

3-24-2016

# The Impact of Decentralization and New Intergovernmental Relations on Public Service Delivery: A Comparative Analysis of Colombia and Paraguay

Cristina A. Rodriguez-Acosta  
*Florida International University, lagierc@fiu.edu*

**DOI:** 10.25148/etd.FIDC000224

Follow this and additional works at: <https://digitalcommons.fiu.edu/etd>

 Part of the [Public Affairs, Public Policy and Public Administration Commons](#)

---

## Recommended Citation

Rodriguez-Acosta, Cristina A., "The Impact of Decentralization and New Intergovernmental Relations on Public Service Delivery: A Comparative Analysis of Colombia and Paraguay" (2016). *FIU Electronic Theses and Dissertations*. 2470.  
<https://digitalcommons.fiu.edu/etd/2470>

This work is brought to you for free and open access by the University Graduate School at FIU Digital Commons. It has been accepted for inclusion in FIU Electronic Theses and Dissertations by an authorized administrator of FIU Digital Commons. For more information, please contact [dcc@fiu.edu](mailto:dcc@fiu.edu).

FLORIDA INTERNATIONAL UNIVERSITY

Miami, Florida

THE IMPACT OF DECENTRALIZATION AND NEW INTERGOVERNMENTAL  
RELATIONS ON PUBLIC SERVICE DELIVERY:  
A COMPARATIVE ANALYSIS OF COLOMBIA AND PARAGUAY

A dissertation submitted in partial fulfillment of the

requirements for the degree of

DOCTOR OF PHILOSOPHY

in

PUBLIC AFFAIRS

by

Cristina A. Rodriguez-Acosta

2016

To: Dean John Stack  
Green School of International and Public Affairs

This dissertation, written by Cristina A. Rodriguez-Acosta, and entitled The Impact of Decentralization and New Intergovernmental Relations on Public Service Delivery: A Comparative Analysis of Colombia and Paraguay, having been approved in respect to style and intellectual content, is referred to you for judgment.

We have read this dissertation and recommend that it be approved.

---

Sukumar Ganapati

---

Milena Neshkova

---

Eduardo Gamarra

---

Allan Rosenbaum, Major Professor

Date of Defense: March 24, 2016

The dissertation of Cristina A. Rodriguez-Acosta is approved.

---

Dean John Stack  
Green School of International and Public Affairs

---

Andrés G. Gil  
Vice President for Research and Economic Development  
and Dean of the University Graduate School

Florida International University, 2016

© Copyright 2016 by Cristina A. Rodriguez-Acosta

All rights reserved.

## DEDICATION

To my parents, Jose M. Rodriguez Ares and Camila F. Lagier, because their constant quest for knowledge has always inspired me.

To my children, Felipe, Mateo, and Solange for their patience and loving support.

To my husband, Gustavo, for his love and for always believing that I could do it.

## ACKNOWLEDGMENTS

I wish to thank the members of my committee for their support and for always reminding me that with persistence and effort, it was possible to finish a dissertation while being a full time mom and employee. Dr. Milena Neshkova was always there to cheer me up and give me good advice on how to tackle theoretical questions. Dr. Eduardo Gamarra helped me realize that trying to assess the status of decentralization between four countries was too much at this time, and helped me refine my case choices. Dr. Sukumar Ganapati not only provided support and advise, but as PhD Coordinator made sure to remind me that deadlines "are a good thing," helping me to reach this moment. Dr. Meredith Newman, though not a member of my committee, is to be credited—during a long and adventurous trip to Uganda via Bujumbura—for me finally deciding to pursue my PhD. Her confidence and trust in my ability to do this while working full time gave me the peace of mind I needed to start this journey.

I also want to thank my colleagues, and more importantly my friends, at the Institute for Public Management and Community Service—Jeisson Rodriguez, Carlota Valdes, and Viviana Quintero—for their patience, good humor, and kindness in putting up with me and my research needs during the last few years.

This research would not have been possible without the financial support of the Institute for Public Management and Community Service, and its Center for Democracy and Good Governance at Florida International University, which funded travel to and research in Colombia and Paraguay. Many people have enriched this thesis and their comments and advice have been very helpful to me. There are too many names to mention

here, but I want to particularly thank Dr. Victor J. Flecha and Maria Victoria Rojas in Paraguay. Their expertise on decentralization issues, but more importantly, their friendship, is more than I could ask for. In Colombia, Edwin Amezcuita of the Colombian Federation of Municipalities was instrumental in providing advice and facilitating meetings. Yohanna Hernandez was superb at gathering data for this project. My family deserves special thanks for forgiving me for the many hours and days I did not spend with them, and for their unconditional love throughout.

Finally, I must thank my dissertation chair, Dr. Allan Rosenbaum. Allan, words cannot express how much I have learned from you throughout the years. Much of what I know about decentralization and public administration, I have learned with you, and because of you. I will always be grateful for your trust, your commitment to help me, and more than anything, your friendship.

ABSTRACT OF THE DISSERTATION  
THE IMPACT OF DECENTRALIZATION AND NEW INTERGOVERNMENTAL  
RELATIONS ON PUBLIC SERVICE DELIVERY:  
A COMPARATIVE ANALYSIS OF COLOMBIA AND PARAGUAY

by

Cristina A. Rodriguez-Acosta

Florida International University, 2016

Miami, Florida

Professor Allan Rosenbaum, Major Professor

The purpose of this research is to examine the factors that have influenced political decentralization in Paraguay and Colombia and how the new intergovernmental relations that result in political, fiscal and policy decentralization impact local governments and their capacity to deliver public services. The research, building on institutional theory, places particular emphasis on trying to explain and understand how intergovernmental relations shape the decentralization—and effectiveness—of public service delivery to local and regional governments, particularly in the areas of health and education.

The research method is principally a path-dependent within-cases analysis. The analysis traces how the processes of decentralization evolved from 1990 to 2010. Special attention is given to critical junctures, or special political or social circumstances, that have significantly changed the process of decentralization. Data was collected mainly through reviews of documents, journals and newspapers, and most significantly through elite interviews “tailored to the purposes of the study” (Aberbach & Rockman, 2002). Leaders



of political parties, unions, non-governmental-organizations and civic movements were interviewed in both countries.

The research shows that political parties play a very important role, not only in the design and implementation of decentralization of public service delivery, but also in sustaining and furthering the process. The analysis is based on the assumption that increased decentralization of health and education to local and regional levels should positively impact basic health and education indicators. If decentralization, as argued, helps governments to be more responsive to local needs, and if more health and education programs are decentralized to the local and regional level in response to the demands of many communities, it is predicted that health and education indicators would improve, as people would have easier access to these services.

Analysis of health and education indicators in the form of infant mortality rates (deaths of children under one year old, live births) and school enrollment show mixed results for both Colombia and Paraguay.

## TABLE OF CONTENTS

CHAPTER	PAGE
CHAPTER I.....	1
INTRODUCTION TO THE STUDY.....	1
Introduction.....	1
Significance of the Study.....	3
Background.....	4
Decentralization.....	6
Case Selection: Paraguay.....	9
Case Selection: Colombia.....	11
Research questions.....	13
Variables.....	15
Methods, Data Collection, and Sample.....	16
CHAPTER II.....	22
DECENTRALIZATION: WHAT IS IT AND HOW DO WE MEASURE IT?.....	22
OVERVIEW OF THE STATE OF AFFAIRS IN LATIN AMERICA.....	22
Defining Decentralization.....	22
Measuring Decentralization.....	24
Fiscal Decentralization.....	26
Political and Fiscal Decentralization in Latin America—Overview.....	29
Background on Latin America’s Decentralization Process.....	29
Evolution of Decentralization in Latin America.....	35
Final Perspectives on Latin America’s Decentralization.....	42
CHAPTER THREE.....	45
COLOMBIA: INSTITUTIONAL FRAMEWORK AND DECENTRALIZATION.....	45
Introduction.....	45
Historical Background.....	46
From Independence to 1886.....	46
From 1886 to the 1950s.....	47
Crisis Time, 1982 to 2010.....	51
Structure of Subnational Governance in Colombia.....	57
The 1991 Constitution: New Design of the Colombian State.....	57
Structure of the Colombian State after the 1991 Constitution.....	64
Departmental Governments in Colombia.....	66
Municipal Governments in Colombia.....	74
Fiscal Decentralization in Colombia: Departmental and Municipal Finances.....	82
Other Institutional Players: the Colombian Federation of Municipalities and the National Federation of Departments.....	94
The Colombian Federation of Municipalities.....	94
The National Federation of Departments.....	97
Conclusions.....	98

CHAPTER FOUR.....	102
PARAGUAY: INSTITUTIONAL FRAMEWORK AND DECENTRALIZATION	102
Introduction.....	102
Historical Background .....	103
From Independence to 1870.....	103
The Republic of the Liberal Constitution (1870 – 1936).....	104
Military Power as a key player in Paraguayan politics – from 1936 onward .....	105
The Stroessner years: 1947 – 1989 .....	106
The return of democracy: 1989 – 2010.....	107
The elections of 1993.....	110
From the 1999 March Crisis to the election of Fernando Lugo (2008).....	111
Concluding Comments on the Transition to Democracy.....	117
Structure of Subnational Governance in Paraguay .....	119
The 1992 Constitution: New Design of the Paraguayan State.....	119
Departmental Governments in Paraguay .....	125
Departmental Revenues .....	127
Municipal Governments in Paraguay.....	129
Municipal Revenues.....	133
Fiscal Decentralization in Paraguay.....	136
Human Resources at the Subnational Level .....	152
Other Institutional Players: the OPACI and the Governors’ Council.....	155
OPACI .....	155
The Governors’ Council .....	157
Some Final Thoughts on Paraguay’s Political and Fiscal Decentralization .....	158
CHAPTER FIVE .....	160
DECENTRALIZATION AND INTERGOVERNMENTAL RELATIONS: .....	160
THE ROLE OF POLITICAL PARTIES: THE CASE OF COLOMBIA AND	
PARAGUAY .....	160
Introduction.....	160
Conceptual Framework: Political Parties and Decentralization .....	161
Decentralization and the Deinstitutionalization of Political Parties .....	165
Clientelism and Patronage .....	170
Political Parties and Decentralization in Paraguay: .....	172
The Persistence of Clientelism and Patronage.....	172
Conclusions.....	190
CHAPTER SIX.....	194
PARAGUAY: HEALTH DECENTRALIZATION 1990 – 2010 .....	194
Introduction.....	194
Decentralization and Public Service Provision: Literature Review.....	195
Paraguay’s Health Sector.....	202
General Organization of Health Sector.....	203
Health Decentralization Reform in Paraguay 1990 – 2010 .....	205
Have Reforms been Successful?.....	218
Can Health Decentralization Impact be measured in Paraguay? .....	222

Discussion .....	235
CHAPTER SEVEN .....	241
HEALTH DECENTRALIZATION IN COLOMBIA 1990 – 2010 .....	241
Introduction .....	241
Colombia’s Health Sector .....	242
The Approval Process of Law 100/1993: the Legislative Process .....	248
Law 100 and the Reform of Colombia’s Health System: Radical Changes .....	253
Administration and provision of services .....	260
Citizen Participation in the Health Decentralization Process .....	265
Evaluation, Impact, and Results of the Health Reform .....	268
Examining Health Indicators .....	279
Conclusions .....	285
CHAPTER EIGHT .....	289
EDUCATION DECENTRALIZATION IN PARAGUAY: 1990 – 2010 .....	289
Introduction .....	289
Education Decentralization: Background and Some Concepts .....	290
The Case of Paraguay .....	296
Introduction .....	296
Financing of Education system .....	298
Legal Framework of Education Sector in Paraguay .....	300
Reform and Decentralization .....	303
Discussion of Reforms .....	312
Indicators of Success? .....	314
CHAPTER NINE .....	319
EDUCATION DECENTRALIZATION IN COLOMBIA 1990 – 2010 .....	319
Introduction .....	319
Background of the Reform: The Need for Reform .....	321
Legal Framework, the 1991 Constitution and Education Decentralization .....	326
Financing of Public Education .....	336
Impact of Education Decentralization in Colombia .....	338
Conclusions .....	346
CHAPTER TEN .....	350
ANALYSIS AND CONCLUSIONS: INTERGOVERNMENTAL RELATIONS IN COMPARATIVE PERSPECTIVE: PARAGUAY AND COLOMBIA .....	350
REFERENCES .....	368
VITA .....	390

## LIST OF TABLES

TABLE	PAGE
Table 1: How to Measure Decentralization .....	25
Table 2: Number of subnational governments and population .....	35
Table 3: Percentage of the Expenditure of Subnational Governments in Total Governmental Expenditure – 1980 to 2009 .....	39
Table 4: Local Governments Taxing Authority in Latin America .....	41
Table 5: Turning Points in Colombia’s Modern Political History.....	55
Table 6: Administrative Political Organization of Colombia.....	57
Table 7: Votes to the Constitutional Assembly, December 9 <sup>th</sup> , 1990.....	58
Table 8: Organization of the Colombian State – Powers by Level of Government .....	65
Table 9: Human Development Index by Department (2005) .....	67
Table 10: Departmental Categories .....	70
Table 11: Local Governments Categories.....	75
Table 12: Fiscal Decentralization Legal Framework – Major Changes .....	88
Table 13: Main Sources of Revenues for Subnational Governments.....	90
Table 14: Revenue Source of Municipal Governments, 2000 – 2012 (percentage).....	92
Table 15: Revenue Source of Departmental Governments, 2000 – 2012 (percentage)....	92
Table 16: Turning points in Paraguay’s political history.....	116
Table 17: Paraguay’s Political Constitutions.....	119
Table 18: Organization of the Paraguayan State – Powers by Level of Government ....	124
Table 19: Legal Framework of Departmental Governments Finances.....	129
Table 20: Legal Framework of Municipal Governments Finances .....	135

Table 21: Royalties Distribution by Level of Government .....	140
Table 22: Composition of Total Expenditures of the Central Government (as percentage of the total).....	141
Table 23: Departmental Governments Spending Compared with the Central Government and GDP .....	142
Table 24: Revenues as per contract for Itaipu and Yacyreta (Millions of Guaranies) ...	143
Table 25: Transfers of Royalties to Departmental Government (in Guaranies, millions) .....	144
Table 26: Transfers of Valued Added Tax to Departments (in Guaranies, millions).....	145
Table 27: Transfers to Departmental Governments – Gambling Revenues (in Guaranies, millions) .....	146
Table 28: Evolution of Public Expenditure Budget (in Guaranies, millions).....	147
Table 29: Percentage of Selected Municipalities’ Total Expenses Financed by Royalties.....	148
Table 30: Percentage of Royalties Spent by Selected Municipalities (by type of Expense).....	148
Table 31: Royalties Transfers to Municipalities, by Departments (in Guaranies, millions) .....	149
Table 32: Total Transfers to Municipal Governments by Departments (all sources, in millions, Guaranies).....	150
Table 33: Gambling Transfers to Municipal Governments (by Departments, Guaranies, millions).....	151
Table 34: Control of Congress by Political Party .....	178
Table 35: Bureaucratic Pressure in Paraguay .....	178
Table 36: Presidential Share of the Vote (1998-2010) .....	186
Table 37: Number of Key Decentralization Laws Approved by Country for the 1990 – 2010 period.....	189

Table 38: Role of Principal Stakeholders at the beginning of the decentralization process .....	211
Table 39: Total Health Expenditures 1998 - 2010.....	214
Table 40: Health Ministers of Paraguay, 1996 – 2010 .....	214
Table 41: Legal Framework for Health Decentralization in Paraguay .....	217
Table 42: Number of LHCs incorporated by year and with agreements in place 1998 – 2010.....	222
Table 43: Total LHCs per Municipality and per Department (number of municipalities with decentralization agreements signed).....	224
Table 44: Budget Transfer from Health Ministry to Departments .....	226
Table 45: Department of San Pedro.....	227
Table 46: Department of Guaira .....	228
Table 47: Department of Canindeyu.....	229
Table 48: Department of Itapua .....	230
Table 49: Department of Cordillera.....	231
Table 50: Department of Caaguazu .....	232
Table 51: Department of Central .....	233
Table 52: Per capita health expenditures in selected Departments.....	235
Table 53: Competences in Health by Level of Government.....	262
Table 54: Number of Certified Municipalities by Department (Health – 2005) .....	281
Table 55: Infant Mortality Rate (Per 100,000) per Department – 1 year old (live births) – Departments with the most certified municipalities.....	282
Table 56: Infant Mortality Rate (Per 100,000) per Department with the least certified municipalities.....	282
Table 57: Health Expenditure per Capita and as Proportion of GDP – 2001 - 2010.....	284

Table 58: Mortality Rates under 1 year old 1995 – 2013 per wealth quintiles.....	284
Table 59: Education Expenditures – Paraguay – 1999 – 2011 .....	299
Table 60: Summary of Legal Framework, 1990 – 2010.....	302
Table 61: Ministry of Education, Paraguay .....	304
Table 62: Measures aimed at promoting education decentralization – Status (as of 2010) .....	305
Table 63: Education Decision Making by Level of Government/Authority in Public Schools, 2010.....	311
Table 64: Factors for a Successful Decentralization.....	317
Table 65: Law 60/1993 – Responsibilities by Level of Government – Education.....	331
Table 66: Law 715/2001 Competences by Level of Government – Education.....	335
Table 67: Education Expenditures – Colombia 1998 – 2010 .....	340
Table 68: Public Expenditure in Education per Department, 2002-2007 (millions of pesos, 2008) .....	341
Table 69: Education Indicators (Selected) – Colombia 1990 – 2010 .....	343
Table 70: Education Indicators (Selected) – Colombia 2001 – 2010 .....	344
Table 71: Factors for a Successful Decentralization.....	347
Table 72: Decentralization Maturity Index – Colombia and Paraguay .....	353
Table 73: Treisman’s Decentralization Indicators: Colombia and Paraguay .....	355



## ABBREVIATIONS AND ACRONYMS

ACEs	Asociaciones de Cooperativas Escolares
AJUMPA	Asociacion de Juntas Municipales
ARS	Administradora del Regimen Subsidiado
AUC	Autodefensas Unidas de Colombia
CARE	Consejo Nacional para la Reforma Educativa
CDE	Consejo Departamental de Educacion
CIRD	Centro de Informacion y Recursos para el Desarrollo
CNSSS	Consejo Nacional de Seguridad Social en Salud
CONEC	Consejo Nacional de Educacion
COPACOS	Comites de Participacion Comunitaria
COPLANEA	Comunidad y Planeamiento
CORPOSANA	Corporacion de Agua Potable y Saneamiento
DANE	Departamento Administrativo Nacional de Estadistica
DIBEN	Direccion de Beneficiencia y Ayuda Social
ELN	Ejercito de Liberacion Nacional
EPL	Ejercito Popular de Liberacion
EPS	Entidades Promotoras de la Salud
FARC	Fuerzas Armadas Revolucionarias de Colombia
FCM	Federacion Colombiana de Municipios
FECODE	Federacion Colombiana de Educadores
FIU	Florida International University

FNR	Fondo Nacional de Regalias
FONACIDE	Fondo Nacional de Inversion Publica y Desarrollo
FOSYGA	Fondo de Solidaridad y Garantia
GDP	Gross Domestic Product
HDI	Human Development Index
ICLD	Ingresos Corrientes de Libre Destinacion
ICN	Ingresos Corrientes de la Nacion
IDB	Inter-American Development Bank
IDM	Instituto de Desarrollo Municipal
IMF	International Monetary Fund
IPMCS	Institute for Public Management & Community Service
IPS	Instituto de Prevision Social
IPS	Instituciones Prestadoras de Servicios
JAL	Juntas Administradoras Locales
LHCs	Local Health Councils
MDG	Millennium Development Goals
MOU	Memorandum of Understanding
MPS	Ministerio de Proteccion Social
NDP	National Department of Planning
NGOs	Non-Governmental Organizations
OPACI	Organizacion Paraguaya de Cooperacion Intermunicipal
PAB	Plan de Atencion Basica

PAHO	Pan American Health Organization
POS	Plan Obligatorio de Salud
PREAL	Programa de Promocion de la Reforma Educativa en America Latina y el Caribe
SGP	Sistema General de Participaciones
SGSSS	Sistema General de Seguridad Social en Salud
SIMIT	Sistema Integrado de Multas e Infracciones de Transito
SISBEN	Sistema de Identificacion y Clasificacion de Potenciales Beneficiarios
SL	Situado Fiscal
SMLN	Salarios Minimos Legales Mensuales
SNS	Superintendencia Nacional de Salud
UCGL	Union de Ciudades y Gobiernos Locales
UN	United Nations
UNACE	Union Nacional de Ciudadanos Eticos
UPC	Unidad de Pago per Capita
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank
WHO	World Health Organization

## **CHAPTER I**

### **INTRODUCTION TO THE STUDY**

#### **Introduction**

Twenty years ago, as a young graduate student in Washington, DC, I was introduced to the concept of decentralization by a former colleague who was then working at the World Bank. Decentralization, with its devolution of power and authority to regional and local governments seemed to me, unrealistic. No central government would devolve (any) authority to lower levels of government unless forced by compelling reasons.

A few months later, as a recently hired Program Coordinator for a large US Agency for International Development (USAID) program aimed at strengthening local governments and democratic institutions in South America, I found myself again exposed not only to the concept of decentralization, but to actually assisting governments in Chile and Paraguay implement it.

A few weeks later, the implication of what decentralization reforms really entailed came to light at a meeting with local government officials in the regional capital of Concepcion in the Department of Concepcion, Paraguay, a locality about 415 Km or 5 ½ hours away from the capital city of Asuncion. At the local health clinic, some broken windows caught our attention. When I asked why they had not been repaired, I was told that the Health Ministry in Asuncion had yet to send the funds for that particular repair. The realization that administrative and fiscal decentralization could allow these local

authorities to make their own decisions, and not depend on authorizations and funding from distant bureaucrats in the city of Asuncion, made me realize the importance of these reforms.

In the mid-1990s, Paraguay's decentralization supporters relied heavily on Colombia's experience with decentralization and to some extent modeled their reforms on that country's successful reforms and initiatives. With time, and through work with municipal associations around the Hemisphere, it became clear that political, administrative, and fiscal decentralization was key to strengthening local governments and to delivering better services, especially education and health, to local communities. However, lingering questions motivated me to seek a better understanding of the context in which unitary systems (such as Colombia and Paraguay) decentralize and, likewise, under what conditions might they recentralize.

Thus, the present research aims to examine, first, the factors that have influenced political decentralization in these two countries, and how the new intergovernmental relations that result as a consequence of political, fiscal and policy decentralization impact local governments and their capacity to deliver public services. This research puts particular emphasis on understanding how intergovernmental relations shape the decentralization—and effectiveness—of public service delivery (particularly in the areas of health and education) to local and regional governments.

Building on institutional theory (Frederickson & Smith, 2003), and previous academic research, the present study seeks to answer the research question of how intergovernmental relations shape and modify political and other decentralization processes in countries with unitary forms of government and how those processes inform

and define the implementation of decentralized public service delivery in the areas of health and education at the local and regional level. Other key objectives include explaining and analyzing how differences in the implementation of health and education decentralization have impacted the delivery of those services at the local level.

The proposed research is firmly based on—and supports the importance of—a political-economic analysis, with the belief that knowledge of the policy context greatly contributes to the understanding of very complex policymaking processes. Context specificity matters, though opponents of a political-economic analysis often argue that such a focus neglects, or fails to examine, the marginal improvements feasible even in very complex and difficult policy environments (Corduneanu-Huci et al., 2013). The present research offers an analysis of both the “larger picture” of the institutions and stakeholders involved in the public service decentralization process, as well as the particular impact of such reforms on more basic indicators, in an attempt to examine those marginal improvements that indeed were made in both Colombia and Paraguay.

### **Significance of the Study**

This research aims to uncover better understanding of why countries with a unitary form of government, such as Colombia and Paraguay, engage in political decentralization, and how such processes influence the shape and effectiveness of public service delivery with particular emphasis on health and education. The proposed research utilizes a qualitative-descriptive and comparative approach based on institutional theory and previous academic research.

The findings of the research—through an examination of how timing and socio-political determinants played a role in changing the balance of power, and an examination of the subnational level policies that were promoted and implemented—could prove useful for policy-makers both in Latin America and other regions of the world, who are initiating, or at different stages of decentralization processes. Findings will also be valuable to international donor and multilateral organizations who have spent hundreds of millions of dollars promoting and supporting decentralization—often in an uncoordinated manner and without a full understanding of the socio-political circumstances that could be influencing how such initiatives can or cannot be implemented.

## **Background**

In Latin American countries, political constitutions are a reflection of each country's history, culture, and political evolution since the Independence movements of the early XIX century. As such, the countries in the region are diverse and unique and provide specific characteristics that have shaped their respective political institutions. Most assuredly, the quality of governance is influenced by the kind and quality of government present in a particular country or society. Gerring, Thacker, and Moreno (2005), with their centripetal theory of democratic governance, posit that for the proponents of centralist theory, good governance is the result of political institutions that are controlled by a central authority. On the other hand, decentralization theory argues that the diffusion of power among many independent bodies is most likely to lead to good government.

These two visions of what brings about good governance resurfaced strongly with the return to democracy in the region in the 1980s. In fact, in many parts of the world, the

late 1980s and early 1990s saw the promotion of decentralization as a dominant issue in the agenda of many national governments, regional leaders, and development agencies. Decentralization was seen as key to reestablishing the democratic credentials of the State in formerly authoritarian regimes and as a way to make governments more responsive, closer to the people, and transparent. Many also proposed decentralization as the best way to promote better governance, reduce inequalities and strengthen economic development. Decentralization was viewed as key to improving the quality of governance by making governments more accountable.

A key reason for decentralization in Latin America was most likely the result of the political evolution of the 1980s and 1990s, in which central governments, often highly authoritarian, had lost credibility. Civil society and emerging political groups started to demand more participation after decades of dictatorial governments. Seemingly, the collapse of centrally controlled economies had made central governments obsolete. Thus, the international community was ready to support decentralization as a means to democratization. However, in the end, decentralization—when successfully implemented—is inevitably a locally driven political process and “in seeking explanations for the popularity of decentralization, we must therefore look mainly at the thinking of leaders within the governments of developing countries” (Manor, 1999).



## **Decentralization**

Decentralization is defined in this research as the transfer of political, administrative and fiscal responsibilities and authority to subnational (regional or local) levels of government (Falleti, 2005).

The central concern of the proposed research rests mainly on better understanding the role of political actors and their interactions in the defining and implementing of decentralization processes (in particular for the provision of public services). As a consequence, special attention is given to the underlying political relationships driving this process (Gomez, 60). The principal theoretical framework is based on institutional theory: *“an institutional approach is one that emphasizes the role of institutions and institutionalization in the understanding of human actions within an organization, social order, or society”* (March & Olsen\_B; 1998).

The present research is based on a comparative institutionalist approach in which the objective is to explain how specific institutions shape outcomes (Grindle, 2000). As such, the research focuses on the historical context, the dynamics and actions of the groups involved, and the interactions that might generate cooperation and conflict around areas of policy reforms.

Institutions are characterized by *“the sets of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed or constrained, what aggregation rules will be used, what procedures must be followed, what information must or must not be provided, and what payoffs will be assigned on individuals dependent on their actions”* (Ostrom, 1990; page 51).

Institutions shape the rules of the game. Examining the institutions involved, and the rules and constraints that define incentives for decentralization, helps explain the behavior of stakeholders in the process of public service delivery decentralization. The role of political and economic actors can be better understood, and their likeliness to change can be better explained, by examining the origins and the internal mechanisms of the institutions with which interact (Corduneanu-Huci et al., 2013).

Institutional theory emphasizes the significance of institutional structures in affecting the course of reform (March & Olsen, 1989); thus, special importance is given to examining constitutions and legal frameworks. The interrelationship of political institutions also affects the distribution of power—even though context and motives also matter. Thus, political institutions (and their inter-relationships) are able to influence the process of decentralization. Therefore, the need to concentrate on bargaining relationships between executives, political parties, and subnational governments as underlying factors controlling the reform process is of fundamental importance (Gomez, 58). March and Olsen’s logic of expected consequences—based on the premise that actors are rational and act in pursuit of their best interests; and logic of appropriateness (with its emphasis on rules, identities, and institutions)—facilitates the understanding of the political bargaining processes that characterize processes of decentralization. As they note, “*political actors are constituted both by their interests, by which they evaluate their expected consequences, and by the rules embedded in their identities and political institutions.*” (March & Olsen\_B, 1998).

According to institutional theories, political democracy depends not only on economic & social conditions but also on the design of political institutions

(rules/procedures/roles/strategies become important) (March & Olsen, 1989). Decentralization is then the result of the interaction of numerous political institutions including legislative bodies, political parties, subnational levels of government, executive office holders and their deputies, and civil society actors among others.

At the heart of most decentralization reforms is a basic struggle for power and control. Inevitably, this creates conflict and tension. Examining how conflict and compromise is achieved by the different political actors contributes to the understanding of decentralization processes (Lyne, 2006).

Several factors have been posited to account for many of the differences in decentralization outcomes observed in Latin America, including the following:

- 1) The motivation of key actors is a fundamental element in defining how and when decentralization will occur and to what extent it will be implemented (basically, the degree of political will);

- 2) The institutional arrangements (legal framework) put in place that define and often have limited the capacity and autonomy of local governments in performing their new roles. Institutional arrangements will determine the degree to which political power and authority is transferred from central government to subnational levels; the administrative assignment of specific functions; the roles for each level of government; and the capacity to generate, collect, and administer one's own revenue.

- 3) Finally, important "state-society relations" also influence the outcome of decentralization initiatives. History, cultural values, and traditions (including variations within a country) play a key role in influencing the outcome of decentralization processes,

helping to explain how regions and localities within the same country might expect different results from the decentralization process (Tulchin & Selee, 2004).

The struggle for power and control is evident in the decentralization process of the two countries analyzed here. In both Paraguay and Colombia, in the early 1990s, significant political changes occurred that helped place the issue of decentralization at the forefront of the political agenda. Impetus for these political reforms resulted from: the international movement toward increased democratization, especially in the Latin American context—in conjunction with years of the State's failure in the provision of services, and buttressed by support from multilateral organizations such as the World Bank, the Inter-American Development Bank, and cooperation agencies like the US Agency for International Development. But, as we shall see, over time, the implementation of these reforms began to stall. The present research also aims to analyze the reasons and factors for this development.

### **Case Selection: Paraguay**

A high degree of government centralization and authoritarianism characterized Paraguay's history for most of the XX century. Beginning in 1952, one person (Alfredo Stroessner) and one political party (*Partido Colorado*) controlled the country for 37 years. Together they controlled almost all aspects of life in Paraguay. This led to the establishment of a culture of clientelism, corruption, and mismanagement that has been difficult to overturn.

The dictatorship of Alfredo Stroessner ended in 1989, and the decentralization process began soon after with the 1991 election of mayors by popular vote for the first time

in the country's history. Political decentralization was further encouraged through the pressure brought by regional leaders during the constitutional assembly, which was elected to draft a new constitution for the country. As a result, the 1992 Constitution established Paraguay, somewhat ambiguously, as a unitary, decentralized state.

The Constitution also recognized the role of Departments (equivalent to states or provinces) and municipalities and it introduced the figure of the Departmental Governor and Departmental Council (legislative body) to be directly elected by popular vote. In the Constitution, responsibilities and sources of revenues for Departments are only vaguely mentioned, leaving Congress to further define them by enacting necessary legal framework. Competencies and revenue sources for municipal governments also are only vaguely addressed by the new Constitution.

In practice, the Congress has been very slow to enact the necessary legal framework and central government agencies have been reluctant to implement the few initiatives that have been approved. The central government continues to control and monopolize revenue sources and to have great powers of intervention in subregional governments. Congress has introduced little legislation to change this situation.

One of the earliest and most significant attempts at decentralization in Paraguay was initiated by the administration of President Juan Carlos Wasmosy (1993-1998) in the areas of health services and, to a lesser degree, education. After nearly 15 years of health and education decentralization, what is the situation in Paraguay? Has decentralization really improved the conditions of those municipalities that have been part of the decentralization process? What do key health and education indicators suggest?

How have the relationships between the executive, congress and subnational leaders impacted the decentralization process? What roles were played by political parties (especially the dominant Colorado Party) and other socio-political actors in shaping decentralization? If decentralization has stalled, what has changed the path toward effective political, fiscal and administrative decentralization?

The answers to these questions are unclear because very little research has been conducted on these issues. In fact, among scholars analyzing decentralization processes in Latin America, Paraguay's decentralization has received the least attention. The present study aims to provide needed insight into Paraguay's decentralization process.

### **Case Selection: Colombia**

Colombia experienced a rapid, significant, and consistent decentralization process in the 1980s and 1990s, but subsequently experienced a considerable slowdown in the last decade. The country has three levels of government: national, regional (Departments), and municipal. Each Department is headed by a governor and a legislative assembly; municipalities are led by a mayor and a municipal council. All of these officials are directly elected by the people.

Contrary to other countries where political and administrative decentralization came first, Colombia's decentralization started with fiscal issues. With the constitutional reform of 1968, a mechanism to transfer funds to Departments to be spent on health and education was implemented. In the 1980s, the concepts of administrative decentralization and deconcentration were added to the debate on decentralization. In 1986, political

decentralization of the country was strengthened with the direct election of mayors by popular vote.

Simultaneously, a program to reform municipalities was also initiated. Municipalities regained responsibilities over water provision, environmental health, the building and maintenance of schools, hospitals and roads, housing, urban transportation and *cadasters* (property tax rolls). Health and education responsibilities were progressively transferred to municipalities and Departments, along with the funds to support them. But this resource and administrative transfer often occurred without needed technical and human resources.

In the early 1990s, Colombia experienced one of the most difficult periods in its history. Political and social instability, the product of years of armed conflict, drug-smuggling and related political and social violence, were significantly undermining Colombia's institutions. Recognizing the need to address the increasing fragility of the State, the government of President Virgilio Barco called for the election of a Constitutional Assembly in late 1990. In it, the traditional political parties did not have a clear mandate and a plurality of movements were represented (including former guerrillas). Much of the debate centered partly on the merits of a federal versus a centralist state. In the end, the 1991 Constitution established Colombia as a unitary, decentralized and participatory state. The 1991 Constitution redefined the roles and functions of Departments and municipalities and established a completely new fund transfer system that was implemented by law in 1993 (Acosta, 2003). Health and education decentralization began at this time.

Continuing political violence, combined with apparent fiscal imbalances created by excessive subnational expenditures and growing indebtedness, seems to have contributed

to a decline in the promotion of fiscal, political, and administrative decentralization by the central government. The governments of former Presidents Samper and Pastrana, and especially President Uribe, seemingly halted the process of decentralization. Thus, the country had been viewed as a model for decentralization by other countries in the region (in fact, when Paraguay began its decentralization process, it looked to Colombia's government officials for guidance), appeared to no longer be at the forefront of decentralization. If this is the case, where do health and education decentralization stand after more than 20 years of experience? Have indicators in those areas improved? Are Colombians receiving better health and education services, and if so, what is the consequence? Can Colombia still be a model for other unitary countries starting the process of public service delivery decentralization?

### **Research questions**

As noted above, many factors are involved in the promotion of decentralization processes, and in the design and implementation of decentralized public service delivery policies. The kind of intergovernmental relations that both produce decentralization initiatives and, subsequently, result from these processes will influence the policies that can be implemented at subnational levels of government. The more subnational governments control the process, or exert influence on it, the more likely that the decentralization of public services (such as health and education) will not be just administrative deconcentration but will include fiscal decentralization and some degree of policymaking autonomy as part of its implementation.



In a country like Paraguay, where the initiative for political decentralization was strongly influenced by representatives from subnational levels of government, what type of decentralization in health and education has resulted? Have these policies been more or less effective? In a country like Colombia, where subnational political leaders were actually quite successful in implementing the decentralization of public services (Falleti, 2005), what has happened to slow down the process? In either country, have health and education indicators improved due to decentralization?

*A first proposed hypothesis (H1) posits that if national, regional, and local political leaders participate and collaborate in the promotion of political, fiscal, and administrative decentralization, there is a greater probability for the passage, approval, and implementation of public service decentralization laws.*

*A second hypothesis (H2) posits that once public service delivery decentralization has been enacted, the higher the degree of collaboration between national, regional, and local levels of government, stakeholders (in essence the type of intergovernmental relations established) and citizens (other socio-political actors), the greater the probability of its success and effectiveness.*

In the absence of progress with decentralization in the last decade, *a third hypothesis (H3) posits that in the case of Paraguay, even though the process of decentralization was started by subnational authorities, the presence of one dominant and clientelistic political party has slowed political, fiscal, and administrative decentralization; thus shifting the balance of power back to the national government.*

In the case of Colombia, *a fourth hypothesis (H4) posits that even in the presence of multiple regional and local political movements, as power is centralized in the executive*

*branch, the slowing of decentralization is more likely; thus shifting the balance of power in favor of the national government.*

## **Variables**

For the purpose of the present research, the success and effectiveness of health and education decentralization processes is the dependent variable. It is measured by the number of health and education policy/programs that were decentralized to regional and local levels, as well as by how basic performance indicators (such as infant mortality rate and school enrollment) have been affected.

Independent variables considered include:

- Institutionalization of the decentralization process. This is measured in terms of the presence or absence of a clear regulatory framework defining the administrative, fiscal, and political responsibilities of each level of government, the ability of the central government to override decisions and policies taken by lower levels of government; and the extent of implementation of relevant regulations and policies at each government level.
- Role of political parties and politically active social movements. This is measured in terms of the presence or absence of political agreements in favor of decentralization; support in national, regional and local legislative bodies for decentralization legislation by the different parties/groups; coalition building strategies in support of the decentralization process; voting records; and/or public declarations.

- Involvement of other socio-political actors. This variable is measured by the presence or absence of an active media, student movements, non-governmental organizations (NGOs), and union movements and their ability to influence the process through the established political parties or through demonstrations and activism. The role of international organizations and national and international financial institutions in influencing the process is also considered.
- Control variables such as national education and poverty levels and other relevant indicators are also taken into account.

