (ordinary law).[14]

---

[13] Van Cott 2000, 108. In her study on Colombia's decentralisation, O'Neill shared the same interpretation regarding this reform attempt. O'Neill 2005, 120

[14] The legal status (constitutional reform or ordinary law) is relevant because the Liberal Party had enough majorities in both chambers to promote legal reforms, but not to pass a constitutional

Economic inputs and institutional context (Why)

This section presents the economic performance and institutional context that influenced the emergence (or failing to emerge) of the recentralisation attempts during the Samper administration.

Colombia's GDP per capita grew from 1994 to 1997 (5.8% in 1994, 5.2% in 1995, 2.1% in 1996 and 3.4% in 1997). [15] This performance was below the Colombian average since 1980s, but still above the Latin American average. And there were very serious fiscal and economic concerns. [16]

In 1995, in his official memoirs, Guillermo Perry (first Minister of Finances of this administration) said that although the macroeconomic situation found by the Samper administration was favourable, there were concerns about sustainable economic growth in the long term.

> This government found that the main risks were in the excessive revaluation of the currency, in an inconvenient dynamic of public expenditure and in a monetary policy that was too permissive (…) The government´s expenditure had risen in an accelerated way in the last years, in particular the central government grew at a rate of 71.6% between January and July 1994, and there was a commitment to generate a consolidated fiscal surplus in the public sector, looking to contribute to the achievement of macroeconomic goals.[17]

In 1997, an official report prepared by the Ministry of Finances explained Colombia's economic performance as facing a slow down that started in mid-1995 and reached its most critical moment in the second semester of 1996 and first semester of 1997. The causes of the slow down can be traced back to the crisis in

amendment. Therefore, the Samper administration needed the support of some members of the opposition.

[15] Villar and Rincón 2000

[16] Jose Antonio Ocampo 2004

[17] Perry Rubio 1995, XV–XVI

Venezuela, decisions by the previous government regarding Colombia's monetary policy, and

> the recession of the construction cycle and the reduction in production and coffee prices. Also, the struggle with drugtraffickers – that had a higher negative impact than expected, mainly in Cali – the revaluation of the exchange rate in the second semester of 1996, and the fiscal adjustment. All of these factors, together with some of the ones mentioned before, had effects that extended to the first semester of 1997.[18]

In 1998, one year later, an official report prepared by the Ministry of Finances explained Colombia's economic performance (particularly affected by external factors):

> There are diverse factors that will negatively affect the economic performance during 1998, amongst them we should highlight the following: 1) the phenomenon of the Pacific region negatively affected agriculture production in the first semester of the year; 2) the increase of interest rates caused by the speculative atacks against the exchange rate and the financing of the fiscal deficit in a monetary market with scarse liquidity; 3) the decrease of expectations of growth of the Venezuelan economy; 4) the crisis in Asia that has negatively affected the growth of the economies in that region and in Latin America, together with the decrease and price increase of external funding of the so called "emergent" economies; 5) the decrease of oil and coffee prices. In this way, starting in the second trimester of the year, diverse economic activities have been affected, as indicated by several business opinion polls. Additionally, the financial sector has showed a negative behaviour in the course of the year, the construction sector shows no signs of recovery, and the agriculture sector which is expected to have a mild recovery in the rest of the year, registered negative results for the first trimester and we foresee similar results in the second semester as a consequence of the mentioned Pacific phenomenon.[19]

This economic situation took place in a decentralised context. The Constitution of 1991 had already transferred a significant part of resources, responsibilities and authority from higher to lower levels of government. In this context, the subnational governments were receiving a growing percentage of the

---

[18] Ministerio de Hacienda y Crédito Público, Departamento Nacional de Planeación, and CONFIS 1998

[19] Ministerio de Hacienda y Crédito Público, Departamento Nacional de Planeación, and CONFIS 1998

central government revenues (moreover, these transfers went from 2.5% of the GDP in 1990 to 5% in 1994).[20] The subnational governments also had important responsibilities concerning education, health, water supply and sanitation services, and were elected by popular vote (with an electoral calendar different from that of the national authorities). Consequently, the lower levels of government had a very important informal veto power with regards to changes in the distribution of resources, responsibilities and authority.

Because all these rules were included in the Constitution, any reform required eight debates, it had to be promoted in two ordinary and consecutive legislative periods, and in the second legislative period it also required the majority of the members of each chamber. This, of course, increased the veto power of the opposition.

Self-reinforcing dynamics (How)

This section explains the causal mechanisms (mainly self-reinforcing dynamics) that linked the combination of those economic and institutional factors, on the one hand, and the (mostly unsuccessful) recentralisation attempts during this administration, on the other.

---

[20] Ministerio de Hacienda y Crédito Público, Departamento Nacional de Planeación, and CONFIS 1998

Fiscal recentralisation: failed attempt to modify the revenue sharing system of 1991

There was a trend to increase public expenditures that initiated during the previous administration. The investments and social expenditure associated with the National Development Plan; the expenditures related to the new institutions created by the Constitution; the greater participation of the subnational governments in the nation´s revenues; the need to finish public works that cannot be postponed indefinitely and the greater military expenditure caused by the escalade of terrorism against Colombians imposed restrictions to the cuts in expenditures,[21] said Rudolf Hommes in his official memoirs as Minister of Finance of Gaviria's government. He also stated that the fiscal adjustments to keep up with the growing expenditures would have to come from tax revenues.

In my interviews, Armando Montenegro, Director of the DNP as part of Gaviria's cabinet (1990-1994) explained that starting with the Gaviria administration there had been concerns about the fiscal impact of the revenue sharing system of 1991, given the growth in expenditures at the national level.[22]

The revenue sharing system of 1991 ordered the national government to transfer a growing percentage of its current revenues. During Gaviria's presidency that percentage was still low, but during the Samper administration it was a considerable part of the national government revenues.[23] In my interviews, José Antonio Ocampo stated:

---

[21] Hommes 1991, 52

[22] Armando Montenegro is former Director of the National Planning Department (1990-1994) during the Gaviria administration, interview 11 December 2014.

[23] For the initial formulas, see Chapter 3 of this thesis.

> The Gaviria government was the one that approved the initial formula, which was incorporated in the Constitution, and it started to execute it. However, Gaviria's government did not have to pay [the transfers were equal to 3.5% of the GDP in 1994]. It was the Samper and Pastrana administrations that had to assume the costs of the reform [in 1998 the transfers were equal to 4.8% of the GDP and in 2001 they reached 5.4% of the GDP].[24]

According to the then Minister of Finance Guillermo Perry, he attempted to modify the revenue sharing system. At the time, there was already a kind of consensus among the Colombian technocracy on the need to reduce the rate of growth of the transfers. However, from the very beginning of their time in office, the Samper administration faced a serious political polarisation.[25] Colombia became highly polarised. The President's party obtained the highest percentage of votes in the national, intermediate and local elections (among all of the political parties that competed).[26] Nonetheless, since the second round of the presidential elections Samper had to face the allegations that his campaign had been partially financed by the main drug cartel of the country.[27] The opposition, some social leaders, and even members of his own party were continuously asking for his resignation.[28] In June 1996, the Congress cleared Samper of any wrongdoing[29] (the political scandal was known as the "proceso 8000"). But it did not substantially change the polarisation of

---

24 José Antonio Ocampo was the second Minister of Finance (1996-1997) during the Samper administration, interview 18 November 2014; I. Lozano, Ramos, and Rincón 2007, 7.

25 Interview Armando Montenegro, 11 December 2014; interview Jose Antonio Ocampo, 18 November 2014; Guillermo Perry, Minister of Finance (1994-1996), interview, 1 November 2014; Restrepo Botero and Cuellar 2006, 378.

26 O'Neill 2005, 105

27 BBC 1998; O'Neill 2005, 119; Revista Semana 1996

28 Among the leaders of the opposition, the influential Conservative politicians Álvaro Gómez and Andrés Pastrana asked for Samper's resignation. See Revista Semana 1997; El Tiempo 1997b. Some of the leaders of the Colombian Catholic Church also requested Samper's resignation. See El Tiempo 1996a. Among the Liberals, Humberto De La Calle, Vice-president of the Samper administration, not only resigned but also asked the President to do the same. De la Calle 1996

29 Samper Pizano 2000, 116

the country about his political responsibility. As Samper explained in his memoirs with regards to the media and the opposition:

> They said that the national government was buying the Congress with positions. False (…) They also criticised the use of the co-financing funds created during the Gaviria administration to support local or regional activities related to water supply, public works, rural telephone lines and basic social services (…) All co-financing accounts were subjected to the Development Plan and had to be argued for before the project bank at the National Planning Department. The release of the funds was subjected to the fiscal priorities at the time.
> As former Minister José Antonio Ocampo rightly put it in his book about the crisis and its background (which is about to be published): "Through the mechanism of co-financing, the government supported multiple proposals of regional and local public works that came from all parliamentarians, including from the opposition, like the current Minister of Finance Juan Camilo Restrepo"
> So, unlike what the public were told, this was not about a bag where the government would take out bills to distribute to everyone like candy.[30]

Samper's policies also had to face the strong opposition of a faction of the Liberal Party led by César Gaviria as well as of a significant part of the Colombian technocracy. Samper's economic and social policies were seen as contradictory to the agenda promoted by his predecessor. Gaviria's economic team and the more orthodox technocrats of the country (some of them associated with the Conservative Party) portrayed Samper's measures as "populist". On the other hand, Samper's advisors depicted Gaviria's policies as "neoliberal".[31]

However, both factions shared the idea of the urgent need to reform the revenues sharing system of the Constitution of 1991. On this issue, in their academic work on the decentralisation processes in Colombia, Restrepo and Cuellar explain:

> The elite that handles economic policy made their concert known about the efficiency of decentralised public expenditure and, in particular, the increase of transfers tied to the general economic growth. The state needed greater resources to pay the debt and public investments and each national effort had to be shared in

---

[30] Samper Pizano 2000, 109–10

[31] Carlos Caballero, was Minister of Mines and Energy (1999-2001) during the Pastrana administration, interview 14 November 2014; interview Armando Montenegro, 11 December 2014; interview Guillermo Perry Rubio, 1 November 2014; interview Jose Antonio Ocampo, 18 November 2014; Horacio Serpa Uribe, 10 October 2013; Semana 1994

> halves with local governments. The voices that denounced the incidence of transfers in the deficit and the fiscal pressure on the nation produced a growing echo.[32]

The course of action proposed by the Minister Finance Guillermo Perry to get the support of the opposition to a reform of the system was to create a bipartisan commission.[33] He spoke to the directors of both parties and agreed that they would support the commission's recommendations in Congress. Perry explained the situation in the following terms:

> We didn't see the possibility of changing that [revenue sharing system of 1991] in Congress if there was no agreement between the two parties, a State agreement. At least that was the way I saw it. And that was why I didn't take the bill proposal to the Congress but rather proposed that creation of the Commission so that a Commission of the two parties could reach a conclusion. I was sure that the conclusion regarding transfers had to be to limit growth and separate them from national revenues.
>
> What had to be done was more or less clear to everyone. There could be variations but the two main problems were that they couldn't continue to grow at the current speed and that it had not turned out to be a good idea to tie transfers to current income because if the national government had a gap and wanted to make a reform to cover that gap this would increase the expenditures of departments and municipalities and that didn't solve the problem.[34]

The bipartisan commission's work had a high technical level (published in 1997). The appointed members were some of the most prestigious specialists in public finances from both parties. [35] After two years, this group of experts produced

---

[32] Restrepo Botero and Cuellar 2006

[33] El Tiempo 1995. During the Turbay administration (1978-1982), there was also a commission (with foreign and national experts) on fiscal decentralisation and public expenditures led by Professor Richard Bird (an international expert in "fiscal federalism"). During the Betancur administration (1982-1986), there was another commission on public expenditures.

[34] Interview Guillermo Perry Rubio, 1 November 2014.

[35] Both parties appointed well-known figures. Among the delegates of the Liberal party was the former Minister of Finance Luis Fernando Alarcón (1987-1990); while the Conservatives included the former Minister of Finance (1971-1973) Rodrigo Llorente. The coordinator was the former Minister of Agriculture and Dean of the Department of Economics of the Universidad Javeriana Gabriel Rosas Vega. The technical secretary was Sergio Clavijo, who led the group of economists of the CONFIS (*Consejo Superior de Política Fiscal*) that supported the analyses of the commission. Both Rosas and Clavijo promoted a well-organised and rigorous work. Luis Fernando Alarcón is former Minister of

six volumes on the main fiscal problems of the country and specific proposals to deal with them.[36] Among the main issues analysed by the commission were serious financial risks associated with the revenue sharing system of 1991.[37]

Still, the main problem was the political scandal suffered by this administration (proceso 8000). In my interviews, Guillermo Perry explained:

> The only problem was that mid way the *Proceso 8000* scandal broke out and I lost the support of the Conservative Party. Faced with Samper's discredit, they said they wanted nothing to do with him, and they started asking for his resignation. I convinced them not to leave the Commission and the Commission was able to issue a report. But there was no way that we could pass a proposal through Congress. I was no longer there, Ocampo had to deal with this. And Ocampo called me in Washington [as economist at the World Bank] and said: Guillermo, I just received the Commission's report, but how I am going to pass this reform in Congress? And my advice was to fragment the reform. He was able to pass some minor reforms because the environment just wasn't right anymore.[38]

Samper's Ministers of Finance did not even present a bill proposal to reform the revenue sharing system. They already knew that Congress would reject it.[39] According to Ocampo, he wanted to reform the revenue sharing system of 1991 because it was fiscally unsustainable, but it was politically impossible to promote a constitutional reform. The Samper administration didn't have a lot of margin to make

---

Finance (1987-1990) and member of this commission, interview 29 November 2014; interview Guillermo Perry Rubio, 1 November 2014.

[36] See Ministerio de Hacienda y Crédito Público and Comisión de Racionalización del Gasto y de las Finanzas Públicas 1997 Specific content of the volumes: Volume 1. "*Diagnóstico y principales recomendaciones*", Volume 2. "*Administración del estado*", Volume 3. "*Descentralización*", Volume 4. "*Sistema de pensiones deuda pública*", Volume 5 "*Seguridad y orden publico, justicia y derechos civiles*", Volume 6 "*Infraestructura y gestión fiscal*".

[37] Ocampo said: "*The diagnosis of the government and the Commission of Rationalisation of Public Expenditures and Public Finances, created to analyse the fiscal problems, coincides with the identification of the main generators of fiscal unbalance like, amongst others: the dynamic reached by subnational transfers; the reform to social security (law 100 of 1993); the evolution of public expenditures in the justice, defence and security sectors; the growing burden of the debt service; and the inefficiency in the use of resources*." Luis Fernando Alarcón, 29 November 2014; interview Jose Antonio Ocampo, 18 November 2014; interview Guillermo Perry Rubio, 1 November 2014.

[38] Interview Guillermo Perry Rubio, 1 November 2014

[39] There were three Ministers of Finance during the Samper administration: Guillermo Perry (1994-1994), José Antonio Ocampo (1996-1997), and Antonio José Urdinola (1997-1998).

constitutional reforms, said Ocampo, to put it clearly.[40] Similarly, Luis Fernando Alarcón, member of the bipartisan commission said:

> There were recommendations in a diversity of broad fields, but normally topics that require a strong government, a government with leadership capacity that is willing to go to Congress to get laws approved, or that had the capacity to materialise a series of measures that need leadership and a lot of strength. And the Samper government evidently was not this government.[41]

On the other hand, the economic performance and political situation of the country reinforced the informal veto power of the subnational governments. Colombia's per capita GDP grew from 1994 to 1997. This performance allowed a modest growth of the central government revenues. According to the revenue sharing system of 1991 the fiscal transfers were linked to the variation of these revenues. Therefore, since the central government revenues raised, the fiscal transfers to municipalities, districts and departments also increased. With their transfers continuously growing (in 1995 the transfers were equal to 3.5% of the GDP, in 1996 to 4.2% and in 1997 to 4.4%), [42] governors and local mayors did not have any incentive to accept changes in the revenue sharing system of 1991, or any other substantial recentralising reform (despite the fiscal difficulties that the national government was experiencing).

Furthermore, President Samper needed the political support of the subnational authorities to deal with the strong voices that were asking for his resignation because of the "*Proceso 8000*". As the Colombian expert Malcolm Deas explains:

> Popularity never abandoned him [Samper]: a study of the surveys shows a classic polarisation, and polarisation tends to be stable: the rate of support, historically high, didn't vary much. A leader always has, amongst other responsibilities, the responsibility to protect the interests of those who follow him/her, and it was

---

[40] Interview Jose Antonio Ocampo, 18 November 2014

[41] Interview Luis Fernando Alarcón, 29 November 2014.

[42] I. Lozano, Ramos, and Rincón 2007, 7

> possible to argue that if Samper would have stepped down it would have caused problems of the same magnitude as those that would have been caused by remaining in power, such as the inauguration of a cycle of institutional instability. His enemies also read the same surveys: very unlikely in any country, much less in Colombia, a coup attempt against a president who had those approval rates.[43]

As Samper explained in his memoirs, he had "the solidarity of the province, expressed by its governors and majors".[44]

The surveys never undermined the support to the President by the popular and provincial sectors of society, said Restrepo and Cuellar, who argued that there was instead a high level of rejection of the elite and the capital of the Republic.[45]

As the same authors explain, governors and local mayors were fundamental for Samper's governance because they were not directly affected by the president's fall of legitimacy and popularity since he did not appoint them (they were popularly elected).[46] Restrepo and Cuellar summarise this situation by saying:

> Nonetheless, it is important to point out that in past times the crisis of the presidency had also meant the crisis of the governors and majors as institutions, while in the new situation the legitimacy of each one comes from a particular election. (…)
>
> The distribution of strengths reflected, independently of the problem of drug trafficking, important transformations rushed by the process of decentralisation: a voice of the subnational leaders about topics which were exclusive of the national level coming from the political calculations of local interests, a citizens' defence of decentralised public expenditure destined for popular sectors and the adhesion to a vague model of intervention in the public sector against the neoliberal onset.
>
> Not only were they not affected by the President's loss of legitimacy, but there was an early defence of the President by the federation of majors, who appreciated the boost that local leaders had received from the presidential program against poverty. There were 14 programmes to attend populations in poverty, and these programmes were directed by departmental and municipal concentration tables led

[43] Deas 1999

[44] Deas 1999, 20

[45] Restrepo Botero and Cuellar 2006, 378

[46] Restrepo Botero 2015; Restrepo Botero and Cuellar 2006

by local leaders, with the participation of institutions from the national level (who executed the programmes) and the general public.[47]

Cecilia López, Minister of the Environment and Director of the DNP during the Samper administration, explained the reasons behind the support from local leaders to the President:

> The transfers were important, amongst other things, because in the Samper administration the regions played a very important political role for the President. What hasn't been said in the case of Samper is that although the criticism to the government was fierce in Bogotá, the President had a lot of support in the regions. So we all went frequently to the regions. And if you look at the social expenditure of the Samper administration, there was a big effort to comply with the Development Plan. And the regions benefited from this. So the situation was not about the regions asking for things from the President, but the other way around, the President and his team supporting the regions, because that was where his political power was too.
> (…)
> There was no chance to reduce the transfers because there was a political limitation. Every Saturday we had to go to the regions because I think he (the President) thought that the country had to decentralize, and also because of the politics, because he had support in the regions that he did not have in Bogotá. So it would have been a suicide. There was no political space to make a decision like that. And what we tried to do was implement all the possible controls.[48]

The government even had to accept new expenditures in order to maintain important allies (e.g. national teachers union) in the middle of a very difficult political situation. One example was the "*Fondo Educativo de Compensación*". After a national pay strike of FECODE (national teachers union), the Minister of Educación María Emma Mejía created this fund to increase the departments' resources available for the education sector (particularly for the rise of teacher's salaries). [49]

---

[47] Restrepo Botero 2015; Restrepo Botero and Cuellar 2006

[48] Interview Cecilia López, 2015.

[49] Montenegro and Rivas Mallarino 2005, 175; interview Gabriel Piraquive, 12 November 2013

Administrative recentralisation: the “traffic light law”, new set of conditions to obtain loans in the financial market

The departmental and municipal authorities were using their increasing transfers as guarantees to obtain more loans from the domestic financial sector.[50] The banks easily accepted as guarantees the resources transferred to the subnational authorities through their bank accounts. There were strong incentives to obtain these loans because local mayors and governors could get more resources without the political constraints of taxing and with the absence of central government controls over subnational borrowing and balanced budget rule for subnational governments. Furthermore, these loans were being used to cover ordinary expenditures; they were not devoted to develop new infrastructure or any other kind of investment. The central government considered that these operations created serious risks not only for subnational entities, but also for the banking sector.[51]

Perry and his successor Ocampo promoted a new control to the levels of debt of the subnational governments. As Perry explained:

> The expenditure capacity [of the subnational governments] increased dramatically in the short term and many completely irresponsible mayors and governors didn't care about creating a problem for their successors. They asked for loans to a point where in 1996 there was a fiscal crisis of several departments and municipalities, and again in 1999. This happened despite the law that we passed in 1996. We passed the 'traffic light law', and Juan Camilo [Juan Camilo Restrepo, Minister of Finance during the Pastrana administration] promoted another law in 1999 that forced them [subnational governments] not to have as current expenditures more than 70% of their revenues, so that they could have some possibility of prepaying debts. [52]

---

[50] Only the national government was allowed to obtain loans abroad.

[51] Interview Jose Antonio Ocampo, 18 November 2014; interview Guillermo Perry Rubio, 1 November 2014

[52] Interview Guillermo Perry Rubio, 1 November 2014.

Regarding this proposal, in my interviews, José Antonio Ocampo commented:

> What we did do was the law to regulate debt of territorial entities. I specifically drafted that one. I think it was initially known as the 'traffic light law'. That was originally proposed by Guillermo Perry, and was approved during my time as Minister of Finance. But that was a formula to control the debt of territorial entities. You can see that from different perspectives. To start, it was a way to control the excessive loans given by banks. That was a direct responsibility of the national level.
>
> The banks started to give loans to territorial entities in a way that was unsustainable. And so we had to stop that anyway. And also the loans didn't make any sense. If the territorial entities had growing current incomes then why did they have to ask for loans on top of that? The national government was having to ask for loans to make those transfers. And now territorial entities were also asking for loans. This was from the point of view of public finances, but also from the point of view of the stability of the Colombian banking system, what was happening was crazy. And this was the origin of the law that ended up being called the 'traffic light law'. This law allowed subnational governments to ask for loans up to a certain level and after that it establishes some controls.[53]

This was the only recentralisation reform successfully promoted by the Samper administration (Law 358 of 1997). One relevant difference between this case and the previous attempts is the fact that this was a legal reform. Since it did not need a constitutional reform, it only required 4 debates (instead of 8), and there was no need for the support of the majority of members of each chamber during the second legislative period.

Political recentralisation: failed attempt to change the electoral calendar

In 1996, the Minister of the Interior Horacio Serpa proposed a constitutional reform to "modernise" the Colombian political system. Among the changes included in the proposal prepared by the government was the synchronisation of the national

---

[53] Interview Jose Antonio Ocampo, 18 November 2014.

and subnational electoral calendars (i.e. national, departmental, and municipal elections should occur concurrently).

This reform project was withdrawn by the national government in February 1997, considering the strong opposition by the press and minority parties in Congress, as well as eventual adverse rulings of the Constitutional Court because of procedural problems during the legislative process.[54]

In 1997, *El Tiempo* (the most influential newspaper in Colombia) reported the view of some leaders of minority parties regarding a second initiative to synchronise the electoral calendar by the Samper administration:

> The modification of the electoral calendar has not been accepted well by the minorities in Congress, who have seen this proposal as a threat to their own agenda.
>
> Today, through alliances, we can take some mayoralties and some quotas in municipal councils; but if they change the rules of the game the traditional political leaders will take everything, said senators Samuel Moreno and Jaime Dussán, from Anapo and the education sector, respectively.[55]

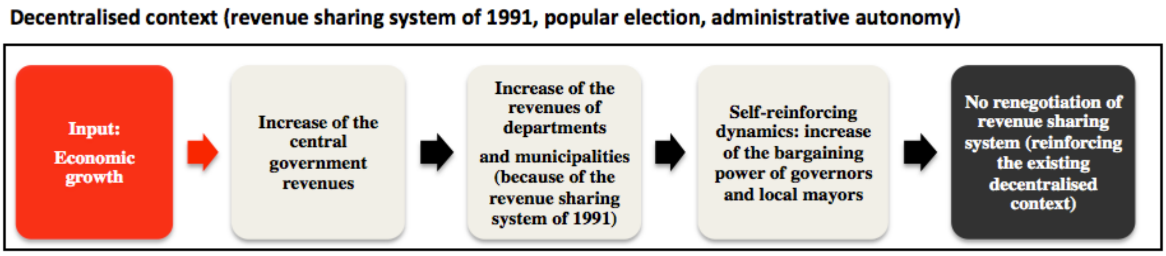
In general, the analysis of the Samper administration shows the serious difficulties that accompanied attempts to promote recentralising reforms in a decentralised context (generated by Colombia's decentralisation trend of the late 1980s and the Constitution of 1991) without an economic crisis. The *causal mechanisms* between economic inputs and less recentralisation are described in the Figure 4.1

---

[54] Van Cott 2000, 108; O'Neill 2005, 120; El Tiempo 1996b

[55] El Tiempo 1997a

Figure 4.1 Links between economic growth and (less) recentralisation during the Samper administration



Source: The author

Conclusion

This section concludes by suggesting that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Samper administration can be explained as outcomes of the combination between the economic performance and the institutional context (*hypothesis*). Moreover, the study of this administration is particularly useful to identify the serious difficulties that accompanied attempts to promote recentralising reforms in Colombia after the decentralisation trend of the late 1980s and the Constitution of 1991.[56]

Unlike part of the recent academic literature on decentralisation in Colombia, this chapter not only includes failed attempts that could not even be promoted in Congress, but also reveals the continuities between different administrations.[57] This information is central to avoid unsatisfactory hypotheses based only on bill proposals effectively submitted to Congress and on the public differences between administrations. For example, there are no references in the literature of the attempts of the Samper administration to modify the revenue sharing system, and it would not

[56] Tulia Gabriela Falleti 2010, 122–49

[57] See Faguet 2013; Tulia Gabriela Falleti 2010; O'Neill 2005

be correct to build a hypothesis based on the idea that this administration did not promote recentralising reforms simply because the bill proposal never made it to Congress. Similarly, there are few references to how the fiscal reforms supported by Pastrana were at least partially based on the conclusions of a report produced by the Commission on the Rationalisation of Public Expenditures organised by Samper.

The Samper administration not only failed to decrease the automatic transfers to departments and municipalities (fiscal recentralisation), but also to synchronise the electoral calendars (political recentralisation). Both required constitutional reforms. However, Minister of Finance Ocampo did manage to obtain the support of the legislature to regulate the borrowing powers of the subnational governments in 1997 (administrative recentralisation). This was only possible because it required an ordinary law (and not constitutional reform), which meant that the Liberal party had enough majorities in both chambers to promote it. Probably, this would not have been possible if a constitutional reform had been necessary. Moreover, it was not a substantial reform (this was not the main source of funding of the subnational governments).

The political difficulties to modify the electoral rules of governors and local mayors were evident. The changes in the allocation of resources were in the centre of the debates (the failed attempt to reform the revenue sharing system of 1991). And, by contrast, the regulation of subnational borrowing powers (regulation inside government) received less attention.

The evaluation of the hypotheses on the emergence of recentralisation processes explained in the theoretical chapter of the thesis shows that during the Samper administration, to some extent, there were partisan control of government and a technocrats' reaction to inadequate levels of local governance.[58] And although there was no economic crisis (understood as the decrease of the GDP during two consecutive years), this administration had to face very serious fiscal concerns. Nonetheless, these factors did not trigger the approval of substantial recentralisation reforms because of the combination of an economic performance in which the GDP did not decrease with a decentralised institutional context (that allocated an increasing part of the public resources to the subnational governments).

Regarding the hypothesis based on the national government's reaction to inadequate levels of local governance (limitations to the borrowing powers), this approach could account for the behaviour of the national government, but does not offer an explanation about how the president obtained (or lacked) enough political support in Congress to recentralise. On the other hand, unlike the cases of Venezuela, Ecuador and Bolivia, in this case, the recentralising attempts were fostered by a market-friendly administration and seek to affect every subnational entity (not only those led by members of the opposition to the national government).[59]

[58] On Colombia's powerful technocracy, see: Dargent 2015, 65–89
[59] Camacho and Mejía 2014

5. AN ECONOMIC CRISIS IN A DECENTRALISED CONTEXT: THE PASTRANA ADMINISTRATION (1998-2002)

This chapter explains the recentralisation reforms promoted by the Pastrana administration (1998-2002), particularly the constitutional amendment of 2001.[1] The analysis of this administration shows how an economic crisis (the GDP per capita decreased in 1998 and 1999 -the worst economic and fiscal crisis since the Great Depression of the 1930s-) in a decentralised context (Constitution of 1991) opened the door for Colombia's recentralising reforms. Moreover, it explains how the recentralising reforms during the Pastrana administration changed the institutional context (forming the beginning of the recentralised context).

The Pastrana administration reformed the revenue sharing system of 1991 (reducing the intergovernmental transfers as a proportion of per capita GDP).[2] Not only were the levels of the transfers disassociated from the variations of the central government revenues, but also the rates of increase of the fiscal transfers were deliberately set below the expected growth of the national economy. This administration also created legal restrictions to the operational expenditures of the subnational authorities.[3]

1 Congreso de la República de Colombia 2001

2 See Figure 1.1

3 Congreso de la República de Colombia 2000

Also, the approval of the revenue sharing system of 2001 marked the end of the decentralised institutional context in Colombia. Although significant resources were transferred from the subnational governments to the national government, the existing administrative and political responsibilities were maintained at the subnational level (fiscal recentralisation). As a result there was an increased dependence of local mayors and governors on the President and Congress (political recentralisation).

One could think that these reforms were the product of a very strong national government (by contrast with the Samper administration). However, this was not the case. Andres Pastrana (the Conservative candidate) had defeated Horacio Serpa (Minister of the Interior during the Samper administration) in the second round of the presidential election, by a narrow margin.[4] The Conservatives obtained 50.4% of the votes in the national election, 9.7% in the regional elections (departments) and 29.3% in the local elections (districts and municipalities).[5] Particularly, the Senate and the House of Representatives were still controlled by the Liberal party. And Pastrana's relationship with the Liberals was affected by the fact that it was Pastrana who had published the audio records that began the political scandal experienced by President Samper (*proceso 8000*).[6] The opposition also controlled the clear majority of the subnational governments. And the Pastrana administration was, in general, very unpopular.[7]

---

[4] Georgetown University n.d.
[5] O'Neill 2005, 105
[6] Pastrana Arango 2013, 87; Samper Pizano 2000, 49
[7] See: Corporación Latinobarómetro 2000, 2001, 2002

What could explain the success of the Pastrana administration in reforming the revenue sharing system of 1991 considering its apparent lack of political power? Why did this conservative administration promote recentralising reforms in the same way as the left-wing governments from Venezuela, Ecuador and Bolivia? What were the political incentives associated with these recentralising reforms? How did the political power of local mayors, governors and their subnational associations operate during the legislative processes of these proposals? Was the internal armed conflict the most important explanatory variable of the attempts to recentralise promoted by this administration?

The first section of the chapter describes the main recentralisation attempts during the Pastrana administration (*what*). The second section presents the economic inputs (crisis) and decentralised institutional context (i.e. the Constitution of 1991 and the subnational governments' informal veto power) that influenced the emergence of those attempts (*why*). The following section explains the causal mechanisms (self-destroying dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other (*how*). The last section concludes by suggesting that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Pastrana administration can be explained as outcomes of an economic crisis in a decentralised institutional context (*hypothesis*).

Recentralisation attempts (What)

This section of the chapter describes the main recentralisation attempts during the Pastrana administration: (i) *fiscal recentralisation*: a new revenue sharing system and (ii) *administrative recentralisation*: additional legal restrictions on the operational expenditures of the subnational authorities.

Fiscal recentralisation: new revenue sharing system

The revenue sharing system approved by Congress in 2001 (Legislative Act 01 of 2001) guaranteed continued growth of the transfers in constant prices for seven years (2002-2008). According to this constitutional reform, the transfers would increase at a percentage equal to the rate of inflation plus 2% from 2002 to 2005 and plus 2.5% from 2006 to 2008. Once this period of transition ended (in 2008), again (as in the Constitution of 1991) the increase of the transfers would be tied to the average growth rate of the nation's revenues during the last four years.

However, this reform also meant a significant decrease of the transfers as percentage of the GDP (and consequent gains for the national government). Not only were the levels of the transfers disassociated from the variations of the central government revenues, but also the rates of increase of the fiscal transfers were deliberately set below the expected growth of the national economy.[8] In other words, without this reform the transfers would have grown at a higher rate because of the economic performance of the country (see Figure 1.1).

[8] Interview Juan Carlos Echeverry, 15 October 2013

There were some other relevant changes regarding the revenue sharing system. It went from having two mechanisms through which the central government transferred resources to subnational governments (one for municipalities and another for departments) to only one. The mechanisms of distribution of these resources were also reformed. Previously, the resources were first assigned to the subnational governments and then to the different policy sectors. Afterwards (according to the reform of 2001), resources were first assigned to the sectors (e.g. education, health) applying a capitation formula (according to the number of students, patients, customers, etc.), and then to the subnational governments.[9]

Administrative recentralisation: legal restrictions to the operational expenditures of the subnational authorities

Resembling the "traffic lights law" promoted by Samper's government, the Pastrana administration also promoted a bill proposal to limit the levels of operational expenditures based on the revenues of each subnational entity. The system was based on the classification of municipalities (into seven categories) and departments (into four categories) according to their population and current revenues. And each category had certain limits for their operational expenditures (for instance, a municipality of the sixth category -smallest size- could devote up to 80% of their revenues to functioning expenditures, but one located in the first category only 65%).

This proposal was approved by Congress (Law 617 of 2000) and eventually produced a significant reduction in the number of public officials as well as in resources devoted to the audit and ombudsman offices at the municipal and

[9] Montenegro and Rivas Mallarino 2005, 175

departmental levels. In his official memoirs, the Minister of Finance explained the effects of this reform in the following terms:

> Because of the processes of fiscal adjustment it has been possible to considerably rationalise the operational expenditures of the beneficiary entities through, amongst other measures, the suppression of 4.781 unnecessary positions, the liquidation, fusion and transformation of 23 entities or decentralised dependencies and the incorporation of control entities and public corporations (subnational audit offices, departmental assemblies, local ombudsman and local councils) to this process. [10]

This is another case of *regulation inside government*.[11] (i) The Ministry of Finance (higher level of government) aims to shape the activities (operational expenditures) of the municipal and departmental governments (lower and intermediate levels of government), (ii) there is a high degree of organisational separation between the higher level (Ministry of Finance) and the lower (each municipal administration) and intermediate (departments) levels of government, and (iii) the higher level of government has an official mandate to scrutinize the behaviour of the lower level of government and seek to change it (Law 617 of 2000).

In sum, the approval of the *revenue sharing system of 2001* marked the end of the decentralised context. Significant resources were transferred to the national government, but the expenditures and political responsibilities were maintained in the subnational governments. Hence, afterwards, local mayors and governors were more dependent on the national government and Congress.

---

[10] Restrepo Salazar 1999, 134

[11] See Chapter 2 of this thesis.

Economic inputs and institutional context (Why)

This section presents the economic crisis and institutional context that influenced the emergence of the recentralisation attempts during the Pastrana administration.

The government led by Andrés Pastrana had to face the worst economic and fiscal crises of the history of Colombia since the Great Depression of the 1930s.[12] This country had had the most stable economy of Latin America.[13] However, in 1999 the contraction of the GDP was -4.2%, the consolidated fiscal sector reached a deficit of 6.4% of the GDP, and the government debt reached a level of 54% of GDP in 2002.[14] Consequently, the central government revenues dramatically decreased as well as the transfers to the subnational governments (because of the methodology used in the revenue sharing system of 1991).[15]

As Bertola and Ocampo explain, the crisis in the emerging economies "began in East Asia in 1997 and then spread to Russia and to the bulk of the developing world in 1998". The impact in Latin America:

> was seen in a sharp slowdown or outright recession in a wide range of economies, especially those of South America, and another half-decade of lost ground in terms of economic development.[16]

For developing countries like Colombia, this meant an increase in the interest rates of international loans and decreased foreign investment.[17] Particularly, according to Lozano and Toro:

---

[12] Echeverry and Zuluaga 2014; I. Lozano and Toro 2007; Restrepo Salazar 2014
[13] Angell, Lowden, and Thorp 2001, 22–23; Bértola and Ocampo 2012, 4–7; Bushnell 1993, 283; O'Neill 2005, 90
[14] I. Lozano and Toro 2007, 7
[15] Bonnet, Pérez, and Ayala 2014
[16] Bértola and Ocampo 2012

> By the end of the nineties, the Colombian economy entered in deep economic crises. The previous expansionary cycle of domestic consumption, fostered by large capital inflows and ample credit, began to die down by 1996. Like many other emerging economies, Colombia was severely hit by the international financial crisis that erupted in 1997. (…) Throughout this period, domestic real interest rates were relatively high and policymakers faced the perils of political instability and a sharp financial crisis at once. By the year 2000 the economy initiated a slow recovery, but the output gap remained highly negative.[18]

At the domestic level, there were financial crises not only within the subnational entities, but also in the financial sector. Despite the measures previously taken by Samper's government, the fiscal situation of the subnational entities was even worse (due to unsustainable operational expenditures).[19] And several financial institutions, mainly associative banks and publicly owned banks were in serious difficulties.[20]

In my interviews, Roberto Junguito, who represented the IMF at the moment of the reform of 2001, explained the economic situation of Colombia in the following terms:

> I had the responsibility of being the counterpart to the IMF in the negotiations of the programme in 1999. The main concerns were the crisis of the financial system that required its capitalisation and the support of state banks through a tax on financial transactions that was created to give the necessary resources to the public sector. The second thing was the attack to the exchange rate and the reduction of the international reserves. This led to the adoption by the Board of the Central Bank of a flexible exchange rate system that is still used today. The third concern was the growing deficit of public finances. Additional to the tax on financial transactions, Law 617 was adopted, which is the law of fiscal responsibility of subnational governments and the brake to the growth of public transfers.[21]

---

[17] Bértola and Ocampo 2012; Kalmanovitz 1988, 579

[18] I. Lozano and Toro 2007, 7

[19] Juan Camilo Restrepo was first Minister of Finance of the Pastrana administration, interview 15 November 2013; Echeverry and Zuluaga 2014, 266; Restrepo Salazar 2014, 226

[20] Restrepo Salazar 2014

[21] Roberto Junguito was IMF Alternate Governor for Colombia (1999-2002), Minister of Finances (1984-1985 and 2002-2003), and the interview was conducted via an electronic message, interview 20 February 2015

In 1999 the country was still in a decentralised institutional context. The Constitution of 1991 had transferred a significant part of resources, responsibilities and authority from higher to lower levels of government. And, as noted in the previous chapter, the Samper administration (1990-1994) was unable to promote constitutional amendments regarding these issues. In this context, the subnational governments were receiving almost half of the central government revenues (46.5% in 2001). This meant that if the central government needed to raise an additional percentage point of the GDP to cover its deficit, they needed to pass a reform for two points. The subnational governments also had important responsibilities concerning education, health, water supply and sanitation services, and were elected by popular vote (with an electoral calendar different from that of the national authorities). Consequently, the lower levels of government had a very important informal veto power with regards to distribution of resources, responsibilities and authority.

On the other hand, because of the internal armed conflict the Pastrana administration promoted a (failed) peace process with the FARC as well as a special plan for the economic, social and environmental development of the most affected areas by the internal armed conflict (with the special support of the government of the United States). This plan was called "*Plan Colombia*". According to Jaime Ruiz, Director of the DNP during the Pastrana administration (1998-1999) as well as Director of the *Plan Colombia*:

> Although the Plan Colombia was perceived and criticised as a militaristic plan that would lead sectors of the citizenship to move politically towards favouring the guerrilla, the Government was clear about the true success of the Plan was the strengthening of the State, which included the need to have more rubust local governments, taking action for economic development, improving public services,

> strengthening the Police force and incentivising social participation, specially in areas affected by the violence.[22]

Self-destroying dynamics (How)

This section explains the causal mechanisms (self-destroying dynamics) that linked the combination of those economic inputs and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other.

Fiscal recentralisation: the emergence of the revenue sharing system of 2001

In my interviews, the first Minister (Juan Camilo Restrepo) and Vice Minister of Finance (Juan Mario Laserna) of the Pastrana administration explained that (even before the inauguration) Pastrana's economic team began to prepare the most important fiscal reforms.[23] To this end, they took into account the conclusions of the bipartisan commission organised by Guillermo Perry during the Samper administration.[24] Juan Carlos Echeverry (director of the DNP during Pastrana's presidency) and Carolina Zuluaga explained that:

> The economic and tax reforms presented in the first months of the Pastrana government were focused on strengthening territorial finances, transfers and strengthening FOGAFIN, as well as consolidating the tax to financial transactions that was initially established in 2000. These reforms were inspired in part by the recommendations of the Commission of Public Expenditures of 1997, but the international crisis and the imminent collapse of the mortgage and cooperative

[22] Ruiz 2014, 151

[23] Interview Juan Mario Laserna, 12 November 2013; interview Juan Camilo Restrepo, 15 November 2013; El Tiempo 1998

[24] Interview Juan Camilo Restrepo, 15 November 2013; Echeverry and Zuluaga 2014, 266

> segments of the financial sector made it necessary to take additional shock measures.[25]

Specifically, echoing the conclusions of the commission and Samper's economic team, they considered that one of the main causes of the fiscal deficit was the constitutional mandate of the central government to transfer almost half of its current revenues to subnational governments.[26] Pastrana's team also floated the idea that the solution to the fiscal problems of the national government was disassociating the fiscal transfers from the central government revenues.[27]

On the other hand, since 1995 the IMF had been working with the Colombian government on the analysis of the revenue sharing system. In his official memoirs, Guillermo Perry (Samper's Minister of Finance) explained that:

> At the beginning of 1995 there was in Colombia a Mission [of the IMF] to analyse and present proposals related to the municipal and departmental tax policy and with the design of the participation of subnational entities in the Nation's revenues, including aspects related to the management of taxes.[28]

However, it was not until 1999 that the Colombian government signed an extended agreement with the IMF that included the reform of the revenue sharing system of 1991 as part of the "structural benchmarks".[29] Particularly, according to the agreement, before the 31 December of 1999 the Colombian government would promote in the Congress a reform to dissociate the subnational transfers from the

---

[25] Echeverry and Zuluaga 2014, 266

[26] CONPES 2001

[27] Interview Juan Mario Laserna, 12 November 2013; interview Juan Camilo Restrepo, 15 November 2013; Caracol Radio 1997

[28] Perry Rubio 1995, 65

[29] Some years afterwards, Juan Camilo Restrepo (former Minister of Finance of Pastrana's government) noted that: "*Despite the fact that the Government had a coherent macroeconomic programme oriented at the same time to promote the reactivation of the economy and the gradual adjustment of public finances, the crisis was deepened in the first semester of 1999, as the world and Latin American economic recession deepened. Under these circumstances and with the end of avoiding a major loss of its capacity to manoeuvre the economy, the Government took the decision of requesting backing from the IMF for its economic programme in July 1999*" Restrepo Salazar 2014, 213; Amador 2011, 139–43

current revenues of the national government.[30] In my interviews, Roberto Junguito explained the agreement in the following terms:

> The proposal of a constitutional reform to modify the transfer system came from inside the government and more concretely from the Minister of Finance at the time, Juan Camilo Restrepo. Its final approval, because of its constitutional status, required two rounds in Congress and took place during the time that Juan Manuel Santos was Minister. The IMF showed concern over the growing transfers but the solution came from the government. This is very clear when you read the Staff Reports from the IMF at the time.[31]

Similarly, regarding the role of the World Bank, Andrés Solimano (Director, Country Management Unit, Colombia, Ecuador and Venezuela in 2000) explained:

> There were people in the World Bank who thought that decentralisation had its problems. And that perhaps we had to start attacking those problems, through recentralisation or other alternatives. But this was not a number one priority or part of a direct recommendation. I don't recall giving the specific recommendation to change the formula. Also, the Constitution of 1991 was relatively new. It actually came from Colombia. I don't remember the position of the IMF, but I don't think they said recentralise. I think that the motivation behind this was to stabilise public finances. And then there was also a political problem, because the central government resented the loss of power. Even more so in a decentralised country with conflict areas.[32]

Despite the extremely difficult economic and fiscal situation faced by the Pastrana administration, the opposition (which controlled both chambers of Congress) made the approval of a new revenue sharing system conditional on the political support by local mayors and governors. This fact reaffirmed the significant power acquired by the subnational governments at that moment (in other words, their informal veto power). In my interviews, Rodrigo Rivera, Senator of the Liberal party at the moment of the reform, explained the debate and approval of the Legislative Act 01 of 2001, in the following terms:

---

[30] Republic of Colombia 1993 Ministerio de Hacienda y Crédito Público y Banco de la República, Acuerdo Extendido de Colombia con el Fondo Monetario Internacional, diciembre de 1999. Edición Banco de la República, Bogotá 1999.

[31] Interview Roberto Junguito, 20 February 2015

[32] Andrés Solimano was Country Director (Colombia, Ecuador and Venezuela) at the World Bank (1997 - 2001), interview 5 December 2015.

> I remember the process in 2001, very controversial. It was very hard for that decision to be made, even in the time of crisis that we were experiencing. A very serious fiscal and economic crisis. But that wasn't the political reason behind the approval. Those were the macroeconomic and fiscal foundations. That was the rational economic motivation behind the decision. But that doesn't explain its approval. What explained it being approved in 2001 was something that seemed impossible to find. However, the government at the time managed to do it with the leadership of the Minister of Finance, Juan Manuel Santos. And I say it again; it was very hard to get the approval of the governors and mayors of the country. Back then the parties represented in Congress had a majority against the proposal. But during the last stage of the discussion, those parties who still held the majorities, at the time liberal majorities, said that they would only support the project if it had the support of mayors and governors. This took the debate outside the Congress. And the government managed to get the support from the conference of governors and the conference of majors, of all the organisations that represented the governments affected by the decision. And once they got that support, the Congress kept their word, and the proposal was approved.[33]

But the bargaining power of the local mayors was in a critical moment. The same rules that benefited the subnational governments (from 1992 to 1998) were seriously hurting the finances of departments and municipalities in 2000. For the first time (since 1991), the automatic transfers to the SNGs had decreased in absolute terms (they received less resources in 2000 than in 1999). Local mayors and governors were not able to cover the expenditures of their municipalities and departments. Some of them were also suffering limitations on their ability to offer benefits to the voters as well as to pay with public procurement to the sponsors of their political campaigns (clientelism).

The difficult fiscal situation of municipalities and departments was cleverly used by the Pastrana administration, particularly by the Minister of Finance Juan Manuel Santos (eventually, President of Colombia 2010-2014, 2014-present) and the Director of the DNP Juan Carlos Echeverry (eventually first Minister of Finance of the Santos administration 2010-2012), to promote a new revenue sharing system.

---

[33] Rodrigo Rivera was Senator (1998-2006) and Minister of Defense (2010-2011). The interview was conducted via Skype, interview 3 December 2013.

In my interviews, Gilberto Toro (Executive director of the national federation of municipalities at the moment of the reform of 2001), explained the situation in the following terms:

> In 2000, the nation's incomes did not grow. And the transfers ended up being less than before, affecting municipal life greatly. There were contracts and commitments that were already in force. It even led to a protest by majors here in Bogota because there were serious problems in the education and health sectors. And the government used the situation to their advantage. It said, listen: the fact that your income is tied to the nation's income isn't necessarily for the best.
>
> To summarise, the agreement that we reached was the following. We did not agree to a cut back of the resources transferred to the subnational entities [in constant prices]. Second, that we should change the name from transfers to participations because by considering it a transfer they ended up treating it as a good will donation. And there should be a real guaranteed growth. The government wanted it to be the projected inflation plus 3 points. We proposed that it was actual inflation plus I think 7 or 9 points.[34]

Despite the historically low volatility of the Colombian economy,[35] the subnational executives were more focused in avoiding another year of decreasing transfers and immediate solutions to their debt problems than in the long-term cost for municipalities, districts and departments (in other words, for future mayors and governors). Some local mayors could also be incentivised to support this reform by a bonus created by the national government to increase their salaries.

In the end, the subnational governments accepted the decrease of their fiscal transfers as a temporary measure (until 2008) to solve the crises.

In this way, an economic crisis (not merely a counter reaction of the national authorities to regain control over clientelistic networks or the security conditions) opened the door for an agreement between subnational and national authorities on a new methodology to calculate the transfers. The support of several subnational

---

[34] Interview Gilberto Toro, 20 September 2013 (Toro 2013)

[35] On the low volatility of Colombia's economy see Table 1.1. in the Introduction; Bértola and Ocampo 2012, 19

governments allowed the Pastrana administration to pass in Congress the constitutional reform that disentangled the transfers from the central government revenues.[36]

Administrative recentralisation: the emergence of the legal restrictions to the operational expenditures of the subnational authorities

The Pastrana administration began its fiscal reforms trying to solve the crisis generated by the excessive expenditures of the subnational entities. In his official memoirs, the then Minister of Finance Juan Camilo Restrepo explained:

> In the last years there has been an accelerated growth in the number of subnational entities in financial difficulties, due mainly to their inefficient financial and administrative performance, in particular the accelerated growth of expenditures to function in relation to the modest, when its not negative, behaviour of their own income, to the excessive dependency on national transfers and the absence of instruments and policies on monitoring and collection, which led to an important part of debt being used to pay for functioning expenditures.[37]

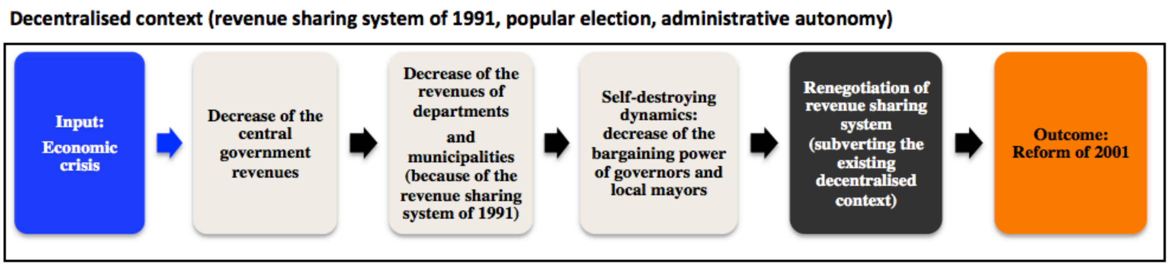
In sum, the analysis of this administration shows how an economic crisis (the GDP per capita decreased in 1998 and 1999 -worst economic and fiscal crisis since the Great Depression of the 1930s-) in a decentralised context opened the door for Colombia's recentralising reforms. In other words, the substantial recentralising reform during this administration was only possible because the main beneficiaries of the system (i.e. the subnational governments) suffered the negative effects of the formula to calculate the transfer (of the revenue sharing system of 1991) when the decrease of the economy affected the central government revenues and, therefore,

[36] Pastrana Arango 2000, 2001, 2002

[37] Restrepo Salazar 1999, 130

their transfers. The causal mechanism between economic crisis and the reform of 2001 are described in the Figure 5.1.

Figure 5.1 Links between economic crisis and recentralisation during the Pastrana administration



Source: The author

Conclusion

This section concludes by suggesting that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Pastrana administration can be explained as outcomes of an economic crisis in a decentralised institutional context (*hypothesis*).

The evaluation of different hypotheses on the emergence of recentralisation processes shows that during the Pastrana administration, the president was not politically powerful, there was no partisan control of government (at every level), no left-wing national government, no opposition-targeted strategies, no important privatisation of subnational assets, nor a clear capture of higher levels of government by private interests.

If the hypotheses based on a powerful political party or presidents were correct in Colombia, one should not find significant recentralising reforms during the

Pastrana administration (least likely case). Similarly, unlike the cases of Venezuela, Ecuador and Bolivia, the recentralising attempts were fostered by a market-friendly administration and seek to affect every subnational entity (not only those led by members of the opposition to the national government).

However, it is possible to argue that there were factors such as a dramatic economic crisis and a technocrats' reaction to inadequate levels of local governance (administrative issues). An *economic crisis* has been presented as the main explanatory variable of recentralisation processes across a list of countries with a varied level of economic development (e.g. Russia, Italy, Brazil, Argentina, and Peru).[38] In Colombia, this factor is present in the case of the reform of 2001. However, the economic crisis would not have triggered the recentralisation reform of 2001 without the decentralised institutional context. In a recentralised context, the political cost associated with the economic crisis (e.g. unfunded social policies) would have been assumed by the national government.

On the other hand, the dramatic security conditions experienced by local mayors as well as the clientelistic environment have been present for years. However, the local mayors only accepted to change the revenue sharing system when the economic crisis of 1999 decreased their fiscal transfers. Moreover, it is true that the conflict continuously affected Colombia's potential GDP per capita during the whole period under study (1994-2014). But, it was not the main cause of the economic crisis that induced the reform of 2001 (it was more related to the Russian financial crisis in 1998).

---

[38]Bolgherini 2014; James Tyler Dickovick 2011; K. Eaton and Dickovick 2004; Gel'man 2009

The constitutional and legal recentralising reforms approved by Congress during the Pastrana administration changed Colombia's institutional context (from a decentralised context to a recentralised one). These reforms included critical transfers of resources, responsibilities and authority from lower to higher levels of government. Particularly, since 2002 there was a significant decrease of fiscal transfers to subnational governments compared with the system of 1991 (as percentage of the GDP).[39] Eventually, the change of context would be critical in the emergence of the main recentralising reforms during the Uribe and Santos administrations (constitutional reforms of 2007 and 2011). The following policies would primarily attend the national interest instead of subnational ones.

---

[39] See Table 1.1.

6. AN ECONOMIC BOOM IN A RECENTRALISED CONTEXT: THE URIBE ADMINISTRATION (2002-2006 AND 2006-2010)

This chapter turns to the main recentralisation policies and reforms during the Uribe administration (2002-2006 and 2006-2010), particularly the constitutional amendment of 2007. This chapter shows how an economic boom (2004-2007) in a recentralised context (because of the reform of 2001) reinforced Colombia's recentralising *trend*.

In 2007, the Colombian Congress approved a constitutional reform promoted by the national government that: (i) significantly decreased the fiscal transfers to the subnational entities, (ii) created a specific account in the fiscal transfers devoted to water supply and sanitation to finance the main national policy regarding this sector (departmental water plans, hereinafter PDAs) that decreased the powers of the municipal authorities in favour of departmental and national authorities, and (iii) included the foundations for national systems to monitor and control the use of the fiscal transfers by municipalities and departments (even affecting their automaticity).

The central government also implemented case-by-case (associated to specific local projects) transfers of responsibilities from departments and municipalities to the national level.

The security crisis at the beginning of the Uribe administration is critical to understand the relationship between national and subnational authorities (for instance, why Uribe maintained his popularity among local mayors despite all these recentralising reforms). In my interviews, Fernando Londoño, first Minister of the Interior of this administration (2002-2004), recalled how when he took office at the Ministry of the Interior in 2002, there were 350 mayors who were governing from outside their municipalities because guerrillas persecuted them. They represented nearly a third of the country's mayors, governing over 50% of the land extension. Given the situation, the national government took measures to guarantee safety conditions (e.g. giving them cars to avoid public transport) and started overseeing the return of mayors to their municipalities. According to Londoño this was fundamental to *capture the will and support of the mayors* who were not part of Uribismo.[1]

President Álvaro Uribe was extremely popular. He was not only popular among the population, but also in Congress (where his coalition had the majority of the seats) and even among governors and local mayors, because of his strong anti-subversive policies against the guerrillas. [2]

What could explain these processes of recentralisation without an economic crisis? Why did the right-wing administration of Uribe promote recentralising reforms in the same way as his left-wing neighbours from Venezuela, Ecuador and Bolivia? What happened with the political power of local mayors (more than 1.100), governors (32) and their subnational associations during the legislative processes of the reform of 2007? What were the electoral incentives associated with these processes of recentralisation? To what extent, were the internal armed conflict and the lack of institutional capacity at the lower levels of government explanatory variables of the recentralising attempts in Colombia during this period?

---

[1] Fernando Londoño Hoyos was former Minister of the Interior (2002-2004), interview 20 September 2013. See also Revista Semana 2000

[2] Interview Gilberto Toro, 20 September 2013. According to Toro, President Uribe dramatically increased the levels of security for local mayors.

The first section of the chapter describes the main recentralisation attempts during the Uribe administration (*what*). The second section presents the economic inputs (boom) and recentralised institutional context that influenced the emergence of those attempts (*why*). The following section explains the causal mechanism (self-reinforcing dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other (*how*). The last section concludes by suggesting that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Uribe administration can be explained as outcomes of an economic boom in an already recentralised context (*hypothesis*).

Recentralisation attempts (What)

This section of the chapter describes the main recentralisation attempts during the Uribe administration: (i) *fiscal recentralisation*: new revenue sharing sytem and failed attempt to redistribute the royalties, (ii) *administrative and fiscal recentralisation*: departmental water plans and earmarked transfers, and (iii) *administrative recentralisation*: two systems of control and monitoring over the use of the fiscal transfers (administrative recentralisation).

Fiscal recentralisation: new revenue sharing system and failed attempt to redistribute the royalties

According to the reform of 2001 promoted by the Pastrana administration, the revenue sharing system of 1991 would be applied again in 2008. Without another reform, the fiscal transfers to subnational governments would have been increased to 46.5% of the current central government revenues because of the application of the rate of increase and the base amount of the revenue sharing system of 1991. Nonetheless, because of the reform of 2007 the fiscal transfers were equal to 28.98% of those revenues in 2008.[3]

In 2006, the Uribe administration began to promote a constitutional amendment (it required 8 debates in Congress) that avoided the return to the rules of 1991. The Minister of Finance Alberto Carrasquilla (2003-2007), and the Director of the DNP, Carolina Rentería (2006-2009) designed a reform that linked the annual increases of the fiscal transfers to the inflation rate of the previous year plus 3.5% from 2009 to 2010 and plus 2% from 2011 onwards.

According to Carrasquilla, who led the first 4 debates of the proposal as Minister of Finance, the percentage escalations additional to the inflation rate were deliberately set below the expected growth of the Colombian economy. Realising that the temporary measure established in the 2001 reform was coming to an end, the government started to move towards giving some permanence to that rule, which for them had two advantages: (i) it gave plenty of stability to the transfers and did not constrain the amounts transferred to the uncertainty of the economic cycles, and (ii) it also helped lighten the Nation's fiscal accounts which at the time were tight (despite the economic boom, there was not fiscal surplus). The result was the "decrease in time [of the transfers] if the economy was growing well and that the transferred amounts were predictable to majors and governors".[4]

---

[3] Bonnet, Pérez, and Ayala 2014, 20

[4] Interview Alberto Carrasquilla, 17 October 2013

The constitutional reform proposal was approved with some modifications. The Congress again limited the temporal scope of the new revenue sharing system. In this case, without further reforms, the rate of increase of the transfers of the revenue sharing system of 1991 would be applied again in 2016. However, in 2007 the Uribe administration (at that moment, led by the Minister of Finance and future presidential candidate in 2014 Oscar Iván Zuluaga) obtained the permanent change of the base amount (smaller than the one used in the revenue sharing system of 1991).

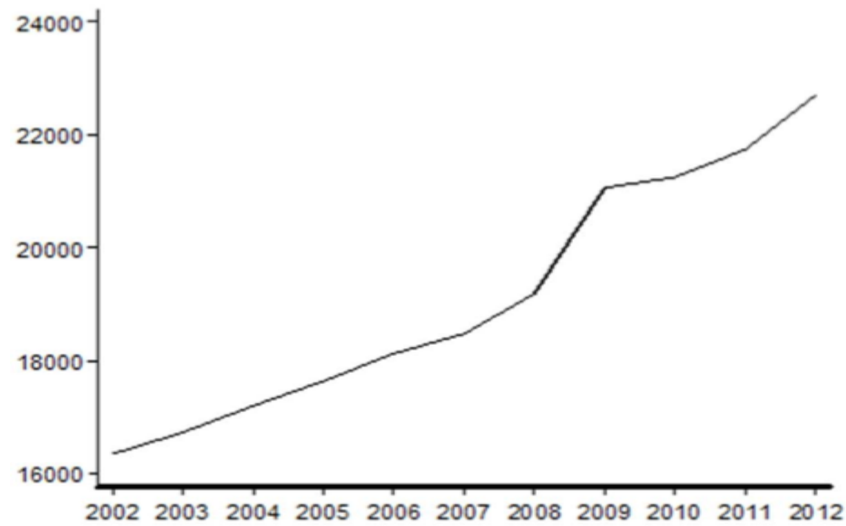
The Congress also augmented the annual increases of the fiscal transfers in the following terms: inflation plus 4% from 2008 to 2009, 3.5% in 2010, and 3% from 2011 to 2016. Still, the percentage escalations additional to the inflation rate were inferior to the expected growth of the Colombian economy for those years. Also, a special account was created for the municipalities with less than 25,000 inhabitants.