Decentralization is operationalized by four dimensions: the share of revenue collection and revenue expenditure of subnational governments; their policy making authority; how officers are selected (elected or appointed); and, how their regional interests are represented in the national legislatures (Falleti, 2005, p 333). This is very important when analyzing decentralization processes in Latin America, and especially in the cases of Paraguay and Colombia, because the way in which intergovernmental relations are established, and how interactions happen, often affects the type of policies that can be implemented.

### **Methods, Data Collection, and Sample**

The research method is principally a path-dependent within-cases analysis. The analysis traces how the processes of decentralization evolved from 1990 to 2010. Special attention is given to critical junctures, or special political or social circumstances, that significantly changed or altered the process of decentralization. The research aims to

determine if the presence of certain contextual factors (or their absence) was necessary for decentralization to move ahead (to see if any causality could be established).

This research required a close examination of each country's history, present conditions, and culture to better understand the socio-political circumstances in which the decentralization processes occurred. Data was collected mainly through the reviewing of documents, journals and newspapers and, most significantly, through elite interviews "tailored to the purposes of the study" (Aberbach & Rockman, 2002). In this regard, interviews of national, regional, and local political leaders were very important. Leaders of political parties, unions, NGOs, and civic movements were interviewed in both countries. Over 25 interviews were conducted in Paraguay utilizing a semi-structured questionnaire. All interviewees requested that their comments not be audio-recorded. In Colombia, 15 interviews were conducted, following the same format, and there too, interviewees preferred not to be audio-recorded. Interview notes were however taken.

The interviewees included legislators representing all political parties in each country's Congress, subnational legislators and elected local authorities (mayors/governors), former cabinet level officials in charge of decentralization policies and their implementation, and civil society representatives working on the promotion and implementation of health and education decentralization policies. Voting records on matters affecting decentralization were sought but in neither Colombia nor Paraguay were they available—only recently did both legislative bodies begin to record individual votes.

A fundamental challenge in analyzing the information gathered through interviews is the accuracy of reconstructing how decisions were made and how things would have changed if decisions were different. To prevent such bias, as many of the actors involved

in the decentralization decision making process as possible were interviewed. Different historical interpretations are also taken into account.

To measure the effectiveness of health and education decentralization, indicators such as student enrollment and coverage in the case of education decentralization, and infant mortality rates (deaths of children under one year of age, live births) for health decentralization are used for both countries. A comparison at the regional and municipal levels is done using these selected indicators, accounting for the specificities of each country's service provision decentralization scheme and legal framework.

In the case of Colombia's health decentralization experience, municipalities and Departments that meet certain central-government-specified-criteria are then certified to provide health services. Thus, the present research compares Departments with the highest number of certified municipalities versus those with the fewest certified municipalities to see if there are significant differences in indicator outcomes (e.g., infant mortality rates). A total of five Departments are compared.

Paraguay's health decentralization places greater emphasis on citizen participation and on the creation of Local Health Councils (LHCs) to design and implement local health plans. To evaluate the same basic indicator, six Departments (three with the most LHCs and three with the fewest LHCs) are compared.

Regarding education decentralization, the analysis of Colombia uses school enrollment and coverage as indicators of success, and it compares the performance of those indicators across Departments. The case of Paraguay is particularly difficult to assess, as so little progress has been made in implementing education decentralization.

The analysis of indicators is based on the assumption that increased health and education decentralization to local and regional levels should have a positive impact on basic health and education indicators. If decentralization, as argued, helps governments to be more responsive to local needs, and if more health and education programs are decentralized to the local and regional level in response to the demands of many communities, it is predicted that health and education indicators would improve as people would have easier access to these services.

Access to adequate funding is important for the provision of health and education services, as local and regional control over those funds will presumably ensure that they are allocated effectively and reflect the most important needs of the respective communities. Lack of resources can seriously affect the ability of local and regional governments to provide the necessary services. Thus, the percentage of health and education expenditures spent at the local and regional level has also been included when the information has been available. Recognizing that many other socio-economic factors influence health and education indicators, control variables such as income, poverty rates, and inequality are also included in the analysis. Results generally show a positive correlation between intergovernmental cooperation and the enactment of decentralization policies. On the other hand, the impact of decentralization on the basic indicators mentioned is often mixed and difficult to establish.

In the following chapters, the extensive literature on Latin America's decentralization processes (Chapter 2) is reviewed to contextualize the evolution of political decentralization in both Colombia and Paraguay, and how that evolution has

promoted (or hindered) decentralization of health and education policymaking and service delivery to the subregional and local levels of government.

Chapter 3 offers a review of Colombia's institutional framework, as well as a description and analysis of its decentralization process. The interplay of intergovernmental relations and how they have shaped the manner in which public services have been decentralized in terms of norms, structure, and procedures is then analyzed. Chapter 4 applies the same analysis to Paraguay's decentralization process.

Chapter 5 tests hypotheses three and four regarding the perceived slowdown of both countries' decentralization processes by analyzing the role of political parties in the approval of key decentralization legislation and how decentralization has impacted political parties and their ability to influence the process. In both cases, the hypotheses tend to be confirmed. The research also examines the importance of informal institutions such as clientelism and patronage (discussed in Chapter 5), and the role they play in cultivating personalized relations, intermediaries, administrative bureaucracies and organizations, which often hinder decentralization reforms.

Subsequently, we will investigate the effectiveness of health and education decentralization in both countries (Chapters 6 through 9). An important element is the search for differences and similarities in both countries to uncover what factors could produce more effective results in terms of future health and education decentralization.

Finally, the research brings together the analysis of both countries to provide answers to the research questions, and provide conclusions and recommendations for future policy development and research (Chapter 10).

It is hoped that this study contributes to scholarly writings that pay special attention to the socio-political context in which important political reforms occur, as well as to the research on the interaction between political institutions and social forces and their impact on public service delivery.



## CHAPTER II

### DECENTRALIZATION: WHAT IS IT AND HOW DO WE MEASURE IT? OVERVIEW OF THE STATE OF AFFAIRS IN LATIN AMERICA

*“Decentralization is a process that unfolds over time; more important, it is neither a linear process nor one that necessarily results in similar outcomes. Decentralization can mean progress toward improved governance and democracy as well as the erosion of local conditions of well-being”* (Grindle, 2007, p. 10)

#### **Defining Decentralization**

The meaning of decentralization varies widely, and the term has been used to describe government transformation and policy initiatives since the 1980s. In its early use from the late 1970s to the mid-1980s, decentralization came to be associated with privatization and downsizing governments as dissatisfaction with government services increased (Rondinelli, Nellis, Cheema; 1984). By the mid-1980s and early 1990s, decentralization evolved into meaning not only the privatization of government enterprises, but also the transfer of government responsibilities to subnational levels of government (Rosales & Valencia Carmona, 2008; Wilson et al., 2008; Restrepo, 2006)

In the present study decentralization is defined as the transfer of political, administrative, and fiscal responsibilities and authority to subnational (regional or local) levels of government (Falleti, 2005). Administrative decentralization gives subnational levels of government more responsibility in public policy delivery, including its planning, implementation, and (depending on the case) financing.

Administrative decentralization can take different forms depending on how much authority, including fiscal responsibility, is actually transferred to the subnational levels

(Katorobo, 2004; Eaton, 2006). In *administrative decentralization by deconcentration* (Rondinelli et al., 1984; World Bank, 2007), the central government transfers administrative functions, roles, and responsibilities to its own agencies, present at the given subnational level. The decisions are still made at the central level but are implemented at the subnational level.

In some instances, the national government delegates power and authority to semi-autonomous agencies allowing them to control the day-to-day implementation of certain programs or policies (*administrative decentralization by delegation*). In this case government agencies are more or less independent, but the central government still controls and defines the policy aspects, and the agencies are accountable to the central government (Rondinelli et al., 1984; Manor, 1999; Katorobo, 2004; World Bank, 2007).

Finally, *administrative decentralization by devolution* refers to cases in which the central government transfers not only the fiscal and administrative authority but also the political power for policymaking to subnational governments that are autonomous in the implementation of policies, and more importantly, who have control and autonomy over the use of their financial resources, as well as the capacity to raise resources (Rondinelli et al., 1984, World Bank, 2007).

Of these three, only administrative decentralization by devolution can be considered as effective decentralization because the state would have reformed its administrative, fiscal, and political structure in favor of subnational levels of government; however, as long as local/regional authorities do not have autonomy over the decision making process and implementation of public policies including their own finances, effective decentralization has not taken place.

Decentralization, by its very nature, is a multidimensional and non-linear process (Montero & Samuels, 2004) that involves political, economic, administrative, and organizational factors that combine differently and vary across time and cultures. Being a process, and mainly a political one, decentralization is susceptible to reversal, requires implementation-time, and is not inevitable—the process is mainly a political choice.

### **Measuring Decentralization**

Following the brief definition of decentralization above, and keeping in mind that it is a process with many different dimensions and implications, what are the difficulties that exist in measuring political, fiscal, and administrative decentralization? How does one quantify those three dimensions?

Given the diversity of legal frameworks and decentralization processes, certain baseline criteria are generally used to measure political or democratic decentralization such as direct popular elections of subnational authorities, the existence of recall provisions for elected officials, popular participation in subnational elections, and how competitive these elections are (Shah & Ivanyna, 2012). To these criteria, others add the ability (or inadequacy) of subnational governments to block financial or non-financial bills issued by the central government (Treisman, 2002).

Similarly, Kearney (1999) proposes nine dimensions that measure the level of decentralization in any given country, including the formal government structure of the country as established by the country's constitution and the selection of regional executives. Other dimensions used by Kearney to measure decentralization are how local executives are elected, and the ability or inadequacy of central governments to override

decisions and policies determined at subnational levels of government. Revenue sharing and revenue raising capacity, as mentioned above, are also two important dimensions when trying to understand the level of decentralization. In terms of policy decentralization, it is important to examine the type of authority subnational governments have on issues of education, infrastructure, and policing at the local level.

Treisman (2012) measures level of decentralization using “conceptions of decentralization,” which are grouped into categories such as vertical decentralization or government structure, decision-making decentralization, appointment decentralization, electoral decentralization, fiscal decentralization, and personnel decentralization.

When considering how to measure administrative decentralization, three main criteria are proposed (Shah & Ivanyna, 2012): freedom to hire, fire, and set terms of reference for subnational employees; the freedom to contract out responsibilities and establish public-private partnerships; and the ability to pass by-laws or ordinances that would regulate local/subnational activities.

Based on these criteria, decentralization could be measured along the following lines:

**Table 1: How to Measure Decentralization**

<b>Dimension</b>	<b>What it means</b>	<b>What it measures</b>
Government structure or Vertical decentralization	Refers to the number of tiers in the country	Measures political decentralization
Decision-making decentralization	Extent of authority to make decisions by subnational authorities <sup>1</sup>	Measures political and policy decentralization

---

<sup>1</sup> This can vary greatly depending on each country’s legal framework from weak autonomy to subnational veto (Treisman, 2012).

Appointment decentralization	Subnational authorities can make appointments without approval from above	Measures both political and administrative decentralization
Electoral decentralization	Subnational authorities are elected	Measures political decentralization
Fiscal decentralization	Subnational governments' share of tax revenue and expenditure	Measures level of fiscal autonomy
Personnel decentralization	Subnational authorities have autonomy in the administration of their employees.	Measures administrative decentralization

Source: Author, based on Treisman (2012)

These dimensions offer a holistic view of the many areas that any decentralization process touches on and will be used in the present research to measure the level of decentralization of the case studies (Colombia and Paraguay). They are by no means exhaustive—as each dimension can have many sub-dimensions—but they provide a set of criteria from which further analysis can be made.

### **Fiscal Decentralization**

Fiscal decentralization, with its concurrent need for fiscal responsibility, is a key component of any decentralization process (World Bank, 2007). It entails not only the capacity of subnational levels of government to have adequate revenues and decision-making ability over expenditures, but also—and maybe more importantly—the authority to generate and collect their own revenues independently of the central government.

It is difficult to assess the effectiveness of fiscal decentralization in countries that are diverse and complex, and that are transitioning from a very centralized tradition. No

uniform measurement can be established, as each country has a particular fiscal arrangement, resulting from country-specific political, economic, and geographic structures (Cetrangolo & Goldschmit, 2012); but researchers generally agree that fiscal decentralization occurs when subnational governments have the capacity to decide their own expenditures (budget), have control over taxes (to collect or create new ones), and have the capacity to collect fees for services (Gargarella & Arballo, 2012). This autonomy should also apply to how monetary transfers from the central government are used at the subnational level.

In fact, a number of criteria of fiscal decentralization have been used to assess the level of fiscal decentralization (Katorobo, 2004), including: autonomy (subnational levels of government should independently set their expenditure priorities); revenue adequacy (having enough revenue to cover obligations); equity; predictability; resource allocation (central governments should not control resource allocation at the local/subnational level); simplicity (revenue sharing should be characterized as simple and transparent); incentives (for good management and efficiency); and safeguards for grantors (the central government has an acceptable monitoring role in how programs and policies are met, and transferred funds are used).

The usual indicators that assess level of fiscal decentralization include subnational revenues as a percentage of GDP, subnational expenditures as a percentage of GDP, subnational revenues as a percentage of total government revenue, and subnational expenditures as a percentage of total government expenditure (Harbers, 2010).

When assessing fiscal decentralization, it is important to examine the regulatory framework and what types of revenue sharing and revenue collection authority is granted

to subnational levels of government (including their capacity to create new source of revenues). When comparing expenditures at the local level, it is important to assess how much local governments rely on intergovernmental grants or transfers rather than on mobilizing and collecting their own revenues through independent taxes, fees, and borrowing (Rodden, 2004). Local governments must determine how revenue will be spent and to what degree they control this process.

Fiscal decentralization can be measured by a range of local functions, the autonomy in rate and base setting for local financing of local expenditures, the level of responsibility and control over municipal and social services, autonomy in procurement as well as the ability to borrow both domestically and in foreign markets, and the ability to issue bonds (Shah & Ivanyna, 2012).

For many countries, a central problem continues to be overreliance on central government transfers. Latin America, for example, is characterized by great asymmetries between expenditure devolution and revenue generation (Brosio & Jimenez, 2012). Lack of capacity at the local level and politically-motivated unwillingness to collect taxes (when authority is given) further complicate the implementation of fiscal decentralization reforms. As noted by the World Bank 2007 decentralization report:

*“In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority”* (World Bank, 2007; p. 3).

Fiscal decentralization is a key issue in the discussion of decentralization. Only subnational governments that have both the authority and the ability to collect taxes and fees as well as create new ones, and that can decide on how those funds will be spent, will be truly accountable to their constituents and be able to improve governance and responsibility at the local and regional levels.

## **Political and Fiscal Decentralization in Latin America—Overview<sup>2</sup>**

### **Background on Latin America’s Decentralization Process**

*“In most Latin American countries, since colonial independence, the shaping of intergovernmental relations has been a crucial component of the debate on the institutional structure of government and constitutional design. In the region, political reform and federalization/decentralization intersect in the political and intellectual debate with an intensity that, possibly, is not observable in other continents”* (Brosio and Jimenez, 2012; p.1).

In Latin American countries, political constitutions are a reflection of each country’s history, culture, and political evolution since the independence movements of the XIX century. As such, they are diverse and unique and provide specific characteristics to the political institutions of each country. The struggle against the dominance of the colonial capital city versus the cities and regions of the interior also meant a struggle between federalism and unitarism in Latin America. In some countries like Argentina, Brazil, Mexico and Venezuela this was resolved in favor of the cities and regions of the interior that wrestled power away from the center in a federal system, although in practice

---

<sup>2</sup> It is not the purpose of this section to analyze in depth the decentralization process of Latin America, but rather to offer an overview of the situation, placing our case studies in the context of the Hemisphere.



centralization (especially in fiscal issues) continues to be a source of tension. In other countries, the issue was resolved in favor of the capital city and these countries were politically organized into unitary forms of government. Such is the case of Bolivia, Colombia, Chile, Paraguay, and all of Central America.

There are contrasting views on how type of government influences quality of governance in a particular society. Gerring, Thacker, and Moreno (2005), with their centripetal theory of democratic governance, posit that for proponents of centralist theory, good governance is the product of political institutions that are controlled by a central authority. Decentralization theory argues that only the diffusion of power among many independent bodies can guarantee good governance (Saito, 2008; Gerring et al., 2005).

This dual vision of good governance resurfaced strongly with the return to democracy in the region in the 1980s. In fact, in many parts of the world, the late 1980s and 1990s saw the promotion of decentralization as a central issue in the agenda of many national governments, regional leaders, and development agencies. Decentralization was seen as key to reestablishing the democratic credentials of the State in formerly authoritarian regimes, and as a way to make governments more responsive, transparent and closer to the people. Many reformers also proposed decentralization as the best way to promote better governance, reduce inequalities, and strengthen economic development.

Although there were—and are—significant differences in how and why the process of decentralization was initiated, some basic principles were supported by promoters of decentralization: the diffusion of power, broader political participation, and limits on governmental action were key to ensuring good governance (Gerring et al., 2005; Saito, 2008).

Questions have been raised regarding the endogeneity of decentralization, in particular the influence of multilateral organizations in promoting the principles of decentralization. However, even if some donor organizations in the 1980s promoted decentralization and worked with grassroots to ensure sustainability and move away from large scale centrally controlled projects, countries did not decentralize merely because of international organizations (Manor, 1999; O'Neill, 2005). Bilateral and cooperation organizations “*tended to support decentralized institutions once they were created rather than pressuring recipient governments to experiment anew with decentralization*” (Manor, 1999).

The reasons for decentralization in Latin America were most likely the result of the political evolution of the 1980s and 1990s, in which central government had lost credibility and civil society as well as political groups began to demand greater participation. After decades of authoritarian governments, the collapse of centrally controlled economies had made the central governments in many cases obsolete, and the international community was ready to support democratization. In the end, decentralization is a political process and “*in seeking explanations for the popularity of decentralization, we must therefore look mainly at the thinking of leaders within the governments of developing countries*” (Manor, 1999). As countries began the decentralization process, with some experiencing relative success in empowering citizens and increasing political representation of previously marginalized groups, and as subregional governments gained more preeminence in the political arena, many unitary countries followed the trend.

The move toward decentralization in Latin America could also be explained by institutional isomorphism and its three mechanisms for change: coercive where formal and

informal organizational pressure and cultural expectations lead to change; mimetic where uncertainty leads organizations to model themselves after other organizations (countries that have successfully transitioned from centralized/authoritarian to decentralized/democratic system were powerful examples to follow), and; normative where change stems from professionalization (consultants and networks that were actively promoting decentralization—Washington Consensus is just one example of these kinds of networks and professionals (DiMaggio & Powell, 1983).

For many left leaning intellectuals and politicians, the decentralization reforms of the last 20 years of the Twentieth century aimed to ensure access of international capital to important markets (Restrepo, 2006). The “strategic function” of territories is only important as long as international capital is guaranteed access to local markets. Nevertheless, by the mid-1980s and in the 1990s new territorial pressures surfaced as Latin American began its transition to democracy. The need to strengthen local governments as a response to the political crisis became evident (Restrepo et al., 2006). Decentralization took on a new meaning, moving away from market-oriented policies toward an emphasis on local autonomy and local and regional governments to promote economic development, citizen participation, and the wellbeing of democracy in general (Rosales, 2012).

Restrepo characterizes Latin America’s decentralization process as “centralist decentralization,” as it not being driven by local authorities and/or local demands, but imposed and dictated from the central government (2006). As central governments have defined the extent of subnational autonomy, and in many cases have established how resources will be transferred and spent, the argument goes that decentralization has not been locally motivated. This view though, is not shared by many. The argument does not

account for municipal associations, mayors, and governors from all over Latin America that have undoubtedly pressed for decentralization reforms. It ignores the fact that much of the legislation needed to implement decentralization has been decided and approved at the congressional level, where regional representation of political interests is important and quite vocal in many countries. Thus, it is interesting to see how regional politicians have supported decentralization once elected to the national legislatures or if they have changed their support.

To the criticism that decentralization is part of a “neoliberal agenda,” Gordin (2003) argues that decentralization has not necessarily increased the power of market interests or private capital. Neoliberal reforms have introduced great transformations in intergovernmental relations as a result of many fiscal decentralization policies that are or were part of a neoliberal agenda. Tibeout, Musgrave, and Oates emphasize the importance of fiscal decentralization—with its concomitant transfer of administrative and political authority—to the strengthening of democracy (Gordin, 2003).

Falleti (2005, 2010) offers a more nuanced interpretation of the origins of decentralization and the types and levels of autonomy that mayors and governors are able to obtain from central governments that is dependent on what level of government has leverage when decentralization processes are initiated. Falleti’s sequential theory of decentralization emphasizes the importance of analyzing the timing and order in which each type of decentralization (fiscal, political, administrative) occurs in any given country as key determinants of the intergovernmental balance of power that emerges in the decentralization process (Falleti, 2005). Falleti maintains that in order to “*evaluate the consequences of decentralization..., we need to establish first when and how*

*decentralization policies increase or decrease the power of subnational officials*". The characteristics of the decentralization process will depend on the result of this interaction and it will condition further policies of decentralization affecting the balance of power in intergovernmental affairs.

O'Neill (2005) offers an explanation based on political incentives and election cycles, where representatives of national political parties and central government would support decentralization if they see an electoral advantage in doing so. The importance of political incentives is also noted by Montero and Samuels (2004) who stress the relevance of political relationships between national and subnational politicians to understand decentralization; *"because decentralization involves shifting power and resources vertically between branches of government, institutional and electoral explanations of decentralization should therefore focus on the way in which subnational politicians are linked to or claim leverage over national politicians and parties"* (p.22).

In summary, several factors account for differences in decentralization outcomes seen in Latin America, including the following:

- 1) The motivation of key actors is a fundamental element in defining how decentralization will occur and to what extent it will be implemented (basically the degree of political will);

- 2) The institutional arrangements (legal framework put in place) that limit the capacity and autonomy of local governments in performing their new roles. Institutional arrangements will determine the transfer of political power and authority from central government to subnational levels; administrative assignment of specific functions; roles

for each level of government; and capacity to generate, collect, and administer own revenues.

3) Finally, the importance of “state-society relations” also influences the outcome of decentralization. History, cultural values, and traditions (including variations within a country) play a key role in influencing the outcome of decentralization, helping to explain how regions and localities within the same country might expect different results from the decentralization process (Tulchin & Selee, 2004).

### **Evolution of Decentralization in Latin America<sup>3</sup>**

As a whole, Latin America is a very diverse continent with over 570 million inhabitants who are highly urbanized (77.8% live in cities) and a region where significant social and economic inequalities<sup>4</sup> remain.

The diversity can be observed by comparing the number of municipalities in a country like Brazil (over 5,000) to the country of Uruguay (only 19). Colombia, Peru, and Argentina have over 1,000 municipalities while Ecuador, Paraguay, El Salvador, and Honduras have over 200 municipalities. Population also varies greatly among all countries (Table 2), and nearly 90% of Latin America’s municipalities have less than 50,000 inhabitants (Rosales & Valencia Carmona, 2012).

### **Table 2: Number of subnational governments and population**

---

<sup>3</sup> A modified version of this section was published in the summer issue of Hemisphere Magazine. Volume 24. Summer 2015. <http://lacc.fiu.edu>

<sup>4</sup> Decentralización y Democracia Local en América Latina. Informe Gold I

Country	Population		Federal countries		Unitary countries		Democratic Municipal Elections following authoritarian rule
	(milions)	Average Population per Municipality	States	Municipalities	Departments	Municipalities	
Brazil	190.127	34.183	26	5.562			1986
Mexico	107.537	44.091	32	2.439			1977
Colombia	47.078	42.837			32	1.099	1986
Argentina	38.971	17.531	23	2.223			1983
Peru	28.349	13.695			25	2.070	1981
Venezuela, R.B.	27.031	80.690	24	335			1992
Chile	16.436	47.641			15	345	1992
Ecuador	13.408	61.224			22	219	1935
Guatemala	13.018	39.211			22	332	1986
Cuba	11.400	67.456			14	169	---
Bolivia	9.627	29.440			9	327	1987
Dominican Rep.	9.240	60.789			32	152	1978
Honduras	7.518	25.228			18	298	1982
El Salvador	6.991	26.683			14	262	1984
Paraguay	6.365	27.554			17	231	1991
Nicaragua	5.594	36.803			15 + 2 regional autonomies	152	1990
Costa Rica	4.399	54.309			7	81	1948
Panama	3.284	43.787			9	75	1996
Uruguay	3.478	183.053				19	1985
<b>Total</b>	<b>549.851</b>	<b>33.548</b>	<b>105</b>	<b>10.559</b>	<b>251</b>	<b>5.831</b>	

Source: Rosales and Valencia Carmona, 2008

As noted above, Latin American countries vary in the extent and depth of their decentralization processes, but over the last 30+ years all countries have initiated or deepened political, administrative, and fiscal decentralization. In some instances, particularly in the case of Venezuela, some serious regressions have occurred<sup>5</sup>.

Historically, highly centralized governments have characterized Latin America. There are only four federal countries: Argentina, Brazil, Mexico, and Venezuela. All others have unitary systems, though each has unique structures of regional and local governments

<sup>5</sup> The government of the late President Hugo Chavez, and the current administration of President Nicolas Maduro have, through laws and decrees, severely curtailed the political, administrative, and fiscal autonomy of regional and local governments.

and a specific degree of decentralization. In all countries, the national executive branch is preeminent and politics are very centralized (Rosales, 2012).

With the return to democracy in many Latin American countries in the 1980s and early 1990s, political decentralization seems to have occurred first. In the early 1980s, very few countries elected their local authorities by popular vote, and today mayors are directly and freely elected in all countries except Cuba.<sup>6</sup> Administrative and fiscal decentralization followed with the necessary reforms to institutions and legal frameworks (Rosales, 2012).

In general, the larger countries of South America (i.e., Argentina, Brazil, Bolivia, Chile, Colombia, and Ecuador) initiated important reforms and redistributed competencies and resources to subnational governments, not without controversy or great difficulty. Although Mexico initiated “new federalism” to open its political system, political and fiscal reform continue to favor state governments over local governments. Peru, under the government of former president Alberto Fujimori, experienced a slowdown in the decentralization process that subsequently re-emerged in the years after 2000. In Central American and Caribbean countries, decentralization has progressed more slowly, with Guatemala and Nicaragua emphasizing political decentralization, and Honduras and El Salvador emphasizing fiscal decentralization. Costa Rica, one of the most stable countries in Central America, introduced political decentralization with the direct election of mayors by popular vote only in 2002, while Panama has registered very little progress in this area (Rosales, 2012; Rosales and Valencia Carmona, 2008).

---

<sup>6</sup> This assertion is always controversial, as it is commonly said that all countries but Cuba elect their local leaders. Cubans also vote for their local authorities but these candidates must belong to the Communist Party and are nominated—and previously approved—by the Cuban Communist party.



In terms of administrative decentralization, there has been a clear trend to decentralize the provision of certain services (in particular health and education) to subnational levels of government with great variation in terms of the extent of these reforms, their financing, and the legal framework that regulates them.

Typically, local governments in Latin America provide basic services such as garbage collection, sewer and water, urban planning and zoning, parks and recreation, markets, transit, education and culture, environmental protection, and public safety, among others. Nevertheless, in Brazil, Bolivia, Chile, and Colombia, services such as primary health care, elementary and secondary education, and other social programs have been transferred to local and regional governments (Rosales, 2012). In Argentina, Brazil, and Mexico, the delivery of social programs, as well as health and education, is shared between the three levels of government; and in Central America, local governments have had great difficulty in providing basic services. Furthermore, fragmentation of policy implementation has characterized the decentralization process in Latin America over the last 20 years, where synchronization between assigning responsibilities, powers of tax collection, transfers from central governments, and implementation capacity has been lacking in many countries (Lora, 2007).

Fiscal decentralization across Latin America has progressed in varying degrees over the last 30 years, but has been characterized by great asymmetry between devolution of expenditure and devolution of taxing responsibilities (Brosio, 2012; Martinez-Vasquez, 2011).

Between 1980 and 2009, the percentage of subnational governments' expenditures as part of the total national expenditures increased from 11% to almost 19% (see Table 3),

with countries like Colombia (unitary) and Bolivia (also unitary) showing important increases, from 26% to 33%, and from 15% to 27%, respectively. After the years of centralization under former president Fujimori, Peru's expenditures increased from 9% to 34%. Among federal countries, Brazil showed the largest increase, from 32% to 55%, with Argentina and Mexico showing important increases as well. Central American countries, on the other hand, showed a decline in their participation in total governmental expenditure, with the exception of El Salvador where a very small increase occurred.

**Table 3: Percentage of the Expenditure of Subnational Governments in Total Governmental Expenditure – 1980 to 2009**

Brazil (1980)	32.4	Brazil (2008)	55.0
Argentina (1980)	22.2	Argentina (2006)	50.8
Mexico (1980)	22.0	Mexico (2007)	31.8
Venezuela (1979)	2.4	Venezuela (2007)	8.0
Colombia (1982)	26.3	Colombia (2006)	33.0
Ecuador (1980)	18.3	Ecuador (2004)	22.1
Bolivia 1986	14.8	Bolivia (2008)	27.0
Peru (1990)	9.1	Peru (2007)	34.0
Uruguay (1980)	8.6	Uruguay (2005)	13.2
El Salvador (1978)	5.8	El Salvador (2007)	7.0
Paraguay (1980)	5.5	Paraguay (2007)	6.5
Guatemala (1980)	4.5	Guatemala (2009)	4.4
Costa Rica (1980)	4.0	Costa Rica (2007)	3.7
Chile (1980)	3.7	Chile (2007)	14.0
Dominican Rep. (1980)	3.5	Dominican Rep. (2006)	5.3
Panama (1980)	2.0	Panama (2005)	1.7
Average Latin America	<b>11.6</b>	Average Latin America	<b>18.9</b>

Source: Adapted from Rosales (2012, page 25), based on IMF, World Bank, IDB, and UCLG data.

Subnational governments, and in particular local governments, in most of Latin America have as their main sources of revenue:

- Locally collected taxes and fees (especially property taxes)
- Transfers from the central government (conditional or unconditional)
- Loans from different financial institutions or agencies (this option varies greatly by country)
- Other revenue (royalties, grants, gifts, and donations)

The most common tax that almost all countries in Latin America assign to local governments is the property tax, which is by far their largest source of revenue, though their ability to collect it varies greatly by region and by country. Other taxes and fees include car registrations, driver license fees, construction permits, and public markets, among others.

One measure of fiscal decentralization is the level of autonomy that subnational governments have in generating their own revenue. In Dickovick's ideal types (2011) (based on measuring the fiscal aspects of decentralization: revenue, expenditure and contractual autonomy of the sub-national units), Latin American countries can be found between the Moderate type with large amounts of legally mandated transfers and major tax bases, but where transfers can be inconsistent (especially countries such as Brazil, Argentina, and Colombia), and the Low type with small amounts of legally mandated transfers, minor tax authority, and minimal transfers (most other countries).

Adding to the lack of autonomy in revenue, many countries still have insufficient autonomy in expenditure: only six countries allow local governments to create new taxes, and in seven countries the regional or central government has veto power over local governments' budgets (see Table 4). In many countries, there is a lack of local administrative capacity and profuse fragmentation (local governments that are too small),

lack of clear legal frameworks assigning expenditure responsibilities, confusion over revenue sharing (formulas are not clear, discussions over conditionality of the revenue sharing), irresponsible borrowing, and a concerning overreliance on transfers from the central government.

**Table 4: Local Governments Taxing Authority in Latin America**

Country	Authority to introduce new taxes	Authority to define taxes and fees levels within legal framework	Authority to change basis of taxation	Control or veto power of regional or central government over local budgets	Responsible for Collecting Fees	Responsible for Collecting Taxes
Argentina	Yes	Yes	Yes	No	Local	Local
Bolivia	No	No	No	Central	Central/Region	Central
Brazil	Yes	Yes	Yes	No	Local	Local
Chile	No	Yes	Yes	No	Local	Central/Local
Colombia	No	Yes	No	No	Local	Central
Costa Rica	No	No	No	Central	Private Sector	Private Sector
Dominican Republic	No	No	No	No	Central	Central
Ecuador	Yes	Yes	No	No	Local	Local
El Salvador	Yes	Yes	No	No	Local	Local
Guatemala	No	Yes	No	No	Local	Central/Local
Honduras	No	Yes	No	No	Local	Local
Mexico	No	No	No	Regional	Local	Local
Nicaragua	No	Yes	Yes	Central	Local	Local
Panama	No	Yes	No	Central	Local	Central/Local
Paraguay	No	No	No	Central	Local	Central/Local
Peru	No	No	No	No	Local	Local
Uruguay	Yes	Yes	No	Central	Local	Local
Venezuela	Yes	Yes	Yes	No	Local	Local

Source: Adapted from Jorge Martinez-Vasquez in Informe Mundial GOLD 2, UCGL, 2011

As previously noted, Latin American subnational governments have come to rely heavily on transfers from the central government, which helps explain their revenue increases while their own tax resources that have remained stagnant (Gomez Sabaini and Jimenez, 2012). This overreliance on transfers makes subnational governments vulnerable to cuts due to macroeconomic fiscal and economic imbalances (e.g., the 2008 economic crisis triggered significant cuts in central government transfers) or political reasons. It also makes them vulnerable to conditionality imposed by central governments (Rezende & Veloso, 2012).

Some of the main flaws identified by Rezende and Veloso (2012) in the intergovernmental transfer system applied in Latin America include the lack of clear principles and objectives to organize such transfers, the multiplicity of transfer sources and criteria applied, rules that are neither clear nor stable, new and multiple conditionality on the use of such funds, and the absence of a system of “periodical revision of the transfer regime.” This overreliance also creates a disincentive for subnational governments to improve their own revenue collection capacity (Martinez-Vasquez, 2011), reducing their ability to negotiate with the central government. Some of these weaknesses must be addressed if subnational governments in Latin America intend to achieve autonomy of expenditure and revenue, both key factors in the delivery of public services.

### **Final Perspectives on Latin America’s Decentralization**

After more than 30 years implementing political, fiscal, and administrative decentralization in the Hemisphere, the achievements are mixed, the difficulties and

challenges are many, and in some instances, there is a sense that in the XXI century decentralization is no longer a priority in many Latin American countries<sup>7</sup>. Presidentialism, and its tendency toward centralization, is too strong and difficult to overcome (Restrepo, 2006).

Decentralization is not necessarily a perfect solution to a country's development: it neither ensures better service delivery, nor is it the only factor influencing citizen participation. In fact, decentralization is not always efficient due to weak administrative or technical capacity at the local level. It can entail the loss of economies of scale or the capture of service delivery by local elites. It can also increase or create new tensions between local and regional governments and the central government over the control of scarce financial resources (World Bank Report, 2007; Rondinelli, et al 1984).

Nevertheless, achievements can be linked to the decentralization processes initiated in the last thirty years in Latin America, including the elections of subregional authorities, particularly local authorities, by popular vote. The legal framework for decentralization has encouraged important political reforms and increased citizen participation in most countries. Subnational governments have increased their share of expenditures and revenues and have more decision making authority as to how those funds can be spent. The transfer to subnational governments of policy making decision power and implementation has contributed considerably to increased capacity at the local level. Increased levels of citizen participation have contributed to innovations in social policy implementation, as

---

<sup>7</sup> In fact, Dr. Daniel Cravacuore of the National University of Quilmes, Argentina posits in his recent research (2014) that without a stronger defense by local and regional governments of their autonomy and prerogatives, and without pushing for a more comprehensive agenda for decentralization, the relationship between central governments and subnational ones would revert to the pre-1990s situation with strong dominance of the central government.

well as to the inclusion of previously excluded social groups in the policy making process. Municipal associations in particular have been strengthened, and overall subnational levels of government have taken a more proactive role (Rosales, 2012). Their increased relevance can be seen in the number of subnational authorities that have become national leaders in their countries.

In conclusion, decentralization implies a profound change and readjustment of intergovernmental relations. The way these changes are shaped and implemented will affect governance and policymaking decisions and implementation. It is in this context of Latin American decentralization that we will examine how decentralization has impacted intergovernmental relations in the two case studies presented here—Colombia and Paraguay—and how intergovernmental relations has shaped policy decentralization in health care and education.

## CHAPTER THREE

### COLOMBIA: INSTITUTIONAL FRAMEWORK AND DECENTRALIZATION

#### **Introduction**

Colombia, a country of 45 million inhabitants (2010)<sup>8</sup>, is characterized by its great cultural, geographical, and social diversity. Though its history has been marked by periods of conflict and violence since gaining independence from Spain, Colombia has simultaneously experienced remarkable economic and political stability by Latin American standards. Situated in the northern region of South America, it has been an example of decentralization, closely followed and studied by politicians, academics, and government practitioners.

Until very recently, the country was notoriously dominated by two main political parties. Colombia has been fragmented by violence, but also has a very diverse and rich history; the country's decentralization aimed to achieve stability and provide services to citizens that have been generally disenchanted with the political and economic system.

As in many other countries, Colombia's political institutions have been shaped by its particular history. This chapter will offer a brief review of the country's history, the creation of its most important government institutions, and the decentralization reforms initiated in the mid-1980s, and deepened in the early 1990s.

---

<sup>8</sup> <http://www.banrep.gov.co/es/poblacion> Banco Central de la Republica de Colombia



## **Historical Background**

### **From Independence to 1886**

Colombia was part of the Spanish crown colonies in the New Kingdom of Granada—composed of modern-day Colombia, Venezuela, Ecuador, Panama, and certain areas of Peru. The country declared independence from Spain in July of 1810, and Simon Bolivar ensured the end of Spanish dominance after the battle of Boyaca in 1819. The period after independence was characterized by internal conflicts that resulted in the dismemberment of the Kingdom in 1830, and the creation of modern day countries (with the exception of modern-day Panama, which was part of Colombia until 1903).

Civil strife and internal conflicts were also characteristics of the nascent country with deep regional differences that did not necessarily recognize the leadership of Bogota—the center of political and cultural life. The first Colombian constitution was enacted in 1821, establishing a very centralist organization but was otherwise conventionally liberal (Hudson, 2010). From 1849 to 1886, Colombia fluctuated between a liberal republic and a highly centralized, authoritarian government. The oscillation was a response to the political differences and impact of the two traditional political parties that were to dominate Colombia's modern history: the Liberal Party, which tended to be progressive and urban-based; and the Conservative Party, which was more traditional, closely linked to the Catholic Church, and mostly rural-based.