In my interviews, the public officials from the Ministry of Finance and the DNP rejected the 'recentralising' interpretation of the reform of 2007. They argued that the revenue sharing system of 2007 represented an increase of the fiscal transfers compared with the revenue sharing system of 2001.[5] For example, according to the revenue sharing system of 2001, in 2008 the transfer would only increase at a rate of inflation plus 2.5%, but according to the revenue sharing system of 2007 for the same year the transfers increased at a rate of inflation plus 4%. Moreover, they

[5] Luz Stella Carrillo is Deputy Director of Territorial Finances at the DNP (2002-2017), interview 2013; interview Juan Camilo Restrepo, 15 November 2013; Carolina Rentería was Director of the DNP (2006-2009), interview 15 November 2013. The interview was conducted via Skype call; Ana Lucía Villa was Director of the DAF at the Ministry of Finance (1998-2017), interview 8 October 2013.

argued, since 2002 there had been a continuous increase of the fiscal transfers in constant prices (see Figure 6.1).

Figure 6.1 Transfers in constant prices (2008)



Source: (Bonnet, Pérez, and Ayala 2014)

However, it is essential to contrast the revenue sharing system of 2007 with the revenue sharing system of 1991, because (as it was noted before) without the reform of 2007 the calculation of the transfers would have returned to the revenue sharing system of 1991 (therefore, this system is the right counterfactual).

The revenue sharing system of 2007 represented a significant decrease of the fiscal transfers compared with the revenue sharing system of 1991. According to the revenue sharing system of 2007, the transfers increased at a rate of inflation plus certain percentages that were deliberately set below the expected growth of the Colombian economy. By contrast, according to the revenue sharing system of 1991, the transfers would increase at a rate equal to the average of the percentage variation of the central government revenues in the previous four years using a base amount higher than that set in the reform of 2007. Given the association between the GDP and the central government revenues, on the one hand, and the good economic performance of Colombia, on the other, the percentages included in the revenue sharing system of 2007 implied a decrease in the fiscal transfers for departments, districts and municipalities.[6] The only exception to this rule took place in 2008, because of the international financial crisis (see Figure 1.1).[7]

The national government presented this recentralising reform as a measure to protect the subnational governments from uncertainty.[8] Nonetheless, the truth is that not only does Colombia have the least volatile economy of Latin America since the nineteenth century (in other words, the 1999 crisis was extremely exceptional, see Table 1.1), but also the moving average system of 1991 to calculate the fiscal transfers (i.e. the average of the central government revenues in the last four years) would have been more effective to get stability than the percentages of the reform of 2007 (because of possible changes in the rates of inflation).[9] As Gabriel Piraquive, director of economic studies of the DNP (1998-present) explained in my interview:

> What happened in 2006? We (the national government) did not respect the agreement. In 2000 we said that we would assume the macroeconomic risk for 4 years. We were going to give them stability with this, and afterwards we would continue in a different way. Using the average of the revenues received over the course of the last 4 years we would give them the transfers. That way we could forget about the rule of using inflation plus a few points. This was much more stable than using inflation.[10]

---

[6] This pattern of real-terms increase but decline relative to growting GDP is equivalent to what Hood et al. defined as a 'soft' spending squeeze. See Hood, Heald, and Himaz 2014

[7] Bonnet, Pérez, and Ayala 2014, 17–18

[8] Interview Alberto Carrasquilla, 17 October 2013; interview Carolina Rentería, 15 October 2013.

[9] See Table 1.1 in the introductory chapter.

[10] Gabriel Piraquive is Director of Economic Studies at the DNP (1995-2017), interview 12 November 2013.

In other words, it was not fully convincing the argument of the national government about their motivations related to generate more stability for the subnational governments.

And, finally, Uribe's Minister of Finance Oscar Iván Zuluaga tried to recentralise the royalties through a legal reform (not a constitutional one). However, the Fifth Committee of the Senate did not approve the proposal.[11]

Fiscal and administrative recentralisation: departmental water plans and earmarked transfers

The second part of the 2007 reform dealt with the creation of a specific account in the revenue sharing system mandatorily devoted to water supply and sanitation. This was specifically promoted to provide stable funds for the main national government's policy regarding this sector called "*planes departamentales de agua*" (departmental water plans, hereinafter PDAs).[12] The PDAs implied transfers of both resources and responsibilities from the municipalities to the departments (fiscal and administrative recentralisation).

In turn, the evaluation and approval of the PDAs by the Ministry of Housing (a procedure before an office commonly known as the *ventanilla única* –one-stop shop) also implied transfer of decision making powers from the departments to the national government (administrative recentralisation). According to the former governor Antonio Navarro:

---

[11] La Silla Vacía 2011

[12] Interview Juan Lozano, October 2013; interview Carolina Rentería, 15 October 2013; Evamaría Uribe was Superintendent of Domestic Utility Services (2002-2010). In some cases, the regional autonomous corporations also made contributions to these plans (given the environmental content of the PDAs), interview 1 November 2013.

> The water departmental plans were a well thought policy because they were trying to make the municipalities, departments and national government work together. I think that this is a good idea generally. The resources that have been completely decentralised to other regions, like royalties, have made people make poor choices. However, in the water departmental plans there was also an excess of centralisation. Because finally the one-stop shop, where all decisions were made, became a place to stand in the queue, very long queues. And also it had difficulties of a different nature, of mismanagement, and decisions being taken based on the interests of certain political groups.
>
> But generally speaking if that type of scheme were handled correctly, it could become a scheme that allows more efficiency in the use of resources, and at the same time allows the regions to participate. The water departmental plan also has the advantage of giving a role to play to the departments. The nation realised that a direct relationship between the nation and 1100 municipalities was difficult to handle. And the intermediate link could fulfil a role. Finally, the water departmental plans faded away, they deflated. The impossibility of appropriating future resources ended up killing them.[13]

In practice, this reform allowed the central government to guide these resources according to the national development plan and the political interests of the Ministry of Housing (particularly during the process of approval of the PDAs by this Ministry).

The PDAs had to face many difficulties. Among the main problems were the lack of studies and designs regarding specific water infrastructure projects and the rulings of the Council of State that blocked the allocation of resources for upcoming years.[14] The departments' lack of capacity to manage the projects was evident. When there were studies and designs the execution of the PDAs was successful. Luis Jorge Pajarito Gómez, former governor of Huila, explained in my interviews:

> In the PDA, I left my successor 54 thousand million pesos to spend. I did not have any rush to spend them, because we hired studies and designs first for 37 municipalities and 15 rural areas. Those had to go to the Ministry of Housing, and I was not in a rush to spend them. And today those designs and studies are being implemented with the funds that we left. The manager of Aguas del Huila, the

[13] Interview Antonio Navarro, 13 November 2013

[14] Camilo Ospina was Minister of Defense (2005-2006), interview 3 October 2013

> firm that manages the Departmental Water Plan, said: if you had not done those studies and designs we would not have anything to show.

Unfortunately, it was not the rule. As Miguel Caicedo, former DNP's coordinator of the PDAs in several departments, explained in my interviews:

> It got complicated in the execution because of the government's need to show results, in this case of Vice-Minister Leila, to show the President [Uribe] that she was capable of producing results. That led us to lots of mistakes. The success of this lies in having planned projects. And to have planned projects you needed to have studies, designs, cost structures, and those weren't there. And that has been the delay of the water plans. Everything stayed as broad ideas.[15]

In sum, water supply and sanitation was a sector almost exclusively controlled by municipalities. The central government did not increase the resources devoted to these services in the revenue sharing system. It simply reallocated municipal transfers in favour of the departments. In this new organisation, the governors not only could control their recently allocated resources, but also the municipal transfers devoted to water supply and sanitation. Moreover, this is another case of *regulation inside government*.[16]

Administrative recentralisation: systems of control and monitoring

During the legislative process of the reform of 2007, the foundations of two central government systems to monitor and control the use of the fiscal transfers were included in the Constitution. These systems of control and monitoring were developed through laws and national decrees. In sum, the municipal authorities had to comply with governance and public services outcomes targets set by the national government (mainly based on pre-existing legal obligations and the national

---

[15] Interview Miguel Caicedo, 2014

[16] See Chapter 2 of this thesis.

development plan). Otherwise, they would lose the management of the transfers in favour of departmental or even national authorities. One system was led by the Ministry of Finance and the other by the *Superintendencia de Servicios Públicos Domiciliarios* (hereinafter "SSPD"), a national agency whose director can be removed at the President's discretion.

In the system led by the Ministry of Finance, after the first year, if the municipal authorities did not reach the mentioned targets there were two possible outcomes: (i) a special improvement plan designed by that Ministry, periodically monitored through reports presented by the local mayor in Bogotá, or (ii) an order to reallocate the management of the municipal transfers to the department. In some cases, the national government could directly assume the responsibility for provision of water supply and sanitation for up to five years.[17] This system generated a kind of "conflict of interest" because the Ministry of Finance has the purpose of assuring that resources in the budget are actually spent by departments and municipalities, but as the authority in charge of monitoring and controlling the transfers it can also order the interruption of their use.[18] Eventually, the "*División de Apoyo Fiscal*" (Division for Fiscal Support, hereinafter "DAF") at the Ministry of Finance (and not the local mayors) decided the future of water projects in a number of municipalities (in accordance with the national development plan).

The second one was about a certification of the SSPD regarding certain formal requirements (for instance, implementation of socioeconomic stratification according to the national methodology and balance between subsidies and

[17] This case took place in the department of Chocó.

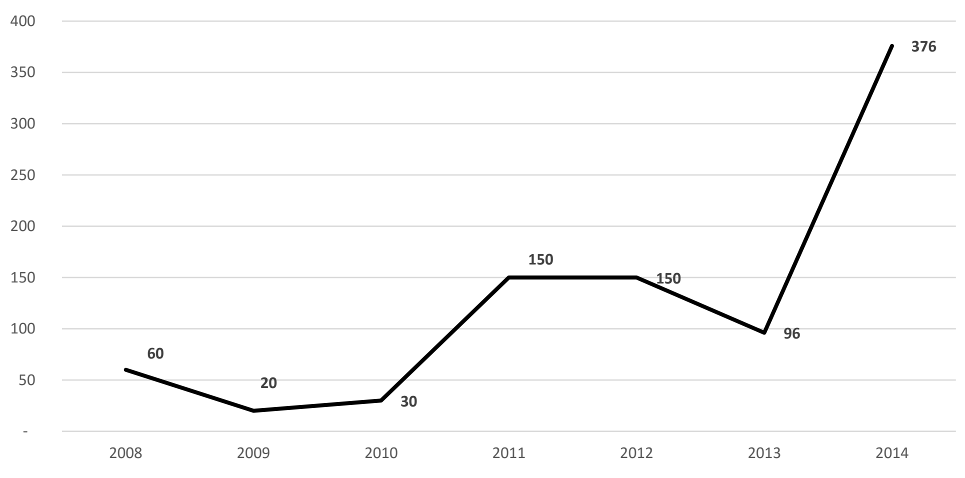
[18] César López Botero is Adjunct Professor of Public Finances at the Universidad Javeriana and former Superintendent of Health (2003-2006), interview 22 October 2013; interview Ana Lucía Villa, 8 October 2013.

contributions). After the first year, if the municipal authorities did not reach the mentioned targets, they did not receive the official certification by the SSPD and the case was reported to the Vice-Ministry of Water at the Ministry of Housing. Aftewards, the departmental authorities would manage the fiscal transfers. Year after year there was an increase in the level of the requirements. However, there were also multiple measures to create exceptions to the process of certification. In my interviews, César González, former Superintendent of Public Utilities explained that:

> In 2009, almost 1000 municipalities were going to be decertified. And in the end the national government issued a decree saying that those that signed an agreement on performance with the Superintendence would be certified. And those agreements were signed to avoid decertification. Therefore, nothing happened. They were done in a hurry from Bogotá and very few were decertified. This instrument can be questionable as an instrument of recentralization, as it was not effective.

Later on this system of certification became highly policitised and generated a lot of corruption at the national and subnational levels.[19]

Figure 6.2 Number of municipalities decertified by the SSPD (2008-2014)



Source: SSPD, 2016.

[19] Superintendencia de Servicios Públicos Domiciliarios 2017

Furthermore, in general, the departments do not understand well what is the scope of the management of those resources. According to Law 142 of 1994, the departments' duty regarding the provision of public utilities is focused on providing financial, technical and administrative support. With the process of certification, the departments became the administrators of resources for investments and provision of water supply and sanitations services. In my interviews, Álvaro Franco, advisor of the national federation of depatments (FND), stated that:

> It creates new competences for the departments that they were not ready for. For example, the fiscal management of resources. The first question that they asked was but those resources that I am receiving, how should I handle them? Are they separate or should I manage them with my own resources? Are they happy generally to assume the responsibility? No, because they are seeing that it will require additional actions from them and competences that imply responsibilities, and at this point the conditions are not given for them to fulfil those responsibilities.[20]

However, municipalities were not always against the implementation of these recentralising measures, particularly in cases in which there have been several failed local attempts to solve the lack of water supply and sanitation (mainly because of corruption). For instance, in my interviews, Mario José Melo, secretary of planning of El Carmen de Bolívar (a successful case of this policy in terms of increase of quality and access in water supply and sanitation services), described the situation of the municipality in the following terms:

> From my own experience, not only professionally, but as a citizen of the municipality for several years, and despite my youth, but I feel, and listening to the people, and stories from years before, that it did work to decertify Carmen. Why? Because if you do some digging, here the water problems were historic. How many aqueducts were inaugurated here, many. How much resources were allegedly invested. So, at least for our municipality, the recentralisation of resources for water supply did work. I cannot say if this is the case for other municipalities. In my opinion, in municipalities that have similar problems, a

[20] Álvaro Franco is former advisor of the national federation of depatments, interview 2013.

> closer look from the national government should be welcomed to give a permanent solution to these problems.[21]

The public officials of the national government that I interviewed still denied that this part of the reform of 2007 was a recentralising amendment.[22] In my interviews, Camila Aguilar, director of territorial issues at the DNP pointed out that:

> I would not call it decentralising or recentralising, but rather the normal monitoring that is conducted when resources are assigned to make sure that they go towards what they are meant to go. Now, in practice, the way things happen, it is very difficult to draw the line. The idea is that this no longer happens regarding sources of investment: the SGP and the SGR, and what that does is that it ends up being a little recentralising, even if that is not the purpose of the scheme.[23]

Nonetheless, it is cleat that both systems allowed the national executive to *control* (setting goals, monitoring, and sanctioning) the organisation of public services (such as water supply and sanitation) by the municipal authorities.[24] The reduction of the policy-making authority of the municipal authorities implied a transfer of authority from the lower levels of government (municipalities) in favor of higher levels (national government).

In sum, the Uribe administration passed a constitutional reform in 2007 that avoided the return of the *revenue sharing system of 1991* and *conditioned* the transfers to certain requirements set at the national level. The rate of increase (but not the base amount) of the transfers of the revenue sharing system of 1991 would be applied again in 2016. The new base amount was lower than the one used in the revenue sharing system of 1991.

---

[21] Mario José Melo was Secretary of Planning of El Carmen de Bolívar (2015), interview 5 March 2015. See also El Tiempo 2015c

[22] Interview Luz Stella Carrillo, 2013. ¡

[23] Camila Aguilar was Director of Sustainable Territorial Development at the DNP (2013-2016), interview 16 February 2015.

[24] On the notion of “control” see Hood et al. 1999

The administrative requirements allowed the national executive to *control* (setting goals, monitoring, and sanctioning)[25] the organisation of public services such as water supply and sanitation. The PDAs implied transfers of both resources and responsibilities from the municipalities to the departments. In turn, the evaluation and approval of the PDAs by the Ministry of Housing also implied transfer of authority from the departments to the national government.

Economic inputs and institutional context (Why)

This section presents the economic boom and recentralised context that influenced the emergence of the recentralisation attempts during the Uribe administration.

The economic performance of Colombia from 2002 to 2010 was primarily determined by China's resurgence. As Bertola and Ocampo explain, China drove up world commodity prices, in the middle of a worldwide economic boom. For these authors:

> In the case of agricultural products, the boom that began in 2004 was actually more of a recovery (and only a partial one in the case of tropical agriculture) from the downward spiral in the real prices of such goods during the two preceding decades. Thus, this was a price boom for energy and mining products more than for agricultural goods. The big winners were therefore the countries where the former product categories account for a large share of output: Venezuela and Chile, followed by Peru, Bolivia, Ecuador, and Colombia (Ocampo 2007). The growing biofuels market has, however, established a direct link between the markets for these two groups of products.
>
> (…)
>
> In sharp contrast to the trends seen up to the start of the twenty-first century, the 2004–8 boom had a much more positive impact in South America in terms of both

[25] Hood et al. 1999

open unemployment and formal-sector employment. The decrease in unemployment rates was particularly steep in five South American countries (Argentina, Colombia, Paraguay, Uruguay, and Venezuela) and in Panama, which were the ones that had exhibited the highest rates in the past. One of the main reasons for this was, of course, soaring commodity prices, which strengthened the "southern" pattern of specialization.[26]

As the former President César Gaviria explained, the Uribe administration enjoyed a good economic moment:

> The economy started growing very fast starting in 2002. And there are a couple of years of 7% growth. Even per capita from 2002-2014, per capita in dollars, grew 7% a year. Not per capita in pesos but in dollars. Because as the exchange rate was revaluating then you added that revaluation to the 4 or 5% in growth. This is why the market in Colombia has expanded so much. Specially regarding tradable goods, because the product doubled.[27]

Moreover, in my interviews, the former Minister of Finance Alberto Carrasquilla (2003-2007), clearly explained that the reform of 2007 was promoted based on an optimistic forecasting of the Colombian economy:

> Yes, between 2008 and 2016, which in reality is phase 1 of the reform when there was a fixed number, I had a clear understanding that those numbers were 3,5-3-2,5-2-2,2 and those numbers would be overcome by GDP growth and in 2016 we would be even. I mean, as I saw the graph in my mind, resources were worth x% of the nation's income and of the GDP or the GDP in 2007. By 2016 they would be worth less and a part of the fiscal space that this would create would be destined to co-finance and the other part to solve other fiscal problems that we had. [28]

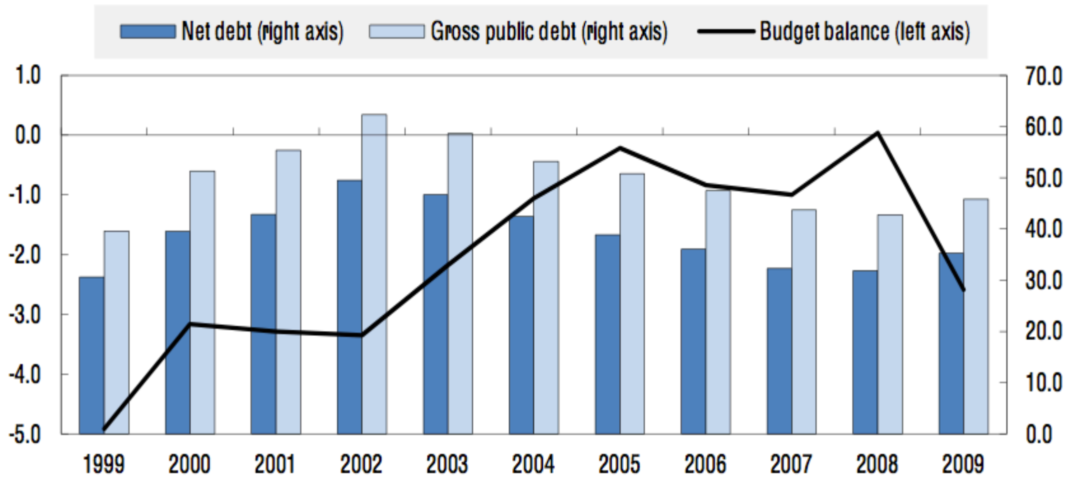
Still, there were some fiscal concerns (see Figure 6.3):

[26] Bértola and Ocampo 2012, 231

[27] Interview Cesar Gaviria, 2 July 2015.

[28] Interview Alberto Carrasquilla, 17 October 2013.

Figure 6.3 Non-financial public sector deficit and debt, 2001-2009 As percentage of GDP



Source: (OECD 2013)

And there was a worldwide recession from 2008 to 2009. Fortunately, as Bertola and Ocampo explain, China's recovery caused commodity prices to rebound and the crisis turned around quite rapidly, with the region (and especially South America) registering a positive growth rate in 2010 and 2011.[29]

On the other hand, this economic boom took place in a recentralised institutional context characterised by the revenue sharing system of 2001, which allocated most of the resources to the national government. In such an environment, unlike the reform of 2001, the approval of this constitutional amendment was not conditioned on the local mayors' support. To some extent, the informal veto power of the subnational authorities had disappeared.

Even, for some actors in the Congress, as well as in the central government, the reform of 2007 was not a significant reform, but merely the continuation of the

---

[29] Bértola and Ocampo 2012, 265

changes initiated by the reform of 2001.[30] As Carolina Rentería explained in my interviews, from the national government's perpective:

> The history is very clear because it was the next step from the constitutional reform of 2000 (sic). The constitutional reform of 2000 (sic) only covered a given period of time, I think it was 2000-2008, and that meant that in 2007 either there was a new reform or things would reverse back to the system prior to the Constitution, to the system prior to 2000 (sic). That is easily verifiable, all you have to do is look at the 2000 (sic) reform.[31]

In my interviews, Alberto Carrasquilla, Minister of Finance at the beginning of the legislative procedure of the reform, had a similar opinion:

> In the definition of the amount of the transfers in the 2001 reform there was a transitory rule that tied the transfers of a given year to the ones of the year before, instead of automatically tying them to the nation's revenues. Given that at the time that was a provisional measure and was supposed to come to an end, if my memory doesn't fail me in 2009 (sic), for us – the government – it was convenient to start a discussion to find the good lessons to extract from 2001 and try to give some permanence to that rule.[32]

Along with these factors, in 2004 the high popularity of the right-wing president Álvaro Uribe (mainly as a consequence of the perception of an efficacious handling of a national security crisis) facilitated the approval in Congress of a constitutional reform that allowed him to run for a second consecutive term.[33] Eventually, Uribe was re-elected as president of Colombia for the period 2006-2010 (on the other hand, the left-wing movements were able to retain the mayoralty of Bogotá). By contrast, governors and local mayors were not allowed to run for a consecutive term.

---

[30] Hernán Andrade was a former Senator (2002-2017), interview 12 November 2013; interview Luz Stella Carrillo, 2013.

[31] Interview Carolina Rentería, 15 October 2013

[32] Interview Alverto Carrasquilla, 17 October 2013.

[33] González González 2014, 447

Self-reinforcing dynamics (How)

This section explains the causal mechanism (self-reinforcing dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other.

Fiscal recentralisation: the emergence of the new revenue sharing system and the failed attempt to redistribute royalties

The increase of the GDP boosted the central government revenues, but these revenues were not split half-and-half between national and subnational governments. Because of the recentralising reform of 2001, the economic boom that Colombia experienced from 2004 to 2007 mostly benefited the national government. Because of the increase of the resources of the national government and the consequent decrease of those allocated to subnational governments, the informal subnational veto power disappeared.

With the economy growing at a higher rate than the automatic transfers to the subnational governments, the national executive did not have any incentive to allow the return of the revenue sharing system of 1991 in 2008, as it was planned in the reform of 2001 (a kind of "commitment problem").[34] Moreover, President Uribe was the direct beneficiary of maintaining the resources at the national level because of his re-election in 2006. As the former President (1990-1994) and then leader of the opposition César Gaviria explained in my interviews:

---

[34] This is not a new phenomenon. On commitment problem and fiscal centralisation see: Díaz Cayeros 2006, 12–13

> Uribe started seeing that transfers were going to grow and that they were defined in terms of the growth rate. And he was very centralistic. He wanted to do everything. So he invented a formula to put a ceiling to the different years between 3 or 4%, or 7% growth of transfers. I opposed that. The Liberal Party opposed. We said that it was a process of recentralisation. And that was what they did.[35]

Armando Montenegro, director of the DNP during the Pastrana administration had a similar view:

> Uribe was the most centralising President in history. He decided to be the mayor of all municipalities, the governor of all departments and the President of Colombia. Back then Uribe gave away money, he wiped out all those limits.[36]

In this way, Carlos Holguín Sardi, Minister of the Interior who promoted the reform of 2007 in Congress, explains that:

> The reform basically had a very fiscal motivation, how much is that burden, what is being done, how. So I remember the reaction of certain governors and the strong confrontations. For example, I remember with the governor of Atlántico back then, Dr. Rodado, who lead a very strong position.[37]

And the opposition was also based on fiscal motivations. Alberto Carrasquilla, explained the situation in the following terms:

> In 2006 when we brought the initiative, the relationship between the system, the transferred resources and the revenues, if I remember correctly, was around 37% and the old rule that prevailed until 2001 said that transfers were something around 42% or 45% as a set rule. So there was an expectation that that difference would mean an influx of resources that were very welcomed by the regions. So the basic discussion was given obviously between the national government, the municipal governments and the departmental governments represented at the time by the Colombian Federation of Municipalities and the National Federation of Departments. They were the more important counterparts sitting at the table. In the House of Representatives the regions have a lot more echo and so the discussion was harder in the House.[38]

---

[35] Interview Cesar Gaviria, 2 July 2015

[36] Armando Montenegro was former Director of the DNP (1990-1994), interview 11 December 2014.

[37] Carlos Holguín Sardi was former Minister of the Interior (2006-2008), Senator (1982-1986, 1990-1998-and 2002-2006), Governor of Valle del Cauca (1976-1978 and 1992-1994) and Mayor of Cali (1970-1973), interview November 2013.

[38] Interview Alberto Carrasquilla, 17 October 2013.

In my interviews, Eduber Gutiérrez presented the official position of the National Federation of Departments in the following terms:

> The fact that local entities were no longer going to participate based on the national revenues, but based on a given pre-established formula, and based in a set of growths given in a constitutional reform. Well, that was a big sacrifice for local entities. So what the nation presented as a goal, which was macroeconomic stability, implied a big sacrifice for the regions in terms of investment of resources in the different sectors that were financed through these accounts. So, what I am trying to say is that to the regret of the position held by the Federation against the project, because there was an openly opposed position to the project, at the time supported by the Liberal Party, what the Liberal Party did was collect the flags of the federations and say: we do not agree with the modifications to the revenue sharing system, both in the constitutional reform of 2001 and in the constitutional reform of 2007. In both cases, we as a federation opposed the reforms. And we opposed not only on technical grounds, which went from making the necessary projections to understand that they necessarily meant a sacrifice to social investment. Because it was a given fact that there would be a sacrifice in social investment in health, education and in the rest of the sectors. And in this case, starting in 2007, in water supply and sanitation. And so the issue is that, at the time, despite our opposition, and despite the opposition of the Liberal Party that supported us in this issue, the government had the need to approve the project. Because if the government didn't pull through with this project, it would have simply been impossible for the national government to keep up with the levels of expenditures that it had since the Constitution of 1991.[39]

The bargaining power resulting from the discretionary allocation of the national growing funds was extremely valuable to deal not only with legislators, but also with governors and local mayors. The co-financed projects and pork barrel could deter the political opposition from governors and local mayors even regarding a bill proposal that reduced their automatic transfers because, simultaneously, they were looking for the central government's financial support. For instance, simultaneously with the debates in the Congress of the reform of 2007, the Minister of Finance Alberto Carrasquilla was offering the national government's support to large-scale

[39] Eduber Gutiérrez was former Advisor at the National Federation of Departments (2004-2015), interview 18 November 2013. On the different position of the political parties, see: El País 2006

projects in the regions as a proof of the central government's commitment to regional and local development. He explains that:

> At the same time when the process of discussion of the reform is underway projects were being discussed, that I recall the projects of Transmilenio [bus rapid transit systems] were clearly mentioned. Some infrastructure works, highways, let's call them that. So there is a, parallel, you are right that this isn't left in an article of the constitutional reform. But there is a commitment of the parties, that the Nation would not leave the scheme of co-financing important projects of infrastructure. And at the end of the day, from that time until today there have been 5 to 6 Transmilenio projects in different cities of the country, and a difficult problem of coordination was resolved, because suppose that the funds transferred to Bucaramanga, just to mention a name, and Santander, isn't enough to build Transmilenio in Bucaramanga. The money transferred to Cucuta or Norte de Santander isn't enough to finance Transmilenio in Cucuta. Then there has to be someone who decides how things should be done.[40]

But, as Horacio Serpa (governor of Santander at the moment of the reform) explained in my interviews, the financial support from the national government had certain political conditions:

> People say: well, but they have political descentralisation. They choose mayors and governors. But all that is lost because the budget of municipalities and departments is never enough, so we have to reach out to the central government to ask for money. And here there is some discretion of the Ministries towards the regions or towards the people, charity. Well, we will give you this much so that you can do these projects. And what does that entail? That the governor and the mayor are gagged. They can never have an opinion about the central government, or an observation of any kind. They can never have, like in authentic democracies, competencies from the regions to participate in defining politics. Because here you have to be on the side of the national government, with anyone. I was part of the opposition and was governor. Frequently, and I say this with a little bit of shame, I would try not to show much my opposition when I was going to ask for resources, because otherwise I would not get the resources.[41]

The governor's disadvantages in Congress were evident for both governors and ministers. As Alan Jara explains:

> The governors don't have any incidence in the approval of the national budget, zero. The national budget is made by technocrats, with the criteria I just

---

[40] Interview Alberto Carrasquilla, 17 October 2013.

[41] Horacio Serpa was Co-president of the National Constituent Assembly (1991), Minister of the Interior (1994-1997) and Governor of Santander (2008-2011), interview 10 October 2013.

> mentioned, or in the Congress they have some influence, and politically governors are like the opposition of Senators. In the regions, local power (i.e. political power) is contested between the Senator and the Governor. So in the Senate, in Congress, the thing is not to give anything to departments. So, if nothing is allocated, it is up to the good will of the Minister to say whether to build a school or not, to build a road or not, to build this hospital or not. It is discretionary.[42]

As Carlos Holguin Sardi, Minister of the Interior, stated in my interviews:

> The influence of the nation over Congress is stronger that the influence of mayors and governors over the Congress. The nation has the Congress in its hands.[43]

In such an environment, unlike the reform of 2001, the Congress did not see the political need to condition its support on the approval of the subnational governments.

The reform of 2007 was significantly less debated in Congress and in the media than the reform of 2001. At first sight, it is not easy to explain this decrease in attention to a reform of this type. Considering the electoral results, the constituencies of the vast majority of the legislators in both chambers were located outside the capital. Given the good performance of the national economy there was no sense of urgency, like there was for the reform of 2001. And, even more importantly, the benefits for the subnational entities were far less clear. As it was noted, according to the director of economic studies of the DNP Gabriel Piraquive and the former member of the Board of Directors of the Colombian central bank Juan Mario Laserna, the inflation rate proposed by the central government in the reform of 2007 could be less stable than the average of the percentage variation of the central

---

[42] Interview Alan Jara, 20 February 2015.

[43] Interview Carlos Holguín Sardi, November 2013

government revenues in the last four years used in the revenue sharing system of 1991.[44]

The legislative process of the reform of 2007 was also benefited by the fact that the recentralising policies of 2001 created their own "constituencies" not only in the national executive, but also in Congress. Regarding this issue, Carlos Holguin stated that:

> The legislators do have a centralist calling, this is why governments can recentralise considerably, and they manage to get recentralising laws approved (...) There is no coherence between the discourse and parliamentary action, because they are afraid to give local mayors more power.[45]

After the reform of 2001, the legislators realised the political benefits associated with the decrease of the automatic transfers to municipalities and departments in terms of the increased need of the subnational governments for their intermediation before the national government. A significant number of legislators needed these co-financed projects or pork barrel to preserve their political power in municipalities and departments.

In such an environment, the leadership of the opposition against the reform of 2007 was not found in the Congress, but rather in the Conservative governor of Atlántico, one of the most important departments of the country.[46] An engineer with a PhD in Economics from the University of Michigan, Carlos Rodado had been one of the members of the 1991 National Constituent Assembly. Along with Guillermo Perry (first Minister of Finance of the Samper administration) and some other members, he was part of the group that designed the method to calculate the transfers

---

[44] Interview Juan Mario Laserna, 12 November 2013; interview Gabriel Piraquive, 12 November 2013.
[45] Interview Carlos Holguin Sardi, November 2013
[46] Interview Carlos Holguin Sardi, November 2013

included in the new Constitution approved by the assembly. He also wanted to run for President.[47] These circumstances could explain why he decided to openly oppose the central government's 2007 reform. Rodado had three main arguments: the main cause of the fiscal deficit was not the transfers; the significant decrease in the transfers since 2001 was not used by the central government to reduce its fiscal deficit; and the reduction in the transfers would again affect, like in 2001, the access and quality of health and education services at the subnational level. Moreover, he clearly explained how the reduction produced by the reform of 2007 would not be useful to diminish the fiscal deficit (as President Uribe stated) unless the central government also reduced the expenditures devoted to health and education. Rodado also pointed out that, despite the fiscal deficit alleged by President Uribe to support the reduction of the transfers, Uribe's administration was promoting a revenue-neutral tax reform.

Rodado did not obtain any significant political support from the legislators to oppose the reform of 2007, not even from other governors. He stated this lack of support was caused by the poor political culture around decentralisation issues.[48] However, according to María Teresa Forero, then Executive Director of the Federación Nacional de Departamentos (FND), for the governors, the Members of the Congress were essential partners to obtain resources from the central government and, therefore, they avoided a direct confrontation with them.[49] In my interviews, Carlos Rodado (governor of Atlántico), described his situation in the following terms:

---

[47] María Teresa Forero was former Executive Director of the FND (2003-2012), Minister of Labour (1989-1990), Minister of Health (1996-1998), interview 29 October 2013.

[48] Interview Carlos Rodado, 13 November 2013

[49] Interview Maria Teresa Forero, 29 October 2013; interview Alan Jara, 20 February 2015.

> I spoke in the Senate when the reform of 2007 was being debated, and I did not find any support from the members of Congress from Atlántico or the active forces of the Caribbean region. I could not find any support. There was no presence of business or politicians or academics to show their sympathy to my work when I gave that fight so that the reform of 2007 didn't take place. The voices that appeared later on, the voices of 2008 that requested compensation funds and other things, were not present in the reform of 2007 in a coordinated way. The only voice that was present was that of the Governor of Atlántico.[50]

Also, according to the director of Fedemunicipios Gilberto Toro, there were some other political figures less prone to particular benefits (e.g. pork barrel), but subjected to the media pressure that portrayed governors and local mayors as the champions of corruption and incompetence.[51]

Given the large majority of the presidential coalition in the Congress, the role of the opposition parties –the Liberal Party (social-democratic party) and the *Polo Democrático Alternativo* (left-wing party) was very limited. As noted before, the former supported the opposition by the FND, whose director María Teresa Forero was a former liberal Minister of Labour and Health. The latter, which was strongly supported by the national union of teachers FECODE, only obtained a small increase in the transfers devoted to education.[52]

Before the Congress, as well as in public debates across the country, the central government promoted the *revenue sharing system of 2007* presenting four general arguments.[53] The first one was that, despite the good performance of the Colombian economy, returning to a system that linked the regional transfers with the variation of the central government revenues undoubtedly would generate serious risks for the macroeconomic stability of the country. The central government still had

---

[50] Interview Carlos Rodado, 13 November 2013

[51] Interview Gilberto Toro, 20 September 2013

[52] Gloria Inés Ramírez is former Senator (2006-2014) and President of the National Teachers' Union (2000-2004), interview 6 November 2013.

[53] Interview Alberto Carrasquilla, 17 October 2013; Congreso de la República de Colombia 2006

a fiscal deficit and also had to deal with critical issues such as pension obligations, external debt, and the humanitarian crisis and military expenditures caused by the on-going internal armed conflict.[54] Thirdly, the national government frequently reminded local mayors how the crisis of 1999 and 2000 decreased the amount of their transfers (because of the association of fiscal transfers and central government revenues, the decrease of the latter affected the subnational entities). The government also argued that the transfers' stability caused by the reform of 2001 was essential for an adequate planning and delivering of public services at the local level and that, without this new reform, the transfers would lose that stability.

Carolina Rentería, director of the DNP who promoted the reform of 2007 and high-ranked public official of the same agency when the reform of 2001 took place, explains the strategy of the national government in the following terms:

> Yes well, I was a very technical and active member of the 2000 (sic) reform and had to be the leader of the one in 2007. Evidently it was easier in 2000 because of the crisis, while 2007 was the year of larger economic growth before the other crisis in 2008. So that argument wasn't viable. The one that was viable was to show that doing the work in 2000 (sic) allowed us to regain macroeconomic stability, and that macroeconomic stability had been useful to all.[55]

These arguments were part of learning processes of the public officials of the national government. In response to the success of the argument in 2001, when the decrease of the transfers because of the crisis of 1999 opened the door for an agreement between the national level and SNGs in 2001, the revenue sharing system of 2007 was promoted by the public officials of the Ministry of Finance and the DNP as a protection of the SNGs against dramatic changes in the economy.[56] Similarly,

---

[54] The cases of armed clientelism were not relevant factors for the persons who designed and promoted the three parts of the 2007 reform.

[55] Interview Carolina Rentería, 15 October 2013

[56] Interview Luz Stella Carrillo, 2013; interview Carolina Renteria, 15 October 2013

the reform of 2007 was promoted by the Minister of Finance Alberto Carrasquilla as a way to avoid a national fiscal crisis in response to success of the argument in 2001, when the revenue sharing systems of 1991 was portrayed by the national government as one of the main causes of the national fiscal crisis.[57]

Furthermore, the percentage escalations additional to the inflation rate of the reform of 2007 were deliberately set by the public officials of the Ministry of Finance below the expected growth of the Colombian economy, in response to success (for the national government) of a similar rate of increase used in the revenue sharing system of 2001.[58] In the same way, the base amount of the transfers approved in 2007 was lower than the one used in 2001 (in application of the revenue sharing system of 1991), in response to success (for the national government) of a similar base amount used in the revenue sharing system of 2001.[59]

According to the reform of 2007, this system should last until 2016. This decision was made by the DNP and the Ministry of Finance in response to success of the national government in 2001, when the provisional character of the reform (until 2008) was useful to avoid political opposition. Furthermore, the Ministry of Finance decided to promote that only the rate of increase (but not the base amount) of the transfers of the revenue sharing system of 1991 would be applied again in 2016 in response to failure (for the national government) of the provisional character of the base amount of transfers of the revenue sharing system of 2001.

---

[57] Interview Alberto Carrasquilla, 17 October 2013
[58] Interview Alberto Carrasquilla, 17 October 2013
[59] Interview Luz Stella Carrillo, 2013

On the other hand, the increase of the royalties and the expectations that they would continue to grow in the following decade generated strong incentives for this administration to recentralise these revenues.

Uribe's Minister of Finance Oscar Iván Zuluaga (eventually, presidential candidate supported by Uribe in 2014) tried to change the legal framework. However, the Fifth Committee of the Senate did not approve the proposal. Despite the majorities of the government coalition in both chambers, a combination of Senators from the producing areas and members of the opposition controlled this committee (which evidenced the lack of support of this type of measures among the producing areas).[60]

Fiscal and administrative recentralisation: the emergence of departmental water plans and earmarked transfers

The Ministry of Environment, Housing and Territorial Development and the DNP were the main promoters of this section of the reform.[61] The water division of the World Bank also gave important technical support to it.[62] The central government argued that the lack of coordination between national, departmental and municipal investments, and the uncertainty regarding the availability of funds were the main problems of the water supply and sanitation sector. In this way, the PDAs were portrayed as the institutional instrument to coordinate national, departmental and municipal investments using trusts. And the creation through the reform of 2007 of a

[60] Cfr. Perez-Sebastian and Raveh 2014

[61] Interview Juan Lozano, 6 November 2013

[62] Interview Juan Lozano, 6 November 2013; Fernando Rojas was Lead Public Sector Management Specialist at the World Bank (1998-2010), interview 22 December 2014, the interview was conducted via Skype.

specific account in the revenue sharing system mandatorily devoted to water supply and sanitation provided the stable source of funding for departments and municipalities.[63]

Since 2005, the Uribe administration began its attempts to organise the provision of water supply and sanitation at the departmental level in Cesar, Magdalena and La Guajira.[64] These departments were selected because they could provide an important amount of royalties, in addition to their transfers, to fund this new strategy.[65] As part of Uribe's initiative, these departments also obtained loans from the World Bank and the *Corporación Andina de Fomento* (CAF) guaranteed by the central government.[66] And, both national and departmental administrations pressed several municipalities from the aforementioned departments to join the initiative and transfer their royalties and additional resources devoted to water supply and sanitation to trusts controlled by the governors.

A good example of these procedures can be found in my interview with Miguel Caicedo (former UNDP's contractor in charge of the coordination of the PDAs in several departments for the DNP) regarding his role in the negotiations with a municipality in the department of La Guajira:

> I had to negotiate the entry of La Jagua de Ibírico to the PDA. Back then the municipal council did not want to authorise the mayor to be partner of the regional company because they would lose control of the resources, because they would not be in control of the procurement of these funds any more. (…) They were very resistant. So what did I have to do? They had resources from royalties suspended for a series of irregularities. So I told them: listen, either you get on

63 Interview Juan Lozano, 6 November 2013; Sandra Suárez was Minister of Housing, Environment and Territorial Development (2003-2006), interview 16 November 2013.

64 Consejo Nacional de Política Económica y Social 2005b, 2006, 2007

65 Interview Juan Lozano, 6 November 2013; interview Gabriel Piraquive, 12 November 2013; interview Sandra Suárez, 16 November 2013

66 The Corporación Andina de Fomento -CAF- is a "development bank created in 1970, made up by 18 countries of Latin America, The Caribbean, and Europe, as well as 14 private banks in the region". See: http://www.caf.com/en/about-caf/who-we-are (April 2014)

> board with the water departmental plan (PDA) or us, National Planning, will not approve a single dime to solve problems of water supply and sanitation. That was in bad terms, it had to be done with a cordial threat. If the municipality of La Jagua had not entered the PDA, it would never have had a chance to solve the problems of water provision, in the way that today a solution is coming into light. The threat included in the planning law saying that the municipalities that were not in the PDA would not receive any resources from the nation's general budget**.** We also used this to pressure, together with access to royalties. In Assemblies it was easier because the Governor has control. The governor is the one who names the president of the regional public utility. Therefore he controls the hiring processes.

Only one year after the beginning of those initial projects, the Uribe administration decided to build its main policy for water supply and sanitation based on coordination at the departmental level.[67]

Finally, Juan Lozano, former Minister of Environment, who promoted the earmarked transfers for water supply and sanitation, stated that:

> I don't recall any intervention focused on this subject [armed clientelism]. We were looking to finance the sector. We were looking to cover an institutional weakness." (…) My concerns were the corrupt, armed or not armed. The search for protection was a general quest.[68]

Similarly, in my interviews, Carlos Holguín Sardi, Minister of the Interior who promoted the reform of 2007 in Congress, recalled that he had no knowledge of the armed conflict being brought up in the discussions of the constitutional reform.[69]

The conflict was still present, but the local mayors were more secure at that moment than before. Furthermore, this time the majorities in Congress did not conditioned their support on the approval of local mayors (the legislators were enjoying the growing dependency of the subnational authorities after the reform of 2001). The public officials of the DNP who designed the national system of control

[67] Interview Carolina Renteria, 15 October 2013; Consejo Nacional de Política Económica y Social 2007

[68] Interview Juan Lozano, 6 November 2013

[69] Interview Carlos Holguin Sardi, November 2013 (Holguin Sardi 2013)

and monitoring of the use of transfers were aware of the armed clientelism in certain parts of the country, but their concerns were more about corruption in general (associated or not with illegal armed groups). And the Congress did not care very much about this administrative recentralisation.

Administrative recentralisation: the emergence of the systems of control and monitoring

Based on a proposal prepared by the DNP, during the legislative process of the reform of 2007, legislators of the presidential coalition also included in the Constitution the foundations of two central government systems to monitor and control the use of the fiscal transfers. Since 2007, these systems of control and monitoring were developed through laws and national decrees.

As Eduber Gutiérrez, advisor at the FND, explained in my interviews, there were already some other systems of control and monitoring:

> If controls refer to the use of public funds that is what the Comptroller General [Contraloría General de la Nación] is there for. That control should be for all public resources. And in that case the Comptroller General and the Regional Comptrollers. Second, if we were looking at possible disciplinary irregularities then you have the Inspector General [Procuraduría General de la Nación] that should control the behaviour of public officials, preventing and imposing sanctions for disciplinary faults. And, on the other hand, what relates to criminal investigations, you have the public prosecutors and criminal courts. [70]

The DNP had been working on the design of this type of systems for some time before this reform, but it had lacked the political opportunity to promote it before the Congress.[71] The DNP had also identified another significant obstacle to

---

[70] Interview Eduber Gutiérrez, 18 November 2013 (Gutiérrez 2013)
[71] Interview Luz Stella Carrillo, 2013

this type of system: the judicial review of the CCC. The Court had protected the constitutional levels of subnational autonomy from other similar legal reforms.

During the Congressional debates about the reform of 2007, Senator Gina Parody, member of the presidential coalition, proposed the creation of a system to control the use of the transfers by the departments. Her proposal opened up the political opportunity to directly introduce the system designed by the DNP into the Constitution, giving the system more stability and effectively avoiding judicial review.[72] Senator Parody, one of the young political figures of the Congress with predominantly urban support, argued that in a number of cases the increases of the amount of transfers had not generated similar improvements in the public services outcomes because of the local governments' inefficiency and corruption and that this could be solved creating more effective national controls over the use of these transfers.[73] According to her proposal, if a department did not reach the targets regarding access to education, health and water supply and sanitation during two consecutive years it would lose the management of those resources in favour of trusts structured by the national government.[74] In the first debate in the House of Representatives, the proposal prepared by the DNP was introduced rather than Parody's proposal. And the DNP's proposal was finally approved by both chambers.

This part of the reform was even less debated in the Congress than the changes in the method to calculate the transfers. It was not even debated by the opposition parties or by the subnational governments. Rodado, for example, a critical voice on other aspects of the reform, kept silent on this. As usual, the debates in the

[72]See: Corte Constitucional de Colombia 2008
[73] Congreso de la República 2006, 3, 2007, 24
[74] Congreso de la República 2006, 3

Congress were more focused on the distribution of the resources, than on the institutional developments.[75]

Initially, a national decree created a special agency linked to the DNP to monitor and control the use of the transfers. However, there was such a strong political dispute between the parties of the presidential coalition to control that agency that President Uribe decided to allocate this function in the DAF (*División de Apoyo Fiscal*, an office created in 1998 as part of the Ministry of Finance to support the fiscal difficulties of the subnational governments). In my interviews, Ana Lucía Villa, director of the DAF, remembered the allocation of that function in the following terms:

> There was even a meeting that I remember very well with President Uribe where he said let's repeal the decree that created that unit, lets finish what they are doing, it goes no more. And pass the execution of 028 to the Directorate of Fiscal Support of the Ministry of Finance. I said, look, this is an agency of the government for fiscal discipline, we are not prepared to assume the follow-up and control because our partners in this scheme, listed in 028, are not ready to do any monitoring. Because this monitoring is done by the Ministry of Education, the Ministry of Health and the Ministry of the Environment, and National Planning regarding the resources destined for general purposes. Without good monitoring it is impossible to do the task. And I remember very well what the President said: I am the President, I am in charge, and you will receive the system. I received it at the end of 2009 with a presidential decree.[76]

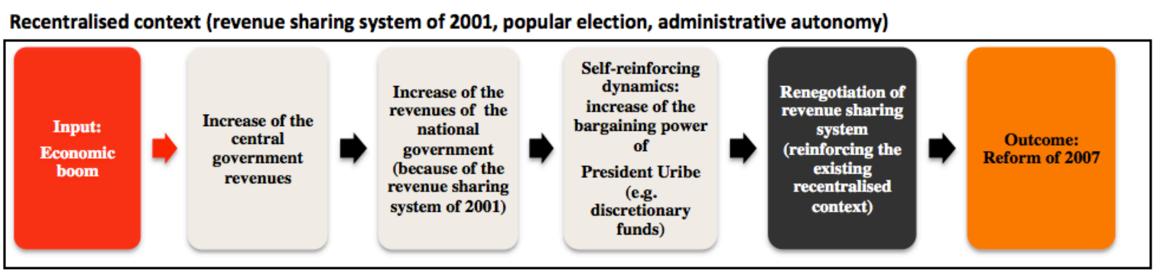
This presidential decision reinforced the "fiscal control style" of the system of control and monitoring. It not only meant that the system was more focused on the financial management rather than on water supply and sanitation services' particularities, but also that the public officials' common understanding was that local mayors and governors should be confined to following instructions.

[75] Interview Cesar López Botero, 22 October 2013
[76] Interview Ana Lucía Villa, 8 October 2013

The autonomy of local mayors and governors was not strongly defended by the Members of the Congress. Legislators and public officials frequently mentioned the same critical cases (i.e. Quibdó, Sincelejo, El Carmén de Bolívar) to illustrate the levels of corruption and inefficiency of the subnational governments, as well as the statistics of the *Procuraduría General de la Nación* (Inspector General) and the *Contraloría General de la República* (Comptroller General) regarding mismanagement of those recourses.[77]

In sum, the Uribe administration exemplifies how an economic boom (2004-2007) in a recentralised context (caused by the substantial fiscal recentralisation of the reform of 2001) reinforced Colombia's recentralising trend. The main causal mechanisms are summarised in the Figure 6.4.

Figure 6.4 Links between economic boom and (more) recentralisation during the Uribe administration



Source: The author

[77] One of the well-known problems with the statistics of the Inspector General and the Comptroller General, is that in Colombia it is common for a political group that lost the municipal and departmental elections to use these investigations to trump the work of the elected governors and mayors.

Conclusion

This section concludes by suggesting that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Uribe administration can be explained as outcomes of an economic boom in an already recentralised institutional context (*hypothesis*).

The reform of 2007 included critical trasfers of resources, responsibilities and authority from lower to higher levels of government. Because of the reform of 2007, there was a decrease of fiscal transfers to subnational governments compared with the system of 1991 (as percentage of the GDP). Only the rate of increase (but not the base amount) of the transfers of the revenue sharing system of 1991 would be applied again in 2016. Along with the general decrease of the fiscal transfers, responsibilities and resources regarding water supply and sanitation were taken from municipal to departmental and national authorities.[78] Moreover, serious limitations of constitutional mandates regarding subnational autonomy (beyond the judicial review of the CCC) were approved, up to the point to condition the fiscal transfers on certain requirements set at the national level.

The evaluation of different hypotheses on the emergence of recentralisation processes shows that during the Uribe administration, there was no economic crisis, important privatisation of subnational assets, partisan control of government (at every level), a left-wing national government, opposition-targeted strategies, or a clear capture of higher levels of government by private interests. However, it is possible to argue that there were factors such as a politically powerful president, a

---

78 The recentralising measures also affected educaciton and heath services.

counter-reaction by national politicians reclaiming clientelistic networks, and a technocrat's reaction to inadequate levels of local governance (administrative issues).

Nonetheless, these three factors would not have triggered the recentralisation reform of 2007 without the economic incentives and *means* generated by the combination of an economic boom in an institutional context that allocated most of the resources to the national government. In other words, in an economic crisis, Uribe would not have had the incentives to promote a new reform to the revenue sharing system. Also, without the redistribution of public resources caused by the reform of 2001, the national government would not have had enough resources to promote a new reform in Congress, despite the incentives to reclaim the power of clientelistic networks. And this would have had to face the informal veto power of the subnational governments. Also, the armed clientelism was not particularly relevant in the discussion of the projects.

On the contrary, the economic boom from 2004 to 2007 (produced by exogenous factors) combined with the reform of 2001 (that determined the distribution of the growing public resources in favour of the national government) facilitated the emergence of the reform of 2007.

The reduction of the transfers and the consequential increase of the resources managed by the central government (as a consequence of the reform of 2001) were useful to increase its political control over legislators, governors and local mayors. In turn, the legislators also had strong incentives to decrease the automatic regional transfers. After the reform of 2001, they grasped the political benefits associated with the decrease of the automatic transfers to municipalities and departments in terms of the need of the subnational entities for their intermediation before the central government.[79] This type of governability even deterred the opposition by governors and local mayors because, at the moment of the reform, they were looking for the central government's financial support. Furthermore, also relevant was a near consensus against the autonomy of the subnational authorities among the high-ranked officials of the central government who promoted the reform of 2007.[80]

However, it is interesting to see how despite the significant power of the central government, it did not want to openly reduce the resources and policy-making autonomy of the subnational governments. In this way, the fiscal transfers' reduction was presented by the central government not only as a way to *avoid* a national fiscal crisis, but also as a protection for the subnational governments against dramatic changes in the economy. To some extent, this situation evidenced the remaining power of local mayors and governors.

Unlike the cases of Venezuela, Ecuador and Bolivia, these recentralising reforms were fostered by a market-friendly administration and affected every subnational entity (not only those led by members of the opposition to the national government).[81]

The recentralisation reforms during the Uribe administration cannot be explained applying the hypothesis developed by González. According this author, if the *president is powerful* (institutional and partisan powers) and subnational executives are weak in a context of *fiscal surplus*, then fiscal and administrative decentralisation should decline. However, during the Uribe administration, the

---

[79] Interview Gloria Inés Ramírez, 6 November 2013; Luis Fernando Velasco is former Senator (2006-2017), Member of the House of Representatives (1998-2006), Mayor of Popayán (1992-1995), interview 12 November 2013

[80] This aspect was also present during the Samper and Pastrana administrations. See the fourth and fifth chapters of this thesis. On Colombia's powerful technocray, see: Dargent 2015, 65–89

[81] Camacho and Mejía 2014

recentralisation reforms emerged in the middle of an economic boom, but with a *fiscal deficit*.

Finally, recentralisation has been also explained as the national government's reaction to inadequate levels of local governance (administrative issues). For instance, lack of capacity of the lower levels of government to resists captures by local elites or even illegal armed groups.[82] This approach could account for the behaviour of the national government (regarding both fiscal and administrative measures), but do not offer an explanation about how the president obtained enough political support in Congress to recentralise.

[82] Alonso Biarge and Ortiz 1999; Malesky, Nguyen, and Tran 2014; Sánchez and Chacón 2005; K. Eaton 2006; Cramer and Goodhand 2002.

7. AN ECONOMIC BOOM IN A RECENTRALISED CONTEXT, AGAIN: THE SANTOS ADMINISTRATION (2010-2014)

This chapter presents the main recentralisation reforms during the first term of the Santos administration (2010-2014), particularly the constitutional amendment of 2011. It shows how an economic boom (commodities boom 2010-2011) in a recentralised context (generated by the constitutional amendments of 2001 and 2007) induced further recentralising reforms in Colombia.

In 2011, Congress approved a constitutional reform promoted by the Santos administration that: (i) changed the distribution of royalties on natural resource extraction (from producing to non-producing subnational entities), (ii) created a new system to evaluate and approve the projects financed with those revenues (ultimately mostly controlled by the central government) and (iii) reinforced that power through the inclusion during the legislative process of a system to monitor and control the execution of those projects (very similar to the systems created for the fiscal transfers in 2007). Because of their constitutional status, all these changes were beyond the ordinary judicial review of the CCC.

Furthermore, the increase of public resources allowed the central government to implement case-by-case transfers of responsibilities from departments and municipalities to the national level. For instance, FINDETER (an agency linked to the Ministry of Finance) was in charge of procurement for some of the most critical water projects across the country. To this end, the Ministry of Housing made its financial support to governors and local mayors conditional on the transfer of the departmental and municipal funds for these projects to that national agency.

From a political perspective, the Santos administration was also able to induce the appointment of two of its high-ranked officials as Executive Directors of the national association of departments (a kind of informal political recentralisation). However, in 2014, when there was no *economic boom*, the national government failed to synchronise the electoral calendar of the national and subnational authorities through another constitutional reform (formal political recentralisation).

What could explain these processes recentralisation without an economic crisis? What was the role of the “commodities boom” that Colombia was experiencing during those years in these recentralising processes? What happened with the political power of local mayors (more than 1.100), governors (32) and their subnational associations during the legislative processes of the reform of 2011? Why did the centre-oriented administration of Santos promote recentralising reforms? Was the internal armed conflict (particularly intense in some of the oil and coal producing areas) the main explanatory variable of the emergence of these reforms? Were these processes of recentralisation shaped by the learning processes of the leading political leaders and public officials of the national government (e.g. President Santos and the Minister of Finance Juan Carlos Echeverry were Minister of Finance and Director of the DNP, respectively, when the 2001 reform took place)? Was the lack of capacity to resists the capture of the lower level of government by local elites or illegal armed groups an explanatory variable of these reforms?

The reform of 2011 also starkly highlights some of the ambiguities over what is to be considered decentralisation or recentralisation. Here there is a central question about how to interpret the interaction among different dimensions of the subnational autonomy. Specifically, in this case it is necessary to analyse whether the decrease in the policy-making dimension (administrative recentralisation) was more important than the redistribution of royalties among every subnational unit (fiscal redistribution). Moreover, this case highlights how the political impact of royalties was larger than what could have been suggested by their percentage regarding the resources of the subnational governments (about 10% for departments and 3-7% for municipalities).

In this chapter, the first section describes the main recentralisation attempts during the Santos administration (*what*). The second section goes into the impact of the economic inputs (commodities boom) and the recentralised institutional context (because of the reforms of 2001 and 2007) during this administration on the emergence of those attempts (*why*). The following section explains the causal mechanism (self-reinforcing dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other (*how*). The last section concludes by arguing that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Santos administration can be explained as outcomes of an economic boom in an already recentralised institutional context (*hypothesis*).

Recentralisation attempts (What)

This section describes the redistribution of royalties as well as the main recentralisation attempts during the Santos administration: (i) *fiscal reform*:

redistribution of royalties, (ii) *administrative recentralisation*: new system of royalties' administration and new system of control and monitoring over the use of these resources, and (iii) *political recentralisation:* appointments in subnational government associations[1] and failed attempt to synchronise the electoral calendars.[2]

Fiscal reform: redistribution of royalties in 2011

Before the constitutional reform of 2011, the producing areas and ports that represented 17% of the population received most of the royalties (about 80%), while the rest of the country could only obtain some resources through a complicated process managed by the National Royalties Fund (controlled by the central government).[3] Three departments (Casanare, Meta and Arauca) with only 3.5% of the population received 46.8% of royalties.[4]

According to the royalty system approved in 2011, these resources were precisely earmarked in the following terms:

- *Science, innovation and technology*: 10% of royalties.
- *Territorial pension savings*: 10% of royalties (the Ministry of Finance administered these resources through a special fund called FONPET).
- *Savings and Stabilisation Fund*: up to 30% of royalties. In the first year, 25% was allocated to this fund. Afterwards, it was planned to grow at a rate of half of the increase in expected royalty revenues (the Central Bank administered this fund, according to the terms stipulated by the national government).

---

[1] Interview Germán Chica, 18 November 2013. See the full description of the different types of recentralising policies and reforms in the second chapter of this thesis.

[2] Revista Semana 2014a

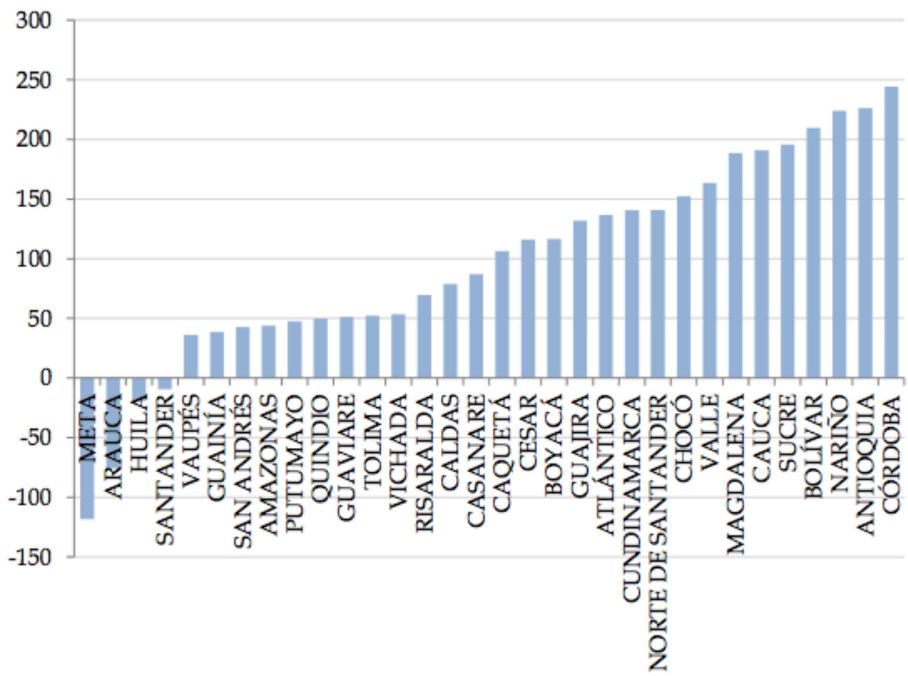
[3] The previous royalties' regime is described in the third chapter of this thesis.