In 1886, a new constitution was enacted that reversed the federalist trend established by the Liberal Party, and inaugurated 45 years of Conservative rule. The period was once again characterized by factionalism within political parties and political and economic instability (Hudson, 2010).

This period of Colombian history saw a poor country with dramatic regional differences, managed from Bogota by political elites in a way that intensified those regional differences. Citizens did not feel they belonged to a nation, but rather an exclusive membership in one of two political parties (Hylton, 2006).

### **From 1886 to the 1950s**

This period of Colombian history was marked by terrible civil wars, economic booms, political instability—including Colombia's only coup d'état—the rise of armed guerrillas, narco-trafficking, paramilitaries, and overextended civil and military conflicts. As a result, Colombia has been a very fractured and polarized society where political competition has been a zero sum game expressed in various forms of violence.

Between 1880 and 1930, Colombian politics were dominated by the Conservative Party and the Catholic Church, and the government was very centralized. These factors strengthened clientelism rooted in the coffee export boom that began in the 1880s. This era also brought the commercial and banking elites of Antioquia Department to national prominence (Hylton, 2006).

In the 1890s, Colombia was dominated by a coffee economy; the country became a world exporter of coffee, and saw the consolidation of landed elites as the new political elites of the country. Between 1899 and 1902, in the civil war known as the War of a Thousand Days, the Liberal Party lost to the Conservative party. The war caused great economic losses and human casualties and precipitated Panama's declaration of independence (Hudson, 2010), which was facilitated by the United States.

In 1886, a new centralist Constitution was enacted that gave the president the power to name governors; term-lengths for all political offices were extended; demonstrations against the government were forbidden; and heavy emphasis was placed on “order” (Hylton, 2006).

Between 1904 and 1930, Colombian politics were characterized by Conservative Party dominance, though power-sharing mechanisms were established with the Liberal Party to avoid more disruptions.

Divisions within the Conservative Party allowed the Liberals to reclaim the presidency. In 1930, the Liberal Party won the presidential election, inaugurating the period known as the “Liberal Pause” (Hylton, 2006), which lasted until 1946. During this time, the urban middle classes claimed a part of the riches generated by the economic boom, ushering a wave of mass mobilizations against the government. Liberals united around the charismatic figure of Jorge Eliecer Gaitan, whose nationalism appealed to people of all economic classes and ethnic backgrounds. Special efforts were made to reform the 1886 constitution to ensure the separation between State and Church, but the efforts were unsuccessful.

The Liberal establishment resented Gaitan’s influence and locked him out of the presidency in 1946. He then decided to run as an independent, thus splitting the Liberal Party and allowing the Conservatives to win the election with Laureano Gomez, who was aligned with the most conservative wing of the party.

In 1946, Gaitan was assassinated, ushering in one of the darkest periods of Colombian history, known as “La Violencia” (the Violence), which officially lasted from 1946 to 1957.

The death of Gaitan generated massive demonstrations in Bogota (then known as the Bogotazo), which were brutally put down by the Conservative government. Other major urban areas also experienced demonstrations and repression.

Partisan conflict spread quickly in the coffee growing areas of the country. Liberal elites in this region, fearing Conservative revenge for actions that occurred during the War of a Thousand Days, organized armed resistance. Conservatives also reacted by arming their base. Bloodshed spread around the country and thousands were killed, many in rural areas. By the end of the conflict, an estimated 300,000 individuals—mostly men—had been killed, and 2 million had been forcibly displaced<sup>9</sup>.

In 1951, Laureano Gomez momentarily stepped down due to health issues and, in 1953, when he attempted to regain his post, the only military coup in Colombian history occurred. General Rojas Pinilla took over the government, increasing violence and repression against Liberal Party members. Partisan sectarianism increased significantly, and changing parties was seen as a treason to family and country. The roots of Colombian inequality (access to land) were not addressed nor solved by this conflict (Hylton, 2006; Hudson, 2010). Regional guerrilla movements emerged during this crucial time in Colombian history.

---

<sup>9</sup> There is little agreement and much controversy as to the total number of people who were killed during La Violencia, as some deaths were not recorded and occurred in rural areas. What is known is that most of the dead were poor peasants (Hylton, 2006; Hudson, 2010).

## **The National Front, 1957 – 1982**

The horrors of *La Violencia*, and the terrible social and economic consequences it had on the country, were so great that the political elites of both parties realized that some compromise was needed to pacify the country. By 1957, Colombian political elites of both parties realized that Rojas Pinilla intended to remain in power, and they united to topple him. Thus, in 1958 a national agreement between the two parties was signed to diminish the violence and to establish a power sharing mechanism. The agreement called for both parties to share power equally, alternating the presidency, and parity of representation at all levels of government. Regional and local political power remained more important than central government authority in most places, as Liberals and Conservatives sought to maintain the economic well-being of the nation, and there were no major ideological differences between them.

By 1961, the national government sponsored new agrarian reform laws without much success. The lack of progress and the continued dire situation of landless peasants, as well as serious urban poverty, fueled the surge of guerrilla movements<sup>10</sup>. In 1970 Misael Pastrana, a Conservative, was elected president (1970-1974) and sponsored public works and urban remodeling to generate employment and reform to deal with those problems.

In 1974, Lopez Michelsen, a Liberal, was elected president (1974-1978). Urban discontent increased sharply and the guerrilla movement M-19 was formed. In general, the mid-1970s saw widespread protests around the country over public services delivery. In

---

<sup>10</sup> The Revolutionary Armed Forces of Colombia, known as the FARC, was created in 1964, along with the National Liberation Army or ELN. By 1967, the Popular Liberation Army (EPL) was also formed.

1977, the major trade unions organized the “*paros civicos*” or civic strikes to protest lack of services and opportunities, but these efforts were seriously repressed.

Julio Cesar Turbay Ayala (1978-1982), a Liberal, allowed widespread suppression of the *paros civicos* and the guerrilla movements present in the country. Colombia was again experiencing a spiral of political violence, widespread crime, and civic protestations; it appeared as if governmental authorities had no control of the situation. As Hylton (2006) notes:

*“In the late 1970s and early 1980s intensified repression diminished state authority and created a climate in which the Left insurgencies thrived”* (page 65). This in turn fueled the creation of death squads that eventually became regional paramilitary forces.

### **Crisis Time, 1982 to 2010**

In 1982, Belisario Betancourt (1982-1986), a Conservative, was elected president. President Betancourt initiated a peace process with the insurgencies. A broad electoral left emerged and it was strongly resisted at the regional and local level. High levels of political violence, torture, and disappearances characterized this period of Colombian history. The power of the cocaine-exporting barons increased dramatically, and paramilitary forces took control of vast areas of the country. The guerrilla movements M-19, the EPL, and the FARC ended negotiations with the government. In 1984, the then Minister of Justice, Rodrigo Lara Bonilla, was killed by narco-traffickers. In 1985, M-19 seized the Palace of Justice, which was destroyed during the counterassault. Over 100 people were killed, including half of the members of the Supreme Court (Hudson, 2010). In 1989, the popular

Liberal candidate for President, Luis Carlos Galan, was assassinated, along with two other presidential candidates.

During the 1990s, unemployment was high especially among young males, which facilitated the recruitment efforts of drug businesses, paramilitary organizations, and the left insurgency (Hylton, 2006). More and more people were being displaced by violence; smaller armed groups were disarmed and most of their members later killed. Political participation continued to erode. Insurgencies allied themselves in some instances with the drug barons and so did paramilitary groups (created to counter the violence of the leftist guerrillas). The violence was out of control in many parts of the country. Both insurgency and paramilitary groups took control over vast resources, populations, territories, and transport routes during this decade.

It was in this context of violence and uncontrolled political chaos that Cesar Gaviria, a Liberal, was elected president (1990-1994). Realizing the seriousness of the situation, and trying to legitimize the political system, President Gaviria convened a Constitutional Assembly to produce a new and more democratic constitution as a possible solution to the spiral of violence engulfing the country.

The new Constitution, approved in 1991, introduced important political, fiscal, and social reforms (recognition of indigenous peoples and their territories; streamlining the judiciary and limiting the authority of the executive; reforming how senators, representatives, mayors, and governors were to be elected; reaffirming fiscal and political decentralization; and, including participatory approaches to democracy, among other reforms).

But decentralization also opened a new opportunity for armed groups to enter into electoral competition (Hylton, 2006; Eaton, 2006). As Hylton (2006) notes: “*Capitalizing on decentralization, the paramilitaries were now poised to contest insurgent power by taking over regional and local office through the Liberal Party, as Conservatives had done after 1946*” (page 81).

In 1993, the infamous Medellin cartel suffered a major blow when its leader, Pablo Escobar, was killed by the Colombian authorities. This event did not dislodge power from the drug barons, as Escobar’s death gave power to the Cali cartels that were, at least, more moderate in their attacks to judicial and political figures.

In 1994, the Liberal Ernesto Samper was elected president (1994-1998), but his presidency was dogged from the beginning by allegations of drug money involvement in his political campaign (Hylton, 2006; Hudson 2010). At this time, the economic crisis of the country deepened and, for the first time, Colombia received an aid package from the International Monetary Fund. The War on Drugs became an essential component of US-Colombia relations, and both insurgents (FARC and ELN) and paramilitary groups were linked to drug trafficking and common criminality. Their actions made many parts of the country extremely violent and caused massive displacements of poor and peasant families to urban areas. Paramilitary advances were exceptional, with the founding of the United Self-Defense Forces of Colombia (AUC) in 1997 (Hudson, 2010).

When Andres Pastrana, a Conservative, was elected president (1998-2002), he sought to negotiate peace with the FARC. For that purpose, a Switzerland-sized “demilitarized zone” was created in the south. At the same time, the US and Colombian governments launched the Plan Colombia, a five year, \$4 billion aid package—80% of



which was to be used by the Colombian military and police. In 2002, a peace agreement was also negotiated with paramilitary groups. Both negotiations failed and President Pastrana ordered the armed forces to recapture the area previously given to the FARC.

In 2002, a former Liberal governor of Antioquia, Alvaro Uribe, who now promoted a very conservative agenda and was running as an independent, was elected president. The US-backed Plan Colombia was expanded. Peace agreements with no accountability were reached with paramilitary groups. Insurgencies continued to lose support from the general population (Hylton 2006; Hudson 2010) because of their often violent strategies.

President Uribe embarked on an aggressive campaign against the guerrilla movements. In 2004, the Colombian Congress approved legislation that allowed for the re-election of the President, handing President Uribe a major political victory. This was ratified by the Constitutional Court in 2005 (Hudson, 2010). That same year, a controversial law went into effect that gave almost complete amnesty to members of the paramilitary forces known as AUC.

In 2006, President Uribe was overwhelmingly reelected with over 62% of the votes (Hudson, 2010). His 2006-2010 term was characterized by human rights abuse allegations<sup>11</sup>, increased military action against the FARC, and civil malaise over the economic situation of the country. In 2009, President Uribe faced defeat as his proposed referendum to allow for a second reelection was invalidated by the National Electoral Council. The FARC reaffirmed their armed struggle and rejected surrender. In 2010, the

---

<sup>11</sup> In 2008, the scandal over the “false positives” unraveled, revealing large-scale extrajudicial killings of poor young men to increase the alleged count of guerrilla members killed. By 2009, the UK had stopped bilateral military aid to Colombia due to human rights abuses allegations (Hudson, 2010).

Constitutional Court reaffirmed the unconstitutionality of Uribe’s second reelection ambitions, and his former Minister of Defense, Juan Manuel Santos, was elected president later that same year.

This brief review of Colombia’s modern history, suggests that to understand Colombian politics, it is necessary to understand the “*multiple layers of previous conflicts and the accumulated weight of unresolved contradictions*” (Hylton, 2006, page 7). The coexistence of democratic institutions and continued internal armed conflict are the central characteristics of Colombia’s political system (Table 5 below provides an overview of the country’s complex political history).

Decentralization, in particular political decentralization, was seen by most political actors, parties, and the political establishment as a way of restoring legitimacy to a system that has been highly exclusionary, clientelistic, and unable to provide for the majority of its citizens.

**Table 5: Turning Points in Colombia’s Modern Political History**

<b>Since Independence to 2010</b>	
1811 – 1819	Independence movement against the Spanish crown
1819 – 1830	Simon Bolivar won the battle of Boyaca and the Republic of Colombia was created. In 1830, a new Constitution was proclaimed. Ecuador and Venezuela seceded. Bolivar died.
1832 - 1858	<i>Republic of New Granada</i> A new Constitution strengthening the central executive was enacted in 1843. Slavery was ended in 1852. 1853 a new more Liberal Constitution was enacted.
1858 - 1861	<i>Confederacion Granadina</i> was established by the 1858 new Constitution that aimed to create a federal state. Church property was expropriated.

1863	Liberals enacted another more liberal Constitution that established a federal state and increased individual liberties.
1886	Conservatives regained power and a new Constitution was enacted, ending federalism in favor of a highly centralized government. The Country was renamed Republic of Colombia, federalism ended and the Departments were created at the regional level
1899 - 1902	War of the Thousand Days.
1903	Panama, backed by the U.S., declared independence from Colombia.
1904 - 1930	A period of political reconciliation and alternation between the Liberal and Conservative party ensued.
1930 - 1945	A period of social reform, including attempts to agrarian reform under Lopez Pumarejo presidency.
1946- 1958	<i>La Violencia</i> . After the assassination of Jorge Eliecer Gaitan, and the return of the Conservatives to the government, the country was engulfed in a civil war that caused thousands of deaths, mostly in rural areas.
1958 - 1978	The National Front: both political parties agreed to a sharing power formula to peace the nation. Liberals and Conservative would alternate the presidency and all political posts equally Guerrilla movements started to appear in this period
1979 - 1990	Terrorism and counterinsurgency characterized Colombia. Guerrilla movements were active, political turmoil increased, and drug cartels infiltrated politics and the judicial system.
1991	A new Constitution establishing Colombia as unitary and decentralized was enacted. Minorities were given constitutional recognition. Fiscal, administrative, and political decentralization were significantly expanded.
1990 – 1994	Presidency of Cesar Gaviria, a Liberal, Convened the Constitutional Assembly.
1994 - 1998	Presidency of Ernesto Samper. Allegations of drug money in his political campaign would plague his administration.
1998 – 2002	Presidency of Andres Pastrana, a Conservative, tried to negotiate peace agreements with counterinsurgency and the FARC. Both failed.
2002 - 2010	Independent candidate Alvaro Uribe was elected President in 2002 and reelected in 2006. Military campaigns against the FARC and other guerrilla movements were increased. An amnesty was signed with the counterinsurgents. Country was heavily criticized for human rights abuses.
2010	Juan Manuel Santos, former Minister of Defense of President Uribe, was elected President.

Source: Author based on Hudson, 2010

## Structure of Subnational Governance in Colombia

### The 1991 Constitution: New Design of the Colombian State

As noted above, the 1991 Colombian constitution transformed the political, fiscal and administrative organization of the country. It was also an attempt to pacify the country and give political leaders, and new political players (e.g., demobilized guerrilla leaders), more involvement in running the nation. It was the latest of many Constitutions adopted in the country's history (see Table 6 below).

**Table 6: Administrative Political Organization of Colombia**

<b>Year of the Constitution</b>	<b>System Adopted</b>
1811	Federal
1821	Centralist
1830	Centralist
1832	Centralist
1843	Centralist
1853	Federal
1858	Federal
1863	Federal (Created the United States of Colombia)
1886	Centralist/Unitary
1991	Unitary/Decentralized

Source: Adapted from Monteoliva & Dangond

The process of convening, drafting, and approving the new constitution was heavily influenced by the historical context of the country and its violent past. The traditional political parties were not committed to the process, and new forces (former guerrilla movements [e.g., M-19], indigenous groups, and other minorities have traditionally been excluded) did play a significant role in drafting the new document. The process is best

understood as a series of negotiations among different actors with different political and negotiating capacities.

*“The traditional parties and the political class that represented them in Congress not only were at the margin of this convulsive process, but were also seen as the ones responsible for the institutional stagnation that had resulted in the crisis”* (Bejarano, 2001; page 56).

The process of convening the constitutional assembly occurred with traditional parties playing a marginal role; thus, those traditional political parties (which still controlled Congress) had no real incentives to implement the new mandates of the constitution (Bejarano, 2001).

There was high abstention for the election of the Assembly (74%), meaning that only a minority of Colombians elected those who represented them at the Assembly. Both traditional parties fared worse than expected, and the biggest surprise was the representation obtained by the demobilized guerrilla movement, M-19, which obtained almost 27% of the votes for a total of 19 representatives to the Assembly; indigenous groups obtained almost 2% of the votes for a total of 2 representatives (plus 2 non-voting representatives at the Assembly) (See Table 7 below).

**Table 7: Votes to the Constitutional Assembly, December 9<sup>th</sup>, 1990**

<b>Political Party/Movement</b>	<b>Number of Delegates</b>	<b>Percentage of Votes in the Assembly</b>	<b>Percentage of Total Vote</b>	<b>Number of Votes</b>
Liberal Party	25	35.7	31.2	1,158,344
Democratic Alliance M-19	19	27.1	26.7	992,613
Movement of National Salvation	11	15.7	15.5	574,411

Conservative Party	5	7.1	6.4	236,794
Independent Conservatives	4	5.7	5.0	185,316
Christian Union*	2	2.9	3.1	115,201
Patriotic Union (UP)	2	2.9	2.5	95,088
Indigenous Groups	2	2.9	1.5	54,226
Other Lists	0	0.0	6.4	236,362
Blank votes			1.1	37,735
Invalid votes			0.7	24,467
Total	70	100	100	3,710,557

Source: Adapted from Santos Perez & Ibeas Miguel, 1995

\* Coalition of non-Catholic Christians

For the first time in Colombian history, the traditional political parties did not have control over the future of Colombian politics. The aim was to modernize the political system and make it more representative. But, the fragmentation of the parties represented in the Assembly also meant that the Constitution included contradictory articles and too many “feel good” intentions (Bejarano, 2001; Kugler & Rosenthal, 2005). The low participation rate also meant that citizens were not fully involved in the decision making process of the new Constitution.

Nevertheless, the new Constitution was a watershed for Colombian politics and brought about significant changes in judicial, administrative, and political life, with important consequences for its governmental organization.

Below are several important changes to the new Constitution (Bejarano, 2001; Kugler & Rosenthal, 2005; Alesina et al., 2005):

- A strong impetus for decentralization, which been initiated by former administrations in the mid-1980s;

- It established the popular election of governors and confirmed the popular election of mayors (first elected in 1986 as a result of Congressional law);
- It established three mechanisms for fiscal decentralization:
  - *Situado Fiscal* to the Departments (general transfers),
  - Transfer of funds for health and education to Departments and municipalities,
  - Transfer of Royalties from the exploitation of natural resources (*Regalias*);
- It established that transfers of national revenues to Departments and municipalities should increase annually (until reaching 22% of national revenue by 2002).

The new Constitution dismantled the political restrictions that the National Front had created and opened up the political system to new political parties and movements; new mechanisms for citizen participation at the local level were introduced, along with mechanisms of control and accountability over political power (Bejarano, 2001). The reforms also impacted how Congress was to be elected. Senators would now be elected at the national level and not regionally—to undermine the power of traditional, regionally-based political elites. In the House of Representatives, regional electoral districts were maintained.

In theory, the Constitution increased the power of control of Congress over the Executive branch (But, in general, Colombia continues to be heavily presidential especially due to the emergency powers granted to the executive—though limited—and the

fragmentation and atomization of parties). The greatest innovation in this regard is the ability of Congress to censure cabinet ministers (Hudson, 2010; Bejarano, 2001).

In regard to political parties, the Constitution eliminated restrictions that in the past gave dominance to the traditional parties and recognized the right of citizens to create parties, political movements, and groups without limitations. State financing for political campaigns was guaranteed, as well as equal access to the State communication media during elections.

The Constitution also introduced the ability for private citizens to contest legislation directly with the highest courts in the land. As a result, much legislation is contested and sometimes overturned on procedural grounds. Overly egalitarian expectations created by the Constitution contribute to a judicial activism that often overrides Congressional decisions (Kugler & Rosenthal, 2005).

Some major changes the new Constitution brought were reforms in the judicial system. It created the Constitutional Court (*Corte Constitucional*), charged with interpreting the true meaning of the Constitution and ensuring that legislation passed was in accordance with the spirit of the document. As a result, much legislation approved by both the Executive and the Legislative has been rejected by this Court, as well as decisions made by other courts (including the Supreme Court) (Kugler & Rosenthal, 2005). The activism of the judiciary as a consequence of these changes has not gone unnoticed or uncriticized.

Articles 275 to 278 of the 1991 Constitution also created the position of the attorney general or procurator (*Procurador General*) elected by the Senate to a 4-year term from a



shortlist presented by the President, the Supreme Court, and the State Council. The attorney general is charged with:

- Monitoring compliance with the Constitution, laws, court decisions, and administrative acts;
- Protecting human rights with the help of the Ombudsman;
- Defending the interests of society;
- Defending the collective interests of Colombians, especially with regard to the environment;
- Ensuring the diligent and efficient exercise of administrative functions;
- Exercising vigilance over the official conduct of those who hold public office, including elected officials; preferably exercising disciplinary authority; conducting investigations and imposing the appropriate penalties under the law;
- Intervening in proceedings before the judicial or administrative authorities, when necessary, to defend legal order, public property, or individual rights and fundamental guarantees;
- Requiring from public officials and individuals necessary information.

To fulfill its duties, the Agency of the Attorney General shall have powers of judicial police, and may bring such actions as it deems necessary<sup>12</sup>. These actions are closely coordinated with the Ombudsman office (*Defensoría del Pueblo*), charged mainly with the defense, promotion, and respect of human rights. At the local level, the local procurators or *Personeros* are the entities responsible for exercising administrative control

---

<sup>12</sup> <https://c-politica.uniandes.edu.co/oec/index.php?ac=oc&main=5&id=1&dat=25#d1>

in municipalities. It is their responsibility to protect and promote human rights, the public interest, and monitor the conduct of those who perform public functions in the municipalities. The *Personeros* are elected by the Municipal or District Council to 4-year terms.

One area in which the new Constitution had a major impact was on fiscal decentralization<sup>13</sup>. Articles 356 and 357 of the Constitution commit the central government to a rigid structure of fiscal decentralization, but the document does not have provisions that obligated subnational governments to be fiscally responsible. Regional governments can have unbalanced budgets and run fiscal deficits. Criticisms of the fiscal decentralization model established by the 1991 Constitution include: this rigid structure has negatively affected the central government's finances; the responsibilities of each level of government in matters of health and education were not clearly established; and, municipal governments have been fiscally irresponsible and have not used the funds efficiently or effectively (Kugler & Rosenthal, 2005; Bejarano, 2001; Alesina, 2005).

Overall, and as stated above, the 1991 Colombian Constitution, despite its shortcomings, applied significant changes to the political system; the document represented a fiscal, administrative, and political decentralization model for other unitary countries around the world.

---

<sup>13</sup> This will be discussed in more detail in the next section.

## **Structure of the Colombian State after the 1991 Constitution**

Territorially and administratively, Colombia is divided in 32 Departments and about 1,100 municipalities, and special districts, indigenous entities, and the Capital District: Bogota (Hudson, 2010). Governors, who were named by the President before the 1991 Constitution, are now directly elected by the people for a 4-year term, and cannot be immediately reelected. Each Department also has a regional Assembly elected by popular vote. The main function of a Department is to coordinate and promote local and Departmental development (Hudson, 2010).

Mayors are elected to 4-year terms and cannot be immediately reelected either. Each municipality also elects by popular vote the members of the Municipal Assembly (Municipal Council or Junta) with a minimum of seven members to a maximum of twenty-one.

The first popular election of mayors occurred in 1988 after a 1986 Law of Congress was passed. The 1991 Constitution confirmed their right to be directly elected by the people. In the 1994 general election, the first governors were directly elected.

As is the case in many Latin American countries, the responsibilities of the different levels of government are established by the Constitution and the legal framework that derives from it. In the case of Colombia, the national government concentrates great power and functions. Subnational levels of governments (e.g., Departmental governments) have less clearly defined roles and responsibilities and their administrative responsibilities are usually defined as “coordination and collaboration” with national and local authorities.

Local governments have more autonomy and various administrative responsibilities (see Table 8 below).

**Table 8: Organization of the Colombian State – Powers by Level of Government**

	<b>Legislative Authority</b> (With the capacity to enact and propose laws)	<b>Administrative Authority</b> (With the capacity to enact and enforce administrative regulations, impose administrative sanctions, etc.)	<b>Judicial Authority</b> (With capacity to resolve and decide conflicts, impose sentences, and are of universal enforcement)
<b>National Level</b>	<ul style="list-style-type: none"> <li>- The National Congress (two chambers, Deputies and Senators) – only one that can approve laws.</li> <li>With capacity to present law proposals to Congress:</li> <li>- The Government through the respective Ministry</li> <li>- The Constitutional Court</li> <li>- The Supreme Court</li> <li>- The State Council</li> <li>- The Superior Council of the Judiciary</li> <li>- The National Electoral Council</li> <li>- The Attorney General's Office</li> <li>- The Comptroller General of the Republic</li> <li>- The Ombudsman</li> <li>- Thirty percent of the councilors or deputies elected in the country</li> <li>- Citizens representing at least 5% of registered voters</li> </ul>	<ul style="list-style-type: none"> <li>Executive Power (the President of the republic, the Vice-President, assisted by Ministers)</li> <li>Constitutional Court</li> <li>Attorney General</li> </ul>	<ul style="list-style-type: none"> <li>Judicial Power (Supreme Court, Tribunals, Constitutional Court, and Judges)</li> </ul>
<b>Departmental Level</b>	<ul style="list-style-type: none"> <li>- No decentralized legislative authority</li> <li>- Deputies are elected by direct vote of inhabitants of each Department for national congress</li> </ul>	<ul style="list-style-type: none"> <li>- Governors are the executive power at the Departmental level</li> <li>- Departmental Councils enact administrative rules</li> </ul>	<ul style="list-style-type: none"> <li>- There is no decentralization of judicial activities</li> <li>- There are judicial districts with regional judges and tribunals but are dependent</li> </ul>

	- Departmental Assemblies enact administrative or regulatory ordinances but do not enact laws in the formal sense		on the National Judicial system - Judicial districts do not necessarily match Departmental limits
<b>Municipal Level</b>	- Municipalities have Councils, can only enact administrative or regulatory ordinances at the local level	- Mayors are the head of the executive at the local level - Municipal Councils enact administrative regulations - Misdemeanor courts impose administrative sanctions only	- Local judges of the misdemeanors courts are not member of the Judicial branch and can only impose administrative sanctions

Source: Author based on Hudson (2010) and Government of Colombia web resources

### **Departmental Governments in Colombia**

Colombia has 32 Departments—that vary greatly in population, geography, and natural resources—divided among the Andean region (most populated, with approximately 30 million inhabitants), the Atlantic (5 million inhabitants) and Pacific (1 million inhabitants) regions, and the Orinoco and Amazon regions with 800,000 and 700,000 inhabitants respectively<sup>14</sup>.

Socio-economic disparities between Departments is clearly observable via differences in the Human Development Index (HDI), according to information published by the National Planning Department (See Table 9 below). Advances in these indicators are not homogeneous; on the contrary, considerable social, demographic and economic differences between Departments are present. In 2007, of the 23 most populous Departments, only the Departments of Cundinamarca, Atlántico, Antioquia, Valle and Santander, in addition to Bogotá—the capital city and a special district—presented an HDI

---

<sup>14</sup> Sistema Uno, based on 2005 Census

above the national average (0.78). The Departments with lower values for this indicator were Cauca, Nariño, Sucre, Caqueta and Choco (0.67) (Grajales & Cardona, 2011).

**Table 9: Human Development Index by Department (2005)**

<b>Department</b>	<b>HDI</b>
Choco	0.67
Nariño	0.72
Caqueta	0.73
Cauca	0.73
Sucre	0.73
Magdalena	0.74
Norte de Santander	0.74
Cordoba	0.75
Boyaca	0.76
Cesar	0.76
Meta	0.76
Quindio	0.76
Tolima	0.76
Bolivar	0.77
Caldas	0.77
Huila	0.77
Risaralda	0.77
La Guajira	0.78

Anitoquia	0.79
Atlantico	0.79
Cundinamarca	0.79
Valle del Cauca	0.79
Santander	0.80
Bogota, DC	0.83
Total for the country	0.78

Source: Adapted from Grajales and Cardona (2011)

Departments have autonomy in managing their affairs and in planning and promoting economic and social development within their territory and, under Article 298 of the Constitution, they can exercise administrative functions of coordination and complementarity with municipal governments. They play an intermediary role between the national government and municipalities and are in charge of the provision of services as determined by the Constitution and laws<sup>15</sup>.

Departmental governments are (according to the 1986 Decree Law 1222) charged with:

1. Participating in the development of national plans and programs for economic and social development, for public works, and for coordinating their execution in their territories;

---

<sup>15</sup> [http://portalterritorial.gov.co/apc-aa-files/7515a587f637c2c66d45f01f9c4f315c/1\\_Guia%20Elementos%20web.pdf](http://portalterritorial.gov.co/apc-aa-files/7515a587f637c2c66d45f01f9c4f315c/1_Guia%20Elementos%20web.pdf)

2. Fulfilling the responsibilities of providing national services, or coordinating their implementation and fulfillment, in accordance with conditions/requirements set by a delegation, contract, or agreement;
3. Promoting and implementing, in compliance with the respective national and Departmental plans, economic activities integral to Department development and to the welfare of Department inhabitants;
4. Providing technical, administrative, and financial assistance to municipalities, promoting their development and the welfare of Department inhabitants;
5. Exercising control over municipalities as indicated by the legislation;
6. Cooperating with the competent authorities in the execution of tasks necessary for the conservation of the environment and the proper preservation of natural resources;
7. Performing other administrative functions and provision of services that the Constitution and the laws establish.

Departments in Colombia are categorized by the level of own revenue collected and by population (Article 302 of the Constitution). The Department's ability to provide services (as delegated and/or decentralized from the central government), in many instances, depends on their category (i.e., Departments with less population and less capacity to collect their own revenues are less able to provide such services). The table below (Table 10) shows the different categories of Departments, as established by Law 617/2000.



**Table 10: Departmental Categories**

Category	Population (inhabitants)	ICLD*
Special	More than or equal to 2,000,000	More than 600,000 SMLM**
First	Between 700,001 and 2,000,000	Between 170,001 to 600,000 SMLM
Second	Between 390,001 and 700,000	Between 122,001 and 170,000 SMLM
Third	Between 100,001 and 390,000	Between 60,001 and 122,000 SMLM
Fourth	Less than or equal to 100,000	Less than or equal to 60,000 SMLM

\*ICLD: current revenues, regularly collected (transfers excluded) (acronym for its Spanish name: *Ingresos Corrientes de Libre Destinación*)

\*\* SMLM: Legal minimum monthly wages (acronym for its Spanish name: *Salarios Mínimos Legales Mensuales*)

Source: Author based on *Elementos Básicos del Estado Colombiano*

As mentioned above, governors are elected directly by the people to 4-year terms and cannot be immediately reelected. The governors, who are also agents of the national government, direct and coordinate the provision of national services under the conditions, and according to the delegation, given by the President of the Republic (Article 181 of the Constitution). The President, in cases prescribed by law, is responsible for dismissing the governors.

Their responsibilities, as noted in the 1991 Constitution, include:

1. To comply with, and enforce, the Constitution, laws, decrees of the governor, and the ordinances of the Departmental assemblies;
2. To direct and coordinate the administrative action of the Department and act as manager and promoter of the comprehensive development of the territory in accordance with the Constitution and laws;
3. To direct and coordinate national services in the conditions of delegation conferred by the Executive power;

4. To provide, in a timely manner, to the Departmental Assembly the draft ordinances of plans and programs of economic and social development, public works, and annual budget of revenues and expenditures;
5. To freely appoint and remove managers or directors of public institutions and industrial or commercial enterprises of the Department.
6. To encourage, in coordination with the elected deputies, the social and economic development of the region;
7. To create, eliminate, and merge jobs within the Departmental administration and establish their functions.
8. To remove or merge Departmental entities in accordance with the ordinances;
9. To object—on grounds of unconstitutionality, illegality or inconvenience—draft ordinances, or sanction and promulgate them;
10. To review the acts of the municipal councils and mayors and, on grounds of unconstitutionality or illegality, forward them to the competent court to decide on validity;
11. To ensure the accurate collection of Departmental revenues, of the decentralized entities, and of those which are subject to transfer to the national authorities;
12. To call for special sessions of the Departmental Assembly in which only the issues and materials for which it was summoned can be dealt with;
13. Exercise the administrative functions delegated by the President and all other matters as established by the Constitution and the laws.

Departmental Assemblies or Councils (*Asambleas Departamentales*) are in charge of controlling the Department's administration (to ensure transparency and that no excesses are committed by the administration). Councils are elected by the people (also for four year terms) and have budgetary and administrative authority. They must have no less than 11 members and no more than 31 (Article 299 of the Constitution). Assemblies also prepare, debate, present, and approve Departmental ordinances aimed at improving the living conditions of the Department and promote its development. The general functions of the Departmental Assemblies include:

1. To regulate the performance of responsibilities, and the provision of services, by the Department;
2. To regulate—in coordination with the municipalities—sport, education, and health programs under the terms established by law;
3. To issue provisions related to planning, economic and social development, and financial and credit support to municipalities, as well as provisions related to tourism, transportation, environment, public works, roads and the development of its border areas;
4. To request reports on the exercise of functions from the Comptroller General of the Department, as well as from secretaries of state, heads of administrative Departments, and from the directors of decentralized agencies present in the territory;
5. To adopt development plans and programs, promote their implementation, and ensure compliance;

6. To propose motions of censure to administrative secretaries and high Departmental government officials for malpractice in the performance of their duties or for unresponsiveness to Assemblies' requests for information;
7. To establish taxes and contributions necessary for the performance of Departmental functions<sup>16</sup>;
8. To approve the Departmental budget and issue the necessary ordinances to ensure its approval;
9. To create and abolish municipalities, organize municipal territories, and organize provinces;
10. To determine the structure of the Departmental administration, the functions of their offices, pay scales, creating public facilities and industrial and commercial enterprises and approve the formation of mixed companies;
11. To perform other functions determined by the Constitution and the law;

As this brief description of Departmental governments in Colombia shows, the intermediate level of government has not been given a specific set of responsibilities by the Constitution; only by subsequent legislation have Departments been given shared responsibilities with municipalities (e.g., health, education, infrastructure, and the promotion of sports and tourism). But the laws are vague and confusion and duplication

---

<sup>16</sup> In fact, this prerogative was curtailed by the Constitutional Court, which ruled that only the national Congress can create new taxes.

of efforts are common. The laws are clear, though, in the cases where municipalities do not meet the national government's minimum requirements to provide basic services (especially in health and education). When conditions are met, municipalities are "certified."

In cases where the municipality is not certified, the law requires that services be provided by the Departmental government. This provision has created conflict and tension between local and Departmental authorities as the funding is still transferred to the local government, and the funds must then be made available to the Department. The autonomy of governors is also curtailed by their dual role as both representatives of the people who directly elected them and "agents of the President" in the territory.

Fiscal decentralization has been a major component of Colombia's decentralization process. The next section will briefly describe the structure of municipal governments and their roles and competencies—to then examine fiscal decentralization at the subnational level.

### **Municipal Governments in Colombia**

Across Latin America, municipal governments date back to the era of Spanish colonialism and have always played an important role in the structure of the State and in local development. Colombia's case is not different, and local authorities have always played a significant role in the political, social, and economic life of the country.

With almost 1,100 municipalities, Colombia's municipal governments are diverse in natural resources, population, extension, and levels of development. For example, the municipality of Cumaribo in the Department of Vichada comprises over 66,000 square

kilometers and has a total population of just 28,800 (2005), and the municipality of Sabaneta in the Department of Antioquia comprises just 15 square km and has 44,800 inhabitants (2005). Very large and complex urban areas characterize Colombian municipalities like the capital city of Bogota, Medellin, Cali, Cartagena, Barranquilla—all urban areas with well over 1 million inhabitants<sup>17</sup>.

The 1991 Constitution reaffirmed the administrative, political, and fiscal autonomy of local governments. It upheld the direct popular election of mayors and councilmembers established by law in 1986 for four year terms without possibility of immediate reelection.

As is the case with Departments, municipal governments in Colombia are divided into seven categories, which are used to establish the mayors' salaries and to establish limits on the operating costs of local governments. The categories are based on the local governments' population, their fiscal and administrative capacity, and current revenue capacity (transfers not included). The municipalities in the last three categories of Table 11, below, tend to be the poorest and possess the least administrative capacity. As of 2007, 89% of Colombia's 1,098 municipalities belonged to category six<sup>18</sup>.

**Table 11: Local Governments Categories**

Category	Population (inhabitants)	ICLD*	Number of Municipalities***
Special	More than or equal to 500,001	More than or equal to 400,000 SMLM	5
First	Between 100,001 and 500,000	Between 100,000 and 400,000 SMLM	17
Second	Between 50,001 and 100,000	Between 50,000 and 100,000 SMLM	17

<sup>17</sup> <http://www.semana.com/especiales/los-10-mas/asi-somos/ciudades-mas-pobladas-colombia.html> and National Department of Statistics (DANE).

<sup>18</sup> <http://www.portalterritorial.gov.co/preguntas.shtml?apc=r-caqueta;x;x1-&x=80241> accessed on 9/28/2015

Third	Between 30,001 and 50,000	Between 30,000 and 50,000 SMLM	19
Fourth	Between 20,001 and 30,000	Between 25,000 and 30,000 SMLM	19
Fifth	Between 10,001 and 20,000	Between 15,000 and 25,000 SMLM	31
Sixth	Less than or equal to 10,000	Less than or equal to 15,000 SMLM	990

\*ICLD: current revenues, regularly collected (transfers excluded) (acronym for its Spanish name: *Ingresos Corrientes de Libre Destinación*)

\*\* SMLM: Legal minimum monthly wages (acronym for its Spanish name: *Salarios Mínimos Legales Mensuales*)

\*\*\* As of 2007 (source [www.portalterritorial.gov.co](http://www.portalterritorial.gov.co))

Source: Author based on *Elementos Básicos del Estado Colombiano* and government sources

The 1991 Colombian Constitution establishes the responsibilities and powers of local governments to be:

1. Manage municipal affairs and the provision of public services as determined by law;
2. Promote the economic and social improvement of the inhabitants of the respective municipality;
3. Organize the development of the territory and build the infrastructure required for municipal progress;
4. Address the unmet needs of health, education, sanitation, drinking water, public services, housing, recreation and sport, with particular emphasis on children, women, the elderly and disabled sectors, directly and in collaboration, complementarity, and coordination with the Departmental governments and the national government, under the terms defined by the law;
5. Plan the economic, social, and environmental development of the territory, in accordance with the law and in coordination with other entities;

6. Promote community participation, as well as the social and cultural wellbeing of the people;
7. Ensure the responsible use of natural resources of the municipality and proper management;
8. Other activities, as indicated in the Constitution and by the laws<sup>19</sup>.