[4] Congreso de la República 2010, 2–23

- *Producing areas and ports used for the transportation of the non-renewable resources*: 10%. However, according to the transitional period stipulated in the Constitution, they received 25% in 2012, 17.5% in 2013, and 12.5% in 2014.
- *Regional Compensation and Regional Development Funds*: 40% of the remaining royalties. In turn, this part of the royalties was divided 60% for the *Regional Compensation Fund* and 40% for the *Regional Development Fund*. The resources for the transitional period were discounted from both funds.
- *Regional Development Fund*: in this fund the "local" projects were not included. However, in case royalties directly allocated to the producing areas declined below certain percentages (50% until 2014 and 40% until 2020) of the average royalties received from 2007 to 2010, the municipalities could use the resources of this fund allocated to the departments. The duration of this fund was determined as indefinite.
- *Control and monitoring of the exploration and exploitation activities regarding non-renewable resources*: received 2% of royalties, proportionately discounted from every allocation. These resources were earmarked to the Ministry of Mining and Energy.
- Moreover, only the national government could initiate legal reforms regarding the distribution of these revenues.

If a researcher only used a quantitative analysis focused on fiscal revenues, he/she could mistakenly conclude that the redistribution of royalties of 2011 was a decentralising advance because of the increase of royalties officially transferred to the non-producing areas (the vast majority of subnational entities, see Figure 7.1).

Figure 7.1 Difference in royalties between 2011 and 2012 (per Department in million pesos)



Source: (Bonnet and Urrego 2014)

However, it is necessary to consider some other elements. As I will explain in the next section of this chapter, in practice, despite the official distribution, the most important change was the control over royalties obtained by the central government through administrative reforms (administrative recentralisation).

Moreover, this reform moved the paragraph regarding the rights of the producing areas from article 360 of the Constitution of 1991 that defined the nature of royalties to article 361 that defined their distribution. This reform decreased the debate on the ownership over royalties, without an open confrontation with the producing areas. It also limited the possibility of introducing legal reforms regarding the royalties system and the exploitation of non-renewable resources to the national government (in other words, the Congress would not be able to propose in the future a bill regarding these issues). And it mandated that every two years there should be a particular budgeting process for the expenditures financed with royalties, different from the financial bill presented by the government to the Congress every year (the Minister of Finance presented this mandate as a proof of the commitment of the government to avoid the centralisation of those revenues).[5]

Administrative recentralisation: systems of royalties' administration of 2011

The new institutional framework (it was promoted under the name of the "Triangle of Good Government") was designed by the DNP.[6] Basically, councils consisting of governors, mayors and Ministries (eventually, the Ministers decided to send representatives) called OCADs (*Órgano Colegiado de Administración y Decisión*) selected the projects to be financed with royalties in producing and non-producing areas. Officially, in each OCAD, the national government had one vote out of three, the group of governors had one vote and the group of mayors another. In the national OCAD devoted to science, technology and innovation there were also seats for private and public universities. Another interesting change was the possibility of investing the royalties in diverse policy sectors (if they were approved by the OCAD). Previously, it was necessary to reach certain levels of access and quality in health and education.

[5] Interview Juan Carlos Echeverry, 15 October 2013

[6] Interview Luz Stella Carrillo, November 2013; Juan Mauricio Ramírez is former Deputy Director of the DNP (2009-2012), interview 24 April 2015. Their interview was conducted via Skype call.

There were four general types of OCADs:

- A national OCAD devoted to science, technology and innovation.
- Regional OCADs in charge of the resources of the *Regional Compensation Fund* and the *Regional Development Fund*.
- Departmental OCADs in charge of the resources directly allocated to departments.
- Municipal OCADs in charge of the resources directly allocated to municipalities.

Only the subnational entities were able to submit projects to the councils (and universities jointly with them regarding science, innovation and technology), however there was a strong influence of the national government. Before a project was submitted to the council, it had to be pre-approved technically by the DNP. In practice, the DNP submitted the project before the relevant ministry (e.g. if it was a project about a new facility for a hospital, it was submitted to the Ministry of Health). This informal procedure was called "pre-OCADs". In the case of projects regarding the Science, Innovation and Technology Fund, the projects had to be pre-approved by COLCIENCIAS.[7] The projects submitted to this fund also had to be harmonised with the national development plan.

Alan Jara, governor of Meta (2008-2012), described his experience dealing with administrative controls by the national government using the OCADs and pre-OCADs, with the following example:

> I present a project to fix the water supply pipelines in the township of Pompeya and they send it to the Ministry of Water. There to the "ventanilla única" [one-stop shop, informal name of a group of engineers at the Ministry of Housing] that has 25 thousand projects. And this becomes number 25,001 (…). When they told

---

[7] El Espectador 2014b

> us all the demanding requirements that we had to meet when we presented a project, I agree with that, but if we comply with them then that should only be a checklist. But if they tell me in the Ministry of Water (sic) after 6 months, “how are you going to use a 12-inch tube if a 10-inch tube is enough?” This has happened to me. This is real. So I said, “well this is the design”. [The answer was] “No, the design needs to be 10”. And so I have to tell my water company to adjust it to be 10. And then that takes me another 6 months and I go there again. And it turns out that Mr “Peter” says “what is this? Why don’t you have any projection? This needs to be 12 inches”. And they send me back. And I waste a year like this.”[8]

Similarly, in 2014 COLCIENCIAS was also accused of systematic rejection of the projects presented by the departments. For instance, the governor of Quindío Sandra Paola Hurtado claimed that:

> It is incomprehensible that 177 projects have been sent back to territorial entities, without there being a set of objective criteria to uphold the decision to send them back. Disregarding the priorities of the regions implies a step back regarding territorial autonomy, conditioning even more the possibilities of regional and national development.[9]

The national government even proposed to give itself a formal veto power. It was not included in the constitutional amendment, but in a bill proposal devoted to the budgetary rules regarding royalties. Nonetheless, the CCC ruled that this formal veto power was against the constitutional mandates related to subnational autonomy.[10]

In any case, as Camilo Lloreda, coordinator of the OCAD for the Pacific Region in the DNP, explained in my interview, generally when a project did not have the support of one of the three parts of this council it was dropped.[11] This was possible, amongst other reasons, because of the threats made by public officials of

[8] Interview Alan Jara, 20 February 2015. In my interviews with subnational authorities I found a number of similar experiencies. However, I could not state that this is typical.

[9] Las2Orillas 2014

[10] Corte Constitucional de Colombia 2013

[11] Camilo Lloreda was former coordinator of the OCADs for the Pacific Region at the DNP (2012-2015), interview 13 November 2013

the DNP of possible investigations by the Inspector General regarding projects implemented without the approval of the national government.[12] To some extent, this situation is evidence of the informal veto power of the national government within the OCADs. In my interviews, Jairo Bacca (Secretary of Planning of the department of Casanare) explained this system in the following terms:

> But all projects are subjected to a technical and feasibility concept from the centre. Subnational entities feel nervous to approve a project when it doesn't have the sanction from the nation, or it wouldn't be approved. Why? Because from that point they start building the docket to send to the control entities [i.e. Inspector General and Comptroller General]. Even when we are sure that the project will have a positive impact. It's something called pre-OCAD, technical work tables. It's not included in the law but it's something done previously because the vote from the nation is conditioned on a feasibility assessment from the governing body of the sector. If it's a project from the sector of education, the project would have to receive a favourable feasibility assessment from the Ministry of Education. [13]

According to public officials of the DNP interviewed, the operation of the OCADs was really difficult because of the lack of institutional capacity of the subnational governments. For Hernando José Gómez, former Director of the DNP (2010-2012), the limited spending on royalty-funded projects during the first year (2012) was foreseen by the national government because of the lack of adequate projects.[14] This system also tended to favour the most powerful departments and municipalities because they had more capacity to comply with the methodologies of the DNP and COLCIENCIAS.[15]

---

[12] Interview Horacio Serpa Uribe, 10 October 2013

[13] Jairo Bacca was former Secretary of Planning of Casanare (2015), interview 17 March 2015

[14] Hernando José Gómez was a former Director of the DNP (2010-2012), interview 10 October 2013; La Silla Vacía 2016

[15] Luis Jorge Pajarito Sánchez García was former Governor of Huila (2008 - 2012), interview 22 April 2015. The interview was conducted via Skype; Interview Alan Jara, 20 February 2015; interview Cesar López Botero, 22 October 2013. Fedemunicipios was trying to support the municipal authorities to learn how to prepare projects, and a dynamic market for experts in project design (some of them former officials of the DNP) emerged around the country. Interview Hernando Jose Gómez, 10 October 2013; interview Gilberto Toro, 20 September 2013

The implementation of the OCADs was also problematic for other reasons. In general, it was not clear who was the responsible authority when a project needed by a constituency was not approved.[16] The DNP and COLCIENCIAS did not have enough resources to cope with their responsibilities.[17] The ministers complained because the evaluation and approval of very diverse projects in the OCADs was time-consuming.[18] The lack of projects approved was criticised by the companies working on construction.[19] On the other hand, the municipalities protested against the municipal OCADs up to the point that President Santos had to order the DNP to simplify the methodology to submit projects in these councils.[20] They also complained of being a minority in the OCADs before the two votes of the departmental and national governments.[21] This is another clear case of *regulation inside government*.

On the othe hand, when the reform of 2011 was promoted in Congress, there was no strong evidence in favour of the effectiveness of a national control over the expenditure of royalties. The Inspector General, the Comptroller General and the Attorney General were already in charge of different types of controls over the use of these resources. And since 2004 the DNP also monitored and controlled these expenditures. But the DNP frequently complained that the investigations by those authorities were always delayed and when they were finished the resources were already consumed. And according to Carolina Rentería, former Director of the DNP,

---

16 Las2Orillas 2015b

17 Interview Hernando Jose Gómez, 10 October 2013; Revista Semana 2014b

18 Juan Carlos Echeverry was former Minister of Finance (2010-2012) and Director of the DNP (2000-2002), interview 15 October 2013. The interview was conducted via Skype.

19 Germán Varón Cotrino was former Member of the House of Representatives (2012-2014), interview 6 November 2013

20 Interview Gilberto Toro, 20 September 2013; El Espectador 2014a

21 Interview Gilberto Toro, 20 September 2013

this agency experienced a serious institutional crisis in 2007 and 2008 because of its functions regarding the management of royalties.[22]

In such an environment, the constitutional amendment of 2011 gave the DNP strong instruments to control the expenditure of royalties. This agency did suspend the transfer of royalties to the subnational entities, canceled their projects, and even asked them for a reimbursement. According to Hernando José Gómez, director of the DNP at the moment of the reform, they pursued "project-finance" style mechanisms. In this way, the DNP monitored and controlled the adequate implementation of every stage of the approved project. The DNP even monitored the firms hired as controllers of the public contracts associated with the projects. And all these changes were beyond the ordinary judicial review of the Constitutional Court because of their constitutional status.

Resembling the OCADs, the implementation of the system of monitoring and control was also problematic. It was not clear to the constituencies who were responsible when a project was not executed. For example, in 2013 in Yopal, Casanare the local mayor accused these national policies of being responsible for the lack of water supply, because of the difficulties to execute the royalties.[23] And, ironically, the DNP was investigated by the Comptroller General for not spending the resources earmarked for the improvement of the agency's capacity to manage this new system.[24]

Additionally, there were strong conflicts between national and subnational authorities because of the way in which the DNP tried to control and monitor the

[22] Interview Carolina Rentería, 15 October 2013
[23] Revista Semana 2012, 2013
[24] Las2Orillas 2015a; Portafolio 2014; El Tiempo 2015b

expenditure of royalties. Governors and local mayors of the producing areas accused the public officials of the DNP of trying to "co-govern" with them.[25] Fernanda Salcedo, former mayor of Yopal, stated in my interviews that:

> The controls from the National Planning Department are excessive, too tight, and that is where you come in to discuss the issue of decentralisation. Because who better than a mayor or a governor to know and recognise the priority needs of their department? So they come in to determine what we should invest in, what are fundamental factors that improve the quality of life, the basic unsatisfied needs obviously related to public utilities[26].

This is another clear case of *regulation inside government*.

On the other hand, the Santos administration (2010-2014) avoided the use of the PDAs (promoted by Uribe as described in the previous chapter).[27] Moreover, the Ministry of Housing directly dealt with some of the most critical water projects of the country, using other types of recentralising policies. For instance, the Ministry of Housing made its financial support to governors and local mayors conditional on the transfer of the departmental and municipal funds for these projects to FINDETER (a national agency linked to the Ministry in charge of the procurement of these infrastructure projects).[28] The Ministry was also working on the design of instruments that allowed the national government to aggregate municipalities even

---

[25] Fernanda Salcedo was former Mayor of Yopal (2008-2011), interview 17 March 2015; interview Alan Jara, 20 February 2015; interview Horacio Serpa Uribe, 10 October 2013; Miguel Caicedo, was former legal advisor and supervisor of royalties management at the DNP (2006-2011), interview 2014. The interview was conducted via Skype

[26] Interview Fernanda Salcedo, 17 March 2015

[27] Samira Fadul was former Director of Government Affairs at the FND (2013-2014), interview 18 November 2013

[28] For instance, regarding the water project in the municipality *El Carmén de Bolívar,* the Ministry of Housing asked the governor of Bolivar Juan Carlos Gossaín to transfer the departmental funds allocated to this project, despite the fact that the subnational entities (municipality and department) provided the major part of the project's funds. Interview Samira Fadul, 18 November 2013. The Ministry of Housing Luis Felipe Henao (2013-2016) was very explicit about this policy in the media: Semana en Vivo 2015

without their consent in order to organise these services in an “efficient” way called *Áreas de Servicio Exclusivo*.[29]

Political recentralisation: control of subnational governments’ associations and electoral calendar

Regarding political recentralisation, this administration was also able to induce the appointment of two of its high-ranked officials (German Chica in 2012 and Amylkar Acosta in 2014) as Executive Directors of the national association of departments (a kind of informal political recentralisation).

In 2014 the Santos administration also tried to synchronise the national and subnational electoral calendars. The Congress rejected that constitutional reform proposal.

In sum, in 2011, the Colombian Congress approved a constitutional reform promoted by the Santos administration that changed the distribution of the royalties on natural resource extraction, created a new system to evaluate and approve the projects financed with those revenues (that ultimately was controlled by the central government), and reinforced that power through the inclusion during the legislative process of a system to monitor and control the execution of those projects (very similar to those created for the fiscal transfers in 2007). The reform included in the Constitution mandates that allowed the DNP to monitor and control the implementation of every stage of the projects approved by the OCADs. The economic boom also allowed the central government to implement case-by-case transfers of responsibilities from departments and municipalities to the national level.

---

[29] Congreso de la República de Colombia 2012ª, art. 54.

However, this administration was not able to synchronise national and subnational elections.

Economic inputs and institutional context (Why)

This section goes into the impact of the economic performance and the recentralised institutional context (because of the reforms of 2001 and 2007) during this administration on the emergence of the recentralisation attempts.

Colombia's GDP per capita had a significant recovery in 2010 (4,3%) and 2011 (6.6.%). In July 2010, Colombia's central bank officially reported to the Congress that:

> During the first semester of 2010 the world economy reached an annual growth rate of over 5%, showing an important response to the fiscal and monetary stimulus from 2008 and 2009. The robust growth of Asia has led that dynamic, mainly thanks to the performance of China and India.
>
> In this context of world recovery, the Colombian economy with a growth rate of 4,4% in the first semester of 2010 was, together with Brazil and Peru, one of the countries with larger growth in Latin America".[30]

Particularly, royalties on natural resource extraction increase from less than 0,5 per cent of GDP in the mid-1990s to over 1,3% in 2011.[31] In 2010 the national government stated it was possible to estimate that the royalties would increase more than 60% in the next ten years. However, there was a lot of uncertainty about its length and intensity.[32]

In March 2011, the Central Bank reported that:

---

[30] Banco de la República de Colombia 2010

[31] OECD 2013

[32] OECD 2013

> In 2010 the national economy continued in the road to recovery led mainly by the economic growth of the emergent countries. In this context of unequal world growth, and a fall in commerce with Venezuela, in 2010 the Colombian economy reached a growth of 4.3% and inflation finished near the point that we had set as a goal.[33]

In July 2011, the Central Bank reported a national economic growth above the Latin American average:

> The recovery of the global economy is currently going through one of those weak moments since its start two years ago. At the same time the risks of minor growth has incremented, especially in the developed economies. Facing this uncertainty, the emergent economies have become the support of world recovery.
>
> In this heterogeneous international scenario, the Colombian economy, with its annual growth rate of 5.1% in the first trimester of 2011 was located above the average in Latin America.
>
> The challenge that the economic authorities face is to preserve the good growth rate in a context of stable inflation.[34]

This economic performance took place in an institutional context characterised by the revenue sharing system of 2007 (recentralised), which allocated most of the resources to the national government.

Self-reinforcing dynamics (How)

This section explains the causal mechanism (self-reinforcing dynamics) that linked the combination of those economic and institutional factors, on the one hand, and recentralisation policies and reforms during this administration, on the other.

---

[33] Banco de la República de Colombia 2011b

[34] Banco de la República de Colombia 2011a, 11

Fiscal reform: the emergence of the redistribution of royalties of 2011

Santos' economic team began to work on the bill proposal to change the distribution of royalties during the first presidential campaign, when they realised the growing magnitude of royalties as percentage of the GDP. [35] Their main purpose was to use these revenues to cover the expenditures associated with regional projects (beyond the departmental limits), instead of increasing taxes.

The national government portrayed the reform of 2011 as an instrument to improve the distribution among subnational entities (both producing and non-producing) of the bulk of royalties generated by the commodities boom. Legislators and subnational authorities of the non-producing areas endorsed the proposal motivated by the possibility of receiving a bigger part of these growing revenues. Furthermore, this constitutional reform was promoted using a presidential coalition built and sustained, to some extent, with the financial capacity of the national government (e.g. increased bureaucracy, pork barrel, etc.).[36]

In my interviews, Juan Carlos Echeverry (leader of the economic advisors team of the Santos' campaign and Minister of Finance 2010-2012), explained the emergence of this reform in the following terms:

> We were in the presidential campaign and someone showed me a graph that showed that royalties for petroleum could be over 2 billion pesos in 2006 or 2004 to between 10 and 12 billion. (…) Said graph shows royalties going from 2 billion pesos to 12 billion pesos in a lapse of 10 years. For me, that graph opened my eyes because I had dealt with royalties while at the Planning Department, but royalties were always a small amount, around 300 or 400 million a year in my time, which could be about 0.2 per cent of the GDP. (...) This opened my eyes for one reason: 12 billion would be 2% of the GDP for 2012, 2013 or 2014. That

[35] Interview Juan Carlos Echeverry, 15 October 2013; interview Gabriel Piraquive, 12 November 2013; interview Juan Camilo Restrepo, 15 November 2013; interview Carlos Rodado, 13 November 2013

[36] La Silla Vacía 2014a, 2014b; Gloria Isabel Ocampo 2014.

> amount has weight and macroeconomic visibility. That is a substantial amount. And above all, the government, or the governance of royalties system was weak. And when it was handling 0.2 per cent of the GDP that wasn't such a big problem, but when it was handling 2% of the GDP, naturally it demanded more solid governance. We started thinking at that point, that was during the presidential campaign in 2010. I planned this reform carefully; this is my ‘daughter’. I started thinking what to do about this, and several principles emerged. First, it had to be a reform that improved the equality of the royalties system, because it was divided between the National Royalties Fund, which was distributed across the country, and what went to the producers. And the producers appropriated, I don't remember the exact percentage, but around 80% of all the royalties system. And the National Royalties Fund appropriated around 20%. What this meant was that 8 producing departments would end up appropriating 2% of the GDP. That was, from my point of view, unfair, right? Why? Because royalties are the result of exploiting the subsoil and the subsoil, according to the Constitution, belongs to the nation. That doesn't mean that they belong to the national government. The nation is all Colombians, right? Royalties, according to the Constitution belong to all Colombians and not only to those who live in producing areas, right? So, this was our starting point, it was necessary to distribute royalties in a different way, probably the opposite way, meaning 80% for all the country and 20% for producers. [37]

Carlos Rodado, the Minister of Mining and Energy who promoted the reform of 2011, stated that during the Santos campaign he proposed a royalties fund for compensation between rich and poor regions similar to the fund created in Brazil and some other countries, which was also recommended in Colombia by well-known academics and promoters of decentralisation such as Adolfo Meisel.[38]

Other key policy makers offered alternative explanations. According to Gabriel Piraquive, Director of economic studies at the National Planning Department, the main purpose of this reform was to obtain more resources for the national government without a tax reform. Surprisingly, Antanas Mockus, former Mayor of Bogotá and former President of the National University of Colombia, became a serious risk for the election of Juan Manuel Santos, the candidate supported by the incumbent President Álvaro Uribe Vélez. In such an environment,

[37] Interview Juan Carlos Echeverry, 15 October 2013

[38] Interview Carlos Rodado, 13 November 2013; Galvis, Luis Armando Meisel Roca 2010

Santos stated that he would not increase taxes in order to comply with his proposed policies.[39] To this end, Santos' economic team recommended the reform of the royalties system as a way to obtain more resources for the national government without a tax reform. Once in government, they realised the limitations of using royalties for some purposes (e.g. national defence). However, the Minister of Finance Juan Carlos Echeverry considered that it was still possible to cover the national expenditures devoted to regional projects (beyond the limits of the departments) with those revenues. During my interviews, Gabriel Piraquive stated:

> That reform was made after President Santos was committing, at that time as a candidate, with Mockus in a topic that was crucial. In Mockus' campaign it was said that taxes had to be raised, that was always the argument. Echeverry and all of Santos' team said there was no need to increase taxes, and that they had a way to prove that this was true. The royalties reform was the way to, let's say, substitute sources. However when we went to CONPES, all the discussion took place. So, what happened? That the expenditure cannot all be substituted with royalties, using royalties as a source. So Echeverry had in mind that a great part of the expenditure at the national level is being done at the regional level. He said, 'I can finance that with royalties'. Let's say that that was basically the effect of royalties. Let's say to be able to take royalties away because if there was an odious issue, it was that there would be a problem at the macro level and saving money was necessary. Second, there is a political and tax issue. Third, there was also the fact that some regions were not using royalties properly, they were keeping a large amount of money, so they said let's distribute it in an amount of expenditure and needs in other departments, we can win that in Congress.[40]

The decisions made by the government regarding the constitutional reform, also reflected in the subsequent legal developments, national decrees and administrative official procedures and practices tend to confirm the approach described by Piraquive, as it is explained in the following paragraphs.

The new General Royalty System would receive all royalties. These resources would be allocated to *regional* development and infrastructure projects, science,

---

[39] El Espectador 2010; El Mundo 2010

[40] Interview Gabriel Piraquive, 12 November 2013

innovation and technology, territorial pension saving, and to generate public saving. According to the initial bill proposal presented by the central government, these resources would be earmarked in the following terms:

- *Savings and Stabilisation Fund*: the purpose of this fund would be the stabilisation of the resources available for the subnational governments if royalties declined (it would be administered by the Central Bank).
- *Regional Competitiveness Fund*: It would consist of the *Regional Compensation Fund* and the *Regional Development Fund*. For 20 years, there would be a *Regional Compensation Fund* devoted to financing *regional* development projects in the poorest *regions* of the country, particularly coastal and border areas.
- The *Regional Development Fund* would be earmarked for *regional projects in every region*.

  The criteria of distribution of the resources of both funds would be poverty, efficiency, population and regional equity. Both funds would be under the control of the central government.
- *Producing areas and ports*: They would be able to administer their resources according to the royalties' law.
- *Science, innovation and technology*: 10% of the General Royalty System, after the allocations for the Savings and Stabilisation Fund and the territorial pension saving, would be earmarked to science, innovation and technology. This was the only specific rate in the original bill. The rest of the rates would be defined through the royalties' law to be eventually approved by Congress.

According to the former Minister of Finance Juan Carlos Echeverry, he opted to promote a constitutional instead of a legal reform to avoid the debate in the Fifth Committee of the Senate.[41] This committee was in charge, among others, of bills related to natural resources. The problem, for the government, was that a combination of Senators from the producing areas and members of the opposition controlled this committee. Therefore, there was no real chance of moving past that committee's debate in the legislative process. In fact, at the end of the second presidential period of Álvaro Uribe (2006-2010), his Minister of Finance Oscar Iván Zuluaga tried to promote less substantial changes in the royalties system through a legal reform, but this committee rejected the proposal.[42] In such an environment, the alternative was a constitutional reform through the First Committee of the Senate, where the government had the support of the majority of the members. Still, this strategy does not explain why the government included in its original proposal the mandates that significantly increased its control over royalties.

The decision to promote a constitutional amendment instead of a common bill proposal reinforces the idea of the recentralising purpose of the reform of 2011. From a legal perspective, the government could have increased the share of royalties for the non-producing departments and municipalities as well as created a royalties fund for counter cyclical policies without changing the Constitution.[43] However, a constitutional amendment was necessary for the type of changes that were needed to substitute with royalties the national expenditures devoted to regional projects. For instance, the government needed to reform the Constitution to limit the use of

[41] Interview Juan Carlos Echeverry, 15 October 2013
[42] See Chapter 6 of the thesis.
[43] See: Corte Constitucional de Colombia 1995

royalties exclusively to “regional” projects (in the Colombian constitution it means beyond the departmental domain). In the same way, the government needed a constitutional amendment to monopolise the possibility of introducing legal reforms regarding the royalties system and the exploitation of non-renewable resources.

According to the initial proposal, exclusively “regional” projects could be financed with royalties. The Santos administration argued this approach would help to solve the historical lack of infrastructure across the country. The former Minister of Finance Juan Carlos Echeverry explained the government’s perspective in the following terms:

> Departments to unite into regions, and the governors to unite in regions, five or six regions, Caribbean, Pacific, South Colombian region, Coffee region, North East region and West Plains, right? And jointly plan your region, considering that the reality of Valle del Cauca affects Cauca and affects Nariño and affects Choco. Let's use royalties to begin to think about Colombia in regions; because one is competing globally as a region and not as Valle del Cauca.[44]

But a different interpretation of the government’s approach would be that they also preferred regional projects (e.g. interdepartmental motorways, railways, etc.), in order to substitute with royalties the national resources that would have been devoted to these ends. In any case, at that point, the municipalities were completely excluded from the new royalties system. Only after open opposition by a significant number of local mayors in Bogotá, were the “local” projects included in the *Regional Compensation Fund*.[45] Afterwards, this inclusion allowed a direct allocation in the royalties’ law (Law 1530 of 2014) of 40% of this fund to the municipalities.

On the other hand, the constitutional reform was depicted in a way to make it seem extremely attractive to the national media, ordinary citizens and the majority of

---

[44] Interview Juan Carlos Echeverry, 15 October 2013

[45] Interview Gilberto Toro, 20 September 2013

legislators and subnational authorities.[46] In the middle of a commodities boom, the Santos administration presented this constitutional amendment as a way to redistribute royalties across the country, as well as to tackle the endemic inefficiency and corruption in the administration of those resources.[47] The government also argued that, it was critical for the country to save a significant part of the revenues, in order to stabilise the resources available for the subnational governments in case royalties decreased, as well as to control the higher exchange rate and the occurrence of the "Dutch disease". There was also a pension problem at the subnational level that could be covered with those revenues.[48]

After the significant decrease of the fiscal transfers produced by the reform of 2007, the message from Bogotá was that the increasing amount of royalties would not be concentrated in the unwise hands of the producing areas anymore, but distributed among almost every department and municipality of the country.[49] Furthermore, in the new institutional framework the decisions about the projects would not be taken by the national government, but by councils (called OCADs) consisting of representatives from the national, departmental and municipal governments, each one with one vote. For the Minister of Finance Juan Carlos Echeverry:

> The OCAD forced the national government, the departmental government and the municipal government, for the first time in the history of Colombia, to work together.[50]

---

[46]See: Presidencia de la República de Colombia 2010c
[47] See: Presidencia de la República de Colombia 2010d
[48] Congreso de la República 2010, 2–23
[49] Congreso de la República 2010, 2–23 *See also:* Presidencia de la República de Colombia 2010e
[50] Interview Juan Carlos Echeverry, 15 October 2013

Once the legislative process began, the legislators of the producing areas based their opposition to the reform of 2011 on three main arguments. First, they argued that the true reason of the reform was the intention of the government to cover its fiscal deficit using royalties.[51] Secondly, they claimed they had legitimate rights over the natural resources located in their territories. Thirdly, they alleged that they needed a larger share of royalties to cover the environmental and social costs associated with the exploitation of non-renewable resources. Particularly, they mentioned the demand for public services and higher rates of criminality associated with the rapid increase of the population, as well as the decrease of other economic activities such as agriculture and tourism. [52]

Also, they stated that this constitutional amendment seriously undermined the sustainability of several departmental and municipal projects that were already financed with royalties.[53]

The arguments presented by the producing areas were rejected by the national government. The Santos administration insisted that its purpose was to redistribute the royalties among the subnational entities, not to take them to substitute for national expenditure. They also contested that, according to the Constitution, the Colombian nation as a whole owned non-renewable resources. [54] Moreover, according to the terms of the concessions, the mining and oil companies should cover the environmental costs generated by the mining and oil activities, not the subnational governments with their royalties. With regards to the social costs, the

---

[51] Congreso de la República de Colombia 2010b

[52] Interview Fernanda Salcedo, 17 March 2015

[53] Interview Alan Jara, 20 February 2015; "Financiación Del Desarrollo Local a Través de Regalías" n.d.

[54] As it was noted, one of the changes included in the reform pursued to clarify that issue.

government considered that producing areas would be able to cover them with the new share of royalties. The Minister of Finance also tried to persuade the subnational authorities of the producing areas by arguing that because of the boom they could maintain their on-going programmes financed with royalties.[55] However, not only the secretaries of finance of those departments, but also the Minister of Mining and Energy Carlos Rodado were less optimistic about the dimensions of the boom.

The central government and the national media portrayed the authorities of those areas as inefficient and extremely corrupt.[56] Like during the reform of 2007, the national government and their main supporters in the Congress used the most critical examples to promote the change of the royalties system. The reference to the department of Arauca was the most common.[57] The public officials of the DNP and the Minister of Finance called it "*Arauca Saudita*" (Saudi Arauca). The typical story was how the department of Arauca decided to use its royalties to build a very expensive wave pool and a *state-of–the-art* velodrome, while its population still lacked minimum levels of access to quality public services.[58] This department was also identified as the centre of the dispute between two guerrilla groups, "*Fuerzas Armadas Revolucionarias de Colombia*" (FARC) and the "*Ejercito de Liberación Nacional*" (ELN), for the control of public resources, including its substantial share of the royalties.[59] By contrast, successful cases of royalties' management in

[55] Presidencia de la República de Colombia 2013; El Espectador 2014c

[56] For instance, Cristina de la Torre, a columnist of *El Espectador*

[57] Interview Juan Carlos Echeverry, 15 October 2013; interview Alan Jara, 20 February 2015; El Heraldo 2016; Semana 2011, 2016

[58] William Reyes Cadena is former Mayor of Arauca (2007-2010), interview 10 March 2015

[59] Interview William Reyes Cadena, 10 March 2015

departments such as Huila and Santander were not equally interesting for the national media.[60]

Regarding the role of the conflict, according to Andrés Peñate, former Director of Colombia's Intelligence Agency, armed clientelism was also relevant:

> I cannot tell you that the only variable in that process was the issue of security. I think that if you speak to folk in the National Planning Department, they did not see it that way. For them the issue was more related to the efficacy of local public expenditure and the fight against corruption. They saw it that way. Technically that was how it was approached. No one was going to say that it was a matter of security. But many of us working on issues of security at the time knew that without greater control of public resources in key parts of the country the fight against terrorism would be much more difficult. In some parts of the country, local public resources were a key component of the terrorism against the Colombian people. Either because money was diverted from public coffers to illegal armed groups, like it is documented in the case of the guerrilla in Arauca, and the case of paramilitaries in Meta and Casanare. Or because local public expenditure was used to control the population, and through the control of population to control the territory. And that is why it is no surprise that among the first thing that was done was to stop royalties flowing freely to Arauca. Now, if this was done in the right or wrong way is another issue. But the important thing is that at least the valve was closed to those people who were controlling them, and with which they were controlling the population. Better control of royalties was a key component to re-establish control over the territory in those areas. Of course this is not true for all municipalities, but it was for those that are rich in oil and mining, where guerrilla and paramilitaries had a special interest. The paramilitaries didn't go into Cesar to save the country, but to get the mining royalties. Why does the guerrilla like being Arauca so much? To get a slice of the royalties.[61]

The armed clientelism in some of the most important producing areas was one of the motivations for certain political actors who promoted these measures.[62] However, its explanatory value is less important than that related to the combination of the commodities boom with a recentralised context. On the one hand, this reform emerged when the economic advisors of the Santos campaign envisioned the

---

60 Interview Hernando José Gómez, 10 October 2013; interview Luis Jorge Pajarito Sánchez, 22 April 2015; El Tiempo 2015a

61 Andrés Peñate is former Director of the Administrative Department of Security (DAS) (2005 - 2007) and Vice Minister of Defense (2002-2005), interview 13 October 2015. The interview was conducted via Skype.

62 Juan Mario Laserna was Senator 2010-2014, interview 12 November 2013

possibility of using the growing resources of the commodities boom (particularly oil and coal) to finance substantial regional projects without raising taxes. In fact, the Minister of Finance (who is seen as the "father" of this reform) did not have that factor in mind when he began to promote it in Congress (interview for this thesis).[63] There was no precise information about this phenomenon in the bill proposal, only anecdotic references.

In fact, even if the national government was also surreptitiously promoting this reform in order to decrease the available revenues for illegal armed groups (possible interpretation of the silence regarding this issue in documents and interviews), it is quite clear that the main incentive of the legislators of the non-producing areas to support this reform was the expected royalties for their departments and municipalities given the ongoing commodities boom. Resembling the reform of 2007, the public officials of the DNP who designed the national system of control and monitoring of the use of royalties were aware of the influence of illegal armed groups in the producing areas, but were more concerned about corruption in general.

On the other hand, the legislators, governors and local mayors of the producing subnational entities had serious difficulties defending their royalties in the Congress. The legislators from the producing areas and the members of the opposition were a minority in the Senate as well as in the House of Representatives. The Minister of Finance convinced a number of legislators from the non-producing areas that their constituencies would receive significant additional resources because

[63] Interview Juan Carlos Echeverry, 15 October 2013

of the reform.[64] Moreover, the national government obtained letters of support signed by some governors and mayors from the non-producing areas.[65] This was useful not only to decrease the cooperation between the legislators of the producing areas with their colleagues of the non-producing areas,[66] but also to avoid the opposition of the *Federación Nacional de Gobernadores* and *Fedemunicipios*.[67]

Nonetheless, the bill suffered some changes during the legislative process. The government had the support of the majority of the political parties represented in the Congress (*Partido de la Unidad Social*, Liberal Party, Conservative Party, *Cambio Radical*, Green Party and National Integration Party). But there were legislators of the producing areas in all of them. Initially, they tried to block the bill. Then, after negotiating with the government, they obtained a three-year transitional period in the allocation of the royalties to alleviate their dramatic decrease.[68] They were also authorised by their parties to vote freely. The legislature could retain its right to initiate legal reforms regarding the exploitation of non-renewable resources, not regarding the distribution of the royalties. The approval of the bill was more difficult in the House of Representatives than in the Senate, because of the stronger relationship between Senators and national government. Still, in general, the national government obtained even more control over the royalties than the one proposed in its original bill. The constitutional amendment was very intricate because of the specific rates determined for every allocation. For the congressman of the department

---

[64] Interview Juan Carlos Echeverry, 15 October 2013

[65] On the meetings of the national government with governors and mayors, see: Presidencia de la República de Colombia 2010a, 2010b See also: Interview Gilberto Toro, 20 September 2013

[66] On the different types of cooperation among legislators see: Shepsle 2010, 372

[67] Interview Gilberto Toro, 20 September 2013

[68] Presidencia de la República de Colombia 2011; Vanguardia 2011

of Meta (a producing area) Hugo Velasquez: "*The project now seems more like a mining code than a constitutional reform*".

There was also a public dispute between the Minister of Finance Echeverry and the Minister of Mining Rodado on the duration of the regional fund and the criteria to allocate these revenues. Rodado promoted an extension of this fund from 20 to 30 years and the inclusion of the levels of unmet basic needs among the criteria of distribution. The Congress preferred the proposals led by Rodado. At the end of the 30th year, the resources of this fund will be transferred to the *Regional Development Fund*.

The constitutional reform of 2011 was mainly promoted as a means to redistribute the royalties generated by the commodities boom between all the subnational entities. This strategy was set in response to the success of the national government in 2001 and 2007, when the reforms were promoted as a way to secure revenues for the subnational entities. In a similar way, the royalties' reform was promoted as a way to avoid an economic crisis (generated by the "Dutch disease"), in response to the success of the argument in 2007, when the reform was presented as a means to "avoid" a crisis. Furthermore, the central government portrayed the SNGs of the producing areas as inefficient and extremely corrupt. The most critical examples were highlighted (even from 25 years ago), while the successful cases (e.g. Huila and Santander) were simply omitted, in response to the success of the strategy used in 2007 by the national government to promote the system of control and monitoring, focusing on the most critical cases.

The national government obtained letters of support signed by governors and mayors from the non-producing areas. The latter in response to the success (for the national government) of the water transfers allocated to departments in 2007 as a means to divide the SNGs (departments vs. municipalities) as well as to the success of the letter of support signed by local mayors obtained by Juan Manuel Santos (as Minister of Finance) and Juan Carlos Echeverry (as DNP's director) in 2001.

Finally, the new royalties' system was promoted as a constitutional reform instead of an ordinary law, in response to the failure of the Uribe administration to promote a new royalties system through a legal reform (because of the opposition of the Fifth Committee of the Senate), as well as to previous failures of the national government promoting this type of systems given the judicial review of the Constitutional Court. Also, the Minister of Finance tried to persuade the SNGs of the producing areas to be in favour of the scheme, arguing that the boom would allow them to keep their ongoing programmes financed with royalties. This argument came from the success of the national government in 2007 in exploiting the information asymmetry between the national executive, on the one hand, and Congress and SNGs, on the other, on fiscal and economic perspectives.

Administrative recentralisation: the emergence of the 2011 system of royalty' administration

The Minister of Finance Juan Carlos Echeverry stated that one of the main principles of the reform was to improve the decentralisation of the management of royalties. However, the initial bill did not include any major development on this issue. Moreover, according to the proposal prepared by the government, the *Regional Compensation Fund* and the *Regional Development Fund* would be administered by the central government. It was only after the negotiation during the legislative process, specifically, in the first debate of the second round, that Senators of the presidential coalition introduced the councils consisting of representatives of the national, departmental and municipal levels. Eventually, the system was promoted under the name of the "*Triángulo del Buen Gobierno*" (Triangle of Good Government).

The legal development of the OCADs was strongly influenced by the central government. There were two key factors behind that influence. The government had the support of the majority of the legislators. And the Congress had a constitutional deadline of nine months to approve the royalties' law.[69] Otherwise, the government would regulate the reform though a national decree.

Another principle mentioned by Juan Carlos Echeverry was the free allocation of royalties. Unlike most of the transfers that had to be used for education, health, water and sanitation, according to specific rates, royalties could be used in any sector. According to Echeverry, this was because the government learnt that the fixed allocations of transfers did not recognise the specific needs of each community. On the other hand, it is possible to argue that this free destination was also useful for the substitution of sources explained by Piraquive. If the royalties could be used in any sector it was easier for the national government to guide governors and mayors to submit any kind of project to the royalties funds instead of to the national budget. In fact, in the media there were examples of governors that asked for resources from the national government and were guided to the royalties system.[70]

In fact, according to Luz Stella Carrillo, deputy director of territorial finances of the DNP, the Ministry of Finance did not want to leave the control of royalties to

---

[69] Congreso de la República de Colombia 2011, Article 2, paragraph 5.
[70] RCN La Radio n.d.

the subnational governments. Bearing in mind that purpose, they were working on a system to include the national government in the approval of the projects. And the Director of the DNP Hernando José Gómez tried to include representatives from the private sector, but the idea was rejected in the Congress.[71]

Furthermore, the Ministry of Finance sought to obtain *veto power* for the government in these councils (OCADs). In a public lecture in 2011, the Minister of Finance announced that the government was interested in including a veto power in the constitutional amendment. Echeverry explained that the main purpose of that veto power was to block "pharaonic" projects promoted by subnational entities. He also stated that the legislators were in favour of granting that veto power to the government.[72] Among the legislators, the main promoter of the veto power was Senator Roy Barreras. For him, it was a fundamental mechanism to assure the planning leadership of the central government.[73] Paradoxically, the Director of the National Planning Department Hernando José Gómez was against that veto.[74] Eventually, the Congress rejected the inclusion of the veto power in the constitutional amendment. Nevertheless, Senator Barreras managed to include the veto in the financial bill related to royalties.[75] According to Juan Carlos Echeverry, the legislators were motivated to approve that veto power because of the increasing power of governors.[76] Nine months later after this law passed in Congress, the

---

71 Interview Hernando Jose Gómez, 10 October 2013; intervire Germán Varón Cotrino, 6 November 2013

72 El Espectador 2011; Portafolio 2011

73 Roy Barreras is current Senator, interview 31 October 2013

74 Interview Hernando Jose Gómez, 10 October 2013

75 Congreso de la República de Colombia 2012b

76 Interview Juan Carlos Echeverry, 15 October 2013

Constitutional Court declared this veto power unconstitutional[77], and the leading economic newspapers and magazines of Colombia strongly criticised the court's ruling. Some national media wanted more control over subnational entities.[78]

The way in which the bill included the information about mismanagement of royalties at the subnational level was debated in Congress. The legislators from the producing areas remarked on the government's failure to mention in its proposal that only six criminal investigations associated with mismanagement of royalties had found the accused guilty. Legislators and subnational authorities from the producing areas presented such omissions as part of the stigmatisation campaign by the national government against them.[79]

The new system (councils consisting of representatives from the national, departmental and municipal governments, each one with one vote) to evaluate and approve the projects financed with royalties, ultimately controlled by the central government, followed the same pattern of the PDAs.[80] They were both mechanisms that transferred control over subnational revenues to the national level, maintaining the formal allocation to departments and municipalities. Similarly, the reform of 2011 granted the national government strong instruments to control the expenditure of royalties, in echoing the success (for the national government) of the system of control and monitoring of transfers as a means to control the SNGs, and to the fact that in 2007 these measures were less debated in Congress than the changes in the distribution.

---

77 Corte Constitucional de Colombia 2013

78 Revista Dinero 2014

79 Interview Horacio Serpa Uribe, 10 October 2013; Congreso de la República de Colombia 2010a, 8

80 See Chapter 6 of this thesis.

On the other hand, regarding the emergence of the system of control and monitoring, in Colombia it is possible to identify a near consensus against the autonomy of subnational authorities among the high-ranked officials of the central government. The public officials of the central government involved in this reform were prone to see governors and local mayors as their agents and, hence, tried to develop mechanisms to align their behaviour with the goals determined at the national level, particularly at the Ministry of Finance and the National Planning Department. The vast majority of subnational authorities openly rejected this perspective.

Resembling the reform of 2007, the foundations of the system of monitoring and control over the use of royalties were not included in the initial proposal.[81] Members of the presidential coalition, with the support of the DNP, and under the leadership of Senator Roy Barreras, proposed the inclusion of this system in the first debate of the second round of the legislative process. The same debate in which the OCADs and the specific rates for each fund were included (all of them prepared by public officials of the DNP and the Ministry of Finance). Their proposal was very similar to the one approved in the reform of 2007. Again, the system of monitoring and control was far less debated than the changes in the distribution.

Political recentralisation

German Chica was a closed advisor to President Santos and Amylkar Acosta was a former member of his cabinet (Minister of Mining and Energy 2013-2014). In

[81] Congreso de la República 2010

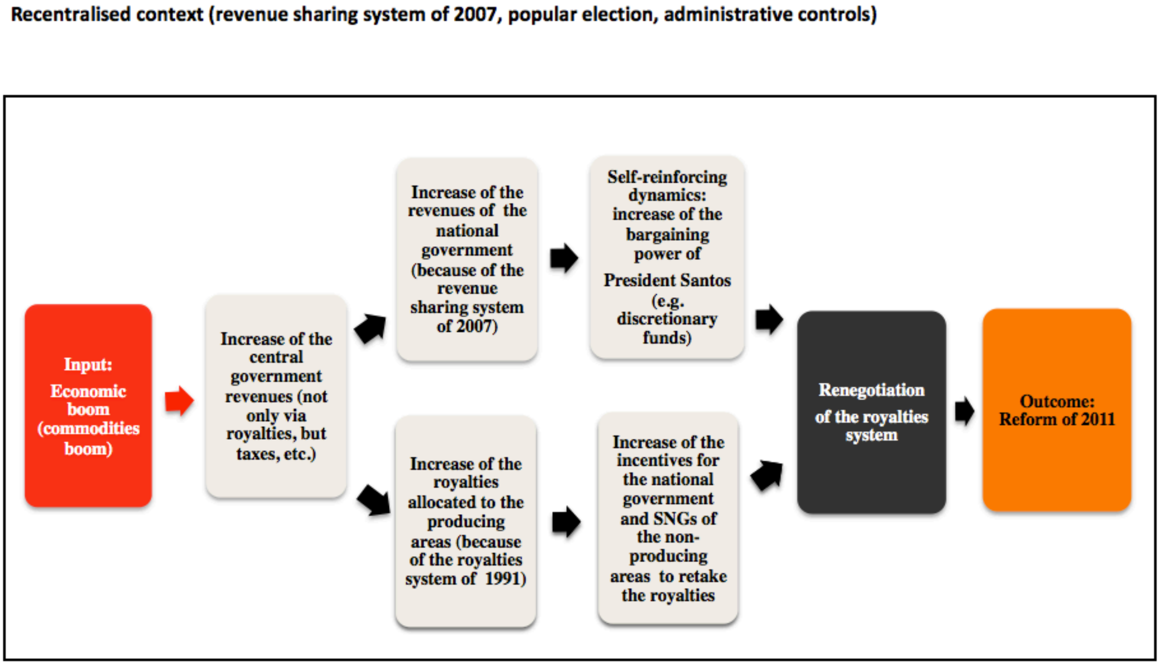
both cases, the election was informally supported by the national government. And the assembly of governors made its decision looking for better communication with the national government (and their resources).[82]

In 2014, the Santos administration also tried to synchronise the national and subnational electoral calendars. The main argument was that the synchronisation of periods between national and subnational governments would be useful to improve the coordination of the development plans. The Congress rejected that constitutional reform proposal. At that moment, there was no *economic boom*.

In sum, the analysis of the Santos administration mainly shows how an economic boom (2010-2011) in a recentralised context (reinforced by the reform of 2007) again reinforced Colombia's recentralising trend. Also relevant, and resembling the reform of 2007, were the processes of *learning* of political leaders and public officials on how to recentralise avoiding political opposition and judicial review (by the Constitutional Court).

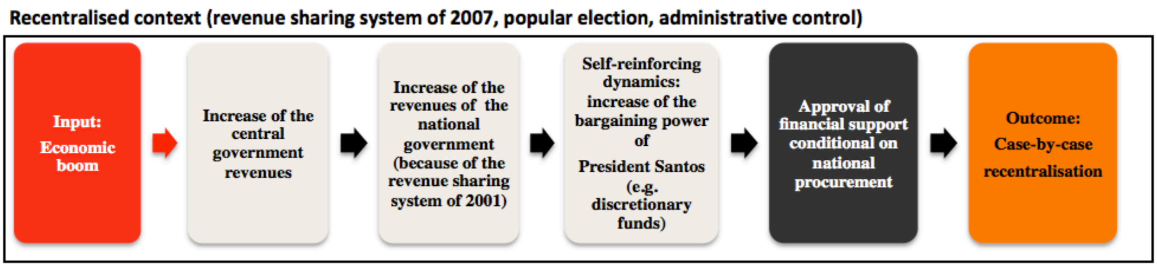
[82] Semana 2014

Figure 7.2 Links between economic boom and (more) recentralisation during the Santos administration (reform of 2011)



Source: The author

Figure 7.3 Links between economic boom and (more) recentralisation during the Santos administration (case-by-case recentralisation)



Source: The author

Conclusion

This section concludes by suggesting that, as the main hypothesis of this thesis proposes, the recentralising attempts during the Santos administration can be explained as outcomes of an economic boom in an already recentralised institutional context.

The reform of the royalties system emerged in the inner circle of President Santos during the presidential campaign in 2010 mainly as a way to avoid a tax reform. The idea was to cover expenditures of the central government related to regional projects using royalties.

The context of the emergence of the reform of 2011 was characterised by a commodities boom, whose revenues were mostly allocated in some of the less populated departments. Prior to this reform the departments and municipalities that received the largest part of royalties (producing areas) had some autonomy over the use of those resources. Hence, the real 'newcomer' in that process was the national government. Moreover, despite the numerical superiority of the subnational governments in the new system (two votes out of three), in practice, the national government controlled the approval of the projects financed with royalties. In other words, although royalties were allocated to departments and municipalities, the national government increased its influence over royalties' expenditure from about 20% (through the national royalties fund) to 100% of these revenues.

Also relevant, and resembling the reform of 2007, were the processes of *learning* of political leaders and public officials on how to recentralise avoiding political opposition and judicial review.

Unlike the cases of Venezuela, Ecuador and Bolivia, in Colombia these recentralising reforms were fostered by a market-friendly administration and affected every subnational entity (not only those led by members of the opposition to the national government).[83]

Moreover, the recentralisation reforms during the Santos administration cannot be explained applying the hypothesis developed by González. According this author, if the president is powerful (institutional and partisan powers) and subnational executives are weak in a context of *fiscal surplus*, then fiscal and administrative decentralisation should decline. However, during the Santos administration, the recentralisation reforms emerged in the middle of a commodity boom, but with a *fiscal deficit*.

The *commodities boom* hypotheses (used to explain recentralisation processes in Botswana, Nigeria, Chile, Peru and Bolivia) could explain the incentives of the national government to recentralise the royalties in 2011.[84] But they do not explain the behaviour of legislators and subnational governments.

Recentralisation has been also explained as the national government's reaction to inadequate levels of local governance (administrative issues). For instance, lack of capacity of the lower levels of government to resists captures by local elites or even illegal armed groups.[85] Again, this approach could account for the behaviour of the national government (regarding both fiscal and administrative measures), but do not offer an explanation about how the president obtained enough

---

[83] Camacho and Mejía 2014
[84] Thorp 2012; Perez-Sebastian and Raveh 2014
[85] Alonso Biarge and Ortiz 1999; Malesky, Nguyen, and Tran 2014; Sánchez and Chacón 2005; K. Eaton 2006; Cramer and Goodhand 2002

political support in Congress to recentralise. And it is far from being clear that legislatures tend to support this type of changes just because of general interest.

This chapter enlarges the evidence on the recent trend of heresthetic strategies used by Latin American governments to strengthen their position vis-à-vis subnational authorities. In this case, the central government did not present the reform of the royalties as a way to obtain more resources (or to reduce its expenditures devoted to regional projects) without a tax reform. On the contrary, the Minister of Finance and the Director of the National Planning Department portrayed the constitutional amendment as a way to increase the resources for the vast majority of subnational entities. Moreover, a quantitative analysis of this reform would suggest that royalties (a kind of automatic transfers) increased for the majority of departments and municipalities. Nonetheless, the dramatic increase of the national government's control over royalties was evident. After the reform of 2007 and particularly the *planes departamentales de agua*, the new royalties system seemed like the subsequent step in the central government's process of learning about how to take the subnational resources avoiding political opposition as much as possible.

Still, the subnational associations and the representation of territorial interests in national legislatures were relevant factors in the changes to the original proposal prepared by the government. The inclusion of "local" projects in the *Regional Compensation Fund* and the transitional period for the producing areas were mainly achieved due to the pressure of *Fedemunicipios* and some Members of the House of Representatives. Again, their influence was able to produce some changes, but not to block a reform promoted by the national government. Like the processes of recentralisation of 2001 and 2007, the national government capitalised on the problems of coordination between subnational entities, but above all on their relatively decreasing public resources (in comparison with the percentage of the national government).

8. CONCLUSION: COLOMBIA'S PATH FROM DECENTRALISATION TO RECENTRALISATION

This chapter summarises the main findings of the thesis regarding the recentralisation reforms in Colombia and the role of the interaction between economic inputs and institutional context on their emergence. It then turns to the main contributions the thesis makes to the (still emerging) literature on recentralisation, institutional change, and path dependence. It also outlines research tasks for future studies on recentralisation.

Types of recentralising policies and reforms in Colombia (what)

The typology developed in the second chapter of this thesis can help pinpoint more precisely than in the existing literature what was (or was not) recentralisation in Colombia over the past two decades as well as to characterise this trend (see Table 8.1).

There were no substantial changes to the rules regarding the election and removal of governors and local mayors (to some extent, this situation limits the *path-dependence theory* of this thesis concerning formal political recentralisation). Nonetheless, the Santos administration informally reduced the space for the representation of subnational polities, inducing the appointment of two of its high-ranked officials as Executive Directors of the national association of departments.

By contrast, there were substantial fiscal and administrative recentralising policies and reforms. For instance, in 2001 and 2007, the Pastrana and Uribe administrations obtained enough support in Congress to reduce the automatic transfers to departments and municipalities (as percentage of the GDP).

In turn, in 2007 and 2011, Uribe and Santos included in the Constitution systems that allowed the national executive to limit the automaticity of transfers and royalties. In fact, in 2011, the central feature of the reform of the royalties system promoted by Santos was not transferring these revenues from the producing areas to the national level (fiscal recentralisation), but providing for an administrative system that allowed the national government to control their use (administrative recentralisation).

Table 8.1 Types of recentralisation reforms in Colombia, 1994-2014

Reform	Policy	Administrative recentralisation	Fiscal recentralisation	Political recentralisation
1997	Regulation of subnational government's borrowing powers	New set of conditions to obtain loans in the financial market according to their payment capacity.	None	None
2001	New revenue sharing system	None	Decrease of fiscal transfers compared with the system of 1991 (as percentage of the GDP) until 2008.	None
2007	New revenue sharing system	None	Decrease of fiscal transfers compared with the system of 1991 (as percentage of the GDP). Only the rate of increase (but not the base amount) of the transfers of the revenue sharing system of 1991 would be applied again in 2016.	None

Reform	Policy	Administrative recentralisation	Fiscal recentralisation	Political recentralisation
	Departmental water plans and earmarked transfers for water supply and sanitation	Responsibilities regarding water supply and sanitation from municipal to departmental and national governments (PDAs).	Resources regarding water supply and sanitation from municipal to departmental and national governments (PDAs).	None
	System of control and monitoring	Limitation of constitutional mandates regarding subnational autonomy. System of national certification, improvement plan and reallocation of resources and responsibilities in favour of departmental and national governments.	None	None
2011	Redistribution of royalties	None	None	None
	New system of royalties' administration	Transfer of authority from the producing municipal and departmental authorities to the national government (OCADs and pre-OCADs).	None	None
	System of control and monitoring	Inclusion of the system in the Constitution implied a relevant decrease of the constitutional levels of subnational autonomy.	None	None
2012 and 2014[1]	Appointments in subnational government associations	None	None	Two former high-ranked officials of the Santos administration were appointed as Executive Directors of the national federation of departments.

Source: The author

Colombia's recentralising attempts and the path dependence theory of recentralisation (why and how)

There have been different types of arguments in the empirical literature on the factors that have shaped recentralisation around the world. Depending on their main independent variable they may be classified into three categories: economic, political and administrative. In general, these analyses are particularly focused on the impact of only one type of factor instead of on the role of their interactions, and interestingly enough most of them assume temporal causal homogeneity. Specifically, they do not

[1] These are not reforms, but the years of this informal policy.

take into account the change of institutional context generated by the early recentralising reforms.

Nonetheless, as this thesis shows, the change of context is fundamental because it affects the way in which the independent variables and causal mechanisms operate. In other words, it is unlikely that the same independent variable and causal mechanisms could explain the emergence of the first recentralising reforms and the subsequent ones. Particularly, the analysis of the Colombian case reveals that not only an economic crisis, but also an economic boom can induce significant recentralising processes depending on the institutional context.

This thesis offers a new hypothesis, which can fully explain Colombia's recentralisation (i.e. *why* and *how* this process came about). This hypothesis accounts for all three main recentralising reforms in Colombia (i.e. 2001, 2007 and 2011) as well as for the reasons behind the failed attempts (particularly, during the Samper administration), the role of legislators and subnational authorities and the interaction between economic, political and administrative factors during their emergence and early implementation.

Using the *process-tracing* method and combining evidence from documentary sources and more than 70 elite interviews (with former presidents, ministers, legislators, governors, local mayors and high-ranked officials), the thesis suggests that Colombia's recentralisation was an outcome of the interaction between economic inputs and institutional context. According to the main argument of the thesis, when an economic crisis takes place in a decentralised context, one can expect an increase of recentralisation. If an economic boom occurs in the same context, one should expect a decrease of recentralisation. If there is an economic crisis in a recentralised context, one can expect less recentralisation. If, instead, an economic boom occurs in the same context, one should expect even more recentralisation. The main attempts to recentralise from 1994 to 2014 conformed to the hypothesis presented in this work (see Table 8.2).

Table 8.2 Economic performance, institutional context and recentralisation reforms in Colombia

Economic performance	**Context**	
	Decentralised (1986-2001)	Recentralised (2002-2014)
Economic crisis (1998-1999 and 2008-2009)	**Recentralisation** Reform of 2001	
Economic boom (2004-2007 and 2010-2011)		**Recentralisation** Reform of 2007 Reform of 2011

Source: The author

The thesis also identifies the main causal mechanisms driving recentralization in Colombia when it was caused by *economic recession* in 2001 (self-destroying dynamics) as well as when it was caused by *economic boom* in 2007 and 2011 (self-reinforcing dynamics). See Figures 4.1, 5.1, 6.3, 7.2 and 7.3.

Political learning is one of the most important causal mechanisms identified in the thesis. It is particularly useful not only to understand the absence of formal political recentralising reforms, but also the growing use of fiscal and administrative measures to reduce the political authority of governors and local mayors (regarding both national and subnational issues).

There were learning processes concerning the implementation of political recentralising reforms. Since 1886 until 1988, presidents had to deal with continuous pressures by departmental and municipal party directorates to change local mayors when he or she did not attend their political demands. The resulting political and administrative instability was a serious problem for the national government.[2]

Furthermore, from 1994 to 2014, the severe political difficulties to modify the electoral rules of governors and local mayors were evident. And the changes in the allocation of resources were the centre of the debates in Congress in 2001, 2007 and 2011. On the contrary, since the Samper administration (regulation of subnational borrowing powers) and then during the legislative process of the reform of 2007 it was clear that legislators and SNGs did not pay equal attention to the inclusion in the Constitution of national systems to control and monitoring (regulation inside government). Under this scenario, via administrative recentralisation, the constitutional reforms of 2007 and 2011 even affected the automaticity of both transfers (via certifications) and royalties (via OCADs and pre-OCADs), and allowed the national government to guide the use of these resources (e.g. PDAs), despite the official allocation to the SNGs. Moreover, unlike political recentralisation, these administrative instruments allowed the government to claim the successful solution of local problems (e.g. El Carmen de Bolivar) as well as to avoid the blame in case of crisis (e.g. Yopal). This would not be possible if the President appointed local mayors, because they would be agents of the central government.

Two additional important learning processes were "*divide and rule*" and "*constitutionalisation*". The national executives learnt the advantages of dividing the

---

[2] Interview Cesar Gaviria, 2 July 2015; interview Hugo Palacios Mejía, 19 October 2013

SNGs: in 2001, through the additional bonus to the salary of local mayors (local mayors who accept the bonus vs. local mayors who reject the bonus); in 2007, with the transfer of resources from municipalities to departments (municipalities vs. departments); and in 2011, with the redistribution of royalties (producing areas vs. non-producing areas). The public officials of the DNP also learnt that constitutionalising their functions was the best way to deal with the judicial review of the Constitutional Court (that limited them when the system of control and monitoring was included in an ordinary law). The learning processes identified in the thesis are laid out in Table 8.3.