Aside from this broad and somewhat vague list of powers and responsibilities of municipal governments, established by the 1991 Constitution (Article 311), subsequent legislation has sought to better define and clarify the attributions of local governments. Since 1991 to 2010, a broad number of laws were approved in this regard, including<sup>20</sup>:

- Laws 715 of 2001 and 1176 of 2007 (health, education, drinking water, basic sanitation and other sectors);
- Law 100 of 1993 (health);
- Law 115 of 1994 (education);
- Law 181 of 1995 (sports and recreation);
- Law 397 of 1997 (culture);
- Law 01 of 1991, Law 105 of 1993, Law 336 of 1996 (infrastructure and transport);
- Law 99 of 1993 (environment);
- Law 142 of 1994 (public services);
- Laws 3 of 1991, Law 400 of 1997, Law 38 of 1997, Law 546 of 1999, Law 708 of 2002 (housing)

Colombia's decentralization legal framework not only establishes that municipal governments must coordinate and collaborate with Departments in the provision of services (in particular health and education), but also clearly states that Departmental governments

---

<sup>19</sup> *Elementos Básicos del Estado Colombiano*, 2011

<sup>20</sup> There is also an important number of Decrees and Regulations that further define the roles of municipalities and Departments in the provision of these services.



must provide these services when municipalities do not meet minimum criteria in service provision.

The constitutional authorities of local governments are the mayor and the municipal councils (all elected directly by the people). Based on Article 315 of the Constitution, some of the main responsibilities of the mayors include:

1. To comply with and enforce the Constitution, the Law, the National Government decrees, and ordinances and agreements of the Municipal Council;
2. To keep the public order in the municipality, in accordance with the law and the instructions and orders given by the President of the Republic and the respective governor;
3. To direct the administrative action of the municipality; ensure compliance with the functions and the provision of services in charge; legally represent the municipality in and out of court;
4. To eliminate or merge municipal entities and in accordance with respective agreements;
5. To present to the Council, in a timely fashion, the draft agreement on plans and programs of economic and social development, public works, annual budget of revenues and expenditures and others deemed appropriate for the smooth running of the municipality;
6. To sanction and promulgate the agreements that the Council has adopted and object to those it considers inappropriate or contrary to law;

7. To create, delete, or merge the jobs of its dependencies, define their roles, and establish their remuneration in accordance with relevant agreements;
8. To collaborate with the Council for the proper performance of their duties;
9. To organize municipal expenditures in accordance with the local investment plan and budget;
10. To execute other activities that the Constitution and the law stipulate.

Each municipality also has a municipal Council or *Asamblea o Consejo* with a minimum of 7 members and maximum of 21<sup>21</sup>, based on population size (Law 136 of 1994). Councils are autonomous in terms of administration and budgets, and they exercise political control over the municipal administration.

The laws and the Constitution establish the following duties of municipal councils:

1. To regulate the functions and efficient delivery of services by the municipality;
2. To adopt the social development, economic, and public works plans and programs;
3. To authorize the mayor to enter into contracts and temporarily exercise functions that correspond to the Council;
4. To vote, in accordance with the Constitution and the law, the fees and expenses of the municipality;
5. To approve the annual budget of revenues and expenditures;

---

<sup>21</sup> The capital city of Bogota's Council has 45 members, but a different legislation applies to Bogota.

6. To divide municipalities into *comunas* (for urban areas) and *corregimientos* (for rural areas) to improve service delivery and ensure participation of citizens in managing local public affairs;
7. To regulate land use and oversee planning and zoning and all other activities related to the construction and sale of residential properties;
8. To determine the structure of the municipal administration, the functions of their offices, and pay scales and create public facilities and industrial and commercial enterprises and approve the formation of mixed companies;
9. To elect the ombudsman (*personero*) for the period prescribed by law, and such other officers as the law may determine;
10. To issue the necessary rules for the control, preservation, and protection of the ecological and cultural heritage of the municipality;
11. To propose a motion of censure with respect to the Secretaries of the Office of the Mayor for issues related to the performance of their duties;
12. To perform other functions determined by the Constitution and the law.

In the Colombian local government system, municipal councils have played an important overseeing role and their relations with mayors have not always been cooperative and collaborative. In fact, interviews with mayors indicate their frustration at Councils that overstep their responsibility and become obstructionist. Councilmembers complain that many mayors do not respect the council and that mayors tend to centralize all activities in the mayor's office.

Another important characteristic of the Colombian subregional level of government—aimed at increasing accountability and citizen participation—are Laws 131 and 134 of 1994, which made it possible to remove ineffective or incompetent mayors and governors from office by popular vote (*revocatoria de mandato*)<sup>22</sup>.

Finally, the local level in Colombia includes special districts—those local governments that, due to their size and level of development, require special legislation (Articles 322 and 238 of the Constitution). Special districts combine the fiscal, administrative, and political responsibilities of governors and mayors, and their legal framework is especially defined by applicable laws. Presently, there are five Special Districts in Colombia: the Capital District of Bogota; the Tourist and Cultural District of Cartagena de Indias; the Tourist, Cultural, and Historic District of Santa Marta; the Special Industrial and Port District of Barranquilla; and the Special Industrial, Port, Biodiversity and Ecotourism District of Buenaventura.

The next section will describe the very significant and far reaching fiscal decentralization reforms introduced by the new Constitution, and what these reforms meant for the provision of services, especially health and education.

---

<sup>22</sup> Very few *revocatorias* have been successful, partly because the requirements to be met by the proponents are complicated and difficult to achieve, but also the law requires that on the day of the vote, 55% of those registered must participate. From 1996 to 2014 a total of 47 applications for recalls were voted in the polls, but none of them prospered and leaders continued in office. (<http://www.registraduria.gov.co/-Revocatoria-del-mandato,615-.html> and <http://www.eltiempo.com/archivo/documento/CMS-6158688>).

## **Fiscal Decentralization in Colombia: Departmental and Municipal Finances**

Contrary to other countries where political and administrative decentralization came first, Colombia's decentralization began with fiscal issues. The constitutional reform of 1968 established a mechanism to transfer funds to Departments for health and education.

The 1991 Constitution redefined the roles and functions of Departments and municipalities and established a completely new transfer system, which was implemented by law in 1993 (Acosta, 2003). The 1968 *situación fiscal* (portion of revenues transferred from the central government to local and Departmental governments) was increased from 15% to 23%, then nearly to 25% by 1996. These funds were earmarked for education (60%) and health (20%), with the remaining 20% standing as discretionary funds. Another source of revenue for municipalities came from the Municipal Participation Fund, although the transfer system was regarded as complicated and rigid. Those funds were to be spent on education (30%), health (25%), water and projects (20%), and 25% on other social projects (Alesina et al. 2000). Finally, a portion of royalties from oil and coal production was allotted to municipalities.

Regarding fiscal decentralization, the Constitution states:

- 1- Article 356 established that the central government retains control of revenue collection and taxation but is mandated to transfer significant amounts to subnational governments.
- 2- The goal of decentralization is to make public service delivery, in particular health and education, more efficient. Funds are strictly earmarked, and local and Departmental governments have little influence on how those funds are to be spent.

- 3- Article 364 established that local governments should not spend beyond “their means” but language is otherwise vague. (This provision immediately created concerns about the fiscal responsibility of local governments).

Departments collect taxes on liquor, beer, and tobacco consumption representing about 70% of their total own raised revenues. Another 20% is collected from taxes on motor vehicles, and 10% are small taxes. But governors are in a difficult position as they do not have clear roles and responsibilities. The 1991 Constitution did not solve this issue and they still have few functions and few independent revenue sources (Acosta & Bird, 2003).

The main source of municipalities own revenues are property, industry, and commerce taxes. About 35% of their revenues come from property taxes, 38% from taxes on industry and commerce (taxes on gross receipts), and 13% from gas surcharge; the remaining 14% of their revenue comes from other fees (Acosta & Bird, 2003).

Nationally, about 80% of taxes are collected by the national government, and the other 20% by subregional governments. The national government transfers about 25% of collected revenue to Departments, and 60% of the funds must be spent on education while 20% must be spent on health.

Overall, the transfers between 1993 and 2001 were divided in three categories (Alesina et al., 2000):

1. The *Situado Fiscal* (the percentage of current revenues that the national government transfers to subregional governments—about 25%) is transferred to all Departments, local governments, and the special districts according to very specific

and complex formulas (with 4 components in the case of Departments, and 10 components in the case of municipalities);

2. The Municipal Participation Fund that originates from the Value Added Tax (VAT), which has risen from 12.2% in 1990 to 22% in 2001;
3. The transfer of royalties, which are collected by the central government and paid by the mineral extracting companies (mostly oil and coal). This is regulated by different laws, which implement Articles 360 and 361 of the Constitution. The royalties revenues were originally divided as follows:
  - a. 47.5% is transferred to the mineral producing Departments;
  - b. 12.5% is transferred to the producing municipalities;
  - c. 8% is transferred to municipalities where exporting ports operate;
  - d. 32% is transferred to the National Royalties Fund.<sup>23</sup>

Between 2007 and 2011, and according to the National Department of Planning (NDP), 201 municipalities concentrated 90% of the royalties transferred, and 80% of the royalties benefitted just 17% of the country's population. In the producing Departments, during the same time period, the total transferred per person was \$280,000 pesos; in contrast, non-producing Departments received only \$35,000 pesos per person (NDP, 2012). In time, new legislation was introduced to reduce these imbalances.<sup>24</sup>

---

<sup>23</sup> The National Royalties Fund is in charge of transferring funds to those Departments and municipalities that do not receive those funds directly (non-producing Departments/municipalities). The Fund was created by the 1991 Constitution and its implementation and regulations can be found on Laws 141 of 1994, and Law 756 of 2002.

<sup>24</sup> In 2012, major reforms were introduced to the National Royalties Fund diminishing the transfers to producing Departments and municipalities, and increasing them to all other Departments and municipalities with the aim of making the system more equitable.

In the case of municipal governments, a formula for national transfers has been established by the National Department of Planning, in charge of implementing decentralization, and is as follows (Jaramillo, 2004):

- 40% according to poor population
- 20% accounting for the relative poverty level
- 22% according to total population
- 6% based on fiscal efficiency
- 6% based on administrative efficiency
- 6% based on advances on quality of life

Regarding fiscal efficiency, the National Planning Department requires yearly reports from all local governments on their executed budget.

Local governments are required by law to spend the transfers as follows:

- 30% for education
- 25% on health (15% has to be for the subsidized plans)
- 20% for water and sewage
- 5% for recreation, sports, and culture (at least 2% on culture)
- 20% for other projects such as electricity, municipal equipment, community development projects, and debt payment for capital projects such as roads (Jaramillo, 2004).

The use of revenues by subnational governments is very rigid and centrally mandated (Alesina et al., 2005). Overall, about 80% of all transfers are earmarked for



health and education. But, there is confusion surrounding the responsibilities in those areas between the three levels of government. The interaction of the different levels of government is not clear or transparent, and many contradicting rules add to the confusion. In the end, the central government retains much control and responsibility over health, education, and the provision of other social services.

The rigidity of the fiscal transfers and the lack of clear intergovernmental rules, too many contradictory policies, and the emphasis on health and education expenditures, has left Departments and municipalities with very little revenue expenditure and collection autonomy (Alesina et al., 2005; Acosta & Bird, 2003), making them very dependent on central government transfers, and “*acting against the emergence of accountable and responsible local governments*” (page 36).

The 1991 Constitution had established that in order for subnational governments to fulfill their new roles, the financial mechanisms also needed to be in place (Articles 356 and 357). The Constitution defined two mechanisms for financing: the abovementioned *situado fiscal* (the resources from the central government transferred to Departments and municipalities and earmarked for health and education); and the municipal transfers (or *participaciones municipales*) to be used for specific purposes in health, education, and water and sewage (Bonet et al., 2014).

The distribution of these resources was regulated by Law 60 of 1993 and established a fixed percentage tied to the national current account revenue (*Ingresos Corrientes de la Nacion*). For the *situado fiscal*, the law envisioned that for 1994, 1995, and 1996 it would be 23%, 23.5%, and 24%, respectively. From 1997 onward, the percentage was to be 24.5%.

By 1997, the central government's deficit was growing considerably due to a decline in the nation's GDP and a serious downturn of the economy. A series of reports concluded that the "*principle cause of this deficit was the growth in transfers*" (Acosta, 2003). Controlling macroeconomic stability became a central issue for the national government and measures were taken to cap transfers to subregional governments as well as more restrictions on how funds could be spent, including how much elected and appointed officials could be paid (Restrepo, 2006).

In 2001, the national government modified for the first time—and transitionally—the transfer system, de-linking it from the national current account revenue of the country (Law 715). In this reform, transfers would increase according to the inflation rate plus a 2% increase for the years 2002, 2003, 2004 and 2005; and a plus of 2.5% for the years 2006, 2006, and 2008 (Bonet et al., 2014; Zapata, 2010; Restrepo, 2006).

Law 715 also created the General Sharing System (SGP—reflecting Spanish terminology: *Sistema General de Participaciones*). The SGP consolidated in one fund what was previously known as the *situado fiscal* and the municipal fund (Bonet, et al.,2014). The percentages earmarked for education and health were changed to 58.5% and 24.5% respectively, and 17% was intended for general purposes including water and sanitation, culture, sports, and recreational activities. An important change was also introduced with Law 715: instead of first establishing a percentage that then would be distributed to subnational governments and subsequently assigned by the policy sector as previously required (Law 60 of 1993), the new normative first established the percentage, per policy sector, that would then be distributed to subnational governments (Bonet, et al.,2014).

In 2007, again by an act of Congress (Law 1176), the percentages for the SGP were redefined and the de-linkage from the national current account revenue was made permanent. This new modification again established that the rate of increase would be tied to inflation rates plus 4% for the years 2008 and 2009; 3.5% for the year 2010; and 3% between 2011 and 2016 (Zapata, 2010). Another modification introduced by this law was to separate the provision of water and basic sanitation from the general purpose fund (now 11.6% from 17%), establishing a distinct percentage (5.4%) (Bonet et al., 2014).

Critics of these reforms—including the Colombian Federation of Municipalities—consider these two laws a setback for the decentralization process, as the central government curtails their fiscal autonomy and restricts their funding.

This complex fiscal decentralization legal framework can be visualized in Table 12 below, and shows the active legislative agenda and the central government’s concern for balancing the fiscal decentralization required by the Constitution with the need for macroeconomic fiscal stability—a major preoccupation for Colombian central government authorities.

**Table 12: Fiscal Decentralization Legal Framework – Major Changes**

	<b>Political Constitution (Articles 356 &amp; 357) Law 60 of 1993</b>	<b>Legislative Act 01/2001 Law 715/2001</b>	<b>Legislative Act 4/2007 Law 1176/2007</b>
<b>Type of Distribution per Destination</b>	<u>Situado Fiscal:</u> Departments, capital district, and special districts of Cartagena and Santa Marta  <u>Municipal Participation:</u> Municipalities	<u>General Sharing System (SGP):</u> Municipalities and Departments	<u>General Sharing System (SGP):</u> Municipalities and Departments

<b>Growth of Transfers</b>	<p>The <i>Situado Fiscal</i> was calculated as a percentage of ICN*: 1994 (23%), 1995 (23.5%), 1996 onward (24.5%)</p> <p><u>Municipal Participation:</u> for investment in social areas as percentage of ICN: 1994 (15%), between 1995 and 2001 (1% point until reaching 22%)</p>	<p>Growth of SGP: 2002-2005: inflation + 2%; 2006-2008: inflation + 2.5%</p> <p>From 2009: percentage average of the ICNs of the previous 4 years.</p> <p>It was established that every 5 years, and as an initiative of Congress, the amounts could be revised as well as the distribution criteria.</p>	<p>Growth of SGP: 2008-2009: inflation + 4%; 2010: inflation + 3.5%; 2011-2016: inflation + 3%. 2017 onward: percentage average of the ICNs of the previous 4 years.</p> <p><u>Education sector:</u> 2008-2009: inflation + 5.3%; 2010: inflation + 5.1%; 2011-2016: inflation + 4.8%</p>
<b>Minimum allocations by sector</b>	<p><u>Situado Fiscal:</u></p> <ul style="list-style-type: none"> <li>- Education: 60%</li> <li>- Health: 20%</li> <li>- Education &amp; health (other sources): 20%</li> </ul> <p><u>Municipal Participation:</u></p> <ul style="list-style-type: none"> <li>- Education: 30%</li> <li>- Health: 25%</li> <li>- Water &amp; Sanitation: 20%</li> <li>- Sports, Recreation, Culture, and Free time: 5%</li> <li>- Investment (not earmarked): 20%</li> </ul>	<p>Education: 58.5%</p> <p>Health: 24.5%</p> <p>General Purposes: 17%</p>	<p>Education: 58.5%</p> <p>Health: 24.5%</p> <p>Water &amp; Basic Sanitation: 11.6%</p> <p>General Purposes: 5.4%</p>
<b>Distribution Mechanism</b>	<p>Geographical distribution first to Departments and municipalities, and after by policy area (education and health)</p>	<p>Policy areas first (education, health, others) and subsequently by geographical areas (Departments and Municipalities)</p>	<p>Policy areas first (education, health, others) and subsequently by geographical areas (Departments and Municipalities)</p>
<b>Criteria for Resource Distribution</b>	<p><u>Situado Fiscal:</u></p> <ul style="list-style-type: none"> <li>- 15% equally for Departments, capital city, special districts</li> <li>- 85% according to number of people actually receiving services, and proportion of people who need services.</li> </ul>	<p><u>Education Sector:</u></p> <ul style="list-style-type: none"> <li>- per population served</li> <li>- per population in need of services</li> <li>- per equity</li> </ul> <p><u>Health Sector:</u></p> <ul style="list-style-type: none"> <li>- per population in need</li> <li>- per equity</li> </ul>	<p><u>Education Sector:</u></p> <ul style="list-style-type: none"> <li>- per population served</li> <li>- per population in need of services</li> <li>- per equity</li> </ul> <p><u>Health Sector:</u></p> <ul style="list-style-type: none"> <li>- per population in need</li> <li>- per equity</li> <li>- per administrative efficiency</li> </ul>

	<u>Municipal Participation:</u> -40% per population -20% proportional to municipality's poverty rates compared to national rate -22% according population share in the national total -6% proportional to fiscal efficiency -6% for administrative efficiency** -6% for improvements in quality of life	- per administrative efficiency  <u>General Purposes:</u> - per relative poverty - per urban & rural population - per fiscal efficiency - per administrative efficiency	<u>Water &amp; Basic Sanitation:</u> - coverage deficit - population served - effort in extending coverage - poverty levels - adherence to administrative and fiscal efficiency  <u>General Purposes:</u> - per relative poverty - per urban & rural population - per fiscal efficiency per administrative
<b>Follow up Mechanisms and Resource Control</b>	Poor control and oversight in the use of resources	Poor control and oversight in the use of resources	Monitoring, reporting, follow up, and control of the resources in place (Decree 028 of 2008)

\*ICN: *Ingresos Corrientes de la Nacion* (national current account revenue)

\*\* measured as the lower administrative cost per capita in the delivery of public services

Source: adapted from Bonet et al., 2014

Local and Departmental governments in Colombia rely heavily on the transfers from the central government. Between 2002 and 2008, the total transfers and royalties from the central government to local and Departmental governments clearly surpassed what these governments were able to collect on their own (Table13 below).

**Table 13: Main Sources of Revenues for Subnational Governments (2002 – 2008, million thousands)**

		2002	2003	2004	2005	2006	2007	2008
	<b>Municipalities</b>							
Current Income		7,109	8,395	9,443	10,441	11,834	11389	11,673
	Taxes	5,190	5,896	6,547	7,205	8,424	8,675	9,007
	Non taxes	1,255	1,722	2,187	2,488	2,607	1,914	1,771
Transfers		7,774	9,788	10,354	11,063	11,444	11,981	13,320
Royalties		803	910	960	969	1,261	1,333	1,787
<b>Totals</b>		<b>15,023</b>	<b>18,317</b>	<b>20,049</b>	<b>21,752</b>	<b>23,736</b>	<b>23,903</b>	<b>25,886</b>

	<b>Departments</b>							
Current Income		3,333	3,789	4,629	5,214	4,695	5,011	4,782
	Taxes	3,044	3,245	3,450	4,016	3,963	4,167	4,078
	Non Taxes	219	480	930	941	826	966	799
Transfers		6,954	6,021	7,303	7,286	7,730	7,666	7,726
Royalties		1,243	1,488	1,384	1,663	1,802	1,953	2,132
<b>Totals</b>		<b>11,461</b>	<b>11,233</b>	<b>13,067</b>	<b>13,908</b>	<b>14,328</b>	<b>14,753</b>	<b>14,735</b>
	<b>Consolidated Subregional Govs.</b>							
Current Income		10,441	12,184	14,072	15,656	16,529	16,400	16,456
% of GDP		3.20	3.51	3.77	3.92	3.79	3.53	3.44
Transfers		14,728	15,809	17,658	18,349	19,173	19,648	21,046
As % of GDP		4.51	4.55	4.74	4.60	4.40	4.23	4.40
Royalties		2,047	2,398	2,343	2,632	3,063	3,287	3,919
As % of GDP		0.63	0.69	0.63	0.66	0.70	0.71	0.82
<b>Total Income</b>		<b>26,484</b>	<b>29,550</b>	<b>33,116</b>	<b>35,633</b>	<b>38,056</b>	<b>38,656</b>	<b>40,621</b>
<b>As % of GDP</b>		<b>8.12</b>	<b>8.51</b>	<b>8.88</b>	<b>8.93</b>	<b>8.72</b>	<b>8.31</b>	<b>8.49</b>

Source: Adapted from Zapata, 2010

Municipalities have different capabilities to collect their own taxes and some have serious fiscal deficiencies. Zapata (2010) argues that in the 1990s, municipalities with over 50,000 people (municipal categories 1 and 2) increased their capacity to collect property taxes, as well as other taxes and fees. On the other hand, those municipalities with between 20,000 to 50,000 inhabitants (municipal categories 3 and 4) were able to increase their collection beginning in the 2000s. The vast majority of Colombian municipalities, though, continue to have serious problems collecting their own revenues, and are dependent on transfers from the central government (see Table 14 below).

**Table 14: Revenue Source of Municipal Governments, 2000 – 2012 (percentage)**

	2002	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Tax Revenue	28	32	28	29	30	29	30	32	30	31	31	32	32
Non tax Revenue	6	6	7	8	10	10	9	7	6	5	5	6	7
Transfers	45	43	46	52	51	48	44	47	47	48	50	45	50
Royalties	4	5	4	4	4	4	5	5	6	5	5	7	3
Others	17	15	15	6	4	8	11	8	11	11	9	10	8

Source: adapted from Bonet et al., 2014

**Table 15: Revenue Source of Departmental Governments, 2000 – 2012 (percentage)**

	2002	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Tax Revenue	25	23	25	27	25	27	27	28	26	26	26	25	25
Non tax Revenue	8	7	2	4	7	6	5	6	4	6	6	6	7
Transfers	48	53	57	51	54	50	52	51	49	50	49	47	48
Royalties	12	11	10	12	10	11	13	12	16	13	15	16	12
Others	8	6	6	6	4	6	3	4	5	5	4	6	8

Source: adapted from Bonet et al., 2014

Departments continue to be very dependent on liquor and cigarette taxes and lottery ticket sales. Departments, contrary to municipal governments, do not have the autonomy to create new fees or to modify those they already collect; thus, they have less flexibility and the royalties transfers have become a very substantial source of revenue (see Table 15 above).

Overall, and during the first ten years since the approval of the 1991 Constitution and the enactment of Law 60 of 1993, the resources transferred from the central government to the subnational governments increased by almost 2 percentage points of GDP, from 3.5% to 5.4% between 1993 and 2001 (Bonet et al., 2014). Since the approval of Law 715 in 2001, though the transfers have continued to increase, the amount—as percentage of GDP—has declined to 4.8% in 2002, then again to 3.8% in 2012 (Bonet et al., 2014). The principal reason for this is that the central government has increased its revenue with a booming economy and a reformed tax system that allows the central government to collect more. Meanwhile, transfers to subnational governments are no longer tied to the national current account revenues.

Fiscal decentralization in Colombia has been a long and difficult process with many adjustments due to the need to ensure the economic macro stability of the country. Large amounts of resources have been transferred to subnational levels of government especially earmarked for the provision of mostly education and health services, but the relationship between Departments, municipalities, and the central government continues to be difficult. Duplication of efforts, certification-requirements to provide services, and the multiple legal requirements and bureaucratic complexities add to the tensions and distrust between the three levels of government.



What is clear is that the principal source of revenues for Colombia's subnational levels of government continue to be the transfers from the central government (SGP) and the royalties<sup>25</sup>. Although both Departments and municipalities have increased their own revenue collection capacity, this heavy dependence on national transfers makes them dependent on—and weakens their negotiating capacity with—the central authorities.

### **Other Institutional Players: the Colombian Federation of Municipalities and the National Federation of Departments**

#### **The Colombian Federation of Municipalities**

The Colombian Federation of Municipalities (FCM—reflecting Spanish terminology) has played a significant role in advancing, defending, and promoting decentralization in Colombia. Created in 1989, FCM is a professional municipal association, and regarded as one of the most effective of Latin America. Remarkably apolitical, it represents all municipalities and districts of the country.

The reforms introduced by the 1991 Constitution—where the FCM played a significant role in defining the autonomy and new roles of local governments—were a major challenge for mayors and local authorities who until recently had been named by the central government. With the process of decentralization, mayors became more autonomous and were given expanded responsibilities over key policy areas such as education and health, as well as access to financial resources for the delivery of those services.

---

<sup>25</sup> 50% for Departments and 28% for municipalities (Bonet et al., 2014) in the case of SGP, and in the case of royalties, 13% for Departments and 5% for municipalities.

The FCM was created as an initiative of mayors of large cities like Bogota, Cali, and Cartagena with key support (financial and administrative) from the Spanish Federation of Municipalities and Provinces, and the German Friedrich Ebert Stiftung Foundation in Colombia.

The FCM played an important role during the Constitutional Assembly ensuring that decentralization was strengthened and that the autonomy of local governments was respected. During the first years following the enactment of the Constitution, the FCM worked intensely to ensure that the decentralization legislation being discussed in the national Congress included the interests and rights of local governments. The FCM also provided—with the assistance of multilateral agencies—much needed technical advice to local authorities on their new and expanded responsibilities.

Between 1992 and 1998, during a period FCM referred to as “constitutional euphoria” in its own publication, the enactment of key legislation occurred, including Law 60 in 1993, which regulated fiscal decentralization, health, and education services. This law included a provision to fund the FCM using transfers from municipalities and districts, but this was later deemed inappropriate by the Constitutional Court. Thus, the FCM found other means of financing its activities: revenue is collected from services and technical assistance provided by the FCM, grants and donations, and marketing, as well as, most importantly, administering the traffic and drivers’ license system nationally on behalf of local governments (10% of the total collected)<sup>26</sup>.

---

<sup>26</sup> The Federation administers, since 2002, the SIMIT system (*Sistema Integrado de Multas e Infracciones de Transito*), the national system for payment of traffic fines and moving violations. With this new system violators can pay their fines in any part of the country, and when renewing licenses, the system also shows who has pending payments. According to the Federation, collections increased by 1,270%. In 2010 the total

As mentioned in the previous fiscal decentralization section, from 1998 onward, the fiscal crisis of Colombia increased and the national government saw this as an imperative to control transfers to local governments by adjusting and redefining the percentages established by the Constitution. Although the FCM strongly opposed the new proposals, in the end, it was unable to block the modifications made by Law 715 of 2001 and its concurrent legislative acts.

The FCM has also played an important role in protecting the lives and well-being of local authorities threatened by guerrillas or counterinsurgency groups. To do that, the FCM lobbied the national government, and a protection program was established in collaboration with the Ministry of Interior and Justice. As a result, in 2008 no mayors were assassinated (between 1990 and 1999, an average of 10 mayors were killed each year, with a peak of 19 in 2000), and violence against local authorities was greatly reduced<sup>27</sup>.

In 2007—when fiscal decentralization reforms were again being discussed in Congress—the FCM played a role in successfully lobbying Congress and the national government to increase the percentage points tied to inflation as part of the new formula of the General Participation System (SGP) to transfer funds to local governments. The government had originally proposed a permanent formula using an increase based on the inflation rate plus 2%. The FCM's lobbying efforts resulted in a sliding scale of inflation plus increasing percentage points through 2016.

---

revenue of the FCM surpassed 27 billion Colombian pesos or about \$US 9 million (<https://www.fcm.org.co/QuienesSomos/Estados%20Financieros/Balances%202011.pdf>)

<sup>27</sup> Between 1988 and 2008, a total of 162 mayors were assassinated (FCM numbers—Revista Municipios). Since 2004, between 180 and 200 mayors have received special protection.

Interviews with representatives from the FCM point to the many successes of the organization in defending the interests of mayors and local authorities, but also note the need to be vigilant, as the national government has a “natural tendency to centralize.” Of particular concern, and defined as a “pending task” of the FCM, is to reform the Constitution to allow the immediate reelection of mayors. In fact, many mayors feel that the FCM supported the constitutional reform that allowed President Uribe to be reelected in 2006, but resent that mayors and governors were left out of the political reform<sup>28</sup>.

The FCM works collaboratively with many of national government agencies in areas of interest to municipalities such as education, health, culture, transit, planning, public administration reform, public safety, and others. The organization continues to be institutionally stable, both in terms of vision and goals, and its professional staff is organized into themes or areas and representatives who lobby Congress and follow-up on legislation that may impact municipal governments. The national government has recognized the FCM as a natural and singular counterpart in consultations involving matters of local government.

### **The National Federation of Departments**

While the FCM predates the 1991 Constitution by several years and was key in the push for decentralization reform, its counterpart at the Departmental level—the National Conference of Governors—was created in 1994. In 1998, the organization changed its name to National Federation of Departments (FND—reflecting Spanish terminology).

---

<sup>28</sup> In fact, opposition to the immediate reelection of mayors and governors is very strong, and Colombia remains the only country in Latin America where mayors cannot be immediately reelected.

The FND brings together the 32 governors from around the country, maintaining and managing its own resources. The FND works to promote the development and strengthening of Departments, promotes regional and municipal development, and works to support Departments in the implementation of national policies delegated and/or decentralized by the national government. The organization also provides technical assistance to its members on economic development projects. In essence, the FND's goal is to promote the interests of the Departments, defend their autonomy, strengthen their administration, and promote decentralization.

The FND receives and administers Departmental taxes. This function was granted in Law 223 of 1995, which gave the FND authority to collect, manage, and transfer funds from taxes on liquor, cigarettes, and tobacco, liquor mixtures, and beers. Its activities are funded by membership fees paid by each Department, donations and grants, and by fees for the provision of services.

The Department-centered FND—as is the case with the Municipal-centered FCM—represents Departments in matters involving the national government and its agencies, the national Congress, and other government entities and international agencies; FND is recognized as the official interlocutor of the governors by the central government.

## **Conclusions**

As described in the previous sections, Colombia's political and administrative decentralization process responded to the acute need to re-legitimize a political system besieged by conflict, tension, lack of trust, and violence. Fiscal decentralization (and some administrative decentralization) predated the 1991 Constitution. In fact, fiscal

decentralization began in 1968 and 1985 with transfers to subnational governments earmarked for health and education in both cases as attempts to calm social discontent with service provision.

The reforms introduced in the 1991 Constitution brought about political changes of great significance for the country. The popular election of mayors and governors accelerated the fragmentation of the two main political parties, new local elites surged, and the traditional link between the political elites based in Bogota, and the regional barons were cut (Gutierrez Sanin, 2010). The changes also indicated that the many independent political movements emerging in the country had no obligation to the traditional parties, further weakening them.

In the process of administrative decentralization, local governments and Departments were given broader responsibilities in the areas of health and education (two areas where both had been previously involved), and expanded roles in water and sanitation, recreation, planning, and local and regional development. However, as in other countries facing similar reforms, regional government responsibilities were not clearly defined and the duplication of efforts and tensions were considerable.

Gutierrez Sanin (2010) argues that due to Colombia's history and heavy reliance on central authorities, decentralization was not an endogenous phenomenon, and it transferred responsibilities and funds to governments that were not administratively ready to handle them<sup>29</sup>. The lack of local capacity continues to be a criticism of local and regional governments, and a fact that is addressed both by the Municipal Federation (FCM) and

---

<sup>29</sup> This vision is shared by many authors such as Garay Salamanca & Salcedo-Albaran (2010); Escobar Lemmon to cite just a few.

Departmental Federation (FND) through their training activities and technical assistance programs. But, in a country where more than 80% of local governments (as indicated in the status of local governments in this section), belong to categories five and six (smaller populations and the weakest administrative capacity), the lack of local capacity is not surprising. In cases where local governments lack capacity to provide services, Colombian legislation mandates Departmental governments to take over service delivery.

An important element of the Colombian model is that the 1991 Constitution established percentages for central government transfers and created a national royalties fund. This has made the process of changing the percentages, or adjusting for fiscal imbalances, more difficult; many times, constitutional changes were needed to address issues (Zapata, 2010).

Fiscal decentralization was an important aspect of the first ten years of Colombia's new Constitution. That period saw transfers from the central government to subregional governments increase dramatically, though simultaneously, national revenues fell due to the economic crisis. As noted above, an alarmed central government viewed decreasing transfers as the only way to control the macroeconomic stability of the country. Thus, starting in 2001, a slow but persistent fiscal recentralization began.

In many Latin American countries, including the case of Colombia, subnational governments rely heavily on transfers from the central government, making them not only less autonomous, but also less likely to be prudent and efficient in the use of those resources (Zapata, 2010). Although municipal governments in particular have been able to increase their capacity to collect taxes and fees, they—as well as the Departmental governments—are still heavily reliant on transfers from the central government. Moreover, the transfer

system in Colombia is very complex not only in structure, but also in the criteria used, making it difficult to understand and manage.

Decentralization has empowered local and regional political elites, promoted the emergence of new actors, increased citizen participation, and re-legitimized the Colombian state in the view of citizens—helping to bring about necessary political reforms. Decentralization has also opened new modes of participation, and given local and regional governments a voice in the delivery of services (Gonzalez Sanin, 2010). As in many other countries, the results of Colombia’s decentralization process are mixed and still unfolding.

This chapter has offered a brief summary of Colombia’s history and institutional evolution, presented the main institutional actors of the decentralization process, and reviewed Colombia’s political, administrative, and fiscal decentralization reforms. Chapters 5, 7, and 9 will review the impact of these reforms on Colombia’s political system and on the provision of health and education services.



## CHAPTER FOUR

### PARAGUAY: INSTITUTIONAL FRAMEWORK AND DECENTRALIZATION

#### Introduction

The Republic of Paraguay, a country of approximately 6.3 million inhabitants<sup>30</sup> (2010), is located in the heart of the South American continent. Paraguay has a long and proud history of asserting itself while surrounded by powerful, and at times hostile, neighbors. In the late XIX century, after declaring independence, the country confronted its two largest and most powerful neighbors, Brazil and Argentina with the help and support of Uruguay; the conflict (known as the Triple Alliance War or the Great War, 1864-1870) decimated Paraguay's male population,<sup>31</sup> destroyed its economy, and brought the country not only great human suffering but also the loss of almost one third of its territory.<sup>32</sup> Nearly sixty years later, in the 20<sup>th</sup> century, Paraguay faced another war, this time with its neighbor to the West, Bolivia, for the Chaco territory (1932-1935). This war also devastated the country's economy and psyche. These wars initiated long periods of institutional instability and political turmoil among the ruling elites and the political parties they represented. Without major migratory movements, and detached from global cultural trends, and wary

---

<sup>30</sup> Paraguay. Dirección General de Estadística y Censos. Proyección de la población nacional 2000 – 2050.

<sup>31</sup> The estimated Paraguayan population in 1864 was 800,000. Of those, about 200,000 survived, and about 68,379 were male, half of them children. Carlos Pastore. *La lucha por la tierra en el Paraguay* in Flecha (2013).

<sup>32</sup> Paraguay lost to Brazil and Argentina 140,000 sq. km or 50,054 sq. miles

of attack from its larger neighbors, Paraguay's political culture encompasses strong nationalism and proud independence.

## **Historical Background**

### **From Independence to 1870**

Paraguay's political tradition is authoritarian and centralist, with strong caudillos (political leaders) in control of government for extended periods of time. After gaining independence, the country was governed by Juan G. Rodriguez de Francia (1816-1840) whose presidency was characterized by his authoritarianism and central control over the country and the important reforms he introduced, including compulsory and free public education (Flecha, 2013).

Carlos Antonio Lopez succeeded Rodriguez de Francia in 1840 and subsequently governed for 22 years. His government aimed to ensure Paraguay's independence and the promotion of commerce, trade, industry, and the arts and sciences. Lopez promoted progress and modernization, notably without emphasis on individual liberties (Flecha, 2013). During his term, the Constitution of 1844 was approved, and the division of power was established, but all power was concentrated in the Executive branch. Individual rights were not explicitly recognized. Members of Congress were elected by landowners only.

Carlos Antonio Lopez was succeeded by his son, Francisco Solano Lopez in 1862. The legacy of his presidency includes isolationist policies and the promotion of agricultural and industrial innovations, but also the Triple Alliance War and the near annihilation of the country.

Since the creation of the Paraguayan nation, the State has controlled society and the economic system. The Lopez presidencies nationalized all wealth and made the State the central actor in both economic and commercial life, inhibiting any other form of economic development (Flecha, 2013).

### **The Republic of the Liberal Constitution (1870 – 1936)**

After the Triple Alliance War, opponents of the Lopez government who had been in exile, along with some Paraguayans that fought with the enemy, took control of the government, called for a national constitutional assembly, and, as a result, the 1870 Constitution was enacted—with a clear liberal bias. This modern and progressive Constitution formalized the division of power, the independence of the press, the protections of freedom of religion and association, and the universal right to vote (except for women, who at the time were the majority of the population). The Constitution also reorganized the State by creating several ministries (foreign affairs, finances, and interior, among others).

The Triple Alliance War not only brought a new political class to power, but also meant the entrenchment of nationalistic sentiment in the country and installed a deep resentment and suspicion of neighboring countries. The social fabric of Paraguay was destroyed, and the need to reconstruct the State and its reach was imperative. Political instability and conflict continued and the Constitution's was barely implemented.

In the 1890s, the political situation partially stabilized. By 1894, the Liberal Party was created by a group of young students leaders opposed to the authoritarian government of Bernardino Caballero. As a reaction to the creation of the Liberal Party, Bernardino

Caballero created the “*Asociacion Nacional Republicana*” (known as the Colorado Party). From that point forward, the two political parties were a constant presence in Paraguayan political history, including fights, confrontations, and even civil wars; numerous coup attempts, armed uprisings, conspiracies, civil strife, and three military-civilian wars marked the beginning of the twentieth century.

In 1923, Eligio Ayala of the Liberal Party became president and a period of modernity and progress was initiated. Finances were improved, budgets were balanced, basic education improved, and infrastructure was built—the government attempted to implement a Liberal Constitution.

The Chaco War 1932-1935 (peace treaty signed in 1938) brought even more instability to Paraguayan politics. Paraguay kept most of the Chaco territory, and the war gave impetus to the national economy through the defense industry, food services, and provisions for the troops.

### **Military Power as a key player in Paraguayan politics – from 1936 onward**

In February of 1936, another military coup occurred in Paraguay. The difference this time was that the movement was not led by civilians, but by military men, who saw themselves as the guarantors of peace and progress. The military suspended the Liberal Constitution of 1870. A new form of military interventionism and identification with the State began, and continued until the early 1990s.

The period from 1936 to 1947 was characterized by factionalism within political parties and within the army, with constant military revolts, and with the Liberal Party and other smaller parties (like the Communist and Febrerista parties) wrestling for power with

the Colorado Party (which was also divided between a more democratic fraction and a neo-fascist conservative one). By 1947, these divisions and the struggle for control of the State ended with a violent and terrible civil war between the right wing fraction of the Colorado Party and its military supporters, and the opposition. In the end, the Colorado Party, and its supporters in the armed forces, were victorious; they imposed one of the most repressive regimes in the Southern Cone, forcing the exile of hundreds of thousands of Paraguayans. The regime also consolidated the politization of the armed forces, and the control of every level of the State by the Colorado Party and its supporters. Instability and internal fights continued within the governing Colorado Party, culminating in 1954 with a coup by General Alfredo Stroessner, the leader of the military movement, and the person who would become the authoritarian leader of the country for the next 35 years.

### **The Stroessner years: 1947 – 1989**

General Stroessner's administration was characterized by extreme repression of anyone who opposed the government. The marriage between the Colorado Party and the armed forces, with complete obedience to Stroessner, was achieved. By the 1960s, with the opposition repressed, jailed, or exiled, Stroessner's control over the State was complete. The State, dominated by the Colorado Party, its supporters, and the armed forces, became the only provider of economic or social wealth. Stroessner was able to co-opt some support from representatives of opposition political parties, and by 1967 a new Constitution was approved, which gave a democratic façade to the regime and allowed the reelection of Stroessner eight consecutive times. The Colorado Party, monopolized by the "*stronismo*," became the government's propaganda arm and the controller of public employment (i.e.,

everyone who aspired to work in the public sector had to be affiliated with the party). Members of the armed forces had to swear loyalty to the party, and even private companies that depended on approvals from the government needed to pledge allegiance to the Colorado Party. The symbiosis between the Colorado Party, the government, and the armed forces was complete (Flecha, 2013).

“The price of peace” of the Stroessner years was rampant corruption, contraband, and drug and arms dealing, among other illegal activities done by regime supporters. In the 1980s, the end of the economic boom—brought about by the construction of the Itaipu and Yacireta hydroelectric dams—meant that members of economic and social sectors such as the peasantry, the industrial workers, and the lower middle classes, who were dependent on government largesse, began to question the dictatorial government (Flecha, 2013). The economic crisis also meant that the economic benefits of the military and the powerful business elites were reduced. The international order was also changing rapidly with the return of democratic systems to the Southern Cone, and a new impetus to support democracy in the Western Hemisphere by the United States and certain European countries. Thus, divisions within the Colorado Party deepened, and in February of 1989, a military coup ended the Stroessner regime and initiated the transition to a democratic system.

### **The return of democracy: 1989 – 2010**

General Andres Rodriguez led the military revolt against Stroessner. Even though the head of the presidency changed, the traditional link between the Colorado Party, the armed forces, and the government bureaucracy was not broken, and no major

anticorruption efforts or state modernization initiatives occurred. New elections were called to select the new president for the 1989-1993 period. The democratic transition was done from the top and from within the regime (Flecha, 2013; Paredes, 2008) with very little participation of the opposition or civil society.

Elections occurred in May of 1989 and General Andres Rodriguez, the candidate of the Colorado Party, was elected president with 73.3% of the votes. The Liberal Party with Domingo Laino obtained 21.6% of the votes, and, in accordance with electoral law in place at that time, the winning party secured two thirds of all seats in both chambers of Congress.

The Rodriguez administration faced many challenges and difficulties trying to move away from a very personalized and authoritarian regime. In the political arena, democratization meant: dismantling repressive structures within the police and the security forces of the State, ensuring civil liberties, and severing the links between the Colorado Party and the armed forces. On the economic front, the challenges included eradicating poverty and improving an obsolete system of production. And, finally, in the social arena, the administration faced serious urban/rural inequalities in terms of access to land, services, income, and labor conditions (Flecha, 2013; Flecha & Martini, 1994).

Part of the transition urgently required a new electoral code that ensured fairness for the opposition in future elections. In 1990, a new electoral code was enacted that, though not perfect, was perceived by all parties as fair. The electoral code was first tested with the municipal elections of 1991—the first ever to occur in the country's history.

The municipal elections of 1991 were the first serious challenge to the dominance of the Colorado Party. The Party only received 43% of the votes, a significant drop from

their last national results, while the Liberal Party obtained 33% of the votes. Of the eleven municipalities in the greater Asuncion area, six were won by the Liberal Party, and four by the Colorado Party. Asuncion, by far the largest and most important of all Paraguayan municipalities, was won by a former student leader, Carlos Filizzola, who headed an independent civic movement. The Colorado Party saw losing the municipality of Asuncion as a disaster. In the rest of the country, 45 municipalities (out of 217 at the time) were won by the Liberal Party (Flecha & Martini, 1994).

The next step in the democratic transition of Paraguay was drafting a new constitution. The Colorado Party had understood that internal differences were undermining their ability to win elections, and all the factions agreed on a power distribution quota in view of the upcoming elections to the Constitutional assembly. In December of 1991, representatives to a Constitutional assembly were elected and the Colorado Party won a majority of the vote (54%), indicative of how much the party had learned from past failures in the municipal elections, and how well it understood the importance of the new Constitution (Paredes, 2008).

The new Constitution was approved in 1992 and, even if it was not very progressive in social and economic rights, it was a great improvement in terms of political and citizens' rights. The Constitution established the division of power between the Executive, the Legislative, and the Judicial branches of government and did not allow the president to serve a second term (Silvero Salgueiro, 2011).



### **The elections of 1993**

In the 1993 elections, Juan Carlos Wasmosy, a successful businessmen but not a traditional Colorado Party activist, was elected President with 39.9% of the votes. Domingo Laino of the Liberal Party received 32%, and Guillermo Caballero Vargas of the Encuentro Nacional received 23% of the votes. Within the Colorado Party, Wasmosy was not supported by a faction loyal to Luis Maria Argaña—a traditional, popular leader—nor did he have the support of Lino Oviedo—a powerful and influential army general.

Lacking majority support in the national Congress, governance was challenging during the Wasmosy-Seifart presidency. In essence four major elements made it very difficult (Paredes, 2008):

- 1) Distributing power quotas and government jobs among the many Colorado groups, the armed forces, and the business sector traditionally close to the party was challenging; and clear public policy and administration were difficult to establish;
- 2) Lacking a majority in Congress, and the alliance of the “*argañistas*” with the Liberal Party, meant that key legislation was not approved;
- 3) The emergence of General Lino Cesar Oviedo as a key influential figure in the armed forces with presidential aspirations, became a constant source of instability in the coming years;
- 4) The divisions, and lack of a clear leader, within the Colorado Party continued to affect the presidency.

Nevertheless, the Wasmosy-Seifart administration was able to pass reforms toward the consolidation of democracy. With the support of the Liberal Party, the Judicial power was

reformed by: the creation of the Judicial Council (*Consejo de la Magistratura*), the appointment of new judges—members of the armed forces who were “de-affiliated” from the Colorado Party (an important reform to eliminate armed forces interference in politics)—and the establishment of a Supreme Electoral Court.

### **From the 1999 March Crisis to the election of Fernando Lugo (2008)**

In 1996 municipal elections were held. The Colorado Party, which had rallied around the traditional leader, Argaña, won 52% of the votes, regaining many of the important municipalities that it had lost in the previous elections. The city of Asuncion though, was once again won by the opposition, with Martin Burt as new mayor.

The triumph of the Colorado Party signaled an entente between Argaña and his supporters and President Wasmosy. Argaña’s candidates had won a majority of the votes—his leadership within the party was unquestionable and his presidential aspirations were within reach. But Argaña needed resources and Wasmosy had control of government resources (Paredes, 2008). Thus, Argaña committed himself to support Wasmosy and his agenda through the end of his presidency, accepting a Wasmosy confidant as his eventual vice presidential candidate, guaranteeing his silence regarding allegations of corruption among the business community linked to the Itaipu damn (the so called “Itaipu barons”), and favoring those “Itaipu barons” in future public works.

However, with the 1998 presidential elections fast approaching, the entente was short lived. Different factions within the Colorado Party jockeyed for positions in the future government. The primary elections within the Colorado Party tested and impacted the future of the country and of its democracy very seriously. General Oviedo had surged as a

key figure and enjoyed wide support within the Colorado Party. He was adamant in his opposition to Argaña and his faction. In an effort to remove Oviedo from the presidential contest, President Wasmosy directed the arrest of the general for previous allegations of malpractice. Oviedo was arrested and condemned to ten years in prison. Nearly one year later, a compromise was reached and Raúl Cubas Grau (supporter of Oviedo, during his time in prison) and Luis Maria Argaña were selected to represent the Colorado Party in the 1998 election (Paredes, 2008).

The Colorado Party won the election with 54% of the votes, while the Laino-Filizzola opposition from the Liberal and Encuentro Nacional Party received 43%. In Congress, the Colorado Party won 45 out of 80 seats in the House of Representatives, and 24 of 45 seats in the Senate. The divisions between those close to Oviedo and those close to Argaña ensured political instability. In order to remove the possibility of a future Oviedo presidency, the Argañistas worked out an agreement with the Liberal Party with the intention of eventually impeaching the President. In effect, Cubas Grau, as previously agreed with Oviedo, ordered the release of the general, but when the Supreme Court ruled the release decree unconstitutional, political instability became rampant. In March of 1999, the Vice-president, Argaña, was assassinated in an attack that was seen by all as ordered by General Oviedo. Political chaos followed, protesters gathered in Asuncion, Oviedo fled the country, first to Argentina and then to Brazil, and the Chamber of Deputies decided to impeach President Cubas Grau who finally resigned. The President of the Senate, Luis Gonzalez Macchi, was named interim president (Paredes, 2008).

Although the Presidency of Gonzalez Macchi began with a broad political accord that included the Liberal Party and the Encuentro Nacional (in fact some ministries of

relevance were given to representatives of those parties), conflict and ineptness characterized the administration. In fact, the Liberal Party left the coalition by the end of April 1999, after a request for 40% of the government administration positions was not honored. The Encuentro Nacional, which performed poorly in the 1996 municipal elections and in 1998 presidential elections, remained in the coalition government (Flecha, 2013; Paredes, 2008).

The 2000 election to select a new vice-president became a watershed moment for Paraguayan political life and, in particular, for the Colorado Party. For the first time since the return of democracy, the Colorado Party was defeated in a national election by the Liberal Party, whose candidate—Federico Franco—won with the support of Oviedo’s followers. The election reaffirmed the importance and value of securing the support of Oviedo and his party (UNACE).

In the 2001 municipal elections, the Colorado Party once again showed its strength and ability to organize and won most of the municipalities in the country, including the city of Asuncion, with Enrique Riera elected as mayor.

The poor performance of the Colorado Party in the presidential elections held in April of 2003, was likely a reflection of its constituencies’ fatigue with the very public infighting and animosity within the Party’s different factions. Its candidate, Nicanor Duarte Frutos, was elected, but only earning 37.1% of the votes; The Party lost its majority in Congress.

The Duarte Frutos presidency (2003-2008) was marked by significant socio-economic challenges, as well as political turmoil, resulting from permanent internal struggles for power and influence within the Party, the lack of support from the opposition,

and the destabilizing figure of General Oviedo. Duarte Frutos himself, who by 2006 was strongly promoting and pursuing a modification of the 1992 Constitution that would allow the reelection of the President, made the situation worse. His reelection plan finally failed and ultimately exacerbated existing political animosity and conflict (Flecha, 2013).

By 2006, with the general presidential elections of 2008 approaching, the political arena in Paraguay was dramatically changed by the emergence of former bishop Fernando Lugo as a galvanizing figure for the opposition; he gained support from many in the Colorado Party who had grown tired of unfulfilled promises, the constant political infighting, and the lack of socio-economic progress.

The 2008 presidential elections proved to be historical for the democratic process of the country. The Liberal Party had agreed to support Fernando Lugo, who had support from many smaller parties, both on the right and the left on the political spectrum. Conversations with the two other important opposition parties (UNACE of Oviedo and Patria Querida, a center right party) had failed, and both parties presented their own candidates for the national election (Lino Oviedo and Pedro Fadul respectively). Once again, the Colorado Party, after bitter and rancorous primaries, had finally settled on the candidacy of Ms. Blanca Ovelar, former Minister of Education and a protégé of President Duarte Frutos.

On April 20, 2008, sixty years of Colorado Party dominance ended with the election of Fernando Lugo as President. The support of the Liberal Party proved essential to his election, as well as the split of the Colorado votes between Blanca Duarte and Lino Oviedo.

Expectations were high and the governing challenges confronting the Lugo administration were immense. Until that moment, the political transition to democracy in

Paraguay had been strongly linked to the internal processes of the Colorado Party that benefitted from a weak and divided opposition. The election, for the first time, of a non-Colorado to the highest office in the country shocked the political world of Paraguay and filled society with great expectations of renewal and change.

Many of these expectations, though, would not be fulfilled. President Lugo, early in his presidency, faced scandalous allegations about his private life that undermined his legitimacy as a different type of leader. His political movement did not have a majority in Congress, and relied on its main political ally, the Liberal Party, to secure approval of its legislative agenda. The alliance proved to be fragile at best and conflictive most of the time. Differences among the disparate and diverse political movements that comprised the governing coalition made matters worse for President Lugo and his team.

President Lugo was unable to build a working coalition with opposition parties in Congress or within his own political movement (Flecha, 2013). From the moment he took office, and up to 2011, his administration failed to propose a participatory plan to deal with the many demands facing the country.<sup>33</sup> In 2009, and in part as a result of the worldwide economic crisis, Paraguay's economy faced serious challenges. Its main export products' prices plummeted, remittances from abroad had dwindled, and the lack of foreign currency impacted its ability to import goods and services; thus, Paraguay's economic growth declined from 6.8% in 2006 to 5.8% in 2008 to 1.5% in 2009 (Flecha, 2013). Socio-

---

<sup>33</sup> Interviews with Paraguayan historians and political scientists, as well as with former mayors, and legislators. Asuncion, September 2013.

economic indicators declined drastically, the political situation did not improve, and general discontent with the government increased.

The governability and economic crisis continued to deepen, and the administration was unable to move reforms forward without exhausting its dwindling support and political capital. By 2012, the situation became unbearable, with congressional threats of political impeachment of the president for poor performance. That same year, and as a consequence of a serious and confusing incident in which 6 police officers and 11 peasants were killed by armed men alleged to be part of a nascent guerrilla movement, the impeachment of the president was approved by the Chamber of Deputies. The president lost the support of the Liberal Party and in less than 24 hours the president was impeached, removed from office, and his vice president, the Liberal Federico Franco became the country’s new president.<sup>34</sup> The new political era envisioned by many Paraguayans came to an abrupt end, and generated one of the most serious challenges to Paraguay’s democratic institutions in the country’s history (see Table 16).<sup>35</sup>

**Table 16: Turning points in Paraguay’s political history**

<b>Since Independence to 2010</b>	
1811 – 1813	From Independence to the dictatorship of Francia
1813 – 1839	Dictatorship of Jose Gaspar Rodriguez de Francia

<sup>34</sup> Much has been said and discussed about the legality and the procedure of the President’s impeachment. It is not the intention here to fully discuss all aspects of the process or to describe the political situation in great detail. The scope of this study ends in 2010.

<sup>35</sup> President Franco served the remaining years of Lugo’s term and in 2013, new presidential elections occurred in which the Colorado Party returned to power, winning an overwhelming majority at all levels of government. Mr. Horacio Cartes was elected as President for the 2013 - 2018 term.

1839 – 1840	<i>Consulate</i> of Mariano Roque Alonso and Carlos Antonio Lopez
1840 – 1862	Presidency of Carlos Antonio Lopez
1862 – 1870	Presidency of Francisco Solano Lopez
1864 – 1870	War of the Triple Alliance
1869 – 1887	Weak governments and the formation of the Liberal and Colorado Parties
1887 – 1904	Hegemony of the Colorado Party
1904 – 1936	The Liberal Era
1932 – 1935	Chaco War – Presidency of Eusebio Ayala
1936 – 1937	The <i>Febrerista</i> (February) Revolution
1937 – 1939	<i>Subalternizacion</i> of the Liberal Party to the military
1939 – 1940	Estigarribia establishes the basis for an authoritarian regime
1940 – 1946	Dictatorship of Higinio Morinigo with the support of the armed forces
1946 – 1947	“Democratic Spring” – coalition
1947 – 1989	The Stroessner era
1989 - Present	Democratic transition and consolidation of democracy

Source: Author based on historic documents

### **Concluding Comments on the Transition to Democracy**

The past influences the future. The “Paraguayan nation” is built on a foundation of its history, including past wars, suffering at the hands of powerful neighbors, and struggle for autonomy and respect (Lopez, 2010).

The history of democratic transition in Paraguay is strongly linked to the evolution of different factions within the Colorado Party, and how each was able or unable to prevail over others, because control of the party meant control of the resources of the State and the government (Fretes Carreras, 2011). Paraguay, unlike its neighbors, and due to its history, lacked a “democratic culture” or a “historical memory” of democracy.



The State, and access to government, has traditionally been seen as a way to advance politicians' careers and benefit those who support them. The Paraguayan transition to democracy occurred from above and from within the power system itself. Those who were close to Stroessner's deposed regime—namely the armed forces and a sector of the Colorado Party—accomplished the transition. It was not a revolutionary coup or an abandonment of the prevailing system (Arditi, 1990). Thus, the democratic transition entailed the reform and struggle for control in an alliance between the Colorado Party, the armed forces, and the state bureaucracy (Fretes Carreras, 2011).

In its early stages, the Paraguayan transition to democracy was characterized by:

- 1) The presence of authoritarian and traditional actors who were part of the old system and who initiated the process;
- 2) The inclusion of leaders and political parties of the opposition in the political process but without conditions or a unified democratic vision;
- 3) Electoral processes characterized by some irregularities and lack of public information;
- 4) The immediate modification of the armed forces' structure;
- 5) Proposals for the reform and modernization of the State and the privatization of public services;
- 6) A loosely defined legal framework that showed poor control mechanisms of governmental institutions.

Given Paraguay's long history of authoritarian regimes and centralism, the challenge was not to "regain" democracy, but to establish and create new democratic institutions in a context lacking any democratic history. The Colorado Party's acceptance

of results from the 2008 elections marked the beginning of the consolidation of Paraguay's democracy and the end of this transition (Fretes Carreras, 2011).

## Structure of Subnational Governance in Paraguay

### The 1992 Constitution: New Design of the Paraguayan State

A milestone of the Paraguayan transition to democracy was the 1992 new Constitution that replaced the 1967 Constitution enacted during the Stroessner era, defining the country as unitary and decentralized (see Table 17 for summary of Paraguay's previous constitutions' main provisions).

**Table 17: Paraguay's Political Constitutions**

Year	
1844	Political Administration Law of the State: it established three branches of government but all power was concentrated on the Executive branch. Individual rights were not explicitly recognized. Congress was to be elected by the people, but even though the right to vote was universal, only people with property could be elected to office.
1870	Liberal Constitution—a very modern and progressive constitution, it formalized the division of power, the independence of the press, the protections of freedom of religion and association, and the universality of the right to vote (except for women, who at the time were the majority of the population). The constitution also reorganized the State with the creation of several ministries (foreign affairs, finances, interior, among others).
1967	Constitution of the Stroessner era. It was of authoritarian and presidentialist character. It allowed the indefinite reelection of the President. The Legislative and Judicial powers were subordinated to the Executive.
1992	Defines the country as unitary and decentralized. Guarantees individual rights and establishes the division of power between the Executive, Legislative, and Judicial branches of government. It does not allow for the reelection of the President.

Source: author based on Balmelli (2004), Flecha (2013), Silvero Salgueiro (2011)

The new Constitution sought to remedy some of the problems brought about by excessive centralization and authoritarianism by: maintaining the division of powers but redefining them, creating control institutions independent and autonomous of the government, and establishing the State both as unitary and decentralized.

The Constitution also mandated the creation of the Electoral Tribunal in charge of running the country's elections.

Some of the most important reforms introduced by the 1992 Constitution include:

- a) Introduction of a broad definition of democracy with participatory and pluralist principles;
- b) Guaranteeing a respect of peoples' rights;
- c) Introduction of the principle of decentralization as a key element of the Paraguayan state. In this regard, Articles 1 and 3 of the Constitution defined the state as unitary and decentralized;
- d) Curtailing presidential authority;
- e) Assigning new control powers to the Congress;
- f) Deeply reforming the Judicial system to ensure its independence.

In the new Constitution, the principle of decentralization is clearly expressed with the new political/administrative structure established for administration of the territory. Furthermore, the 1992 Constitution, for the first time in Paraguayan history, gave administrative autonomy to the regional level (Departments), and reaffirmed the existing autonomy of the municipalities. Both Departments and municipalities became decentralized administrative territories. This element of autonomy was reinforced by the

fact that governors, mayors, and Departmental and local councilmembers were to be directly elected by the people, though confusion and lack of clarity on their responsibilities (especially in the case of governors) abound.

In regard to presidential power, the new Constitution eliminated all the prerogatives in the former Constitution that allowed this power to be concentrated in the president. The president is no longer allowed to dissolve Congress or govern by decree. The president can no longer order a state of emergency without the approval of Congress, nor is reelection allowed. The curtailing presidential power does not mean that the Executive is reduced in attributions. The president remains the Commander in Chief of the Armed Forces, is head of the government and of the State, names and removes ministers of the Executive without the approval of Congress, establishes the guidelines of the government, and can propose legislation to Congress; the President can also veto laws approved by Congress and can condone or pardon sentences. The introduction of the figure of a vice president did not reduce the preeminence of the president within the political system (Silvero Salgueiro, 2011).

The new Constitution redefined the role of Congress. In addition to the traditional role of enacting laws, it must approve the General Budget of the Nation and approve international treaties. Congress was also given new oversight authority over the government. The Senate and the Chamber of Representatives can summon ministers of the Executive and senior civil servants for questioning. They can propose a vote of no confidence, and they can propose a motion removing the involved minister or civil servant (to the president), though the president is not obligated to comply. Congress can appoint

investigative commissions, and it can demand information and documentation from different private and public agencies.

The introduction of impeachment procedures (*juicio politico*) is evidence of the intent to strengthen the oversight role of Congress (Article 255). The Chamber of Representatives can initiate impeachment procedures against the president, the vice president, ministers, members of the Supreme Court, and other senior government officials for misconduct or crimes committed while in office. The Senate is charged with judging and, if found guilty, the accused will be removed from office.

The 1992 Constitution introduced reforms to ensure the independence of the Judicial system. The president no longer appoints all judicial posts, including the members of the Supreme Court who are now appointed by the Senate for life, in accordance with the Executive, from a list proposed by a Judicial Council or *Consejo de la Magistratura* (in itself a newly created institution). Lower court judges are named by the Supreme Court, but also nominated from lists proposed by the *Consejo de la Magistratura*. The Constitution also guarantees the economic independence of the judicial system by establishing that no less than 3% of the national budget should be allocated to it, and the Supreme Court administers these funds. To avoid electoral fraud and political manipulations, an Electoral Court was established and charged with registering voters and organizing, conducting and verifying the electoral process in general (Flecha, 2013; Silvero Salgueiro, 2011; Balmelli, 2004).

In a country without a tradition of decentralized governance, the Constitution also created significant tension between the principle of decentralization and the concept of a

unitary state, defining many rights but not clearly establishing what level of government was in charge of providing them (Silvero Salgueiro, 2011).

The Paraguayan state is unitary because the Executive power directs the general administration of the country, and Departments' and municipalities' development programs are subordinated to the national development plans (Article 177); the National Parliament is the only branch of government allowed to enact laws (municipal and Departmental councils can enact ordinances and rules, but they are administrative and cannot overrule national laws or contradict national legislation); the Judicial system is centralized, and final decisions are made by the Supreme Court (Flecha, Sosa, Cristaldo et al., 2003).

The decentralized nature of the State is evidenced by the strengthening of municipalities, and the establishment of governors as heads of Departmental governments (replacing the much despised “presidential delegates” of the Stroessner era), directly elected by the people. These regional governments are entrusted with political, administrative, and normative autonomy. Departments and municipalities are given fiscal autonomy (as allowed by financial laws), and the Executive power cannot arbitrarily remove governors and mayors (there are specific mechanisms to be followed).

Article 156 of the Paraguayan Constitution states that:

*“... in the interest of the political and administrative organization of the State, the national territory is divided into Departments, municipalities, and districts<sup>36</sup> which, within*

---

<sup>36</sup> The Constitution introduces here the concept of “District” without further explanation of its functions or attributions. All articles of the Constitution refer to the administrative organization of the state as divided in Departments and municipalities. Some assume that some representatives at the constitutional convention wanted to introduce a difference between rural and urban municipalities (Barboza, 1993), but the term “Districts” is not mentioned in any other part of the National Constitution.

*the limits of this Constitution and its laws, enjoy political, administrative, and normative autonomy for the management of its interest and autarchy for the collection and investment of its resources”.*

The table 18 below summarizes the organization of the State and the powers of the different levels of government as established by the 1992 Constitution.

**Table 18: Organization of the Paraguayan State – Powers by Level of Government**

	<b>Legislative Authority</b> (With the capacity to enact laws)	<b>Administrative Authority</b> (With the capacity to enact and enforce administrative regulations, impose administrative sanctions, etc.)	<b>Judicial Authority</b> (With capacity to resolve and decide conflicts, impose sentences, and are of universal enforcement)
<b>National Level</b>	The National Congress (two chambers, Deputies and Senators)	Executive Power (the President of the republic, the Vice-president, assisted by Ministers)	Judicial Power (Supreme Court, Tribunals, and Judges)
<b>Departmental Level</b> ( <i>Gobernaciones</i> )	<ul style="list-style-type: none"> <li>- No decentralized legislative authority</li> <li>- Deputies are elected by direct vote of inhabitants of each Department for national congress</li> <li>- Departmental Juntas or Councils enact administrative or regulatory ordinances but do not enact laws in the formal sense</li> </ul>	<ul style="list-style-type: none"> <li>- Governors are the executive power at the Departmental level</li> <li>- Departmental Councils enact administrative rules</li> </ul>	<ul style="list-style-type: none"> <li>- There is no decentralization of judicial activities</li> <li>- There are judicial districts with regional judges and tribunals but are dependent on the National Judicial system</li> <li>- Judicial districts do not necessarily match Departmental limits</li> </ul>
<b>Municipal Level</b> ( <i>Intendencias</i> )	<ul style="list-style-type: none"> <li>- Municipalities have Councils or Juntas but these do not have legislative powers, they enact administrative or regulatory ordinances</li> </ul>	<ul style="list-style-type: none"> <li>- Mayors are the head of the executive at the local level</li> <li>- Municipal Juntas enact administrative regulations</li> <li>- Misdemeanor courts impose administrative sanctions only</li> </ul>	<ul style="list-style-type: none"> <li>- Local judges of the misdemeanors courts are not member of the Judicial branch and can only impose administrative sanctions</li> </ul>

Source: author based on Flecha, Sosa et al., 2003

## **Departmental Governments in Paraguay**

Article 161 of the Constitution established that the governments of the 17 Departments would be presided over by a governor and by a Departmental Council or Junta (see Table 18 above). Both the governors and the members of the Departmental Council are elected directly by the residents of the Department, and only councilmembers can be reelected. For the first time, in the 1993 election, governors and Departmental councils were elected.

One potential problem in the office of governors: the 1992 Constitution (Article 161), as well as the Administrative Departmental Law (Law 426/94), established that governors are expected to represent the president in the Department, even though governors are directly elected by the people. This provision creates tension between governors and the president when conflicts of interest arise between the residents of the Department and the sometimes broader concerns of the national government (Rosenbaum & Rodriguez Lagier, 1995).

Under the Constitution, and the Administrative Departmental Law, governors are responsible for the “general administration of the government.” They can create secretariats to help them better administer governmental issues such as health, education, public works, planning, etc., according to their priorities. Departmental Councils must have a minimum of seven members and a maximum of twenty-one with the same number of alternates. Each Council must have one president, one vice-president, and two secretaries. Councils can enact ordinances, statutes, and regulations; they have a supervisory role over the actions of the Departmental executive, and approve Departmental development plans and the budget. Overall, though, the functions of the Departmental councilmembers are not



clearly defined and this has resulted in many confrontations with governors, and even in calls for their dissolution.<sup>37</sup>

In summary, and according to the Constitution and the Administrative Law, Departmental governments have the following authority (Rosenbaum & Rodriguez Lagier, 1995):

1. To coordinate activities with different municipalities of the Departments; to organize Departmental services that jointly affect more than one municipality;
2. To prepare and approve Departmental development plans, which must be coordinated with the National Plan of Development;
3. To prepare and approve a budget to be submitted to the Ministry of Finances and approved in the nation's general budget by the National Congress;
4. To coordinate and support activities of the national government in the territory, especially in the areas of health and education;
5. To facilitate the creation of Departmental development councils.

Departmental governments should also: coordinate the activities of the Regional Health Councils and the Education Councils; and the provision of services such as water, electricity, public works, and transportation. Through Departmental development plans, Departmental governments should promote agriculture, industry, and commerce. In reality,

---

<sup>37</sup> Interviews with Paraguayan politicians, political scientists and analysts, news analysts. Asuncion, September 2013 and December 2014.

and given the significant diversity among the 17 Departments,<sup>38</sup> the level of services provided by these Departmental governments varies greatly.

### **Departmental Revenues**

As stated above, Departmental governments are governed by the Administrative Departmental Law (Law 426/94) and by the National Constitution. Most Departmental governments consider the law to be too restrictive on their fiscal autonomy and on their attributions and functions.

In terms of revenue, Departments are highly dependent on transfers from the central government, as up to 80% of their revenue is transferred from the central government (COPLANEA interviews), and the remaining 20% is transferred from municipalities. The Constitution established that 15% of the revenue collected by municipalities on property taxes should be transferred to the Departments (Article 169), but the Administrative Departmental Law failed to establish clear transfer mechanisms. As a result, since the beginning of the decentralization process in Paraguay, the Ministry of Finance has at times moved very slowly, or not at all, in distributing collected revenue to the Departments.

Departments also receive transfers from the Valued Added Tax (15%) collected in the Department, and from gambling, earmarked for education, health, and public works. In

---

<sup>38</sup> The Department of Central, for example, the one closest to the capital city of Asuncion, is the smallest geographically but the most populous Department with a population of over 1.5 million (2008) representing 35% of the population, it has the best social standards and infrastructure; and it concentrates more than 56% of the country's industries ([http://www.central.gov.py/newsite/?page\\_id=26](http://www.central.gov.py/newsite/?page_id=26)). On the other hand, the Department of Alto Paraguay, though much larger in land area, has a population of approximately 12,000 (<http://www.dgeec.gov.py/Publicaciones/Biblioteca/Atlas%20Censal%20del%20Paraguay/20%20Atlas%20Alto%20Paraguay%20censo.pdf>)

the case of gambling, Article 40 of the law transfers the revenues from gambling licenses to the municipalities, which then are required to transfer a percentage to the Departments.

Finally, beginning in the year 2000, Departments also received transfers from royalties collected by the national government for administering the Itaipu and Yacireta national hydroelectric dams (Law 1309/98). These funds can be used for capital improvements but under no circumstances for personnel salaries or benefits.

In terms of expenditures, Departmental governments, per the national Constitution, have autonomy in the use of their revenues. National legislation also established that governors and Departmental councilmembers must be paid from the Department budgets (Law 426/94), and they must abide by the national Administrative Financial Law, which establishes that Departmental budgets must be approved by Congress (Law 1535/99). Table 19 below summarizes the legal framework pertaining to resource revenue and expenditure of Departmental governments.

**Table 19: Legal Framework of Departmental Governments Finances**

	<b>Judicial Norm</b>	<b>Description</b>	<b>Comments</b>
<b>Revenues</b>	1992 Constitution	Transfers from the national budget 15% of municipal property taxes	<ul style="list-style-type: none"> <li>- Governorships do not have their own source of revenues</li> <li>- Extremely dependent on central government transfers</li> <li>- Do not collect national taxes or any other revenue</li> <li>- Lack of clear formulas for national transfers</li> </ul>
	Administrative Departmental Law 426/94	15% of municipal property taxes Transfers from gambling and Value Added Tax (VAT)	
	Law 1309/98 (Royalties law)	Transfers from royalties of Itaipu and Yacireta dams	
<b>Expenditures</b>	1992 Constitution	Autarchy on expenditures decisions	Autarchy is not fully implemented as there are irregularities in the way central government transfers the funds, and due to changes in transfer formulas
	Administrative Departmental Law 426/94	Salaries for governors and councilmembers must be paid from Department budget	
	National Administrative Financial Law (Law 1535/99)	Departmental governments must adjust their expenditures to what the law allows	
<b>Budget</b>	1992 Constitution National Administrative Financial Law (Law 1535/99)	Budgets are prepared by Departmental governments, submitted to the Ministry of Finance for approval, and included in the national budget which is approved by Congress	<ul style="list-style-type: none"> <li>- Departments do not approve their own budget as its final approval is subject to the Ministry of Finances and Congress</li> <li>- Any reallocation of the budget must be approved by the Finance Ministry</li> </ul>

Source: adapted from COPLANEA, 2003

### **Municipal Governments in Paraguay**

Mayors and local council members (Municipal Juntas) are elected by direct vote of a municipality's residents (Article 167). The population and budget size of each municipality determine the number of members to the municipal councils. Mayors can be reelected for one additional five-year term (Law 1830/01), and councilmembers can be

indefinitely reelected. The first time mayors and municipal councilmembers were directly elected was in 1991.

The 231 Paraguayan municipalities are regulated by Articles 166 to 171 of the 1992 Constitution, and by Administrative Municipal Law 3966 of 2010, which replaced Law 1294 of 1987, the law that was in effect for much of the period analyzed in the present research.<sup>39</sup> Article 166 of the national Constitution defines municipalities as “*organs of local government, with legal status which have political, administrative, and normative autonomy within their jurisdiction, as well as absolute sovereignty in the collection and investment of resources.*” In contrast to the constitutionally created governmental Departments, municipalities have always existed in the political/administrative history of Paraguay, though subject to political manipulations and without much autonomy. In the Stroessner years, mayors were named by the regime.

Mayors are the general administrators of the municipality and have the authority to organize its secretariats, directorates, and divisions according to the needs and budget of the respective local government. Members of the municipal councils are elected at the same time as the local executives. The municipal councils must be organized—with a president, a vice-president, and advisory committees—and they are free to establish internal rules.

---

<sup>39</sup> As mentioned above, in the 1990-2010 period that concerns this study, the Municipal Administrative Law in force was Law 1294 of 1987. In fact, much of the political discussions and divisions regarding furthering decentralization within Congress and the political establishment involved the approval of the new municipal administrative law, which was not achieved until 2010. Thus, we will consider the impact of Law 1294/87 throughout the study and discuss the approval of Law 3966/10 later on.

Article 168 of the Constitution lists the functions and attributions of municipal governments, which include<sup>40</sup>:

1. Jurisdictional management in areas of urban planning, environment, education, culture, sports, tourism, sanitary and health services, municipal police, and inspection agencies;
2. The administration of its assets;
3. The budget process;
4. Participation in national revenues;
5. Issuance of ordinances, regulations, and resolutions;
6. Regulation and control of transit, including public transportation and other matters related to the circulation of vehicles.

The Administrative Municipal Law 1294/87 (which was in effect until 2010) described in more detail the responsibilities of municipal governments, which included:

1. The establishment of a physical, urban, and rural planning system;
2. The construction, maintenance, and beautification of urban infrastructure such as parks, streets, avenues, and other public places that are not under the jurisdiction of another government agency;
3. Waste collection and disposal;
4. Maintaining public places and roadways;

---

<sup>40</sup> This section relies on the 1995 study of Paraguayan decentralization done by the author in conjunction with Dr. Allan Rosenbaum for the U.S. Agency for International Development (USAID) – see references for details.