Table 8.3 Political learning and recentralising reforms in Colombia, 1994-2014

Period	Policy / Strategy	What it involved	Possible learning elements	Who
Álvaro Uribe (2002-2010)	A "decentralising" reform	The revenue sharing system of 2007 was promoted as a protection for the SNGs against dramatic changes in the economy.	Response to success of the argument in 2001, when the decrease of the transfers because of the crisis of 1999 opened the door for an agreement between the national and SNGs in 2001.	Public officials
	"Crisis" argument	The reform was promoted by the central government as a way to avoid a national fiscal crisis.	Response to success of the argument in 2001, when the revenue sharing systems of 1991 was portrayed by the national government as one of the main causes of the national fiscal crisis.	Public officials
	Rate of increase of the automatic transfers	The percentage escalations additional to the inflation rate were deliberately set below the expected growth of the Colombian economy.	Response to success (for the national government) of a similar rate of increase used in the revenue sharing system of 2001.	Public officials
	Base amount of the automatic transfers	The base amount of the transfers approved in 2007 was lower than the one used in 2001 (in application of the revenue sharing system of 1991).	Response to success (for the national government) of a similar base amount used in the revenue sharing system of 2001.	Public officials
	Earmarked transfers for water supply and sanitation	The reform strengthened the departmental governments as a means of retaking power at the national level.	Response to success (for the national government) of the pilot projects (recentralisation case-by-case) the year before the constitutional reform of 2007.	Politicians and public officials
	Constitutionalisation	The national system of control and monitoring over the use of the transfers was included in the Constitution.	Response to failure of the national government promoting this type of systems because of the judicial review of the Constitutional Court.	Public officials
	Provisional reform	According to the reform of 2007, this system should last until 2016.	Response to success of the national government in 2001, when the provisional character of the reform (until 2008) was useful to avoid political opposition.	Public officials

Period	Policy / Strategy	What it involved	Possible learning elements	Who
	Permanent base amount of transfers	Only the rate of increase (but not the base amount) of the transfers of the revenue sharing system of 1991 would be applied again in 2016.	Response to failure (for the national government) of the provisional character of the base amount of transfers of the revenue sharing system of 2001.	Public officials
Juan M. Santos (2010-present)	A "decentralising" reform	The reform was promoted as a means to redistribute the royalties generated by the commodity boom among all of the subnational entities.	Response to success of the national government in 2001 and 2007, when the reforms were promoted as way to secure revenues for the subnational entities.	Politicians and public officials
	"Crisis" argument	The reform was promoted as a way to avoid an economic crisis generated by "Dutch disease".	Response to success of the argument in 2007, when the reform was presented as a means to "avoid" a crisis.	Public officials
	"Divide and rule"	The national government obtained letters of support signed by governors and mayors from the non-producing areas. This not only decreased the cooperation between the legislators of the producing areas with their colleagues of the non-producing areas, but also the opposition of both the FND and Fedemunicipios.	Response to success (for the national government) of the water transfers allocated to departments in 2007 as a means to divide the SNGs (departments vs. municipalities) as well as to the success of the letter of support signed by local mayors obtained by Juan M. Santos (as Minister of Finance) and Juan Carlos Echeverry (as DNP's director) in 2001.	Politicians and public officials
	"Discredit"	The central government portrayed the SNGs of the producing areas as inefficient and extremely corrupt. The most critical examples (even of 25 years ago) were highlighted, while the successful cases were simply omitted.	Response to success of the strategy used in 2007 by the national government to promote the system of control and monitoring focused on the most critical cases.	Public officials
	New system of royalties' administration (OCADs)	New system (councils consisting of representatives from the national, departmental and municipal governments, each one with one vote) to evaluate and approve the projects financed with royalties, that ultimately was controlled by the central government.	Response to the experience with PDAs, in the sense of mechanisms to transfer the control over subnational revenues to the national level maintaining the formal allocation to departments and municipalities.	Public officials
	System of control and monitoring	The reform of 2011 granted the national government strong instruments to control the execution of the royalties. This could suspend the transfer of the royalties to the subnational entities, cancel their projects, and ask them for reimbursement.	Response to both success (for the national government) of the system of control and monitoring of transfers as a means to control the SNGs and to the fact that in 2007 these measures were less debated in Congress than the changes in the distribution.	Public officials
	Constitutionalisation	The new royalties' system was promoted as a constitutional reform instead of as an ordinary law.	Response to failure of the Uribe administration to promote a new royalties system through a legal reform (because of the opposition of the Fifth Committee of the Senate) as well as to previous failures of the national government promoting this type of systems because of the judicial review of the Constitutional Court.	Public officials
	"Information asymmetry"	The Minister of Finance tried to persuade the SNGs of the producing areas that because of the boom they could maintain their ongoing programmes financed with royalties.	Response to success of the national government in 2007, exploiting the information asymmetry between the national executive, on the one hand, and Congress and SNGs, on the other, on fiscal and economic perspectives.	Public officials

Source: The author

Main alternative explanation: internal armed conflict

An alternative explanation of Colombia's recentralising trend could be based on the impact of the internal armed conflict. However, it has less explanatory value than the main argument of the thesis.

According to the documentary evidence and interviews, the internal armed conflict was not one of the main factors in the preparation of the bill proposals and debates of the recentralising reforms in 2001, 2007 and 2011. On the one hand, the reform of 2001 was promoted by the national government because of fiscal concerns. On the other, the dramatic security conditions experienced by local mayors since the early 1990s decreased their autonomy regarding the national government. However, they only accepted to change the revenue sharing system when the economic crisis of 1999 decreased their fiscal transfers. Moreover, it is true that the conflict continuously affected Colombia's potential GDP per capita during the whole period under study (1994-2014). But, it was not the main cause of the economic crisis that induced the reform of 2001 (it was more related to the Russian financial crisis in 1998).

Similarly, in 2007 the national government decided to promote another reform motivated and allowed by the economic boom. The main concern of the Minister of Finance was about the approval in Congress of a rate of increase (of the transfers) bellow the expected economic growth of the national economy. And he helped to secure part of the political support of the proposal distributing resources for local projects (particularly, public transportation systems in big and medium size cities). The conflict was still present, but the local mayors were more secure at that moment than in 2001. Furthermore, this time the majorities in Congress did not conditioned their support on the approval of local mayors (the legislators were enjoying the growing dependency of the subnational authorities after the reform of 2001). On the other hand, the public officials of the DNP who designed the national system of control and monitoring of the use of transfers were aware of the armed clientelism in certain parts of the country, but their concerns were more about corruption in general (associated or not with illegal armed groups). And the Congress did not care very much about the administrative recentralisation reforms.

Regarding the change of the royalties system in 2011, the armed clientelism was more an excuse than a highly influential factor. On the one hand, this reform emerged when the economic advisors of the Santos campaign envisioned the possibility of using the growing resources of the commodities boom (particularly oil and coal) to finance substantial regional projects without raising taxes. In fact, the Minister of Finance (who is seen as the "father" of this reform) did not have that factor in mind when he began to promote it in Congress (interview for this thesis). There was no precise information about this phenomenon in the bill proposal, only anecdotic references. In fact, even if the national government was also surreptitiously promoting this reform in order to decrease the available revenues for illegal armed groups (possible interpretation of the silence regarding this issue in documents and interviews), it is quite clear that the main incentive of the legislators of the non-producing areas to support this reform (majorities in both the Senate and the House of Representatives) was the expected royalties for their departments and municipalities given the ongoing commodities boom. Resembling the reform of 2007, the public officials of the DNP who designed the national system of control and monitoring of the use of royalties were aware of the influence of illegal armed groups in the producing areas, but were more concerned about corruption in general. And, again, with few exceptions, the legislators did not pay a lot of attention to the administrative recentralisation reforms.

This research recognises the importance of both formal and informal policies and reforms. Nonetheless, given the prevalence that informal institutions (like armed clientelism) have had in Colombia because of the internal armed conflict, one of the main contributions of the thesis is the documented evidence showing the impact of formal rules on the behaviour of national and subnational authorities.

Contributions and pending questions

To conclude, I would like to highlight the main contributions that this thesis makes not only to the still emerging literature on recentralisation, but also regarding institutional change and path dependence. This section also outlines some research tasks for future studies on recentralisation.

Primarily, this thesis describes and explains the unexpected trend of recentralisation in Colombia. This case is relevant not only because (as explained in Chapter 2) leading works expected further decentralising reforms in this country, but even more importantly given that the existing hypotheses on recentralisation cannot fully account for it. The emergence of these policies and reforms (e.g. growing conditionality of the fiscal transfers) are documented with great detail in four empirical chapters (4-7).

But this study not only analyses the evolution of subnational politics in Colombia after the decentralisation trend, but also provides some interesting data that challenges certain parts of influential accounts of the emergence of Colombia's decentralisation. For instance, the appointment of subnational authorities by Colombian presidents from 1886 to 1986 is generally portrayed as an almost absolute power ("Why did Betancur agree to give this immense discretional power away?" is a common questions).[3] However, in Chapter 3, the thesis explains how limited was that power (because of political pressures by departmental and municipal party directorates), up to the point that President Betancur (leading promoter of the decentralising reforms in the mid 1980s) considered it as highly inconvenient not only for the provision of public services, but also for national and local governance (because of the continuous claims to change local mayors).

Secondly, this thesis provides an updated review of the literature on recentralisation around the world. Although limited in comparison with the scholarship on decentralisation, there is a growing number of academic works on the subsequent recentralisation processes (particularly, in the last four years). After a comprehensive review of these works, this thesis not only proposes a classification based on the nature of the main input (economic, political, and administrative), but also identifies its current shortcomings. As explained in Chapter 2, there are few theoretical efforts. Moreover, in general, the existing case studies do not account for the change of context generated by the initial recentralising reforms and are particularly focused on the impact of only one type of factor instead of on the role of the interactions between them. And some of them are excessively focused on the incentives of the national governments to recentralise, while neglecting the explanation of the role of legislators and subnational authorities.

---

[3] Tulia Gabriela Falleti 2010, 129

Thirdly, this thesis explicitly aims to tackle the main definitional issues in this research programme. This thesis proposes a definition of recentralisation as the *set of formal and informal policies and reforms that transfer resources, authority, or responsibilities from lower to higher levels of government, after a process of decentralisation.* This notion includes transfers from local to intermediate levels, recognising the divergent interest among subnational entities. [4]

This thesis also develops a typology to identify and classify the recentralising policies and reforms (political, fiscal, and administrative recentralisation). And one particular advance of the thesis is that *administrative recentralisation* not only includes the set of legal reforms or policies that transfer the provision of public services to a higher level of government,[5] but also those that allow a higher level of government to determine how the resources allocated to a lower level of government can be used or the organisation of the services at this level, for instance through *regulation inside government* (part of the veiled strategies used by national and intermediate levels of government to promote recentralisation avoiding political costs).[6]

Moreover, the thesis challenges the idea that recentralisation (as institutional context) should include not only fiscal, but also formal political and administrative policies and reforms. The work presented in this thesis has shown that a substantial modification of just one dimension (political, fiscal or even administrative) might be enough to obliterate the subnational autonomy as a whole. Therefore, a *recentralised context* only requires one type of prerogatives for the higher levels of government

[4] See also: Fenwick 2009
[5] See Tulia Gabriela Falleti 2010; González 2012
[6] See Chapter 2 of this thesis.

(still, the recentralising policy or reform has to be *substantial* in order to produce a change of *institutional context*). In Colombia, despite the fact that there were no formal political recentralising measures, both fiscal and administrative reforms significantly affected the political authority of governors and local mayors regarding national and subnational issues.

Fourthly, the thesis contests the idea that national governments would prefer political recentralisation to administrative recentralisation (extrapolated from the preferences regarding different types of decentralising reforms identified in the literature). Colombia's national executive learnt that administrative recentralisation is less costly politically than political and fiscal recentralising reforms and can be equally useful to control governors and local mayors, particularly using *regulation inside government* (even affecting the automaticity of the transfers). And more broadly, this finding is useful to support the claim that these preferences are not fixed (as Falleti argues regarding the types of decentralisation),[7] but dependent on the economic performance, estimated costs and benefits associated with legislative and implementation processes, and *learning* about these issues.

Fifthly, inductively (hypothesis-generating case study), this thesis identified variables and mechanisms left out of existing explanations. Particularly, the thesis offers an approach that not only identifies a new variable (economic boom), but also recognises the critical relevance of changing institutional contexts (decentralised/recentralised), causal mechanisms (i.e. self-destroying/self-reinforcing dynamics that explain the role of legislators and subnational authorities) and the interactions between economic, political and administrative factors.

---

[7] By contrast, Tulia Gabriela Falleti 2010

According to the approach of this thesis, not only an *economic crisis*, but also an *economic boom* (inputs) can induce more recentralising processes. The output depends on the *institutional context*. Specifically, an economic boom induces more recentralising reforms in a recentralised context (and an economic crisis only induces more recentralising process in a decentralised context). The hypothesis of the thesis is also different in the sense that the economic variable is not related to *hyperinflation*, fiscal deficit or fiscal surplus, but to significant decreases or increases of the *GDP per capita*. The significant variations of the GDP per capita not only directly affect common citizens (generating strong political pressures), but also impact the revenues of higher and lower levels of government (via *revenue sharing systems* or autonomous taxes). And it is also different from the recent work by Hooghe et al., for whom decentralisation and recentralisation are more associated with structural factors (e.g. cultural identities).

The *path-dependence theory of recentralisation* proposed in this thesis is based on the recognition of the relevance of changing institutional contexts (decentralised/recentralised). The work of González to explain the variation in the levels of decentralisation in a number of countries in Latin America is one of the few studies in the existing literature on subnational politics in which the change of context is systematically analysed (as well as the interactions between different types of factors). As explained in Chapter 2, González proposes a hypothesis based on the interaction between *political power* (institutional capabilities and partisan power) as input and fiscal crisis and surplus as context. According to González, if the *president is powerful* (institutional and partisan powers) and subnational executives are weak in a context of *fiscal surplus*, then fiscal and administrative decentralisation should decline. He also argues that, if the *president is weak* and subnational executives are powerful in a context of *fiscal crisis*, then fiscal decentralisation should increase and (what he calls) administrative decentralisation should decline.[8] By contrast, this thesis proposes that the economic variables are more related to the *input* than to the context as well as that the institutional capabilities of presidents and governors are part of the institutional context (decentralised/recentralised) instead of the input. Moreover, this thesis argues that, at least, in the case of Colombia, González' approach cannot explain the emergence of the recentralising trend in 2001 (during the politically weak Pastrana administration in the middle of a fiscal crisis). And that it is also unsuitable to explain the reforms during the Uribe and Santos administrations because both of them experienced fiscal deficit (despite the economic boom).

Regarding path dependence, the thesis challenges or completes (in the way that it analyses a period almost uncovered by the existing literature) the idea of "early winners" included, for example, in the sequential theory of decentralisation developed by Falleti. She contends that, "decentralization policies in Latin America produced self-reinforcing effects such as the reproduction of power of the early winners." Regarding Colombia, she specifically argues that the subnational authorities were the early winners. And, consequently, the decentralisation policies followed a "subnational dominance path". However, this thesis shows that the institutions that provided for the advantages of the "early winners" are exactly the same that (in case of an economic crisis) cause their decline. In the case of Colombia

[8] Gonzalez 2008

these institutions were mainly related to the revenue sharing system of 1991 and the popular election approved in 1986.

The thesis also identifies causal mechanisms (i.e. self-destroying/self-reinforcing dynamics) that connect economic inputs and recentralisation outputs and explain the role of legislators and subnational authorities. Nonetheless, it must be noted these are portable concepts in the sense that they can explain some degree of recentralization in one phase of the cycle, but could equally well work in reverse in the opposite phase. Additionally, one of the most interesting contributions of the thesis is the identification and systematic analysis of a particular causal mechanism: *political learning*.

This thesis aims to explain Colombia's recentralising reforms. However, the approach of the thesis could be used for the analysis of recentralisation trends in other countries. Its explanatory value could then be compared with the existing hypothesis. For instance, the *path-dependence theory of recentralisation* could be used to (re) visit the recentralisation processes in Latin America (and compare it with the economic crisis, commodities boom, partisan control of government, political leverage, opposition-targeted strategies, left-wing national government and poor local governance hypotheses that have been proposed with regards to this region). The main constraint, however, would be the detailed information needed to apply the same type of process tracing method in each country for the whole period after the emergence of the decentralised institutional context.

Finally, it would be interesting to evaluate in further research projects the consequences of the recentralising reforms on public services outcomes as well as on the functioning of democratic institutions. Similarly, it would be useful for the research programme on recentralisation to develop more systematic analysis of the preferences of higher, intermediate and lower levels of government regarding the type of reforms (i.e. political, fiscal or administrative).

BIBLIOGRAPHY

Akilli, Husniye, and H. Serkan Akilli. 2014. "Decentralization and Recentralization of Local Governments in Turkey." *Procedia - Social and Behavioral Sciences* 140: 682–86. http://www.sciencedirect.com/science/article/pii/S1877042814034193.

Alesina, Alberto, Alberto Carrasquilla, and Juan José Echavarría. 2000. Working Paper Series No. 15 *Decentralization in Colombia*. Bogotá.

Alonso Biarge, José María, and Alexandra Ortiz. 1999. "Decentralization of Road Network Management: Lessons from Bolivia and Other Ibero-American Countries."

Amador, Luis Eduardo. 2011. *Los Servicios Públicos Frente a Las Reformas Económicas En Colombia*. Bogotá: Universidad Externado de Colombia.

Angell, Alan, Pamela Lowden, and Rosemary Thorp. 2001. *Decentralizing Development: The Political Economy of Institutional Change in Colombia and Chile*. New York: Oxford University Press.

Appelbaum, Nancy P. 2003. *Muddied Waters: Race, Region, and Local History in Colombia, 1846–1948*. Durham: Duke University Press.

Archer, Ronald R., and Matthew Shugart. 1997. "The Unrealized Potential of Presidential Dominance in Colombia, in Presidentialism and Democracy in Latin America." In *Presidentialism and Democracy in Latin America*, eds. Scott Mainwaring and Matthew Soberg Shugart. Cambridge: Cambridge University Press.

Arretche, Marta. 2006. "The Veto Power of Sub-National Governments in Brazil: Political Institutions and Parliamentary Behaviour in the Post-1988 Period." *Brazilian Political Science Review* 1(2): 40–73.

Baker, Andy, and Kenneth F. Greene. 2011. "The Latin American Left's Mandate: Free-Market Policies and Issue Voting in New Democracies." *World Politics* 63(1): 43–77.

Banco de la República de Colombia. 2010. *Report to the Congreso de La República de Colombia*. Bogotá.

———. 2011a. *Report to Congress March 2011*. Bogotá.

———. 2011b. *Report to the Congreso de La República de Colombia*. Bogotá.

BBC. 1998. "Samper Admits Frug Money Used for Polls." http://news.bbc.co.uk/1/hi/world/americas/136406.stm.

Bértola, Luis, and Jose Antonio Ocampo. 2012. *The Economic Development of Latin America since Independence*. Oxford: Oxford University Press.

Bird, Richard M., and Michael Smart. 2002. "Intergovernmental Fiscal Transfers-International Lessons for Developing Countries.pdf." *World Development* 30(6): 899–912.

Bolgherini, Silvia. 2014. "Can Austerity Lead to Recentralisation? Italian Local Government during the Economic Crisis." *South European Society and Politics* 19(2): 193–214.

Bonnet, Jaime, Javier Pérez, and Jhorland Ayala. 2014. "Contexto Histórico Y Evolución Del SGP En Colombia."

Bonnet, Jaime, and Joaquín Urrego. 2014. *El Sistema General de Regalías: ¿mejoró,*

Empeoró O Quedó Igual?". Bogotá.
Bushnell, David. 1993. *The Making of Modern Colombia: A Nation in Spite of Itself*. Berkeley: University of California Press.
Camacho, Adriana, and Daniel Mejía. 2014. "¿Haciendo Casas a Cambio de Votos?" *El Espectador*.
Caracol Radio. 1997. "El Gobierno Nacional Esta Quebrado: Denuncia La Comisión de Racionalización Del Gasto Público." *Caracol Radio*. http://caracol.com.co/radio/1997/10/11/nacional/0876549600_017148.html.
Castro, Jaime. 1998. *Descentralizar Para Pacificar*. Bogota: Ariel Ciencia Política.
Congreso de la República. 2006. "Gaceta Del Congreso No. 504."
———. 2007. "Gaceta Del Congreso No. 2."
———. 2010. "Gaceta Del Congreso No. 577." http://www.imprenta.gov.co/gacetap/gaceta.pdf?v_numero=577&v_anog=2010 (April 23, 2014).
Congreso de la República de Colombia. 1997. "Law 358 of 1997."
———. 2000. "Law 617."
———. 2001. "Legislative Act No. 01 of 2001."
———. 2006. "Law No. 11."
———. 2010a. "Gaceta Del Congreso 879."
———. 2010b. "Gaceta Del Congreso No. 33."
———. 2011. "Legislative Act No. 05 of 2011."
———. 2012a. "Law 1537."
———. 2012b. "Law 1606 of 2012."
Consejo Nacional de Política Económica y Social. 1995. "CONPES Document No. 2796"
———. 1996 "CONPES Document No. 2863."
———. 2005a "CONPES Document No. 3385."
———. 2005b. "CONPES Document No. 3393."
———. 2006. "CONPES Document No. 3430."
———. 2007. "CONPES Document No. 3463."
Corporación Latinobarómetro. 2000. *Informe Latinobarómetro*. http://www.latinobarometro.org/latContents.jsp.
———. 2001. *Informe Latinobarómetro*.
———. 2002. *Informe Latinobarómetro*.
Corte Constitucional de Colombia. 1995. "Sentencia (Ruling) C-567."
———. 2008. "Sentencia (Ruling) C-427."
———. 2013. "Sentencia (Ruling) C-624."
Van Cott, Donna Lee. 2000. *The Friendly Liquidation of the Past : The Politics of Diversity in Latin America*. Pittsburgh: University of Pittsburgh Press.
Cramer, Christopher, and Jonathan Goodhand. 2002. "Try Again, Fail Again, Fail Better? War, the State, and the 'Post-Conflict' Challenge in Afghanistan." *Development and Change* 33(5): 885–909. http://onlinelibrary.wiley.com/doi/10.1111/1467-7660.t01-1-00253/abstract.
Dargent, Eduardo. 2015. *Technocracy and Democracy in Latin America The Experts Running Government*. New York: Cambridge University Press.
Deas, Malcolm. 1985. "Venezuela, Colombia and Ecuador: The First Half-Century of Independence." In *The Cambridge History of Latin America Volume 3*, ed. Leslie Bethell. Cambridge: Cambridge University Press, 507–38.

———. 1997. “Violent Exchanges: Reflections on Political Violence in Colombia.” In *The Legitimization of Violence*, ed. David Apter. New York: New York University Press.
———. 1999. “Ernesto Samper: Cuál Es El Veredicto.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-867551.
Departamento Administrativo Nacional de Estadística. 2016. “Comunicado de Prensa.”
Departamento Nacional de Planeación. 1996. “Situación Macroeconómica 1995-1996 Y Plan de Inversión Y Transferencias Nacionales.”
———. 1997. “Plan Financiero de Inversiones Y Transferencias Territoriales.”
Díaz Cayeros, Alberto. 2006. *Federalism, Fiscal Authority, and Centralization in Latin America*. New York : New York .
Dickovick, J. Tyler, and Kent H. Eaton. 2013. “Latin America’s Resurgent Centre: National Government Strategies after Decentralisation.” *Journal of Development Studies* 49(11): 1453–66. http://dx.doi.org/10.1080/00220388.2013.797073.
Dickovick, J. Tyler. 2011. *Decentralization and Recentralization in the Developing World : Comparative Studies from Africa and Latin America*. University Park, Pa.: University Park, Pa. : Pennsylvania State University Press.
Eaton, Kent. 2004. *Politics beyond the Capital : The Design of Subnational Institutions in South America*. Stanford, Calif.: Stanford, Calif. : Stanford University Press.
———. 2006. “The Downside of Decentralization: Armed Clientelism in Colombia.” *Security Studies* 15(4): 533–62.
———. 2013. “The Centralism of ‘Twenty-First-Century Socialism’: Recentralising Politics in Venezuela, Ecuador and Bolivia.” *Journal of Latin American Studies* 45(3): 421–50.
Eaton, Kent, and Tyler Dickovick. 2004. “The Politics of Re-Centralization in Argentina and Brazil.” *Latin American Research Review* 39(1): 90–122.
Eaton, Kent H, and Christopher Chambers-Ju. 2014. “Teachers, Mayors, and the Transformation of Clientelism in Colombia.” In *Clientelism, Social Policy, and the Quality of Democracy*, eds. Diego Abente Brun and Larry Diamond. The John Hopkins University Press, 88–113.
Echeverry, Juan Carlos, and Carolina Zuluaga. 2014. “El Renacimiento de La Economía: Lecciones de La Administración Pastrana Arango.” In *Punto de Inflexión: Decisiones Que Rescatarón El Futuro de Colombia.: La Administración Del Presidente Andrés Pastrana Arango 1998-2002*, eds. Carlos Caballero Argáez and Diego Pizano Salazar. Bogotá: Universidad de Los Andes, 235–86.
El Espectador. 2010. “Asesores Económicos de Mockus Y Santos, Enfrentados Por Reforma Tributaria.” *El Espectador*. http://www.elespectador.com/node/206731/entretenimiento/publicaciones/autos/motos- electricas-se-toman-motogo-articulo-461413?page=7 (April 23, 2014).
———. 2011. “Consideran Establecer Veto a Obras Faraónicas Con Regalías.” *El Espectador*. http://www.elespectador.com/noticias/economia/consideran-establecer-veto-obras-faraonicas-regalias-articulo-255534 (April 23, 2014).
———. 2014a. “¿Plata de Bolsillo Para Los Municipios Petroleros?” *El Espectador*.
———. 2014b. “La Financiación de La Ciencia.” *El Espectador*.

http://www.elespectador.com/opinion/financiacion-de-ciencia-columna-502735.
———. 2014c. “Advierten Que Recursos de Regalías Para Casanare Se Reducen En 82%.” *El Espectador*.
El Tiempo. 1991a. “Constituyente: Comisión No Cede En El Tema Fiscal.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-81998 (April 1, 2014).
———. 1991b. “Desacuerdo Por Mayor Transferencia de IVA.” *El Tiempo*. http://www.eltiempo.com/archivo/documento-2013/MAM-71133 (April 1, 2014).
———. 1995. “Siete Expertos Integrarán La Comisión de Gasto Público.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-382206.
———. 1996a. “La Iglesia Pone El Grito En El Cielo.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-323228.
———. 1996b. “Serpa Puso La Cara.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-657553.
———. 1997a. “Calendario Electoral Trasnocha a Los Congresistas.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-557205.
———. 1997b. “Que Se Vayan Los Dos: Pastrana.” *El Tiempo*. http://www.eltiempo.com/archivo/documento/MAM-493007.
———. 1998. “Pastrana Crea Comisiones Para Evaluar La Economía.” *El Tiempo*. http://andrespastrana.org/portfolio-items/mensaje-a-los-gobernadores-y-alcaldes-del-pais/.
———. 2015a. “Educación Y TIC: La Fórmula Ganadora En El Huila.” *El Tiempo*.
———. 2015b. “El 38.8% de Las Regalías Del País Están Guardadas En Los Bancos.” *El Tiempo*.
———. 2015c. “Luego de 50 Años de Espera, El Agua Llega Por Fin a Carmen de Bolívar.” *El Tiempo*.
Etter, Andres, Clive Mcalpine, and Hugh Possingham. 2008. “Historical Patterns and Drivers of Landscape Change in Colombia Since 1500: A Regionalized Spatial Approach.” *Annals of the Association of American Geographers* 98(1): 2–23.
Faguet, Jean-Paul. 2013. *Decentralization and Popular Democracy : Governance from below in Bolivia*. First pape. Ann Arbor : The University of Michigan Press.
Faguet, Jean-Paul, and Fabio Sánchez. 2014. “Descentralization and Access to Social Services in Colombia.” *Public Choice* 160(1): 227–49.
Falleti, Tulia G. 2010. *Descentralization and Subnational Politics in Latin America*. New York: Cambridge University Press.
Falleti, Tulia G., and Julia F. Lynch. 2009. “Context and Causal Mechanisms in Political Analysis.” *Comparative Political Studies* 42(9): 1143–66.
Fenwick, Tracy Beck. 2009. “Avoiding Governors: The Success of Bolsa Família.” *Latin American Research Review* 44(1): 102–31.
Federación Colombiana de Municipios “Financiación Del Desarrollo Local a Través de Regalías.” *Revista Municipios No. 40*. https://issuu.com/fedemunicipioscolombianos/docs/revistamunicipios040.
Galvis, Luis Armando Meisel Roca, Adolfo. 2010. “Fondo de Compensación Regional: Igualdad de Oportunidades Para La Periferia Colombiana.” *Documentos de Trabajo sobre Economía Regional No. 122*. http://www.banrep.gov.co/docum/Lectura_finanzas/pdf/DTSER-122.pdf (April

23, 2014).
Gel'man, Vladimir. 2009. "Leviathan's Return: The Policy of Recentralization in Contemporary Russia." In *Federalism and Local Politics in Russia*, eds. Cameron Ross and Adrian Campbell. London: Routledge.
George, Alexander L., and Andrew Bennett. 2005. *Case Studies and Theory Development in the Social Sciences*. Cambridge: The Mit Press.
Georgetown University. "Political Database of the Americas." http://pdba.georgetown.edu/Elecdata/Col/pres98_2.html.
González, Lucas. 2012. "The Redistributive Effects of Centralization and Decentralization Across Subnational Units." *Latin American Research Review* 47(3): 109–33.
González, Lucas. 2008. "Political Power, Fiscal Crises, and Decentralization in Latin America: Federal Countries in Comparative Perspective (and Some Contrasts with Unitary Cases)." *Publius* 38(2): 211–47.
González González, Fernán E. 2014. *Poder Y Violencia En Colombia*. Bogotá: Ediciones Antropos Ltda.
El Heraldo. 2016. "Regalías En El Caribe: Un Reguero de Obras de Mala Calidad." *El Heraldo*.
Hommes, Rudolf. 1991. *Memorias de Hacienda 1990-1991*. Bogotá: Ministerio de Hacienda y Crédito Público.
Hood, Christopher. 1996. "United Kingdom: From Second Chance to Near-Miss Learning." In *Lesson from Experience: Experimental Learning in Administrative Reforms in Eight Democracies*, eds. Johan P. Olsen and Guy Peters. Oslo: Scandinavian University Press.
———. 1999. *Regulation Inside Government Waste-Washers, Quality Police and Sleaze-Busters*. Oxford: Oxford University Press.
Hood, Christopher, David Heald, and Rozana Himaz. 2014. *When the Party's over : The Politics of Fiscal Squeeze in Perspective*. First. Oxford: published for The British Academy by Oxford University Press.
Hooghe, Liesbet. 2016 "Measuring Regional Authority: A Postfunctionalist Theory of Governance." In *Transformations in Governance*, eds. Gary Marks et al. Oxford: Oxford University Press.
Jacobs, Alan M. 2011. *Governing for the Long Term : Democracy and the Politics of Investment*. Cambridge : Cambridge .
Kalmanovitz, Salomón. 1988. *Economía Y Nación Una Breve Historia de Colombia*. Bogotá: Tercer Mundo S.A.
Kessy, Ambrose T., and Willy McCourt. 2010. "Is Decentralization Still Recentralization? The Local Government Reform Programme in Tanzania." *International Journal of Public Administration* 33(12–13): 689–97.
Konitzer, Andrew, and Stephen K. Wegren. 2006. "Federalism and Political Recentralization in the Russian Federation: United Russia as the Party of Power." *Publius* 36(4): 503–22.
Konrad Adenauer Stiftung, and RINDE. 2014. *Descentralización En-Clave de Paz*. Bogotá. http://www.kas.de/wf/doc/kas_37696-1522-4-30.pdf?140509203203.
De la Calle, Humberto. 1996. "Texto de La Renuncia de De La Calle." *El Tiempo*.
Landau, David, and Julián Daniel López Murcia. 2009. "Political Institutions and Judicial Role: An Approach in Context, the Case of the Colombian Constitutional Court." *Vniversitas* 119(1).