5. Urban planning authority;
6. Control, regulation, and services of public markets, slaughterhouses, fairs, and other food services;
7. Fostering public education, culture, sports, health, public housing, public welfare programs, and tourism;
8. Responsibilities over the preservation of historical monuments, works of art, and other cultural heritage in cooperation with other government agencies;
9. Regulation and control of public transportation, and other matters related to the circulation of vehicles;
10. Regulation and control of public performances, publicity, sports and recreational activities;
11. Creating and regulating the municipal police force for the control and performance of only those activities under municipal jurisdiction;
12. Furnishing services such as lighting, water, and sewage in the event that these services are not provided by other public services;
13. Some environmental authority for the protection of the environment;
14. Promoting citizen participation;
15. Other functions in compliance with municipal goals.

Law 1032/96 expanded the role of municipalities in the area of health with the establishment of a National Health System that sought to decentralize certain aspects of the health services provision to the municipalities. The law allowed for the creation of Local Health Councils, which were coordinated by the municipalities. In the area of education, changes in the legal framework gave municipalities a role in the coordination of District

Education Councils (Law 1264/98), with mixed results in their implementation. A series of other laws (Law 1590/2000 for national transportation; Law 100/92, which created local and regional transportation councils; Laws 1100/97 and 1561/2000 for environmental protection; and Law 1334/98 for consumer protection) expanded the role of local governments in regulating and controlling public transportation and protection of the environment and consumers, but little has been accomplished in terms of actual decentralization of such services.

While the listing of areas of responsibility suggests that municipalities have broad authority and power, the reality is for all but a dozen or so of the country's local governments, the situation is quite different. Lack of local capacity, and the country's long tradition of centralized government, has meant that most public services are in fact delivered by agencies of the national government. Asymmetries between municipalities are also a factor, as some (e.g., the capital city of Asuncion, Encarnacion, and Ciudad del Este) are able to provide certain services, but others are too small to effectively deliver services.

### **Municipal Revenues**

Historically, local governments in Paraguay have been very limited in their capacity to collect revenue. National governments have no tradition of revenue sharing with subnational governments. Laws dealing with municipal finances are, for the most part, very restrictive and highly centralized in that their administration is closely overseen by central government agencies, in particular the Ministry of Finances.

A significant change in this regard began with the new Constitution, which allowed municipalities to collect property taxes and retain 70% of those revenues. The remaining



30% is split 15% for the Departments, and 15% to a fund that supports the poorest municipalities. In the case of Asuncion, territorially not a part of any Department, its 30% is split between the poorest municipalities' fund and one to improve transportation and access to the capital city.

A central problem for municipalities in collecting property taxes is that values have historically been under-assessed, and municipalities are restricted in their ability to increase those assessments. Under the law, the Ministry of Finances sets the values to be charged for the property tax, composed of a tax on the land and a tax on the building. Tax rates are differentiated by geographic zones within each municipality, and the value is assessed depending on whether properties are located on paved streets, stone streets, or dirt roads.

Municipalities do have a wide array of fees and services (including car registrations and licenses, waste collection, and road maintenance, among others) they can charge and have autonomy to collect such fees.<sup>41</sup> Municipalities can also generate revenue by renting property. Revenue from gambling activities and, especially, royalties from the Itaipu and Yacireta hydroelectric dams, which are transferred by the central government, are also important sources of revenue for Paraguayan municipalities.

Municipal expenditures vary by municipalities' size and capacity to provide services, but overall, municipal employee salaries represent the largest expenditure item (up to 45% of municipal expenditures), followed by capital investments in maintaining streets, buildings, and machinery equipment and repairs of municipal property.

---

<sup>41</sup> Municipalities in Paraguay are not allowed to create new fees; only the fees allowed by law can be collected, though they can regulate the amounts charged as long as the increases are in line with services provided.

In terms of budget authority, local governments in Paraguay have autonomy and autarchy in the approval of their budgets, not needing supervision or approval from the Ministry of Finance and/or the Congress. Table 20 below summarizes the legal framework pertaining to the resource revenue and expenditure of municipal governments.

**Table 20: Legal Framework of Municipal Governments Finances**

	<b>Judicial Norm</b>	<b>Description</b>	<b>Comments</b>
<b>Revenues</b>	1992 Constitution Administrative Law 1294/87	Autarchy for revenue collection	- Lack of proper cadasters and tensions with the National Cadaster Service office
	1992 Constitution Administrative Law 1294/87 National Tax system Law 125/91	- Municipalities can collect property taxes and retain 70% - Law 125/91 provides that the property tax is assessed by the National Cadaster Service, an agency of the central government - Municipalities can collect taxes and fees	- Lack of willingness to collect taxes and fees by municipal authorities - Complexity of fees and of the new tax regime, making implementation confusing - Ministry of Finances not always cooperative in the transferring of funds - Lack of local capacity hinders local
	Law 881/81 establishing the tax regime for the City of Asuncion Law 620/76 and Law 135/91 establishing the tax regime for other municipalities	Regulation of municipal taxes: -Taxes (licenses, raffles and drawings, entertainment, slaughter houses, construction permits, etc.) - Fees (sweeping and cleaning, garbage collection, inspection of vehicles, cemeteries, etc.) - Contributions (pavement maintenance, etc.)	governments' ability to implement projects or make use of newly transferred funds from royalties - Lack of transparency from the Central government in the transferring of funds. - Complicated transfer formulas makes the process difficult to understand
	Law 1309/98 establishing the transfer of royalties from Itaipu and Yacireta to	Coparticipation of royalties funds transferred from the central government	- Lack of transparency at the local level

	Municipalities and Departments		
<b>Expenditures</b>	1992 Constitution	Autarchy in the administration and investment of resources	- There is no agreement as to who is “administrative personnel”
	Administrative Municipal Law No. 1294/87	Legislation establishes maximum salaries that can be paid to mayors and councilmembers, as well as to administrative personnel	- Maximums are based on estimated revenues and not on actual revenue, thus creating overestimated budgets
<b>Budget</b>	1992 Constitution	They are authorized to approve their own budgets; are not dependent on the Nation’s budget. They must comply with norms established by Law 1294/87	- There are major tensions and conflicts in many municipalities between the mayors and their Municipal Councils during the budget approval process and during its implementation
	Law 1535/99 Financial Administration of the State	Applies to them only in case the Law 1294 is repealed	

Source: adapted from COPLANEA, 2003

### **Fiscal Decentralization in Paraguay**

As mentioned in previous sections, Paraguay’s 1992 Constitution and a number of laws, some enacted before the transition to democracy and others after the new Constitution was approved, have sought to establish a legal framework for fiscal decentralization. The process has been characterized by conflict emanating from transfer formulas that are not clear, the very limited revenue collecting capacity at the local level (and nonexistent for regional governments), and from the preeminence and control of much of the process by the Finance Ministry, which has been at times reluctant, if not overtly opposed, to fully transfer funds entitled (by law) to local and regional governments.

Part of the problem has been, and continues to be, the overgrown size of the Paraguayan state. Efforts to reduce its size have been marred by confrontations, tensions,

and regressions. The Presidency of Juan Carlos Wasmosy (1993-1998), for example, launched a campaign to privatize state enterprises, which was met with much resistance by unions, Congress, and many in society (Neffa, 1996). The efforts, aimed at reducing the number of state employees, failed over the years, and in fact, the Paraguayan state continues to be the largest employer in the country. In 1994, 97.4% of public expenditures were done by the national government, only 0.3% by Departmental governments (which had recently been created in 1992), and 2.3% by municipalities. In 1990, the proportion was 99% by the central government, and just 1% by municipalities (Neffa, 1996). Not much has changed, according to the President of the Governors Association: by 2010, the share of expenditures by Departmental governments was still about 1% and for local governments around 2%.<sup>42</sup>

The national budget is divided in two parts: the central administration (Legislative, Executive, and Judicial branches), and the so-called “decentralized entities or agencies,”<sup>43</sup> including the 17 Departments, the National University system, Social Security agencies, development promotion agencies, public enterprises, and financial entities.

---

<sup>42</sup> Meeting with President of Paraguay’s Governors’ Council. Asuncion, December 2014.

<sup>43</sup> Decentralized entities or agencies is the name given by the Paraguayan government to public agencies having legal status and autonomy to administer themselves, but are dependent on the Executive branch; they include the Paraguayan Central Bank, autonomous agencies such as the Directorate for Social Welfare (*Dirección de Beneficiencia y Ayuda Social* – DIBEN), the National Social Prevention agency, public enterprises, and national universities. It is important to note that Departments are under this category, further complicating the relations between governors and the Executive branch.

## Evolution of Fiscal Decentralization Reforms

Before the creation of governorships and the reforms introduced by the new Constitution in favor of local governments, the only fiscal relationship between municipalities and the central government was the property tax, which was collected by the central government, which subsequently transferred 16% to the then Institute of Municipal Development (IDM—reflecting Spanish terminology).

The IDM distributed only 4.4% of the funds to the municipalities of the interior, 1.6% was transferred to the Water and Sewer agency (CORPOSANA, itself a public agency), and 10% was retained by the IDM for its budget. The Municipality of Asuncion received its 16% directly from the Ministry of Finance. No municipality was allowed to borrow foreign loans without approval from the Ministry of Finance and the Central Bank, and investment projects in any municipality needed to be included in the National Development Plan, previously approved by the Secretariat for Technical Planning—an agency of the Executive branch (Neffa, 1996).

The first wave of reforms occurred after the 1992 Constitution was adopted. The Constitution was vague on revenues for Departments (Article 164), basically leaving Congress to enact the necessary laws that would fund the newly created governorships.

A second wave of reform in the early 1990s included the approval, in 1994, of the Administrative Departmental Law 426 (*Ley Orgánica Departamental 426/94*) that regulated transferring 15% of the property tax revenue to the Departments. The new law introduced sharing (*coparticipacion*) of the Value Added Tax (VAT or IVA in Spanish). That is, 15% of the VAT collected in each Department was to be transferred back—

earmarked for health, education, and public works. The law assigned the Ministry of Finance with the collection and transfer of funds, as well as coordinating and controlling the collection process.

Another new source of revenue for Departmental and local governments introduced by the new law was the sharing of gambling revenues. The law established that 30% of funds collected from gambling activities would be transferred to the municipalities where gambling occurred, 30% to the Departments of the involved municipalities, 30% to the Directorate of Social Welfare of the Central Government (DIBEN—reflecting Spanish terminology),<sup>44</sup> and 10% to the national treasury. The percentages are slightly different for the Municipality of Asuncion, where most of the gambling in Paraguay occurs, with 25% to the Municipality, 20% for Departmental governments, 20% for poor municipalities, 25% for the DIBEN, and 10% for the national treasury (Rosenbaum & Rodriguez Lagier, 1995).

Subregional governments are bound by the Financial Administrative Law 1535/99 that regulates their relationship with the Ministry of Finance in terms of budget preparation and approval, particularly budgets of Departmental; the law established what is/is not allowable under the law in terms of expenditures.

A new, and very important, component of subnational governments' revenue was the approval, in 1998, of Law 1309 that established and regulated the transfers of royalties paid to the Paraguayan central government by Brazil and Argentina for the use of the Itaipu and Yacireta hydroelectric dams. These funds are transferred to the Ministry of Finance, which, in the year 2000, began incrementally transferring them to Departmental

---

<sup>44</sup> Dirección de Beneficiencia – DIBEN

governments (up to 10%), and to municipalities (up to 40%), with differentiation between those territories affected or not by the flooding caused by the construction of the dams (see Table 21 below).<sup>45</sup>

**Table 21: Royalties Distribution by Level of Government**

	<b>Affected by Flooding</b>	<b>No Flooding</b>	<b>Total</b>
Central Government			50%
Departmental Gov.	5%	5%	10%
Municipal Govs.	15%	25%	40%
<b>Totals</b>	<b>20%</b>	<b>30%</b>	<b>100%</b>

Source: Author

Problems in the implementation of these laws abound. The lack of political will by the Ministry of Finance to transfer funds to Departmental governments in particular seriously hinders their ability to provide services as required by law or to implement programs and projects beneficial to their communities. Withholding of transfer, or transferring partial amounts, is one of the most common concerns expressed by governors, mayors, and former subnational authorities.<sup>46</sup> Lack of capacity and knowledge of financial management is also a concern for many smaller municipalities and governorships, as well

---

<sup>45</sup> The 50% corresponding to subnational governments started to be transferred in the year 2000. No more than 10% was transferred on that first year, the proportion was to increase by 5% each year.

<sup>46</sup> In fact, as early as November of 2014, serious tensions emerged between the Ministry of Finance, the Executive, and the Governors Association for the approval of the 2015 budget, where Governors complain that the Ministry of Finance is only transferring 2% of the VAT and not the fully 15% as required by Law 426. <http://www.abc.com.py/edicion-impres/politica/gobernadores-no-quieren-ser-florerros-responde-luis-gneiting-al-ministro-1306659.html> and <http://www.ultimahora.com/lanzoni-niega-conspiracion-y-ratificacion-legalidad-aumento-n848057.html>

as the lack of clear rules and procedures (or effective implementation of the rules and procedures) to ensure transparency and accountability.

The central government continues to have a prominent role in the country’s public spending both in total numbers, and as a proportion of the country’s GDP. The size of the central government can also be assessed by the amount of expenditures that are committed to the payment of salaries and pensions. In the 2000-2009 period, the bulk of public spending was used to pay for personnel services,<sup>47</sup> representing about 44% of the public spending; 14% was paid on pensions and retirement and about 20% on capital expenditures (Table 22); an average of 16% was spent on infrastructure (Zarate, 2010).

**Table 22: Composition of Total Expenditures of the Central Government (as percentage of the total)**

Area	Average 2000 – 2004	Average 2005 – 2009	Average 2000 - 2009
<b>Current Expenses</b>	<b>79.2</b>	<b>77.8</b>	<b>78.5</b>
Personnel Services	43.6	43.7	43.6
Goods and Services	6.2	7.0	6.6
Contract Interests	6.9	4.9	5.9
Current account transfers	6.1	7.2	6.6
Pensions & Retirements	15.1	12.5	13.8
<b>Capital Expenditures</b>	<b>20.8</b>	<b>22.2</b>	<b>21.5</b>
Infrastructure Investment	17.8	15.1	16.5
Financial Investment	0.2	0.7	0.4
Transfers	2.8	6.4	4.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Zarate, 2010

---

<sup>47</sup> It includes salaries for doctors and teachers.



In 1994, central government expenditures represented almost 15% of GDP, and by the year 2000, its share represented about 23% of GDP and the Departmental governments had barely reached 0.4% of GDP (Table 23).

**Table 23: Departmental Governments Spending Compared with the Central Government and GDP**

	1995	1996	1997	1998	1999	2000	Average Annual Change
<b>Percentage share of Governorships in Central Administration and GDP</b>							
G/GDP	0.2	0.2	0.3	0.3	0.3	0.4	0.2
G/CA	0.9	1.2	1.5	1.5	1.5	1.8	1.2

Source: COPLANEA, 2003

The Departmental governments' continued dependence on transfers from the central government affects their ability to plan and to allocate funds for social programs or to provide services. Decentralized entities, dependent on the Executive branch, on the other hand, have maintained and increased their participation in public spending.

Since the year 2000, royalties have become a fundamental source of revenue for both Departments and municipalities. Some Departments' budgets have become more dependent on royalties than others. In the Departmental government of Central (the largest in terms of population and economic activity), royalties were 14.5% of capital revenues for the 2000-2006 period, while in both Canindeyu and Neembucu it was over 80% (COPLANEA, 2007). The Departmental government of Central has been transferred approximately 4.6 million US dollars in the 2000-2010 period, while the Department of Neembucu has received approximately 11.2 million US dollars (Table 24 and 25 below).

**Table 24: Revenues as per contract for Itaipu and Yacyreta (Millions of Guaranies)**

<b>Year</b>	<b>Itaipu</b>	<b>Yacyreta</b>	<b>Total</b>
1989	61,830	-	61,830
1990	139,348	-	139,348
1991	137,193	-	137,193
1992	178,226	-	178,226
1993	335,395	-	335,395
1994	463,686	-	463,686
1995	346,001	5,947	351,948
1996	369,299	13,844	383,143
1997	504,327	24,497	528,824
1998	702,490	47,125	749,615
1999	942,478	54,287	996,765
2000	718,782	62,967	781,749
2001	1,226,604	57,281	1,283,885
2002	1,128,009	131,184	1,259,193
2003	1,443,967	47,673	1,491,640
2004	1,422,386	220,473	1,642,859
2005	1,550,503	100,534	1,651,037
2006	1,566,768	316,122	1,882,890
2007	1,539,656	502,595	2,042,251
2008 (*)	1,314,943	672,184	1,987,127
<b>Total</b>	<b>16,091,891</b>	<b>2,256,713</b>	<b>18,348,604</b>

\* Projected

Source: COPLANEA based on Ministry of Finance

**Table 25: Transfers of Royalties to Departmental Government (in Guaranies, millions)**

<b>Departments</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Concepción	-	547.8	968.4	1,302.7	1,620.8	2,221.5	2,703	2,939.1	3,039.0	3,918.0	3,732.0
San Pedro	300.5	547.8	968.4	1,302.7	1,620.8	2,250.3	2,865	2,939.1	3,039.0	3,918.0	3,732.0
Cordillera	300.5	547.8	968.4	1,302.7	1,620.8	2,455.8	2,605	1,762.2	3,039.0	3,918.0	3,733.0
Guairá	300.5	547.8	968.4	1,302.7	1,620.8	2,477.2	2,760	2,939.1	3,040.0	3,918.0	3,732.0
Caaguazú	300.5	547.8	968.4	1,302.7	1,302.7	2,230.2	2,845	2,952.1	3,039.0	3,918.0	3,733.0
Caazapá	300.5	547.8	968.4	1,302.7	1,620.8	2,287.8	2,878	2,939.1	3,039.0	3,918.0	3,732.0
Itapúa*	976.5	1,780.5	2,324.1	3,126.4	3,908.8	6,044.5	6,908	7,053.9	7,295.0	9,404.0	8,958.0
Misiones*	976.5	1,780.5	2,324.1	3,126.4	3,908.8	4,721.8	6,454	7,053.9	7,294.0	9,403.0	8,958.0
Paraguari	300.5	547.8	968.4	1,302.7	1,620.8	1,999.5	2,875	2,939.1	3,039.0	3,918.0	3,732.0
Alto Paraná*	976.5	1,780.5	2,324.0	3,126.4	3,908.8	5,253.7	6,784	7,053.9	7,468.0	9,404.0	8,958.0
Central	-	-	968.4	1,302.7	1,620.8	2,272.9	1,840	2,939.1	3,039.0	3,918.0	3,732.0
Ñeembucu	300.5	547.5	2,324.1	3,126.4	3,908.8	5,451.7	4,030	7,053.9	7,295.0	9,404.0	8,958.0
Amambay	300.5	547.5	968.4	1,302.7	1,620.8	2,325.8	2,435	2,939.1	3,039.0	3,918.0	3,732.0
Canindeyú*	976.5	1,780.5	2,324.1	3,126.4	3,908.8	5,871.5	6,899	7,053.9	7,295.0	9,403.0	8,958.0
Presidente Hayes	300.5	547.8	968.4	1,302.7	1,620.8	2,448.0	2,102	2,939.1	2,474.0	3,919.0	3,733.0
Boquerón	-	-	968.4	1,302.7	1,620.8	2,325.8	2,875	2,939.1	3,039.0	3,918.0	3,732.0
Alto Paraguay	300.5	547.8	968.4	1,302.7	1,620.8	2,215.7	2,338	2,939.1	3,098.0	3,918.0	3,732.0
<b>Total Millions of guaraníes</b>	<b>6,911</b>	<b>13,147</b>	<b>23,241</b>	<b>31,264</b>	<b>38,675</b>	<b>54,853</b>	<b>62,204</b>	<b>69,374</b>	<b>72,610</b>	<b>94,035</b>	<b>89,577</b>
<b>Exchange Rate</b>	<b>3,485</b>	<b>4,105</b>	<b>5,719</b>	<b>6,436</b>	<b>5,969</b>	<b>6,164</b>	<b>5,620</b>	<b>5,047</b>	<b>4,350</b>	<b>4,860</b>	<b>4,665</b>
<b>Millions of US dollars</b>	<b>2.0</b>	<b>3.2</b>	<b>4.1</b>	<b>4.9</b>	<b>6.5</b>	<b>8.9</b>	<b>11.1</b>	<b>13.7</b>	<b>17.1</b>	<b>19.3</b>	<b>19.2</b>

\*Departments directly impacted by the flooding of Itaipu and Yacireta Source: [www.hacienda.gov.py](http://www.hacienda.gov.py)

Transfers from VAT tax and gambling are not as important to the Departments compared to royalties transfers, except in economically significant Departments such as Central, Alto Parana, and Itapua—where the VAT and gambling revenues are substantial (Tables 26 and 27 below).

**Table 26: Transfers of Valued Added Tax to Departments (in Guaranies, millions)**

Gobierno Departamental	Years										Totals
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Concepción	717	422	228	936	873	1,013	1,013	1,305	1,419	1,419	<b>9,345</b>
San Pedro	320	230	180	2,929	544	575	575	669	727	728	<b>7,477</b>
Cordillera	514	355	312	577	596	632	632	726	789	789	<b>5,922</b>
Guairá	693	759	635	1,539	1,616	1,666	1,666	1,914	2,081	2,081	<b>14,650</b>
Caaguazú	1,680	1,209	675	2,364	2,399	2,613	2,613	3,012	3,274	3,274	<b>23,113</b>
Caazapá	701	251	133	628	659	699	755	803	873	873	<b>6,375</b>
Itapúa	2,779	1,973	1,365	2,666	2,799	2,949	3,185	3,389	3,684	3,684	<b>28,473</b>
Misiones	574	520	418	763	801	878	948	1,037	1,128	1,128	<b>8,195</b>
Paraguari	422	594	319	1,249	1,310	1,390	1,502	1,598	1,737	1,736	<b>11,857</b>
Alto Paraná	7,692	8,481	9,351	9,786	10,151	9,756	11,609	12,382	13,459	13,459	<b>106,126</b>
Central	7,448	5,850	4,046	10,901	11,308	13,589	14,482	15,555	16,908	16,909	<b>116,996</b>
Ñeembucu	504	333	179	932	793	870	940	999	1,086	1,086	<b>7,722</b>
Amambay	920	857	462	1,727	1,814	1,815	2,076	2,209	2,402	2,402	<b>16,684</b>
Canindeyú	752	499	256	1,029	1,052	1,145	1,237	1,316	1,431	1,431	<b>10,148</b>
Presidente Hayes	793	500	270	1,078	871	1,195	1,291	2,556	1,492	1,493	<b>11,539</b>
Boquerón	376	254	149	1,291	598	674	737	786	855	855	<b>6,575</b>
Alto Paraguay	469	329	163	668	660	716	788	838	911	912	<b>6,454</b>
<b>Totals</b>	<b>27,354</b>	<b>23,416</b>	<b>19,141</b>	<b>41,063</b>	<b>38,844</b>	<b>42,175</b>	<b>46,049</b>	<b>51,094</b>	<b>54,256</b>	<b>54,259</b>	<b>397,651</b>

Source: Ministry of Finance report on “Transfers to Departmental Governments, 2001 – 2011”

**Table 27: Transfers to Departmental Governments – Gambling Revenues (in Guaranies, millions)**

Gobierno Departamental	Years										Totals
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Concepción	338	195	195	460	624	504	504	660	556	735	4,771
San Pedro	442	406	2,165	601	844	723	723	893	698	993	8,488
Cordillera	374	407	492	516	655	594	594	693	633	771	5,729
Guairá	341	358	358	458	602	225	225	637	561	709	4,474
Caaguazú	545	461	1,461	731	973	803	803	1,030	901	1,146	8,854
Caazapá	802	349	672	419	562	419	590	594	535	661	5,603
Itapúa	572	509	1,527	745	1,010	696	1,062	811	784	1,190	8,906
Misiones	218	144	144	383	506	444	531	535	478	595	3,978
Paraguari	333	432	523	507	695	529	731	453	651	820	5,674
Alto Paraná	1,345	1,572	1,632	850	1,394	1,184	1,424	2,665	1,098	2,408	15,572
Central	1,750	1,810	3,636	2,744	3,142	899	3,310	3,333	2,471	3,711	26,806
Ñeembucu	271	287	303	357	490	409	515	519	428	577	4,156
Amambay	300	343	416	394	553	421	581	585	491	652	4,736
Canindeyú	295	351	805	357	564	482	592	597	566	665	5,274
Presidente Hayes	221	171	227	362	483	403	507	511	487	569	3,941
Boquerón	210	210	210	301	431	329	453	456	395	508	3,503
Alto Paraguay	220	245	377	316	395	327	414	385	367	465	3,511
<b>Totals</b>	<b>8,577</b>	<b>8,250</b>	<b>15,143</b>	<b>10,501</b>	<b>13,923</b>	<b>9,391</b>	<b>13,559</b>	<b>15,357</b>	<b>12,100</b>	<b>17,175</b>	<b>123,976</b>

Source: Ministry of Finance report on “Transfers to Departmental Governments, 2001 – 2011”

Municipalities also saw their revenues increased with the collection of property taxes, as allowed by the new Constitution, and the capacity to collect fees for goods and services. The table below (Table 28) shows the evolution of public spending between 1993

and 2001, and the total amount spent by local governments in Paraguay. In this period, municipalities more than doubled their budget expenditures.<sup>48</sup>

**Table 28: Evolution of Public Expenditure Budget (in Guaranies, millions)**

<b>Year</b>	<b>Central Government</b>	<b>Governorships</b>	<b>Municipalities</b>
1993	2,004,109,352,786	-	52,497,190,626
1995	3,262,506,809,605	37,269,381,000	90,449,931,935
1996	4,186,941,636,802	70,610,656,000	122,093,042,072
1999	5,757,711,119,794	171,286,255,000	76,953,301,641
2000	7,604,699,304,000	196,747,781,000	137,216,203,590
2001	6,563,116,873,652	170,940,893,000	144,574,000,000

Source: COPLANEA. Central Government and Governorships from the Ministry of Finance. Municipalities, information for the years, 1993, 1993, 1995, 1996 and 1999 are from the IDM; years 2000 and 2002 are from the Accounting Division of the Ministry of Finance

Transfers from royalties have become a major source of revenues for local governments (e.g., Departments) in Paraguay. In a 2007 study of 145 municipalities of Paraguay, the percentage of local government expenses paid for with royalties increased from less than 0.6%, in the year 2000 when transfers began, to 46.4% in 2006 (see Table 29), with an average of 83% spent to cover capital expenses<sup>49</sup> (Table 30). Royalties transfers have become a source of tension between subnational governments because so many modifications have been made to the law, resulting in many local governments not

---

<sup>48</sup> It is important to note again, that the capacity to collect and spend revenues in Paraguay varies greatly by the size of the municipality. The Municipality of Asuncion is by far the largest in the country and the one that spends the most in comparison to other municipalities.

<sup>49</sup> The law requires that up to 80% of royalties revenues be spent on capital investment.

directly affected by the flooding caused by the Itaipu and Yacireta dams benefitting more than those directly affected.<sup>50</sup>

**Table 29: Percentage of Selected Municipalities' Total Expenses Financed by Royalties**

Year	2000	2001	2002	2003	2004	2005	2006
Expenses	0.6	13.9	31.2	25.9	32.9	45.8	46.4

Source: COPLANEA, 2007

**Table 30: Percentage of Royalties Spent by Selected Municipalities (by type of Expense)**

Type of Expense	2000	2001	2002	2003	2004	2005	2006	Average
Current Expenses	12.9	15.3	10.5	22.2	20.8	17.2	15.8	16.4
Capital Expenses	86.6	84.7	88.6	76.4	79.2	81.5	84.2	83.0
Financial Expenses	0.5	0.0	0.9	1.4	0.0	1.3	0.0	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Adapted from COPLANEA, 2007

Table 31 shows the total royalties transfers to municipalities by Departments from 2005 to 2010 with significant increases each year since the transfers began. In fact, when comparing the total figures of Table 32 and Table 33 (which show total revenue transfers—including gambling, royalties, and other resources), the overreliance on royalties is clearly seen. For example, the municipalities of the Department of Neembucu received in 2010 a total of 25.4 billion Guaranies, of which 24.1 billion came from royalties' transfers. Even

<sup>50</sup> <http://www.vanguardia.com.py/v1/index.php/edicion-imprensa/politica/item/3306-ley-de-royalties-se-promulgó-como-intercambio-de-favores-pol%C3%ADticos> and <http://www.abc.com.py/edicion-imprensa/editorial/injusta-e-irracional-distribucion-de-royalties-y-compensaciones-553719.html>

the Department of Central, one of the richest and the most populated in the country, the difference is barely 4 billion Guaranies—it received total transfers of 63.9 billion Guaranies and royalties were 58.1 billion. Gambling is not a significant source of revenue for local governments (Table 33).

**Table 31: Royalties Transfers to Municipalities, by Departments (in Guaranies, millions)**

Departaments	Years						Totals
	2005	2006	2007	2008	2009	2010	
Capital	8,877	7,823	9,883	8,121	13,942	10,873	<b>59,519</b>
Concepción	5,473	4,832	6,413	6,059	9,983	8,819	<b>41,579</b>
San Pedro	13,205	11,668	14,733	16,623	19,644	19,731	<b>95,604</b>
Cordillera	12,166	10,805	14,676	14,873	17,951	19,628	<b>90,099</b>
Guairá	10,051	8,506	12,194	11,725	16,469	15,980	<b>74,925</b>
Caaguazú	15,573	13,737	18,681	18,614	22,744	24,367	<b>113,716</b>
Caazapá	6,483	5,730	7,353	7,705	9,402	10,547	<b>47,220</b>
Itapúa	52,590	47,621	64,049	65,059	79,908	82,551	<b>391,778</b>
Misiones	9,076	7,968	10,776	10,129	13,125	13,184	<b>64,258</b>
Paraguari	10,779	9,520	12,895	12,615	15,528	16,793	<b>78,130</b>
Alto Paraná	27,038	26,154	35,046	33,336	44,179	46,111	<b>211,864</b>
Central	30,449	26,864	40,074	43,427	52,474	58,177	<b>251,465</b>
Ñeembucu	16,928	15,076	20,004	18,801	20,954	24,148	<b>115,911</b>
Amambay	2,572	2,273	3,207	2,875	3,991	4,312	<b>19,230</b>
Canindeyú	14,186	12,035	17,348	16,869	20,341	21,361	<b>102,140</b>
Presidente Hayes	3,451	2,645	4,824	5,590	7,070	7,838	<b>31,418</b>
Boquerón	1,033	865	1,644	1,509	2,576	2,335	<b>9,962</b>
Alto Paraguay	1,105	968	2,143	2,218	3,337	3,243	<b>13,014</b>
<b>Totals</b>	<b>241,035</b>	<b>215,090</b>	<b>295,943</b>	<b>296,148</b>	<b>373,618</b>	<b>389,998</b>	<b>1,752,313</b>

Source: Prepared with information of the reports “Transfers to Municipal Governments” of the Ministry of Finance



**Table 32: Total Transfers to Municipal Governments by Departments (all sources, in millions, Guaranies)**

Departaments	Years						Totals
	2005	2006	2007	2008	2009	2010	
Capital	10,958	9,904	11,455	15,409	15,910	11,109	<b>74,745</b>
Concepción	6,309	5,486	6,877	10,931	10,797	9,857	<b>50,257</b>
San Pedro	15,843	13,811	16,340	22,316	22,139	22,807	<b>113,256</b>
Cordillera	14,254	12,742	15,895	20,344	20,347	22,645	<b>106,227</b>
Guairá	12,063	10,170	13,706	18,687	18,604	18,945	<b>92,175</b>
Caaguazú	18,086	15,933	20,641	25,472	25,397	28,139	<b>133,668</b>
Caazapá	7,876	6,786	8,020	10,708	10,658	12,471	<b>56,519</b>
Itapúa	55,588	50,142	65,995	83,159	82,988	86,589	<b>424,461</b>
Misiones	10,210	8,930	11,533	13,951	14,002	14,482	<b>73,108</b>
Paraguari	12,811	11,231	14,387	17,546	17,536	19,532	<b>93,043</b>
Alto Paraná	28,949	27,728	36,632	45,990	46,131	48,981	<b>234,411</b>
Central	33,824	30,329	42,951	56,415	55,736	62,977	<b>282,232</b>
Ñeembucu	18,847	16,598	21,060	21,752	22,038	25,413	<b>125,708</b>
Amambay	2,892	2,559	3,397	4,219	4,172	4,762	<b>22,001</b>
Canindeyú	15,037	12,758	17,998	21,251	20,989	22,762	<b>110,795</b>
Presidente Hayes	4,024	3,017	5,213	7,620	7,666	8,987	<b>36,527</b>
Boquerón	1,261	1,006	1,730	2,818	2,782	2,632	<b>12,229</b>
Alto Paraguay	1,193	1,050	2,270	3,486	3,466	3,447	<b>14,912</b>
<b>Totals</b>	<b>270,025</b>	<b>240,180</b>	<b>316,100</b>	<b>402,074</b>	<b>401,358</b>	<b>426,537</b>	<b>2,056,274</b>

Source: Prepared with information of the reports "Transfers to Municipal Governments" of the Ministry of Finance

**Table 33: Gambling Transfers to Municipal Governments (by Departments, Guaranies, millions)**

Departaments	Years						Totals
	2005	2006	2007	2008	2009	2010	
Capital	-	-	-	1,467	1,968	236	<b>3,671</b>
Concepción	428	274	119	423	385	535	<b>2,164</b>
San Pedro	1,669	1,241	760	1,274	814	1,254	<b>7,012</b>
Cordillera	1,198	1,112	407	963	762	1,213	<b>5,655</b>
Guairá	1,284	1,009	777	801	668	987	<b>5,526</b>
Caaguazú	1,348	1,112	766	1,155	1,028	1,502	<b>6,911</b>
Caazapá	920	616	286	564	385	637	<b>3,408</b>
Itapúa	1,520	1,146	525	1,515	1,296	1,930	<b>7,932</b>
Misiones	706	564	308	427	360	577	<b>2,942</b>
Paraguari	1,241	975	624	790	656	1,028	<b>5,314</b>
Alto Paraná	578	377	348	1,467	1,227	1,894	<b>5,891</b>
Central	171	359	63	3,283	2,463	3,787	<b>10,126</b>
Ñeembucu	1,349	992	497	586	448	777	<b>4,649</b>
Amambay	86	68	-	228	181	284	<b>847</b>
Canindeyú	342	274	166	574	452	710	<b>2,518</b>
Presidente Hayes	321	137	167	366	293	478	<b>1,762</b>
Boquerón	150	68	-	101	99	171	<b>589</b>
Alto Paraguay	-	-	-	149	129	204	<b>482</b>
<b>Totals</b>	<b>13,311</b>	<b>10,324</b>	<b>5,813</b>	<b>16,133</b>	<b>13,614</b>	<b>18,204</b>	<b>77,399</b>

Source: Prepared with information of the reports “Transfers to Municipal Governments” of the Ministry of Finance

Overall, the process of fiscal decentralization that began in Paraguay in the early 1990s has created some institutional and legal framework conducive to its implementation—however, serious political and administrative concerns remain.

Overreliance on transfers from the central government, in particular royalties, place local and Departmental governments at the mercy of administrators from the Executive branch, especially from the Ministry of Finances. The transfers are not reliable and their

amounts fluctuate, many times, depending on the political circumstances of the moment. In addition, subnational governments' lack of political will to enforce full collection of revenues (in the case of municipalities), and the poor professionalization and capacity of much of their human resources (see next section, below), complicate the planning, implementation, and evaluation needed to provide services and goods.

### **Human Resources at the Subnational Level**

Since the beginning of the decentralization process, the lack of capacity at the subregional level of government has been, and continues to be, one of the major challenges to the effective implementation of fiscal and administrative decentralization. This reality has continuously been cited by the central government to limit the extent to which decentralization is allowed to progress.

In Paraguay, a large number of people actively work in the public sector. Although difficult to ascertain and verify, in 2003, the Central Government employed an estimated 174,362 individuals (including contractors, but excluding armed forces or health and education workers), up from about 96,600 in 1994 (Rosenbaum & Rodriguez Lagier, 1995). By 2008, the number had increased to 204,722; and by 2013, the number had reached 255,253.<sup>51</sup> The increase in personnel at the Departmental level can only be inferred from the growth in payroll services paid, which has increased, in particular from 2003

---

<sup>51</sup> <http://www.abc.com.py/edicion-impres/economia/la-cantidad-de-funcionarios-publicos-crecio-cerca-del-50-en-una-decada-1235762.html> and [http://www.portalguarani.com/2335\\_victor\\_manuel\\_sosa/16871\\_reinventando\\_la\\_gestion\\_publica\\_en\\_el\\_p\\_araguay\\_por\\_jose\\_maria\\_ibanez\\_victor\\_manuel\\_sosa.html](http://www.portalguarani.com/2335_victor_manuel_sosa/16871_reinventando_la_gestion_publica_en_el_p_araguay_por_jose_maria_ibanez_victor_manuel_sosa.html)

onward (coinciding with increased fiscal transfers). At the local level, numbers are nearly impossible to find. By 1994, about 4,000 people worked in the 217 municipalities, of which nearly 3,200 did so at the Municipality of Asuncion; in 2003, almost 53% of all municipal employees worked for the Municipality of Asuncion, and by 2013 the number of employees at the Asuncion municipality had increased to 8,000.<sup>52</sup>

Efforts to improve capacity have occurred under the auspices of, and mostly funded by, multilateral organizations such as the Inter-American Development Bank, the United Nations Development Program, the Organization of American States, the U.S. Agency for International Development, and the German and Japanese cooperation, as well as many others, sometimes in collaboration with national and foreign universities. However, these efforts have lacked continuity.

The constant growth of the public sector, and the continued politization of many government positions, as well as nepotism and patronage at all levels, have slowed reforms in the public sector. The Paraguayan Organization of Municipal Cooperation (OPACI), the municipal association that represents the interests of Paraguayan local governments, has promoted training for its members but these initiatives have not been sustained, and the lack of financial resources continues to be a challenge.

The problems of human resources at the Departmental and municipal levels can be summarized as (COPLANEA, interviews):

---

<sup>52</sup> <http://www.ultimahora.com/nomina-funcionarios-confirma-superpoblacion-la-municipalidad-asuncion-n735226.html> Information on the number of employees at other municipalities is not readily available. Even the Secretary of Civil Service does not have access to that information, and there is great reluctance to provide such information.

- Lack of administrative, fiscal, and managerial capacity, with serious difficulties in budget management;
- Tensions between long term civil service and political appointees, delaying in many instances the implementation of programs and services;
- Growth of number of staff as result of political cycles, by which every new election brings a wave of new people hired by the winners of the election;
- Promotions that are still very much based on political loyalties and not necessarily on performance or capacity; in fact, there are no evaluations of personnel performance;
- Absence of rules for selecting and promoting public personnel at the Departmental or municipal level;
- Lack of flexibility to dismiss employees;
- The opposition to Law 1626/2000 (which regulates and seeks to professionalize civil service in Paraguay) by many unions and interest groups who have challenged the constitutionality of the law—making civil service reform difficult to achieve;
- Lack of transparency and accountability for the actions of civil service workers, their incomes, and non-compliance with their obligation to submit affidavits of goods and properties owned.

Furthermore, many of these problems are believed to have contributed to increasing society's perception that subnational authorities are corrupt, inept, and unable to solve the problems of their communities and regions. All of this adds to a general lack of trust and/or support of the decentralization process, and can potentially be a serious drawback in a

historically centralized country, where decentralization was presented as a solution to so many local needs.<sup>53</sup>

## **Other Institutional Players: the OPACI and the Governors' Council**

### **OPACI**

Paraguayan local governments are represented by the Paraguayan Organization for Municipal Cooperation (OPACI—reflecting Spanish terminology), which acts as the country's municipal association. The former Institute for Municipal Development (IDM—reflecting Spanish terminology) was abolished in 1999. The objective of OPACI is to advance the interests of municipalities.

The objectives of OPACI, as described on its organizational chart, are:

- 1) To promote cooperation between the municipalities of the country and coordinate actions with state and non-state public institutions to promote development and planned common interests;
- 2) To strengthen the system of municipal autonomy enshrined in the Constitution and Municipal Organic Law;
- 3) To promote and develop the institutional strengthening of municipalities and consolidation of participatory democratic principles;
- 4) To promote citizen participation in municipal management.

---

<sup>53</sup> Interviews with former Governors of Department Central and COPLANEA. Asuncion, Paraguay, September 2013

The association aims to act as an intermediary between local governments and other government branches, in particular the Executive and the Legislative branch, but its impact has been, at best, moderate. Its capacity to lobby Congress in support of municipalities has been weak, and the organization itself has been impacted by internal political infighting. Its financial situation has been seriously strained by the 1992 Constitution, which eliminated the mandatory appropriation of funds from municipalities that provided the organization with significant revenue. Its capacity to provide services to municipalities has thus been impacted as well. Many mayors have become more autonomous and have opted not to be part of OPACI.

Another problem for OPACI is that members of municipal councils have not been actively involved in it, and actually have their own association, the Paraguayan Association of Municipal Councils (AJUMPA), which strives to represent the interests of elected councilmembers.

With a staff of about 80 people, the organization's principal activity is to gather data about license plates, vehicles, and drivers' licenses,<sup>54</sup> to record this data at a computer center, and to report it to the municipalities, other public and private organizations, and to private citizens. It also performs a limited amount of legal counseling and drafts and modifies laws pertaining to the municipal movement, and occasionally organizes conferences and seminars (Rosenbaum & Rodriguez Lagier, 1994; interviews).

---

<sup>54</sup> These activities represent 80% of the organization's budget, and it is now being challenged by new legislation that would create a National License Plates Registry endangering OPACI's main source of revenue.

One of the main achievements of OPACI, during the decentralization discussions, was its success in lobbying Congress for the approval of the royalties transfer legislation.<sup>55</sup> It is one of the few occasions in which the organization was truly effective. However, overall, OPACI has not developed a clear vision of how local governments can express their common interests in order to present an effective lobbying effort.

### **The Governors' Council**

The Paraguayan Council of Governors was created in the mid-1990s to provide newly elected governors with a voice and to influence the discussion and implementation of decentralization policies at that time.<sup>56</sup> The organization represents the interests of the country's 17 governors.

Each governorship contributes to the organization's general budget<sup>57</sup> and its staff is quite limited (about 4 people, mainly administrative personnel). The lobby activities of the Council reside mainly in its president, and its effectiveness depends on this person's ability to negotiate with the national Congress and/or with the president of the republic on issues related to greater fund allocation to the governorships. Governors do not have clear responsibilities under the Constitution, and existing laws do not clarify their duties and

---

<sup>55</sup> Interview with OPACI legal counselor, Asuncion, Paraguay, December 2014.

<sup>56</sup> In fact, the Institute for Public Management & Community Service, through a US Agency for International Development (USAID) funded project, played a fundamental role in giving technical assistance and advice for the creation of the Council.

<sup>57</sup> In December of 2014, the amount paid by each Governorship to the Council was about 2 million guaranies or the equivalent of about US\$ 400 per Department. Most of the budget is spent on office rental and staff salaries. (Interview with Governors' Council President, December 2014).



responsibilities. As indicated in previous sections, their financial situation is also very unstable—completely relying on transfers from the central government.<sup>58</sup>

In short, the Governors' Council has yet to emerge as an established influential voice in Paraguayan politics. After more than 20 years of decentralization, the governors have not been able to establish themselves as autarchic subnational authorities, and quite often there is conflict and overlap with local authorities.

### **Some Final Thoughts on Paraguay's Political and Fiscal Decentralization**

Overall, Paraguay's political, fiscal, and administrative decentralization has been a slow process with many advances and setbacks along the way. Since 1992, with the approval of the new Constitution, the country has achieved great successes in political decentralization; elections are perceived as fair by the majority and citizen participation has increased and many are empowered.

Fiscal decentralization has been difficult to implement. It has resulted, mostly, in subnational governments becoming increasingly reliant on central government transfers, with little effort from local governments to increase their revenue capacity or to lobby for the creation of new revenue sources. The situation is worse for Departmental governments. Royalties from the hydroelectric dams have become the most important revenue source for subnational governments, leaving them in a weakened position when dealing with the central government.

---

<sup>58</sup> The unreliability of the transfers by the central government continues to be a serious problem for Governors in Paraguay. For example, of the 15% of the VAT collected in each Department that must be transferred to them, the Ministry of Finances only transfers about 0.8% of the funds collected (interview with Council's President, Asuncion, December 2014).

Administrative decentralization has also advanced, especially in health, and setbacks have occurred in education policy, water management, or public transportation. A lack of clear understanding by most social actors of what decentralization means and implies, as well as an unwillingness from most political actors to commit to the decentralization process, have infused the process with uncertainty.

Transforming a historically, culturally, and socially centralized country into a more decentralized one is a process that takes many decades; thus, the process is not without controversy, political power struggles, and differences in opinion. In the case of Paraguay, decentralization was seen as an integral part of the democratization process in the search of ensuring political stability.

The next chapter will examine the process by which key decentralization legislation was approved or opposed at the Congressional level, and the role played by political parties in this process.

## CHAPTER FIVE

### DECENTRALIZATION AND INTERGOVERNMENTAL RELATIONS: THE ROLE OF POLITICAL PARTIES: THE CASE OF COLOMBIA AND PARAGUAY

#### **Introduction**

This chapter will analyze the role of political parties and their interactions in defining and implementing decentralization processes (in particular, for the provision of public services), as well as their role in promoting or slowing down decentralization in Paraguay and Colombia. In doing so, we will analyze the role of political parties, clientelism, and patronage in slowing down decentralization in Paraguay (Hypothesis 3)<sup>59</sup>; and, in the case of Colombia, the chapter will examine the role of political parties and how decentralization has promoted the emergence of multiple regional and local political movements and parties, contributing then to the slowdown of decentralization in that country as well (Hypothesis 4)<sup>60</sup>.

The main assumption is that the greater the support of political parties represented in legislative bodies for decentralization policies, the greater the probability for the passage, approval, and implementation of public service decentralization laws. As a consequence, special attention will be given to the underlying political relationships

---

<sup>59</sup> H3: In the case of Paraguay, the presence of one dominant and clientelistic political party has slowed down political, fiscal, and administrative decentralization; thus, shifting the balance of power back to the national government.

<sup>60</sup> In the case of Colombia, the presence of multiple regional and local political movements, as power is centralized in the Executive branch, the slowing down of decentralization is more likely; thus, shifting the balance of power in favor of the national government.

driving this process (Gomez, 2003). The principal theoretical framework is based on institutional theory: *“an institutional approach is one that emphasizes the role of institutions and institutionalization in the understanding of human actions within an organization, social order, or society”* (March & Olsen\_B; 1998).

This chapter will begin with a brief literature review of political parties and how decentralization has impacted them through deinstitutionalization and fragmentation. It will also examine the role of Paraguayan and Colombian political parties to test how these parties have or have not supported the enactment and implementation of decentralization legislation in each country to assess the validity of the abovementioned hypotheses. It will conclude that in both countries, the decentralization movement has indeed slowed down; and, political, fiscal, and administrative decentralization has impacted already weakly institutionalized political parties in a way that has hindered the progression of the process.

### **Conceptual Framework: Political Parties and Decentralization**

According to institutional theories, political democracy depends not only on economic and social conditions but also on the design of political institutions. Thus, rules, procedures, roles, and strategies become important (March & Olsen, 1989). Decentralization is then the result of the interaction of numerous institutions including legislative bodies, political parties, subnational levels of government, executive office holders and their deputies, and civil society, among others. Utilizing an institutional approach, in the case of decentralization in Colombia and Paraguay, we will examine the role played by presidentialism and its relationship to stable democracies (Mainwaring, 1990; Haggard & McCubbins, 2001), political clientelism and how it affects the

implementation (or abandonment) of policies (Roniger, 2004), and how presidentialism and state size affect party behavior in these two countries—as state size is key to understanding the amount of resources controlled by the executive (Zucco, 2003).

The interactions between legislative bodies and the executive power may be important in defining decentralization, as executives may be more interested in supporting legislation that furthers administrative decentralization, and legislators more in favor of legislation that enhances political decentralization (Escobar-Lemmon, 2003).

In the research literature, the role played by political parties, party systems, and electoral systems is examined. To understand decentralization, close attention should be paid not only to the nature of political parties and how subnational leaders are able to influence national leaders (Willis, Garman, & Haggard, 1999; Montero & Samuels, 2004), but also to the structure of individual parties at particular points in time and the electoral incentives that might encourage the advancement of decentralization reforms (O’Neill, 2005). According to this view—what O’Neill proposes as an “electoral theory of decentralization” —central level politicians with greater political sensitivity to subnational political outcomes are more likely to support decentralization.

Parties that are regionally based, and are institutionalized, will support decentralization as it would allow them to access politically significant government positions (Escobar-Lemmon, 2003). In this view, the internal organization of political parties becomes important, as those with strong state-level party organizations would back decentralization: deputies from areas expected to benefit from decentralization will be more likely to introduce decentralization legislation. Thus, parties that are not nationally dominant would support decentralization. Furthermore, parties with decentralized

nomination procedures are more likely to support decentralization (Escobar-Lemmon, 2003). According to this logic, legislators who must respond to subnational officials within their parties are more likely to support decentralization than legislators who are more responsive to national party leaders (Eaton, 2004; Dickovick, 2011).

Decentralization shifts the focus of competition from only the national level to include both the local and regional levels. It changes the “cost of entry” into the political arena for all parties involved, or must provoke fundamental changes to the internal characteristics of political parties (Faguet, 2011).

Political decentralization, by increasing the number of political “positions,” increases the number of politicians who are willing to run for office, and thus, increases the competitive incentives to offer better public services. *“The principle of democratic advancement also increases subnational politicians’ effort to win popular support, which strengthens their party competitively in national elections”, “thus national party sponsorship of local challengers can raise competition in local elections, and so improve the quality of local policy-making”* (Faguet, 2011).

The party system can be fundamental to understanding how decentralization is shaped. In a party system that favors national elites, local leaders can be forced to accept institutional changes that compromise their power (Weingast, 2011). On the other hand, in political systems where local elites have dominance, the reverse could occur and national elites might be forced to accept subnational elites’ preferences.

When the “legislative accountability” system makes congressmen accountable to provincial party leaders and not voters, it allows those provincial party leaders to gain

control over areas of national policy in ways that allow them to perpetuate themselves in their leadership positions and extend their influence.

Scholars also argue that decentralization in Latin America further weakened already fragile party systems (Sabatini, 2003). When decentralization was initiated, both national and international actors expected that it would reinvigorate political parties and make them more responsive to local and regional needs. *“In practice, however, national parties have often floundered amid the new circumstances, with locally defined parties emerging where old national organizations have failed”* (Sabatini, 2003: 139).

Direct appointment of governors and mayors, as well as control of financial resources, contributed to party discipline and cohesion. But, the discrediting of national parties, along with the availability of hundreds of directly elected positions, created the conditions for aspiring politicians and political movements to enter politics without having to depend on the traditional parties for support. *“The irony has been that many of the parties that pushed for decentralization are simply not well-equipped organizationally to deal with its political consequences”* (Sabatini, 2003: 149).

Citizens’ trust in government and in political parties would also seem to play an important role in the decentralization process (Escobar-Lemmon, 2003). In her analysis of the Venezuelan and Colombian cases, Escobar-Lemmon posits, *“While the data support prior findings that decentralization is supported by parties whose future electoral prospects are better at the subnational level, the analysis also shows that citizen’s trust in government and greater wealth affect deputies’ support for decentralization”* (2003: 683). As the effectiveness of the government to deliver services and goods is questioned, citizens will demand more responsiveness; thus, deputies that represent those areas of the country

with the least trust in government will back decentralization as a way of increasing trust in government.

In contrast, Falleti argues that more important than the structure of political parties and electoral incentives is the sequence by which decentralization occurs in each particular situation. Falleti posits that the “*type of territorial interests (national or subnational) that prevails in the reforming coalitions is the main factor leading to the adoption of different types of policies*” (2010: 13). It would then be relevant to any analysis of political decentralization to examine how coalitions are formed and what kind of impact subnational authorities have on the decentralization process. Falleti’s “sequential theory of decentralization” proposes that the types of reforms, their extent, and their degree are largely dependent on what type of decentralization is implemented first, and who initiates the process (national versus subnational governments). The sequential order of different types of decentralization (fiscal, administrative, and political) will help explain the resulting change in the intergovernmental balance of power.

### **Decentralization and the Deinstitutionalization of Political Parties**

As previously noted, policy outcomes are the result of the interaction among many different political players, and this interaction is influenced by different political and institutional factors (Scartascini et al., 2010) such as the political party system; the type of legislature present in each country (and the dynamics within it); the presidential system; the legal framework established by the national constitution and the laws (including the electoral law), and; the autonomy and capacity of the national and subnational bureaucracies; as well as the judiciary and civil society.



Also, as mentioned above, the level of institutionalization is a significant characteristic of party systems. The more institutionalized a party system is, the more likely that parties will have long-term programmatic goals with clear positions on key policy issues and concrete proposals (Jones in Scartascini et al., 2010). In parties where the program is important and stable, voters demand more accountability and people know what to expect from each party. Institutionalized party systems also help ensure greater policy consistency *“because of the strong role played by parties in political recruitment and the concerted efforts made by elites to promote and protect the value of the party label. In weakly institutionalized party systems, interparty competition is based primarily on personal appeals or short term populist policy proposals designed to win over voters and then be forgotten once the election takes place”* (Jones, 2010: 20-21).

The consequences of decentralization for political parties have been extensively researched (Dargent & Muñoz, 2011; Hopkin, 2003; Harbers, 2010; Lago-Peñas, 2010; Scartascini et al., 2010), and there is general consensus that decentralization reforms present a financial resource dilemma for parties as they are forced to compete in many more elections (in the case of political decentralization). Competing in many different jurisdictions requires not only resources for the campaigns, but also increases the need for clientelistic resources to ensure loyalty to the party.

Fiscal decentralization also increases the autonomy of local leaders from national party leaders, as they no longer necessarily need this support to win elections. Also, by opening new spaces for political competition at the subnational level, local authorities gain

new protagonism to the detriment of traditional party bosses who were previously involved in appointing local and regional authorities—and thus could gather clout both locally and nationally.

Dargent and Muñoz (2011) contend that deinstitutionalization of political parties is linked not only to the distribution of power, but also to resources. *“Resources are crucial for party aggregation, and that reforms designed to distribute power and resources in the political system can reduce local candidates’ incentives to join and remain loyal to political parties, particularly when those parties’ reputations are weak”* (page 47).

Decentralization, in particular fiscal decentralization, has contributed to reducing the power of traditional political parties’ regional bosses who controlled the distribution of resources and could deliver votes during national elections. These bosses were able to ensure clientelistic programs and strongly opposed decentralization—understanding that the reforms would empower mayors and governors to the detriment of their influence. For resource-based theories, regional party bosses become the “gatekeepers” of those resources, and through patronage are able to provide incentives to local politicians to be and remain loyal to the political party (Dargent & Muñoz, 2011). It is argued that—especially—fiscal decentralization breaks this link of dependence between national and local political leaders, allowing local political cadres to advance their own electoral goals. As a result, party cohesion and discipline is harder to maintain and enforce and, as a consequence, the party system gradually deinstitutionalizes (Dargent & Muñoz, 2011; Harbers, 2010).

Thus, the spatial and geographical aspects of party competition matter when we examine decentralization, and the “territorial dimension” or “nationalization” of the parties

can be defined as the extent to which political parties obtain similar vote shares throughout the national territory (Harbers, 2010).

As decentralization reforms have been implemented around the world, the “denationalization” of electoral politics has become more common with the arrival of new political movements that represent regional or local interests gaining more power and relevance than traditional political parties. Thus, the need to better understand the territorial dimension of electoral politics becomes clear (Hopkin, 2003)

Jones (2010) also suggests that *“differences in nationalization also are likely to have public policy consequences. Decisions related to national transfers to subnational units, administrative reform, and subsidies may be strongly influenced by the degree of party system nationalization. Where a party’s base of support is relatively constant across geographic units, it may be more likely to treat all units equally. In contrast, where its support varies widely across geographic units, the party may tend to base its decisions in part on the degree of support it receives in specific geographic units”* (page 26).

In analyzing the level of institutionalization and nationalization of the party system, the following factors are particularly relevant: the individual(s) in control of the candidate-nomination process; how the electoral system is designed; the timing of national and subnational elections; and the level of autonomy of subnational authorities (governors and mayors) (Jones, 2010; O’Neill, 2005).

In regard to the forces propelling denationalization of political parties, Hopkin (2003) points to two reasons beyond regional power struggles that are insufficiently studied: first, the influence of clientelism and/or the presence of powerful political figures at the subnational level; and, second, the way national leaders or political parties adapt to

the threat posed by the emergence of powerful subregional political parties, and the increased importance of subnational and “supranational” electoral arenas.

If political parties are seen as organizations, and not as parts of a “party system,” as Panebianco (1988, cited in Hopkins) posits, then it is important to examine how changes in the political environment impact the ability of parties to adapt to changes. Panebianco stresses the limitations to parties’ abilities to adapt and change posed by institutionalization and the rigidities of party organizations. Thus, impacts such as decentralization pose a challenge to parties, as they are not able to adapt rapidly to changes. In a process of decentralization, with its concurrent “denationalization,” traditional parties are at a disadvantage to adapt to those challenges.

*“It is also the case that such reforms are not always welcomed by national-level party organizers”, since “severe functional or territorial changes dislocate the party organization and upset channels of patronage” (Ashford 1982, 1-2 in Hopkins, page 5).*

Unintended consequences of institutional reforms are the result of changes in the balance of power inside the party organization. When changes brought by decentralization make elections revolve around local and regional issues, and voters cast their ballots in favor of local and regional candidates to the detriment of national leaders, the internal dynamics of the parties are changed. The balance of power will shift from the center to the periphery.

Not all share the view of decentralization’s impact on the institutionalization of political parties. Contrary to Harbers (2010) and Hopkin (2003), Lago-Peñas and Lago-Peñas (2010) did not find empirical evidence supporting the relationship between the degree of decentralization and the nationalization of parties. In their view, what matters is

the internal dynamics and history of each party, and their ability to adapt to changes: *“decentralization reforms should be seen as a consequence of parties’ responses to strategic opportunities and threats, and the organizational changes resulting from multi-level electoral politics are mediated by parties’ own internal histories and conflicts”* (Lago-Peñas & Lago-Peñas, 2010: 8). The internal dynamics of each political party are as important to keep in mind as the level of influence that political subnational authorities could have on national political authorities of the same party. Conflict, both within subnational authorities and within national authorities, can limit their capacity to promote or oppose decentralization reforms (Eaton, 2004).

### **Clientelism and Patronage**

A danger of decentralization that is closely linked to the level of institutionalization of political parties relates to clientelism and patronage. By decentralizing, new sources of corruption and ineptitude are transferred to the local levels. New political actors are introduced by decentralization and new relationships are established (Garcia-Guadilla & Perez, 2002). But what is the relationship between clientelism/patronage and decentralization? Does the presence of patronage and clientelism hinder or advance decentralization?

Clientelism is defined as an exchange system based on a *“complex of rules and practices for the organization, representation, and control of demands and interests of society; these relationships are based on political subordination in exchange for the discretionary granting of available public resources and services”* (Heredia, 1997 in Garcia-Guadilla & Perez, 2002: 93).

Clientelism in Latin America can be explained by politicians' desire to rise within their parties and as a first step toward building their political careers and by politicians' inclination to see the goods and services of the state as primarily private benefits that will help them muster the support they need from their colleagues to advance their political careers. Public policies are also seen as goods useful to promote their careers (Benton, 2007).

*“In Latin America, politicians have concentrated on promising particularistic benefits rather than public goods because ‘patronage is the primary glue that holds modern clientele networks together’ (Mainwaring, 1999:180). Those politicians with the greatest ability to distribute largesse had the best chance of building support and surpassing party colleagues during the race to further [their] careers” (Benton, 2007, 57).*

Policy goals are thus sacrificed by the dynamics of patronage. Politicians will prefer a candidate that offers better patronage benefits. Intra-party divisions are the logic consequence of the struggle over state resources and goods. *“Latin American politicians’ efforts to secure patronage and pork to build careers have led them to build minimum winning coalitions rather than consensus around candidates, leading to divisive factional disputes”*<sup>61</sup> (Benton, 2007; 78). This also helps explain the tendency to shift policy positions, the lack of strong ideology, numerous political allegiances, and the lack of substantive policy platform. This type of behavior could impact the ability of reformers to achieve decentralization—the continually changing positions of politicians affect the possibility that decentralization reforms will be enacted and implemented.

---

<sup>61</sup> Interviews with various Colombian political figures shared this view and noted that the Colombian political and electoral system deepens this tendency.

If political parties are highly institutionalized and programmatic, the parties would compete based on policy, *“in clientelist systems, political parties compete based on the distribution of selective incentives to voters, and are judged by voters primarily based on their ability to distribute/deliver these incentives”* (Saiegh in Scartascini et al., 2010: 40).

Hilgers (2012) posits that clientelism involves an asymmetric relationship, but a mutually beneficial one in terms of power and exchange for those who are part of the exchange: *“All clientelistic relationships operate a mediated and selective access to resources and markets from which others are normally excluded”* (2012: 26). At the core of clientelism is the unequal power relationship by which political parties, leaders, and their constituents establish the exchange of goods and services that often requires political allegiance. Voting for the party, for example, would ensure the person has access to state jobs or benefits.

As Hilgers notes, clientelism “erodes” (by inhibiting the development of a vibrant civil society, dividing society, and weakening the legitimacy of the state), “accompanies” (by letting clients choose among a number of patrons with access to resources), “and/or supplements democratic processes”; democratic electoral processes not only allow for different patrons to compete for clients, but also might provide opportunities for a new type of patron and a new type of clientelistic relationship to arise (2012:17).

### **Political Parties and Decentralization in Paraguay: The Persistence of Clientelism and Patronage**

Paraguay’s political history and political development is marked, as in the case for all countries, by its particular history and experiences. The two major wars that affected

the country in the nineteenth century, the Triple Alliance War and the Chaco War (for more details, please refer to Chapter 4), shaped Paraguayan politics and its political parties. The wars also initiated long periods of institutional instability and political turmoil among the ruling elites and the political parties they represented (the two major parties—the Liberal and the Colorado Parties—emerged in the 1890s). Without major migratory movements, detached from major cultural trends, and wary of attack from its larger neighbors, Paraguayan political culture expresses strong nationalism and proud independence.

The political instability brought by years of conflict among the ruling elites ended in the 1950s with the arrival to power of Alfredo Stroessner, a military leader that would unify the government in alliance with the Colorado Party and the armed forces. General Stroessner exercised almost absolute control over the fate of the nation for the next forty years. The Stroessner years were characterized by the monopoly of power, the militarization of politics, the politization of the armed forces, and the militarization of the Colorado Party. The Colorado Party became the conduit for clientelism and patronage: Party membership was a prerequisite for entrance into the military academy, the police, or any civil service job. Economically, any company aiming to provide services to the State needed to have the approval of the Colorado Party.

By the late 1980s, internal divisions within the Colorado Party (always latent) intensified as the General aged and succession questions challenged the status quo. Economic malaise and poor economic performance further challenged the business elites' alliance with the government, and frictions within the military led to a revolt against Stroessner—who was deposed in 1989. It was the beginning of Paraguay's transition to democracy, but the process would be marked by years of political instability, as well as by



the power struggles within the Colorado Party and its allies for the control of the State and its resources.

With the return to democracy in 1989, a series of reforms were introduced including the enactment of a new electoral code (introducing party primaries for the first time) and a new Constitution in 1992.

The new Constitution was undoubtedly influenced by the political and cultural history of the country. Central to that history had been very strong government centralization and decades of authoritarianism. The new law of the land sought to remedy some of those problems by: maintaining the division of powers but redefining it, creating control institutions independent and autonomous of the government, and defining the Paraguayan State as both unitary and decentralized.

Some of the most important reforms introduced by the 1992 Constitution include<sup>62</sup>:

- a) Introduction of a broad definition of democracy with participatory and pluralist principles;
- b) Guaranteeing respect of peoples' rights;
- c) Introduction of the principle of decentralization as a key element of the Paraguayan state. In this regard, Articles 1 and 2 of the Constitution defined the Paraguayan state as unitary and decentralized;
- d) Curtailing presidential authority;
- e) Assigning new control powers to the Congress;

---

<sup>62</sup> For more details, please refer to Chapter 4

- f) Deeply reforming the Judicial system to ensure its independence;
- g) Creating the Electoral Tribunal in charge of running the country's elections.

In the new Constitution, the principle of decentralization is clearly expressed with the new political/administrative structure established for administration of the territory. Furthermore, the 1992 Constitution, for the first time in Paraguayan history, gave administrative autonomy to the regional level (Departments) and reaffirmed the existing autonomy of the municipalities. Both Departments and municipalities became decentralized administrative territories. This element of autonomy is reinforced by the fact that governors, mayors, and Departmental and local councilmembers are to be directly elected by the people.

The impetus for decentralization in Paraguay occurred in the early 1990s—partly from the efforts of representatives from the country's interior in the constitutional convention that aimed to balance the power gap between the capital city of Asuncion and the country's other regions. Years of appointed central government “delegates” and mayors had led to a desire for more control at the local and regional level. This group, called the “*bancada campesina*” or the “peasants’ delegation,” effectively lobbied the rest of the constitutional representatives to include decentralization, and the elections of governors and mayors directly by the people, in the new Constitution (Flecha & Martini, 1994; Nickson & Lambert, 2002; interviews)<sup>63</sup>.

---

<sup>63</sup> Reviews of the discussions held by representatives to the Constitutional Assembly show great discrepancies on what decentralization meant and what interpretation—and more significantly what impact—it would have on the political structure of the country. Some argued in favor of just administrative decentralization without any significant political decentralization, while representatives from the interior of the country argued for both political and administrative decentralization as ways to ensure accountability

Regardless of the reasons for decentralization, since the early 1990s, the country has seen a push for policy decentralization in areas such as health, education, and finances. Some reforms have been introduced with mixed results, but, since the early 2000s with the serious political and economic crises that followed, there has been a lack of political will to fully decentralize certain policy areas.

It is argued here that greater support from political parties and legislatures for decentralization policies increases the likelihood of passing, approving, and implementing public service decentralization laws.

The clientelistic and patronage nature of Paraguayan politics and political parties make decentralization policies very difficult to implement.

The two main political parties of Paraguay are the Colorado Party and the Liberal Party. The Colorado Party has traditionally been the dominant party and the one that controlled the State and its resources through its unconditional alliance with General Stroessner. At its origin, the Colorado Party represented the rural oligarchy; broadly speaking, its ideological stance is considered more rural-oriented, traditional, clerical, statist, and conservative (Abente Brun, 2007).

---

from the central government in Asuncion, increase citizen participation, and promote economic development. Most debates transpired between members of the Colorado party, but some representatives of the Liberal Party expressed similar concerns about the possible impact of declaring Paraguay both a unitary and decentralized state.

Interviews with former representatives to the Constitutional assembly confirm the view that introducing decentralization was a way for the central authorities of the Colorado Party, in particular, to appease the demands of Colorado members from the interior, though central authorities were not particularly interested in implementing it.

The Liberal Party has traditionally represented the more urban, commercial bourgeoisie; thus, it is considered more urban-oriented, more modern, mildly anti-clerical, and more pluralist (Abente Brun, 2007).

Other political parties that have played a role following the transition to democracy include the Patria Querida party (more urban and conservative, pro-business), the Encuentro Nacional party (representative of the urban middle classes), and the Pais Solidario Party (a socialist group). There is also a diversity of smaller left-leaning political parties, including the Frente Guazu of former President Lugo, as well as a splinter group of the Colorado Party that created the UNACE Party, led by former General Lino Oviedo until his death.

All these parties have—during the 1990-2010 period—had representation in the Paraguayan Congress, and have had the opportunity to move decentralization forward. But, all these parties have matched the clientelistic nature and habits of the Colorado Party when it was in power. The “pervasive logic of clientelism,” as Abente Brun calls it, has been present in all Paraguayan governments since the transition to democracy regardless of who controlled the Executive (i.e., the Colorado Party, for the most part except during the 2008-2010 period – see table 34), or the Congress (which alternated between the Colorado Party and the opposition thanks to odd alliances with different parties, and with differences in the Senate or the Chamber of Deputies).

**Table 34: Control of Congress by Political Party**

1989 – 1993 period	controlled by the Colorado Party
1993 – 1998 period	controlled by the opposition
1998 – 2003 period	controlled by the Colorado Party
2003 – 2008 period	shared control, but with more leverage by the opposition parties
2008 – 2012 period	controlled by the Colorado Party

Source: author

All political parties in Paraguay perceive access to the State and its resources as the only way to extend their political base<sup>64</sup>. A good indicator of this can be observed in the growth of public sector employees, which has not diminished, regardless of political party in control of the government. Table 35 below shows the percentage of GDP generated by taxes and fees and the percentage of those revenues that are spent on salaries and benefits to state employees—an indicator of what Abente Brun (2012) calls “bureaucratic pressure.”

**Table 35: Bureaucratic Pressure in Paraguay**

	1980-1989	1989-1999	2000-2003 <sup>65</sup>	2004-2005	2006	2007	2008	2009	2010
Fiscal Pressure	7.7%	10.5%	9.7%	11.9%	12.0%	11.4%	11.8%	13.0%	13.1%
Bureaucratic Pressure	42.4%	61.3%	86.0%	61.0%	62.0%	63.0%	61.0%	66.0%	61.0%

Source: Abente Brun. Page 56

<sup>64</sup> Review of local press throughout the 1990-2010 period, show many articles and reports on the increased number of people named to government agencies, ministries, in the Parliament, and at the local and Departmental level by each new administration regardless of the political power (newspapers Ultima Hora, ABC, Radio Nanduty, among others).

<sup>65</sup> This period saw the election of a vice-president of the Republic of the Liberal Party. The increase in bureaucratic pressure can be attributed to a spike on government jobs created to benefit Liberal supporters.

The table above shows that the capacity to collect revenue in Paraguay has been increasing, but, more importantly, the expenses spent on salaries has increased from about 42% in the 1980 to 1989 decade to 61% by 2010<sup>66</sup>. A recent study by the IDB notes that, on average, the cost of public employees in the countries under study accounts for 41% of tax revenue<sup>67</sup>.

The introduction of electoral reforms, such as the need for party primaries, have contributed to fragmentation in Paraguayan political parties. This is the case, in particular, for the Colorado Party as the primaries have made unifying the different factions of the Party much harder to achieve (Setrini, 2010). To some extent, the same can be said for larger parties such as the Liberal Party, which has seen personal rivalries divide and split alliances within the party. In Paraguay, both major parties, if not all political parties, are highly personalistic; thus, programmatic values and policy areas are not as important as loyalty to a party leader or party faction.

Decentralization has also introduced further incentives for party fragmentation as now mayors and governors also see their role as providers of jobs and benefits to their supporters, weakening party loyalty, and increasing clientelism and patronage practices (Dargent & Muñoz, 2011; Harbers, 2010).

Regarding support for decentralization legislation, the impact of the Paraguayan political parties represented in Congress has been mixed. Though most political parties pay

---

<sup>66</sup> The growth of the public sector has been a persistent point of contention among political parties in Paraguay. Numbers are hard to come by and difficult to verify. Even the Secretary of Civil Service does not have an accurate account of how many people work for the national, Departmental, or municipal levels in Paraguay. Reviews of newspapers show that the issue is constantly discussed, and each political party or faction accuses the other of using State employment as a way to reward political loyalties.

<sup>67</sup> <http://www.eltiempo.com/economia/sectores/nomina-publica-en-2015-/15114935>

lip service to decentralization, their record of support for decentralization in Congress indicates otherwise: during the 1992-2010 period, only eight laws related to decentralization were approved; of those laws, only two related to public service delivery (health and education decentralization), four were finance related, and two dealt with the municipal and Departmental structure of the country. Though all these laws were approved by a majority of parties represented both in the Senate and the Chamber of Deputies, many languished in committee for years before being taken up<sup>68</sup>.

As an indicator of the level of clientelism and patronage prevalent in the country—researchers argue that legislators in Paraguay are more inclined to pursue particularistic policies rather than pursue large policy changes (Molinas et al., 2004). The authors reviewed every single piece of legislation introduced since the return of democracy up to 2003. A further review of legislation proposed between 2003 and 2010, for the present analysis, also revealed that Paraguayan legislators tend to introduce laws dealing with particularistic or private issues (e.g., giving pensions to constituents or former Chaco War veterans, proposals to solve land issues, etc.), and hesitate to introduce what could be perceived as controversial legislation<sup>69</sup>.

The need to ensure political support through clientelism and patronage (and not only from their constituents but also from large state bureaucracies) would incentivize legislators to avoid controversial policies that could also reduce the level of support from

---

<sup>68</sup> Regrettably, the Paraguayan Congress does not keep records of how each representative by political party voted these laws. Only recently has this been done. It would had been interesting to examine how members of different political parties voted for the laws, and if there were significant deviations from party rhetoric.

<sup>69</sup> Digesto Legislativo. <http://digesto.senado.gov.py/index.php>

now elected mayors and governors who are often seen as potential rivals; not to mention the reticence to upset large bureaucracies that are very reluctant to give up power. The fact that only two major pieces of legislation dealing with public service delivery (health and education) have been introduced and voted on solidifies this view. Other laws dealing with fiscal, education, and political decentralization have also been voted on; however, none has had—in the period studied here—as much implementation as the health decentralization law due in part to lack of bureaucratic support and the inability of key stakeholders to create strong coalitions to push reforms forward.

The composition of the Senate (45 members, elected from closed party lists in a nation-wide electoral district) is also attributed as a contributing factor that encourages centralization, as senators do not necessarily represent local elites and tend to be more responsive to national party leaders (Molinas et al., 2004). Interviews with members of the Senate reinforced this view, and also stressed the fact that—in many instances—governors (who cannot be re-elected) eventually aspire to be members of the Senate; thus, incumbent Senators would not be very supportive of decentralization legislation that could empower governors (and potential rivals).

Interviews with members of the Chamber of Representatives (*Cámara de Diputados*) and political analysts reinforce the view that Deputies, who are elected in a regional base (by Departments), tend to be more supportive of decentralization (in fact, every major piece of legislation dealing with decentralization was started by the Chamber of Representatives). Because Representatives must respond to their local constituents, and garner much support from mayors and the governor of their respective Department, they are more inclined to promote decentralization legislation. In the Paraguayan case, even



though Representatives are responsive to their subnational leaders, they have been unable to greatly influence their national leaders in deepening or enforcing decentralization reforms (Willis, Garman, & Haggard, 1999; Montero & Samuels, 2004; O'Neill, 2005).

Moreover, many of these laws faced strong opposition and even overcame vetoes from the Executive branch. Reticence toward the implementation of decentralization policies persists in large government bureaucracies and many political leaders do not want to upset them, as they constitute a very important voting bloc.

We argue here that in the case of Paraguay, with parties that are weakly institutionalized and highly personalistic, as long as the most important job of the State is perceived to be providing jobs and perks to political supporters of the current government, effective decentralization of public policies will not be achieved. Resources are shifted from priority areas to the salaries, perks, and other benefits of those with an interest in keeping the status quo, or to those who desire access to such benefits. As Richards (2008:101) notes, "*important reforms are blocked by a lingering institutional overhang that continues to serve the predatory state.*"

Thus, in the case of Paraguay, the proposed hypothesis three (H3) is positive: the presence of two dominant and clientelistic political parties has slowed down political, fiscal, and administrative decentralization, thus shifting the balance of power back to the national government.

## **Political Parties and Decentralization in Colombia:**

### **Deinstitutionalization/Fragmentation, Regionalism, and a Return to Centralism?**

Colombia's decentralization process ranks among the most ambitious and far reaching in Latin America. Prompted by the need to re-legitimize the state and its institutions<sup>70</sup>, the process—as noted above—has seen difficulties in implementing decentralization due, in part, to the particulars of the country's history.