Las2Orillas. 2014. "La Gobernadora de Quindío Tilda a Colciencias Como 'la Inquisidora de Los Departamentos.'" *Las2Orillas*. http://www.las2orillas.co/la-gobernadora-de-quindio-tilda-a-colciencias-como-la-inquisidora-de-los-departamentos/ (April 23, 2014).

———. 2015a. "Los Bancos Que Aprovechan Los $7 Billones de Las Regalías." *Las2Orillas*.

———. 2015b. "Los Gobernadores Que Refundieron $207 Mil Millones de Las Regalías." *Las2Orillas*.

Levitsky, Steven, and Kenneth M Roberts. 2011. *The Resurgence of the Latin American Left*. Baltimore: Johns Hopkins University Press.

Lewis, Janet I. 2014. "When Decentralization Leads to Recentralization: Subnational State Transformation in Uganda." *Regional & Federal Studies* 24(5): 571–88. http://www.tandfonline.com/doi/abs/10.1080/13597566.2014.971771.

Lozano, Ignacio, Jorge Ramos, and Hernán Rincón. 2007. *Implicaciones Fiscales Y Sectoriales de La Reforma a Las Transferencias Territoriales En Colombia*. Bogotá.

Lozano, Ignacio, and Jorge Toro. 2007. Borradores de Economía *Fiscal Policy Throughout the Cycle: The Colombian Experience*. Bogotá.

Mahoney, James, and Kathleen Thelen. 2010a. "A Theory of Gradual Institutional Change." In *Explaining Institutional Change: Ambiguity, Agency and Power*, eds. James Mahoney and Kathleen Thelen. Cambridge: Cambridge University Press.

———. 2010b. "Preface." In *Explaining Institutional Change: Ambiguity, Agency and Power*, eds. James Mahoney and Kathleen Thelen. Cambridge: Cambridge University Press.

Maiz, Ramon, Francisco Caamaño, and Miguel Azpitarte. 2010. "The Hidden Counterpoint of Spanish Federalism: Recentralization and Resymmetrization in Spain (1978 – 2008)." *Regional & Federal Studies* 20(1): 63–82. http://www.tandfonline.com/doi/abs/10.1080/13597560903174923.

Malesky, Edmund, Cuong Nguyen, and Anh Tran. 2014. "The Impact of Recentralization on Public Services: A Difference-in-Differences Analysis of the Abolition of Elected Councils in Vietnam." *Munich Personal RePEc Archive*: 1–27. http://orca.cf.ac.uk/33199/.

Méisel Roca, Adolfo. 1997. "¿Por Qué Colombia No Ha Tenido Hiper-Inflación? Los Determinantes de Una Política Económica Estable." *Revista ESPE* 32(4): 97–138.

Mejía, Luis, Felipe Botero, and Juan Carlos Rodríguez. 2008. "¿Pavimentando Con Votos? Apropiación Presupuestal Para Proyectos de Infraestructura Vial En Colombia, 2002-2006." *Colombia Internacional* 68: 14–42. http://colombiainternacional.uniandes.edu.co/view.php/314/index.php?id=314 (April 23, 2014).

Ministerio de Hacienda y Crédito Público. 2001. *Memorias de Hacienda: Para Recuperar La Confianza*. Bogotá.

Ministerio de Hacienda y Crédito Público, and Comisión de Racionalización del Gasto y de las Finanzas Públicas. 1997. *El Saneamiento Fiscal, Un Compromiso de La Sociedad: Informe Final*. Bogotá.

Ministerio de Hacienda y Crédito Público, Departamento Nacional de Planeación, and CONFIS. 1998. "Proyecciones Macroeconómicas 1997-1998 Y Plan

Financiero de Inversiones Y Transferencias."
MOE; et al. 2010. *Y Refundaron La Patria... De Cómo Mafiosos Y Políticos Reconfiguraron El Estado Colombiano*. ed. Claudia López Hernández. Bogotá: Random House Mondadori S.A.
Montenegro, Armando, and Rafael Rivas Mallarino. 2005. *Las Piezas Del Rompecabezas: Desigualdad, Pobreza Y Crecimiento*. Alfaguara.
Montenegro Trujillo, Santiago. 2006. *Sociedad Abierta, Geografia Y Desarrollo: Ensayos de Economía Política*. Barcelona: Grupo Editorial Norma.
Montero, Alfred P., and David J. Samuels. 2004. "The Political Determinants of Decentralization in Latin America." In *Decentralization and Democracy in Latin America*, eds. Alfred P. Montero and David J. Samuels. University of Notre Dame Press.
Morse, Janice M. 2012. "The Implications of Interview Type and Structure in Mixed-Method Designs." In *The SAGE Handbook of Interview Research: The Complexity of the Craft*, eds. Jaber F. Gubrium, James A. Holstein, Amir B. Marvasti, and Karyn D. McKinney. London: SAGE.
El Mundo. 2010. "Mockus Dice Que Subirá Los Impuestos, Mientras Santos Promete No Hacerlo." *El Mundo*.
O'Neill, Kathleen. 2005. *Decentralizing the State: Elections, Parties, and Local Power in the Andes*. Cambridge: Cambridge University Press.
Ocampo, Gloria Isabel. 2014. *Poderes Regionales, Clientelismo Y Estado. Etnografía Del Poder Y La Política En Córdoba*. Bogotá: Siglo del Hombre Editores.
Ocampo, Jose Antonio. 1997. *Memorias de Hacienda*. Bogotá: Ministerio de Hacienda y Crédito Público.
———. 2004. "La Política Económica Durante La Administración Samper." In *10 Años Del Gobierno Del Salto Social*, ed. Ernesto Samper Pizano. Bogotá: Corporación Escenarios.
OECD. 2013. "OECD Economic Surveys: Colombia 2013: Economic Assessment." doi: 10.1787/eco_surveys-col-2013-en (April 23, 2014).
Oficina del Alto Comisionado para la Paz; 2016. "¿Cómo Construir La Paz En Los Territorios?" In *Los Retos de La Paz Territorial*, Bogotá.
Oi, Jean C. et al. 2012. "Shifting Fiscal Control to Limit Cadre Power in China's Townships and Villages." *The China Quarterly* 211(2012): 649–75.
Olmeda, Juan C, and Alejandra Armesto. 2015a. "Recentralization after Decentralization? A Recent Account from Mexico."
———. 2015b. "Recentralization and Governors: A Recent Account from Mexico."
El País. 2006. "Piden Equilibrio En Transferencias." *El País*.
Palacios, Marco. 1995. *Entre la legitimidad y la violencia : Colombia 1875-1994*. 1a ed. Santafé de Bogotá: Santafé de Bogotá : Grupo Editorial Norma.
———. 2012. *Violencia pública en Colombia, 1958-2010*. 1a ed. Bogotá: Bogotá : Fondo de Cultura Económica.
Panizza, Ugo. 1999. "On the Determinants of Fiscal Centralization: Theory and Evidence." *Journal of Public Economics* 74(1): 97–139.
Pardo, Rafael. 2016. "¿Cómo Construir La Paz En Los Territorios?" In *Intervención en Foro sobre ¿Cómo Construir la Paz En Los Teritorios? de la Oficina del Alto Comisionado para la Paz*, Bogotá https://www.youtube.com/watch?v=4wbFqNJmOG0.

Pastrana Arango, Andrés. 2000. "Como Gobernantes Nuestra Primera Misión Es Escuchar Al Pueblo Y Traducir Sus Necesidades En Gestión de Gobierno."
———. 2001. "Reunión Del Consejo Ejecutivo de La Federación Colombiana de Municipios."
———. 2002. "Mensaje a Los Gobernadores Y Alcaldes Del País."
———. 2013. *Memorias Olvidadas. Episodios Personales de La Historia de Colombia Relatados a Gonzalo Guillén*. Bogotá: Penguin Random House Group Editorial S.A.S.
Perez-Sebastian, Fidel, and Ohad Raveh. 2014. "Natural Resources, Decentralization, and Risk Sharing: Can Resource Booms Unify Nations?" : 1–28.
Perry Rubio, Guillermo. 1995. *Memorias de Hacienda 1994-1995*. Bogotá: Ministerio de Hacienda y Crédito Público.
Pierson, Paul. 2003. "Big-Slow Moving... and Invisible: Macrosocial Processes in the Study of Comparative Politics." In *Comparative HIstorical Analysis in the Social Sciences*, eds. James Mahoncy and Dietrich Rueschemeyer. Cambridge: Cambridge University Press.
Portafolio. 2011. "Buscan Crear Veto Para Las Regalia." *Portafolio*. http://www.portafolio.co/buscan-crear-veto-las-regalias (April 23, 2014).
———. 2014. "Contraloría Hace Advertencias a Colciencias Y DNP." *Portafolio*.
Posada Carbó, Eduardo. 2006. Violencia, liberalismo y democracia en Colombia *La nación soñada : violencia, liberalismo y democracia en Colombia*. 1. ed. . Bogotá: Grupo Editorial Norma Fundación Ideas para la Paz.
———. 2015. "La Vida Política, 1880-1930." In *La Apertura Al Mundo, 1880-1930*, ed. Eduardo Posada Carbó. Madrid: Taurus and Fundación Mapfre.
Presidencia de la República de Colombia. 2010a. "Press Release: Gobernadores de 10 Departamentos Expresaron Su Respaldo a La Reforma a Las Regalías." http://wsp.presidencia.gov.co/Prensa/2010/Octubre/Paginas/20101025_11.aspx (April 23, 2014).
———. 2010b. "Press Release: Grupo de Alcaldes Apoya Reforma Al Sistema de Regalías." http://wsp.presidencia.gov.co/Prensa/2010/Octubre/Paginas/20101027_21.aspx (April 23, 2014).
———. 2010c. "Press Report."
———. 2010d. "Press Report."
———. 2010e. "Press Report."
———. 2011. "Press Release: 'Reforma a Las Regalías Tendrá Una Repercusión Enorme En El Desarrollo Del País': Presidente Santos." http://wsp.presidencia.gov.co/Prensa/2011/Junio/Paginas/20110609_07.aspx (April 23, 2014).
———. 2013. "Presidente Acepta Propuesta de Que Las Regalías Específicas Paguen Directamente."
Ramírez Ocampo, Augusto. 2009. "Mi Bandera Es La Paz. Nota Liminar." In *La Penintencia Del Poder: Lecciones de La Administración Del Presidente Belisario Betancur, 1982-1986*, ed. Diego Pizano. Bogotá: Universidad de Los Andes.
RCN La Radio. "'En Regalías, No Ha Salido La Mermelada Del Frasco': Gobernador de Bolívar, Gossaín"." *RCN La Radio*.

http://www2.rcnradio.com.co/noticias/en-regalias-no-ha-salido-la-mermelada-del-frasco-gobernador-de-bolivar-gossain-11069 (April 23, 2014).
Rentería, Carolina. 2013. "Interview."
Republic of Colombia. 1974a. "National Decree No. 1244."
———. 1974b. "National Decree No. 1245."
———. 1974c. "National Decree No. 1246."
———. 1974d. "National Decree No. 1249."
———. 1979. "National Decree No. 779."
———. 1991. "Colombian Constitution."
———. 1993. "Letter of Intent."
———. 2004a. "National Decree No. 149."
———. 2004b. "National Decree No. 195."
Restrepo Botero, Dario I. 2015. "Procesos de Descentralización En Bolivia Y Colombia, 1980 - 2005 Una Propuesta de Economía Política Espacial Comparada." Universidad Nacional de Colombia.
Restrepo Botero, Dario I., and Dario Cuellar. 2006. "Economía Política de Las Estructuras Espaciales Del Estado En Colombia." In *Historias de Descentralización. Transformación Del Régimen Político Y Cambio En El Modelo de Desarrollo. América Latina, Europa Y EUA*, ed. Dario I. Restrepo Botero. Bogotá: Universidad Nacional de Colombia.
Restrepo Salazar, Juan Camilo. 1999. *Memoria de Hacienda Juan Camilo Restrepo Salazar 1998 - 1999*. Bogotá: Ministerio de Hacienda y Crédito Público.
———. 2014. "Los Grandes Retos Económicos Que Afrontó Con Éxito La Administración Pastrana Arango." In *Punto de Inflexión: Decisiones Que Rescatarón El Futuro de Colombia.: La Administración Del Presidente Andrés Pastrana Arango 1998-2002*, eds. Carlos Caballero Argáez and Diego Pìzano Salazar. Bogotá: Universidad de Los Andes, 205–32.
Revista Dinero. 2014. "Bandazos." *Revista Dinero*. http://www.dinero.com/edicion-impresa/pais/articulo/reforma-regalias/192930 (April 23, 2014).
Revista Semana. 1994. "La Resurrección de Ernesto Samper." *Revista Semana*. http://www.semana.com/nacion/articulo/la-resurreccion-de-ernesto-samper/21984-3.
———. 1996. "El 8.000 Día a Día." *Revista Semana*. http://www.semana.com/nacion/articulo/el-8000-dia-dia/27509-3.
———. 1997. "Álvaro Gomez Hurtado." *Revista Semana*. http://www.semana.com/especiales/articulo/alvaro-gomez-hurtado/32756-3.
———. 2000. "¿Habemus Estado?" *Revista Semana*.
———. 2011. "En Las Entrañas Del Monstruo." *Revista Semana*. http://www.semana.com/nacion/articulo/en-entranas-del-monstruo/236419-3.
———. 2012. "La Situación Del Acueducto de Yopal Está En Vilo." *Revista Semana*.
———. 2013. "Yopal: El Acueducto Que Enfrenta a Dos Alcaldes." *Revista Semana*. http://www.semana.com/nacion/articulo/yopal-acueducto-enfrenta-dos-alcaldes/337303-3 (April 23, 2014).
———. 2014a. "Los Líos de Ampliar El Mandato de Alcaldes Y Gobernadores." *Revista Semana*.
———. 2014b. "Varios Querian Mi Cabeza." *Revista Semana*.
———. 2014c. "Amylkar Acosta, El Hombre de Los Gobernadores." *Semana.com*.

http://www.semana.com/nacion/articulo/amylkar-acosta-es-el-nuevo-director-de-la-federacion-de-departamentos/410348-3.

———. 2016. “Los ‘Beverly Pobres.’” *Revista Semana*.

Ribot, Jesse C., Arun Agrawal, and Anne M. Larson. 2006. “Recentralizing While Decentralizing: How National Governments Reappropriate Forest Resources.” *World Development* 34(11): 1864–86.

Ruiz, Jaime. 2014. “Plan Colombia.” In *Punto de Inflexión: Decisiones Que Rescatarón El Futuro de Colombia.: La Administración Del Presidente Andrés Pastrana Arango 1998-2002*, eds. Carlos Caballero Argaez and Diego Pizano Salazar. Bogotá: Universidad de Los Andes.

Safford, Frank, and M Palacios. 2002. *Colombia : Fragmented Land, Divided Society*. ed. Marco Palacios. New York: New York : Oxford University Press.

Samad, Taimur, Nancy Lozano-Gracia, Alexandra Panman, and World Bank, eds. 2012. *Colombia Urbanization Review : Amplifying the Gains from the Urban Transition*. Washington, D.C.: Washington, D.C. : World Bank.

Samper Pizano, Ernesto. 2000. *Aquí Estoy Y Aquí Me Quedo. Testimonio de Un Gobierno*. Bogotá: El Ancora Editores.

Samuels, David J. Mainwaring, Scott. 2004. “Strong Federalism, Constraints on the Central Government, and Economic Reform in Brazil.” In *Federalism and Democracy in Latin America*, ed. Edward L. Gibson. Baltimore: The John Hopkins University Press.

Sánchez, Fabio, and Mario Chacón. 2005. DOCUMENTO CEDE 2005-33 *Conflicto, Estado Y Descentralización: Del Progreso Social a La Disputa Por El Control Local 1974-2002*.

Searle, Glen, and Raymond Bunker. 2010. “New Century Australian Spatial Planning: Recentralization under Labor.” *Planning Practice and Research* 25(4): 517–29.

Semana en Vivo. 2015. “Resumen.”

Shepsle, Kenneth A. 2010. *Analyzing Politics : Rationality, Behavior and Institutions*. 2nd ed. New York : New York .

La Silla Vacía. 2011. “Las Reformas Fiscales: Más Poder Para El Gobierno.” *La Silla Vacía*.

———. 2014a. “Mermelada Santista Con Sabor a Contratista.” *La Silla Vacía*.

———. 2014b. “Santos, Su Ñoño Y Su Musa.” *La Silla Vacía*.

———. 2016. “La Plata de La Ciencia Terminó En Otras Cosas.” *La Silla Vacía*.

Superintendencia de Servicios Públicos Domiciliarios. 2017. *Documento Borrador de la “Estrategia Anticorrupción Y de Atención Ciudadana 2017” para Comentarios de Los Interesados*. Bogotá. http://www.superservicios.gov.co/Sala-de-prensa/De-interes/Documento-borrador-de-la-Estrategia-anticorrupcion-y-de-atencion-ciudadana-2017-para-comentarios-de-los-interesados.

Thorp, Rosemary. 2012. *The Developmental Challenges of Mining and Oil : Lessons from Africa and Latin America*. Basingstoke : Palgrave Macmillan.

Urrutia, Miguel, 2014. "On the Absence of Economic Populism in Colombia." In *The Macroeconomics of Populism in Latin America,* eds. Rudiger Dornbusch and Sebastian Edwards. Chicago: University of Chicago Press, 369 - 91.

Vanguardia. 2011. “El Presidente Santos Insiste En La Reforma a Las Regalías.” *Vanguardia*. http://www.vanguardia.com/historico/107968-el-presidente-santos-

insiste-en-la-reforma-a-las-regalias (April 23, 2014).
Vidal-López, Roberto. 2012. "Truth-Telling and Internal Displacement in Colombia."
Villar, Leonardo, and Hernán Rincón. 2000. "The Colombian Economy in the Nineties: Capital Flows and Foreign Exchange Regimes." http://www.banrep.gov.co/docum/Lectura_finanzas/pdf/borra149.pdf.
Zapata, Juan Gonzalo. 2010. "Las Finanzas Territoriales En Colombia." In *Colombia 2010-2014: Propuestas de Políticas Públicas*, eds. Roberto Steiner and V Traverso. Bogotá: CAF-Fedesarrollo.

LIST OF IN-DEPTH INTERVIEWS

1. Aguilar, Camila. Director of Sustainable Territorial Development at the National Planning Department (2013-2016). 16 February 2015. Bogotá.
2. Alarcón, Luis Fernando. Minister of Finances (1987-1990) and Member of the Commission of Rationalisation of Public Expenditures and Public Finance (1995-1997). 29 November 2014. Skype call (Oxford - Bogotá).
3. Andrade, Hernán. Senator (1998-2017). 12 November 2013. Bogotá.
4. Bacca, Jairo. Secretary of Planning of Casanare (2015). 17 March 2015. Yopal (Casanare).
5. Barreras, Roy. Senator (2006-2018). 31 October 2013. Bogotá.
6. Betancourt, Ingrid. Member of the House of Representatives (1994-1998) and Senator (1998-2002). 13 November 2015. Oxford.
7. Bonet, Jaime. Director of the Centre for Regional Studies of Colombia's Central Bank (2013-to date). 3 March 2015. Cartagena.
8. Caballero Argáez, Carlos. Minister of Mining (1999-2001). 14 November 2014. Oxford.
9. Caicedo, Miguel. Legal advisor and supervisor of royalties management at the National Planning Department (2006-2011). 13 March 2014. Skype call (Oxford – Bogotá).
10. Carrasquilla, Alberto. Minister of Finances (2003-2007). 17 October 2013. Bogotá.

11. Castro, Jaime. Minister of the Interior (1984-1986), Member of the National Constituent Assembly (1991), Senator (1978-1982), Mayor of Bogotá (1992-1996). 18 February 2015. Bogotá.
12. Carrillo, Luz Stella. Deputy Director of Territorial Finances at the National Planning Department (DNP) (2002-2013). 9 October 2013. Bogotá.
13. Chica, Germán. Executive Director of the National Federation of Departments (2012-2014). 18 November 2013. Bogotá.
14. Dajer, Gustavo. Minister of Agriculture (1980-1981), Director of INSFOPAL (1975-1977) and Senator (1977 – 1992). 24 June 2015. Skype call (Oxford - Bogotá).
15. Echeverry, Juan Carlos. Director of the National Planning Department (2000-2002) and Minister of Finances (2010-2012). 15 October 2013. Skype call (Oxford - Washington DC).
16. Fadul, Samira. Director of Governmental Issues at the National Federation of Departments (2013-2014). 18 November 2013. Bogotá.
17. Forero, María Teresa. Executive Director of the National Federation of Departments (2003-2012), Minister of Labour (1989-1990), Minister of Health (1996-1998). 29 October 2013. Bogotá.
18. Franco, Álvaro. Advisor at the National Federation of Departments (2013-2014). 18 November 2013. Bogotá.
19. Gaviria, César. President of Colombia (1990-1994), Minister of Finance (1986-1987), Minister of Government (1987-1989) and Member of the House of Representatives (1974-1986). 2 July 2015. Skype call (Oxford – Bogotá).

20. Gómez Alzate, Camilo. Private Secretary of President Pastrana (1998-2000) and High Commissioner for Peace (2000-2002). 20 May 2016. Skype call (Oxford - Bogotá).
21. Gómez, Hernando José. Director of the National Planning Department (2010-2012). 10 October 2013. Bogotá.
22. González, César. Superintendent of Domestic Utility Services (2013-2016). 7 November 2013. Bogotá.
23. Gutiérrez, Eduber. Advisor at the National Federation of Departments (2004-2015). 18 November 2013. Bogotá.
24. Holguín Sardi, Carlos. Minister of the Interior (2006-2008), Senator (1982 - 1986), (1990 - 1998) and (2002 - 2006), Governor of Valle del Cauca (1976 – 1978) and (1992 - 1994) and Mayor of Cali (1970 – 1973). 18 October 2013. Bogotá.
25. Jara, Alan. Governor of El Meta (1998-2000 and 2012-2015). 20 February 2015. Villavicencio (El Meta).
26. Junguito, Roberto. Minister of Finances (1984-1985 and 2002-2003). 20 February 2015. Electronic message.
27. Laserna, Juan Mario. Senator (2010-2014), Member of the Board of Directors of Colombia's Central Bank (2005-2009) and Viceminister of Finances (1998-1999). 12 November 2013. Bogotá.
28. Lloreda, Camilo. Coordinator of Royalties System (Pacific Region) at the National Planing Department (2012-2015). 13 November 2013. Bogotá.
29. Londoño Hoyos, Fernando. Minister of the Interior (2002-2003). 13 November 2013. Bogotá.

30. López, Cecilia. Minister of Agriculture (1996-1997), Director of the National Planning Department (1997-1998) and Senator (2006-2010). 3 February 2015. Skype call (Oxford - Bogotá).

31. López Botero, César. Director of the National Audit Office (2003-2006) and Superintendent of Health (2006). 22 October 2013. Bogotá.

32. López, Claudia. Senator (2014 – to date) and Specialist in Armed Clientelism. 29 May 2016. New York.

33. Lozano, Juan. Minister of Housing (2006-2009) and Senator (2010-2014). 6 November 2013. Bogotá.

34. Manjarres, José Francisco. Specialist in Water Supply and Sanitation at the Interamerican Development Bank (2008 – to date), Expert Commissioner of the Water Regulatory Commission (CRA) (2005-2008), and Coordinator of the Groups of Economics, Policy and Regulation at the Ministry of Housing (2002-2005), 23 April 2015. Skype call (Oxford - Washington DC).

35. Martínez Bohorquez, Helver. General Secretary of Casanare (2012-2014). 11 March 2015. Bogotá.

36. Mario José. Secretary of Planning of El Carmen de Bolívar (2015). 5 March 2015. El Carmen de Bolívar (Bolívar).

37. Montenegro, Armando. Director of the National Planning Department (1990-1994). 11 December 2014. Skype call (Oxford - Bogotá).

38. Montes, Marina. Legal Director of the Superintendency of Domestic Utility Services (2001-to date). 18 April 2015. Bogotá.

39. Moreno, Javier. Director of Sector Development at the Ministry of Housing (2011-2016). 27 September, 2013. Bogotá.

40. Navarro Wolf, Antonio. Co-president of the National Constituent Assembly (1991), Minister of Health (1990-1991), Governor of Nariño (2008-2011), Mayor of Pasto (1995-1997) and Senator (2002-2006) (2014-to date). 13 November 2013. Bogotá.
41. Ocampo, José Antonio. Minister of Agriculture (1993-1994), Director of the National Planning Department (1994-1996) and Minister of Finances (1996-1997). 18 November 2014. Skype call (Oxford - New York).
42. Ospina, Camilo. Minister of Defense (2005-2006). 3 October 2013. Bogotá.
43. Pachón, Mónica. Associate Professor at the School of Government of the Universidad de Los Andes (2013-2016). 17 February 2015. Bogotá.
44. Palacios Mejía, Hugo. Minister of Finances (1985-1986). 19 October 2013. Bogotá.
45. Peñate, Andrés. Director of the Administrative Department of Security (DAS) (2005 - 2007) and Viceminister of Defense (2002-2005). 13 October 2015. Skype call (Oxford).
46. Perry, Guillermo. Member of the National Constituent Assembly (1991) and Minister of Finances (1994-1996). 1 November 2014. Oxford.
47. Piraquive, Gabriel. Director of Economic Studies at the National Planning Department (1995 – to date). 12 November 2013. Bogotá.
48. Puentes, Leonardo. Member of the Local Council of Yopal (2011-2015). 16 March 2015. Yopal (Casanare).
49. Ramírez, Juan Mauricio. Deputy Director of the National Planning Department (2009-2012) and Deputy Director of Fedesarollo (2012-2016). 24 April 2015. Skype call (Oxford – Bogotá).

50. Ramírez, Gloria Inés. Member of the House of Representatives (2006-2014) and President of the National Teachers' Union (2001-2003). 6 November 2013. Bogotá.
51. Rentería, Carolina. Director of the National Planning Department (DNP) (2006-2009). 15 October 2013. Skype call (Oxford - Washington DC).
52. Restrepo, César. Director of Strategic Studies at the Ministry of Defense (2010-to date). 16 October 2013. Bogotá.
53. Restrepo, Juan Camilo. Minister of Finances (1998-2000), Minister of Agriculture (2010-2013). 15 November 2013. Bogotá.
54. Reyes Cadena, William. Mayor of Arauca (2007-2010). 10 March 2015. Bogotá.
55. Rivera, Rodrigo. Member of the House of Representatives (1989-1995), Senator (1998-2002) and Minister of Defense (2010-2011). 3 December 2013. Skype call (Oxford - Brussels).
56. Rodado, Carlos. Member of the National Constituent Assembly (1991), Governor of Atlántico (2004-2007), Minister of Mining and Energy (2010-2011). 13 November 2013. Skype call (Oxford - Buenos Aires).
57. Rojas, Fernando. Specialist in public-sector reforms at the World Bank (1998-to date). 22 December 2014. Skype call (Oxford - Washington).
58. Salcedo, Fernanda. Mayor of Yopal (2008-2011). 17 March 2015. Yopal (Casanare).
59. Samper, Ernesto. President of Colombia (1994-1998). 18 May 2016. Electronic message.

60. Sánchez García, Luis Jorge Pajarito. Governor of Huila (2008 - 2011). 22 April 2015. Skype call (Oxford - Bogotá).

61. Serpa, Horacio. Co-president of the National Constituent Assembly (1991), Minister of the Interior (1994-1997) and Governor of Santander (2008-2011). 10 October 2013. Bogotá.

62. Solimano, Andrés. Country Director (Colombia, Ecuador and Venezuela) at the World Bank (1997 - 2001). 5 December 2015. Oxford.

63. Suárez, Sandra. Minister of Housing, Environment and Territorial Development (2003-2006). 16 November 2013. Bogotá.

64. Toro, Gilberto. Executive Director at the National Federation of Municipalities (Fedemunicipios) (2010- to date). 20 September 2013. Bogotá.

65. Uribe, Evamaría. Superintendent of Domestic Utility Services (2002-2010). 1 November 2013. Bogotá.

66. Valenzuela, Arcesio. Deputy Director of the Unit for Fiscal Support (DAF) at the Ministry of Finances (1996-to date). 8 October 2013. Bogotá.

67. Varón Cotrino, Germán. Senator (2014-to date) and Member of the House of Representatives (2002-2014). 6 November 2013. Bogotá.

68. Velasco, Luis Fernando. Senator (2006-to date). 12 November 2013. Bogotá.

69. Villa, Ana Lucía. Director of the Unit for Fiscal Support (DAF) at the Ministry of Finances (1998-to date). 8 October 2013. Bogotá.

70. Yepes, Hernando. Member of the National Constituent Assembly (1991) and Minister of Labour (1998-1999). 16 October 2013. Bogotá.

71. Zafra, Gustavo. Member of the National Constituent Assembly (1991) and Viceminister of Government (1983). 16 October 2013, 17 Febrero 2015. Bogotá.