Decentralization has also been challenging for Colombian political parties. Traditionally the country has had two major political parties: the Conservative and Liberal Party, which—given their inability to find consensus and negotiate differences—had many times led the country to violent confrontations and civil wars. The Conservative Party has traditionally been the party of the landed elites and those who are rural-based and very supportive of the Catholic Church. The Liberal Party, on the other hand, has traditionally been urban-based. The increase of urbanization has meant the continuous increase of the Liberal Party's representation in the national Congress from the 1960s onward. In general, the average representation of the Liberal Party in Congress had been about 55%; Conservatives, 25%; and the remaining 20% among other political groups (Cardenas et al., 2006; Roland & Zapata, in Alsina et al., 2005).

Clientelism, a longtime characteristic of Colombian politics, can be traced to the country's Spanish colonial past (Martz, 1997). The practice has been an integral part of the relationship between national party leaders and regional and local ones, and every administration, throughout its history, has used patronage and clientelism as mechanisms

---

<sup>70</sup> For more details see Chapter 3.

of social and political control (Martz, 1997; Osterling, 1989). Andrade (2011) assigns much of the crisis of Colombian political parties in terms of legitimacy and representation to their clientelism and corrupt practices. The failure of the Colombian state to exercise its presence in vast areas of the country, its unresponsiveness to popular needs, and its inability to curtail violence have often been explanatory variables used to, if not justify at least explain, the persistence of clientelism (Hudson, 2010).

Decentralization has impacted the nationalization—defined as the extent to which parties obtain similar shares of the votes throughout the national territory (Harbers, 2012)—of Colombian political parties as both the Liberal and Conservative Parties have seen their share of votes diminish to regional parties or movements in each election since the mid-1990s.

Political and fiscal decentralization created the incentives for regional leaders to distance themselves from the traditional leadership of their parties to strengthen their own support base (Dargent & Munoz, 2011; Cardenas et al., 2006; Gutierrez Sanin, 2010). The extensive fiscal decentralization in Colombia has certainly contributed to the fragmentation of parties and helped foster the emergence of regional political movements like those along the Colombian Atlantic coast.

With decentralization, Colombia has also given its local and regional authorities a large number of functions ranging from primary and high school education, infrastructure, health programs, transportation, and local economic development, while simultaneously guaranteeing access to national transfers and, very importantly, royalties from oil and coal. Thus, local and regional governments, though not autonomous in their revenue sources (and though much controversy still surrounds the efficiency and regional equity in the

allocation of royalties funds), do have a steady source of funding and have reduced their financial dependence from national parties. Election campaign reforms have exacerbated the financial independence of political candidates, as they now receive funding directly from the State and are not dependent on their “national party’s” resources (Cardenas et al., 2006). Colombian traditional parties have, as a consequence, deinstitutionalized and fragmented (Dargent & Munoz, 2011; Hudson, 2010; Cardenas et al., 2006; Restrepo, 2004; Sabatini, 2003; Gutierrez Sanin, 2010).

Much of these changes are a result of the reforms introduced in the 1991 Constitution, which included electoral reforms specifically aimed at reducing the power of regional barons already in Congress (by eliminating budget resources); the Constitution also lowered the requirements for new parties to compete in national and local elections<sup>71</sup>, thus opening the system to new parties. The electoral law allows multiple factions to present lists under the same party label (Cardenas et al., 2006; Roland & Zapata, 2005)<sup>72</sup>. As a consequence, and beginning in the mid-1990s, the Conservative and Liberal Party gradually—and increasingly— began losing their share of the votes in national and local elections (Table 36 below).

---

<sup>71</sup> Only 50,000 valid signatures are needed to create a new political party. Many legislators leave their traditional party to create a new movement or party. His or her representation is largely regionally based, and the incentives for clientelism increase as they only need to satisfy the needs of their much smaller constituencies.

<sup>72</sup> “In the 1994 congressional elections, the Liberal Party presented 134 lists for the Senate and 293 lists for the House of Representatives” (Hudson, 2010; page 240).

**Table 36: Presidential Share of the Vote (1998-2010)**

Year	Liberal Party	Conservative Party	Si Colombia (Sanin)	Uribe's Party	Polo Democratico	Partido Verde
1998	34.6	34.3	26.9	-	-	-
2002	31.8	-	5.8	53.1	-	-
2006	11.8	-	-	62.4	22	-
2010	4.4	6.1	-	46.5	9.2	21.5

Source: Dargent & Munoz, page 54

In Congress, all of these changes have meant that, at times, it can be very difficult to keep track of which congressman is in which party, and on which platform said congressman might run for president. The changes have impacted the possibility of further policy decentralization moving forward, as the excessive fragmentation has affected legislators' abilities to influence the policymaking process.

The largest remainder system (LR-Hare) used until 2003<sup>73</sup>, also encouraged fragmentation, as the system rewarded seats based on large remainders and not necessarily by filling quotas; thus, Congressmen were elected by narrow bases and they had to cater to their clientelistic needs. In the case of the Senate, no representation thresholds were put in place to discourage small lists. Again fragmentation was encouraged as the system of remainders was left in place. As a result, smaller and smaller numbers of Senators have been elected by the quota system since 1998, and more and more were elected by the

---

<sup>73</sup> In 2003, the d'Hondt system was introduced requiring a minimum of 2% of the total vote to obtain representation in the Senate, and a minimum of 50% of the electoral quotient to obtain seats in the House. The minimum requirement for creating a new party were raised, participating in multiple parties was forbidden, party discipline in Congress is now compulsory (Hudson, 2010). This reduced the number of lists presented in the 2006 election, but in the 2007 subnational level elections, the numbers increased as write-in were allowed.

remainder system. Thus, senators only need to gather enough votes regionally to be elected, and do not need to campaign on a national district level (Hudson, 2010; Roland & Zapata, 2005). Also, by using a single nationwide district, Departments with less population are underrepresented (Hudson, 2010), and their regional needs sometimes are not taken into account during the legislative process.

As centralist Executives (concerned with macroeconomic stability and security issues) try to re-centralize functions, a divided, diverse, and multiparty representation in Congress has been less able to form a front to push back advances aimed at curtailing decentralization<sup>74</sup>.

Colombia has always had a very powerful Executive. The president, before the 1991 reforms, had many proactive powers including the ability to issue decrees, urgency petitions, ex-post judicial review, and declarations of states of siege and of economic emergency. With the 1991 Constitution, these powers were somewhat curtailed, particularly in the issuing of decrees and states of emergency, which now require approval from the new Constitutional Court. But, an area that remained unchanged is the president's ability to prioritize bills in the legislature's agenda through the "discharge of urgency petition." In this process, Congress has 30 days to approve or reject a proposed bill (Cardenas et al., 2006). Thus, the president retains much of the initiative on legislation, but also is the only one authorized to introduce bills concerning the ministries, salaries of public employment, foreign exchange, budgets, and national debt, among others (Cardenas

---

<sup>74</sup> But, Congress still retains influence through the work of the Committees and membership to them (which is party determined), thus legislators organize procedural coalitions to secure membership, and sometimes are able to push back on certain initiatives.

et al., 2006). As these authors note, a powerful Executive and a very personalistic electoral system delegates much of the national agenda to the Executive and its ministries.

In fact, interest groups such as the Colombian Federation of Municipalities and the Colombian Federation of Departments (formerly the Governors Association) have increased their lobbying efforts in Congress, and even directly with the Executive, to influence policies that might impact the territories. Interviews with the Colombian Federation of Municipalities, and the organization's documents and reports, highlight the significant role it played in pushing back the scope of fiscal decentralization reforms that—in both 2001 and 2007—were passed as initiatives from the Executive branch.

Thus, decentralization in the case of Colombian political parties involves multiplication of regional parties and political movements, all highly variable in their allegiances, with weak ideological principles—convenience and electoral aspirations have replaced the two traditional political parties.

It is then important to measure the level of support that political parties had lent to decentralization<sup>75</sup>. A significant indicator is the number of laws actually voted on that deal with decentralization. In contrast to other countries such as Paraguay, Colombia between 1990 and 2010 has produced an impressive array of legislation, including decrees, ministerial orders, and other regulations establishing a complex and vast legal framework in favor of political, administrative, and fiscal decentralization (see Table 37 below indicating number of laws).

---

<sup>75</sup> As is in the case of Paraguay, Colombia has not kept records of voting patterns by members of Congress. Only recently are voting records by legislators and parties recorded, but for the period considered here, that information is not available. Congress minutes keep only the total of votes in favor or against each law and they are not differentiated by political party.

**Table 37: Number of Key Decentralization Laws Approved by Country for the 1990 – 2010 period**

	New Constitution	1990 – 1995	1996 – 2000	2001 – 2010	Total
Colombia	1991	14	10	8	32
Paraguay	1992	1	5	2	8

Source: Author

The laws include political laws such as the Popular election of Governors and Departmental Assemblies, citizen participation law (Law 134/94), and extension of government periods for subnational authorities (Legislative act 02/02), among others.

Other laws relate to fiscal matters, such as Law 60/1993 establishing the revenue sharing system, the co-financing system and royalties law (142/94), reforms to the transfer system (Legislative act of 01/02; Law 715/01), fiscal adjustment laws (617/00; 549/99; 550/99), strengthening of territorial revenues (Laws 633/00; 788/02; 863/03), and fiscal responsibility law (Law 819, 2003).

Finally, many administrative-oriented laws were also approved, including the public services provision laws on health, education, and other services; the new municipal law (Law 136/94); the reorganization of service provision law (715/01); law 152/94 establishing the organic development plan; Law 225/95, which modified the administrative budget law; and Law 344/96 for the rationalization of public expenditures, etc.

In fact, there is almost a contradiction in that this vast legal framework has hindered the autonomy of subnational governments—the implementation of these laws is strictly



and largely regulated and controlled by the central authorities, especially in the areas of health and education, as well as in fiscal matters<sup>76</sup>.

Thus, in the case of Colombia, the constitutional and electoral reforms introduced by the new Constitution contributed to the denationalization and fragmentation of political parties, and though decentralization has greatly advanced, the central authorities maintain—through legal requirements and strict reporting demands—control of the decentralization process. As such, hypothesis 4 (H4) tends to be positive.

## **Conclusions**

This overview of decentralization's impact on Colombian and Paraguayan political parties, and their respective ability to influence the decentralization process, has found that decentralization has indeed contributed to the deinstitutionalization and fragmentation of well-established traditional parties in Colombia by making regional legislators more independent (politically and fiscally) from central party authorities; and, in the case of Paraguay, decentralization has exacerbated internal differences within the two main traditional parties, contributing to more clientelism and patronage, as new players (mayors and governors) seek to control resources and benefits. In both cases the increased number of veto players have imposed a low rate of policy change.

The differences among supporters of decentralization, and their internal divisions, contribute to the Executive's lack of support for decentralization in the case of Paraguay; and in the case of Colombia, to the Executive's ability to define the decentralization agenda

---

<sup>76</sup> Some political reforms are still hotly debated, including the immediate reelection of mayors, which has not been approved although the Colombian Federation of Municipalities have heavily lobbied for this reform.

with an emphasis on fiscal issues and control over policy areas—restraining the autonomy of subnational governments. In both cases, the deepening of decentralization reforms has been inhibited over the years.

Escobar-Lemmon posits that regionally based and well institutionalized parties will tend to support decentralization (2003). The Colombian case seems to support her findings—at least at the beginning of the decentralization process. In the case of Colombia, where regional parties and/or political movements have dominated elections over the last fifteen years, decentralization (administrative, financial, and political) is maintained on the political agenda thanks to their pressure (and the pressure exercised on them by mayors and governors) and representativeness in Congress, as well as by legislators’ ability to negotiate with the Executive. But, their lack of cohesion and ability to set a common agenda also motivate the Executive’s tendency to re-centralize government functions, especially in areas of fiscal decentralization.

In the case of Colombia, some of the consequences brought about by the 1991 Constitution relate to what Restrepo (2004) calls a “technical tie”: as mayors and governors no longer need to respond to the Executive’s requests, the Legislative and the Executive branches work together to advance their agendas to the detriment of subnational governments. Local and regional governments are still largely dependent on the Executive and Legislative branches for their budgets and their revenue transfers; thus, although there is still an incentive to work together, the Executive branch maintains the upper hand.

In the case of Paraguay, a country without strong regionalism—that is much smaller in size and population than Colombia—regional interests have not been able, in the long term, to influence or sustain the process of decentralization. Clientelism and patronage,

partly measured by the number of legislation introduced of particularistic nature and by the increase in public sector employees, play an important role in hindering further decentralization. From the beginning of the democratic transition, decentralization was a concept not clearly understood by the political elite as the reviews of the constitutional convention demonstrate; moreover, there was no consensus on the potential impact of decentralization.

In Colombia, and as predicted in previously mentioned research, extensive fiscal decentralization has indeed encouraged autonomy of regional leaders from the national party leaders, contributing to party fragmentation. In Paraguay, which only recently has seen an increase in fiscal decentralization, it is too early to predict if regional and local leaders will become more assertive, or if clientelism and patronage will further increase. Interviews with national, regional, and local political leaders seem to support the latter view.

In both countries, political parties lack strong programmatic bases and rely on caudillism and personal leadership—lacking stability and policy consistency. Decentralization, and the implementation of decentralization policies, is then subject to the will of political leaders who may or may not support it. Not having a strong party ideology or program also limits society's chances to demand accountability on crucial policy issues. In both cases, weakly institutionalized parties lack long-term programmatic goals (Jones in Scartascini et al., 2010) and lack consistency on key policy issues; thus, it is easy for them to switch and offer support for certain legislation and not for others. This may explain the reasons behind why political parties—both in Colombia and Paraguay—support

decentralization in their official discourse, but do not demonstrate their support for decentralization through their actions.

## **CHAPTER SIX**

### **PARAGUAY: HEALTH DECENTRALIZATION 1990 – 2010**

#### **Introduction**

Paraguay, one of South America's poorest countries has a long tradition of both government centralization and authoritarianism. The country's transition to democracy began in 1989 with the ousting of General Alfredo Stroessner, who held uninterrupted power for over 35 years.

The democratization of the country coincided with a new impetus around the world of government decentralization processes. In fact, the late 1980s and 1990s saw the promotion of decentralization as a principal issue on the agenda of many national governments, regional leaders, and development agencies. Decentralization was viewed as key to reestablishing the democratic credentials of the State in formerly authoritarian regimes—a way to make governments more responsive, closer to the people, and transparent. Many also proposed decentralization as the best way to promote better governance, provide better services, reduce inequalities, and strengthen economic development. Decentralization, by dispersing power, was viewed as key to improving governance.

An early attempt to decentralize Paraguay was initiated by the administration of then President Juan Carlos Wasmosy (1993-1998) in the area of health. In 1996, a new legal framework for health decentralization was enacted and pilot projects were initiated. After almost 20 years of health decentralization, what has been the impact of decentralization in terms of key health indicators in Paraguay? Has decentralization really

improved health conditions in those municipalities that have been part of the decentralization process? This chapter examines infant mortality rates (deaths of children under one year old; live births) to analyze if decentralization of health services has impacted (or not impacted) a critical health problem in Paraguay. We will attempt to test two of the research hypotheses:

H1: If national, regional, and local political leaders participate and collaborate in the promotion of political, fiscal, and administrative decentralization, there is a greater probability for the passage, approval, and implementation of public service decentralization laws.

And,

H2: Once public service delivery decentralization has been enacted, the higher the degree of collaboration between national, regional, and local levels of government (in essence the type of intergovernmental relations established), stakeholders and citizens (other socio-political actors), the greater the probability for its success and effectiveness.

To accomplish this, we will briefly review the health decentralization process in Paraguay and its main reforms, examine its implementation at the Departmental and municipal level, and compare the results of the process in seven Departments of the country. The chapter concludes with an overall assessment of the decentralization process that occurred in Paraguay between 1996 and 2010.

### **Decentralization and Public Service Provision: Literature Review**

Decentralization is defined as the transfer of political, administrative, and fiscal responsibilities and authority to subnational (regional or local) levels of government (Falleti, 2005). Administrative decentralization gives subnational levels of government

more responsibility in public policy delivery including planning, implementation, and (depending on the case) financing.

A key argument of decentralization proponents is that decentralizing the provision of services—such as health and education—to local governments will improve the quality, equity, and efficiency of those services, as well as increase users' satisfaction (Ugalde & Homedes, 2008; Lockwood, 2009).

The World Bank points to two main reasons why services such as health, education, water, and sanitation should be decentralized to the local level: first, central governments have systematically failed to adequately provide those services especially in terms of meeting the needs of the poor; and secondly, these services are consumed locally (Ahmad et al., 2005). Local governments are closest to the people; they are most likely to know and understand their needs, and will be better suited to allocate scarce resources according to the real needs of their communities and not according to misguided policies designed from a distant central capital (Mehrotra, 2005; Platteau, 2009). The willingness of people to pay for public services that respond to their priorities, particularly if they were involved in the decision making process, is another potential advantage of decentralization (Litvack & Seddon, 2007). Local governments become in essence more accountable to the local communities (Ahmad et al., 2005; Mehrotra, 2005; Khaleghian, 2003; Azfar et al., 1999).

As stated by Khaleghian (2003), “*Many of the proposed benefits of decentralization are based on the premise that it brings local decision makers closer to the constituencies they serve.*” With decentralization, social actors will put pressure on local level leadership to respond to local needs and demands, and then two benefits can result: “*synergy between*

*interventions across sectors and the effective delivery of individual public services”* (Mehrotra, 2005).

Katorobo (2004) stresses the importance of the principles of subsidiarity and of management by results in the decentralization of public service delivery:

*“The concept of service delivery to citizens forces actors (local governments, groups of affected citizens, etc.) to focus on what exactly the subnational government intends or plans to provide to the citizens, and what the citizens should expect in terms of quantity and quality of the services being rendered.”* (Katorobo, p. 26, 2004).

The literature on the benefits and types of decentralization is extensive (Faguet, 2000; Gerring, Thacker, & Moreno, 2005; DiMaggio & Powell, 1983; Falleti, 2005) and stresses the importance of decentralization to strengthening local governments and their service provision capacity. The research literature also examines problems posed by decentralization—among them the lack of capacity at the local level to implement and deliver new services (Ahmad et al., 2005); the dangers of local elite capture (Bardhan & Mookherjee, 1998); problems with local corruption and lack of clear legal framework; and excessive borrowing (Ahmad et al., 2005); and, central government resistance (Khaleghian, 2003).

Introducing a competitive political process, free flow of information, expanded and strong NGO networks, and a reduction in inequality are ways to reduce the risk of local capture (Bardham, 2009). The lack of proper accountability and citizen involvement in the design and implementation (including budget allocations) of public service delivery decentralization is a major obstacle to its success and is the result of what Devarajan, Khemani, and Shah (2009) call “partial decentralization.” In partial decentralization—



which they argue has been the norm in most developing countries implementing service delivery decentralization—central governments might have decentralized resources but local authorities have no control over those resources, which have been earmarked, thus reducing local governments incentives “*to pursue effectiveness of spending and policies, opening the door to clientelistic policies.*” In a situation of partial decentralization, in communities where local authorities do not have ownership over budgetary decisions and outcomes, and where their only role is to distribute funds received from above, citizens will have an incentive to mobilize to obtain private benefits from these funds, thus helping to explain the risk of “capture.”

Partial decentralization is less a design problem and more a political problem, as decentralization policies are often decided by central authorities who like to maintain control over local and regional governments by deliberately withholding resources from local governments, transferring those resources under strict conditions, or transferring them to those local politicians who are more closely identified with them (Devarajan et al., 2009).

In an effort to ensure that services are effectively delivered, issues of relevance and responsiveness must be taken into account, as well as adequacy, costs and benefits, quality and quantity of service, expected outcomes, impact, and timely delivery (Katorobo, 2004).

A key question continues to be: are subnational levels of government capable of providing services? In the decentralization processes around the world, much has been discussed both about the capacity of local governments to provide services, as well as the justifications for it. Some of the arguments—and the variations of opinion—are partly based on the vision of what the role of subnational governments should be. If a “managerial

view” prevails, in which local governments’ main role is to efficiently deliver services, then local governments would then have clearly defined competencies, resources, and purposes. As central governments define such competencies, local governments are considered subordinate to central governments, and decentralization would then be dictated by what the central governments think is the appropriate role of local governments (Nickson, 2011). This, most likely, is a recipe for conflictive relationships.

If, on the other hand, the view is one of “governmental type,” then local governments are not only the providers of services, but also have a distinctive and important relationship with their communities that allows them to make policy decisions (Nickson, 2011). In this view, local governments are considered partners of central governments, with shared responsibilities based on the principle of subsidiarity; thus, there should be more autonomy to decide, at the local level, what services to provide and how to fund service provision. The relationship between central and local levels should be characterized more by negotiation and consensus and less by confrontation.

Other authors (Cetrangolo & Goldschmit, 2012) are concerned with questions of efficiency in decentralized service delivery at the local level, and if it contributes to greater “social cohesion” at the territorial level. Their concern relates more to the ability of decentralization to reduce the large inequalities present in Latin America and within countries themselves.

Reforms are almost always shaped and influenced by the institutional framework of each country, the way society interacts with its institutions, and the broader international context, as well as by the many political contingencies and strategies that sometimes open up opportunities for policy change (Kingdon, 2003). Policy changes are also, in grand part,

dependent on the presence of *policy entrepreneurs* (Kingdon, 2003; Mintrom & Norman, 2009; Mintrom & Vergari, 1996), those specific advocates of policy change who are able to garner support from different stakeholders, create coalitions, bring in inside and outside expertise or support to promote and enact the aimed policy changes.

Different processes shape and implement reforms such as decentralization of service delivery (Kaufman & Nelson, 2004). Reform of public service delivery tends to be long, complicated, played in multiple arenas, and not without setbacks and challenges. Kaufman and Nelson (2004) distinguish four phases in any public policy decentralization reform that are important when analyzing these processes: the inclusion of the proposed reforms in the policy agenda of decision makers; the initiation of concrete proposals for reforms that would be eventually presented to the decision makers; the formal authorization of such reforms (usually through legislative initiative or by decree); and finally, the implementation phase. All these phases imply the need to analyze “veto points” formed by a combination of constitutional rules and political majorities and circumstances at any given time (Immergut, 2008), and “veto players” are defined as any institutional or political actor whose agreement is necessary for the approval of not only the needed legislation (Tsebelis as per Immergut, 2008), but also for its implementation.

In light of the arguments in favor of decentralization, many developing countries initiated the process of decentralizing health and education services to regional and local levels. The decentralization of health and education services usually involves the devolution of some administrative functions to local or regional levels of government or—in certain instances—to local branches of the central government. Functions include—

depending on the country—control over personnel, equipment, supplies, procurement, and delivery of services (Hutchinson, 2002).

In regard to the effectiveness of services decentralization, the literature is mixed. Kubal (2006) in studying the case of Chile, emphasizes the need for increased resources at the local level for the implementation of health services decentralization to be successful. Further, Kubal argues that the lack of adequate resources is partly to blame for the initial lack of success of the process in Chile.

In an analysis of Tanzania’s health decentralization process, Hutchinson (2002) finds that in general, districts that experienced decentralization reported better outcomes compared to those not involved in decentralization. Both Bardhan (2002), in evaluating the decentralization of public service delivery in Brazil, Nicaragua, and Bolivia—and Mehrotra (2005) in his study of decentralization cases in Latin America, South Asia, and Africa—conclude that in all cases the results of decentralizing public services has been positive.

Some case studies provide “descriptive and suggestive correlations,” but evidence of the relationship between decentralization and effective service delivery is not conclusive (Bardhan, 2002). What seems to be clear—as Ahmad et al. and Azfar et al. (2005) note—the importance of accountability and access to information at the local level is vital to the success of services decentralization, along with other key elements such as the existence of a clear legal framework, well defined fiscal and financial arrangements, definition of administrative responsibilities and the infrastructure present locally, the educational level of the communities involved, institutional arrangements, and the levels of poverty present

at the time of initializing the decentralization process (Ahmad et al., 2005; Bardhan, 2002; Khaleghian, 2003; Azfar et al., 1999).

### **Paraguay's Health Sector**

Paraguay, with a population of about 6.3 million (IMF 2009 World Economic Outlook) is one of South America's poorest countries with great regional disparities: the wealthiest eastern part of the country is home to close to 97% of the total population, while the Western part—by far the largest geographical region of the country—contains only 3% of the population (largely aboriginals).

Politically, the 1992 Constitution defines the country as a “decentralized unitary state,” with 17 Departments headed by governors elected by popular vote, and 236 municipalities with directly elected local mayors and municipal councils.

Investment in education and health has generally been very low and there has only been a slow advance in the implementation of structural and institutional reform. The economic recession of the last decade has further deteriorated quality of life. The country has a significant social deficit and is highly unlikely to achieve the objectives of the Millennium Development Goals (MDG) (World Health Organization-WHO, 2007); poverty has increased to about 35.6% of the population with the highest concentrations of poor people found in rural areas (Dirección General de Estadística, 2007).

Health problems in Paraguay are acute and reflect regional and income inequalities. Vector-borne diseases, as well as vaccine-preventable diseases, are common. Other chronic communicable diseases such as TB are common and constitute important health problems (WHO, 2007). Leading causes of death among all age groups in the country are diseases

of the circulatory system, malignant neoplasm, accidents, and communicable diseases. Among the many issues facing the health sector, infant mortality is a serious problem. It has been estimated that every year 7,000 deaths occur among children less than 1 year of age (WHO, 2007). Lack of proper vaccinations for children (especially under five) is a great contributor to this tragedy<sup>77</sup>.

### **General Organization of Health Sector**

The 1992 Paraguayan political Constitution established that health is a basic right of all citizens and called for the creation, by an act of Congress, of a National Health System. Article 168 of the Constitution specifically calls for local governments to be responsible for preparing local health plans; preparing and implementing reproductive health plans at the local level; the organization and coordination of the Local Health Councils (LHCs); the promotion, coordination, and implementation of health plans of the National Health Ministry; and the provision of health services. The Constitution did not specify the responsibilities of Departmental governments in health policy implementation, aside from calling for a coordinating role between Departments, local governments, and central government health authorities (Estrada et al., 2010). Many aspects were left to be later defined and dealt with by Congress.

Provision of health services in Paraguay is divided between the public, the semi-public, and the private sector. The Ministry of Health is in charge of providing health

---

<sup>77</sup> Many of these indicators have to be taken with a grain of salt, as underreporting is a serious problem in Paraguay, thus the reliability of data has to be considered. Regional and ethnic disparities also need to be taken into account as indigenous populations have much higher mortality rates than the general Paraguayan population.

services to the majority of the Paraguayan population (about 63%), particularly the low income and vulnerable population without medical coverage. Military health services cover about 3% of the population and they have their own medical facilities, as do the national police. Other public health institutions include the municipal and Departmental health services, the National University of Asuncion, and other agencies of the national government (Itaipu and Yacireta<sup>78</sup>). The public sector includes the vast majority of district and specialized hospitals in the country, as well as about 130 health centers, 50 dispensaries, and about 670 health posts (Boslaugh, 2013; PAHO, 2001; Angeles et al., 1999).

The semi-public sector is mainly comprised of the Institute of Social Welfare (*Instituto de Prevision Social*) or IPS—the organization’s Spanish acronym. IPS provides health care for government and private sector employees and their dependents. Government, employers, and employees pay toward the financing of the system. IPS is funded by 9% workers’ contribution, 14% by employer’s contribution, and 15% by the State. Though contributions to the IPS are mandatory, the IPS system suffers from problems of exclusion and low coverage due to high informality in Paraguay’s labor market; contributions are often stopped or are discontinued when workers change jobs; and high contribution evasion exists—up to 70% per some estimates (Gimenez Caballero,

---

<sup>78</sup> Itaipu and Yacireta are two hydroelectric dams that Paraguay shares with Brazil and Argentina respectively. The Itaipu dam, the second largest in the world in terms of annual energy generation, is a great source of revenue to the Paraguayan government as Brazil pays large sums for the surplus energy generated by the dam and not used by Paraguay. Yacireta does not generate as much revenue as Itaipu, but it is also an important source of revenue. Both Itaipu and Yacireta are independent-state-run enterprises considered “decentralized agencies” by the Paraguayan government, meaning that they are autonomous in their administration and revenue management.

2012). IPS includes a smaller number of hospitals (12), as well as clinics (5)—mostly in urban areas (Boslaugh, 2013; PAHO, 2001; Angeles et al., 1999).

Finally, the private sector includes non-profit organizations, as well as for profit health providers, with hospitals and clinics that concentrate mostly in the city of Asuncion and the Central Department. The quality of their service varies, but they are generally perceived as expensive and inaccessible to most people.

### **Health Decentralization Reform in Paraguay 1990 – 2010**

In Paraguay, as in other parts of the continent, health reform was part of a broader process of democratization and strengthening of subnational governments. The decentralization occurred in two main phases. One phase started in 1990 with the transfer of certain administrative responsibilities from the central level to the Ministry's own regional centers (*Regiones Sanitarias*). This phase can better be called deconcentration and not really decentralization. This deconcentration helped strengthen regional centers and improved their administrative capacity, empowering some of the regional directors and their staff. Changes in the Ministry and political tensions slowed down this process during 1993-1995 (Angeles et al., 1999).

In 1994, newly elected mayors and governors began demanding more decentralization and autonomy. By 1995, the Chamber of Deputies of Congress created the National Commission on Decentralization, in charge of evaluating law proposals related to decentralization (Rojas, 2000).

A second phase of decentralization started in 1995 with new authorities in the Ministry and more political support (Angeles et al., 1999). In December of that year, the



first meeting of Departmental Health Secretaries, Regional Health Directors, mayors, and the Ministry was held. A Memorandum of Understanding (MOU) was signed in support of health decentralization as a way to improve service delivery.<sup>79</sup> The MOU was adopted and approved by Congress and it became the basis for the discussions regarding the proposed health decentralization law in 1996 (Rojas, 2000).

The health decentralization process had a heavy component of international agencies' support, in particular from the US Agency for International Development (USAID), which at the time funded a relatively large project supporting local governments, decentralization, and citizen participation.<sup>80</sup> USAID's involvement continued for many years, and its support has been viewed as essential to the process. Critical to the process of decentralization was the appointment of Dr. Andres Vidovich Morales as Minister of Health, because unlike his predecessors, he supported and promoted decentralization as the only possible way to improve health conditions in Paraguay. In Congress, the initiative garnered support in the Chamber of Deputies or Representatives, but not in the Senate. Many informational meetings were held around the country with governors, mayors, civil society, and communities in general to explain the initiative's aims; much technical assistance was also given in the mid-1990s to the Ministry to strengthen the institution and to clarify the aims of the reform (Flecha & Rodriguez Lagier; 1994).

---

<sup>79</sup> The meeting was organized by Florida International University (FIU), contracted by USAID in the framework of a decentralization and democracy project being implemented at the time.

<sup>80</sup> Disclaimer: the project was being implemented by the Institute for Public Management & Community Service of Florida International University, and the author was closely involved in the design and initial implementation of the health decentralization process, though the active FIU involvement ended right before the approval of the law that created the National Health System in 1996.

In nearly all of these meetings and lobbying activities, the efforts of Minister Vidovich Morales as a policy entrepreneur must be highlighted. Although conscious that decentralization was not a high priority for the Wasmosy administration or many Senators in Congress, Minister Vidovich Morales was able to create an advocacy coalition, and used the influence and support of the USAID funded project as an outside force to galvanize, and leverage, support from many stakeholders.

Finally, after much consultation, the proposed law was approved by the Chamber of Deputies, rejected by the Senate, and ratified again by the Deputies. It then went back to the Senate where it was not acted on. Thus, and in accordance with Paraguayan Law, due to the Senate's inaction, the Executive Branch approved and enacted the law in December of 1996. Thus, in just one year, the first significant legislation to decentralize service delivery was approved through the support and lobbying efforts of governors, mayors, and the Ministry of Health (in particular, support from then Minister Dr. Andres Vidovich Morales)<sup>81</sup> (Rojas, 2000; Flecha and Rodriguez Lagier, 1994).

Law 1032/96 was a watershed in Paraguay's political history. As the first attempt to decentralize services, it had a significant component of citizen participation; it called for collaboration and cooperation between the public and private sector, as well as civil

---

<sup>81</sup> Minister Vidovich Morales was very successful at gathering support from Representatives in Congress by taking advantage of the technical assistance provided by IPMCS through the USAID funded project. In the mid-1990s Colombia was seen as successful decentralization example, and Minister Vidovich Morales – with the support of IPMCS - organized many seminars and conferences with Colombian health experts, former Governors, and Ministers to galvanize support for his initiative. At one point, with the assistance of IPMCS, and to get the commitment of then President Wasmosy, the then Assistant Secretary of Health and Human Services of the US, Dr. Walter Broadnax, visited the country and made the case for decentralization to the full Congress and in private meetings with President Wasmosy.

society, in the implementation of health reforms; and it empowered mayors, and to a certain extent governors, in the provision of services at the local level.

The National Health System Law aimed to:

- improve the efficiency and quality of service provision,
- improve the equity of service provision, and
- promote community participation in the planning and delivery of health services.

In search of efficiency, the law also created new governmental agencies to assist and oversee the desired reforms. Thus, the following entities were created: the National Health Advisory Board (*Consejo Nacional de Salud*); a National Health Fund (*Fondo Nacional de Salud*) that was to execute health financing functions; a regulatory and rule-making body, the National Medical Directorate (*Dirección Médica Nacional*); and a monitoring and auditing agency, the Health Superintendent (*Superintendencia de Salud*).

In the new National Health System, citizen participation was explicitly outlined via the creation of Local Health Councils (LHCs). During the first year after the approval of Law 1032/96, the Ministry concentrated its efforts to establish as many LHCs as possible in the municipalities and in the Departments. Thus, one measure of decentralization success is the number of LHCs that have been established through the years.

As mentioned above, the process had, from the beginning, a significant component of citizen participation—it was expected that each municipality, through their recently created LHCs, would identify, design, and implement their local health plans with the input of the community. The strategic health plans, designed by the Ministry, had citizen participation strategies as key objectives calling for “*citizens who are involved, aware, and*

*responsible for their role as leaders in the health planning of their communities”* (Law 1036/96). Activities, technical assistance, and support aimed to train communities on the meaning of health decentralization and the mechanisms to involve citizens in the process were initiated. The objective was to ensure citizens’ empowerment, as well as improve transparency and accountability (Colindres & Veldhuyzen Van Zanten, 1996; CIRD, 1997). Overall, and as noted by Rojas (2000), citizen participation, especially at the local level, has been instrumental to the decentralization process—helping identify needs and solutions and overseeing implementation and monitoring of local programs (PAHO, 2001; USAID, 2008).

The implementation phase initially faced many obstacles, including: a lack of understanding of the process by community members, mayors, and authorities at the three levels of government; complexities in the creation of LHCs and Local Health Plans; resistance by some Regional Health Directors (which are named by the Ministry of Health); tensions between government authorities due to lack of clear mandates, especially in the case of governors and their health secretaries, and; in some areas of the country, lack of citizen participation (Rojas, 2000).

An important development in the implementation of the law was the approval of Decree 19966 in 1998, which sought to operationalize Law 1032/96. Again, the importance of citizen participation is underscored in the decree’s title: *“Through which local health decentralization, citizen participation, and self-management are regulated as an essential strategy for the development of the National Health System”* (Angeles et al., page 8). By this decree, administrative responsibilities of local health facilities (health posts, district hospitals, and health centers) were transferred to local governments through a formal

agreement between the Health Ministry and the respective local government. The transfer though, was not mandatory.

The process of decentralization required a step-wise progression before administrative responsibilities could be transferred to the local level. These steps included securing political support from the municipality—indicating willingness to take over these responsibilities. A functioning LHC needed to be created/in place. Also required was a signed contract agreement between the Ministry, the mayor of the municipality, other local and regional authorities, and the directors of the major health facilities present in the territory to formalize and define the obligations of the Ministry, the municipality, and the LHC. By way of the agreement, responsibilities for the administration, supervision and monitoring of health facilities providing basic healthcare were transferred to the local level, and the municipal government delegated administrative responsibilities to the LHC. The design, planning, and implementation of local health plans, as well as the control of the budget and the performance supervision of the public health facilities, was to be done jointly by the municipality and the LHC (Angeles et al., 1999).

As part of the reforms, LHCs were to be funded not only by transfers from the Ministry (based on past expenditures and projected expenditures, as indicated by local health plans), but also by the local municipality, which had to allocate 5% of its budget to the LHC, and by the revenues generated at each facility; these funds were to be deposited into a municipal government account and earmarked for health activities. Regrettably, how municipalities defined health expenditures was not clearly outlined and, thus, some municipalities did not transfer the resources to the LHCs.

Table 38 below indicates the role assigned by Law 1032/96 to the different stakeholders involved in the process.

**Table 38: Role of Principal Stakeholders at the beginning of the decentralization process**

Ministry of Health	Municipal Governments	Local Health Councils	Civil Society
<ul style="list-style-type: none"> <li>• Transfer of administrative responsibilities and infrastructure, as well as funding</li> <li>• Ensure availability of Human Resource at each health facility</li> <li>• Salaries are paid by Ministry</li> <li>• Provide training and technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Allocate 5% of municipal budget to health expenditures</li> <li>• Form the LHC</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare and design the Local Health Plan</li> <li>• Comply with all sanitary laws and regulations</li> <li>• Administer financial resources</li> <li>• Monitor implementation of Local Health Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Organizations would be involved in the creation of LHCs</li> <li>• Organization would actively participate in the design and implementation of local health plans.</li> <li>• Would oversee process and demand accountability</li> </ul>

Source: Adapted from Gustavo Angeles et al. (1999)

The implementation of the program was not without confusion; decentralization was new in Paraguay, and real change did not simply materialize—time was required to finalize agreements among the municipalities, the other stakeholders, and the Ministry. By 1998, 23 municipalities had signed decentralization agreements: 17 in Central Department, 2 in Cordillera, and 4 in Misiones. By 1999, 17 of the 23 renewed their agreements. But, of the 23 original municipalities that signed agreements in 1998, only 10 (and all of them in Central Department) actually initiated administrative changes, mostly to improve the quality of available services, by using the revenues generated locally at the health facility.

In 1999, the process suffered a significant slowdown due to the political situation in Paraguay. The vice president was assassinated and reports of a looming coup were widespread. The resulting political turmoil hampered the process. Only the Central Department continued and sustained the process (Rojas, 2000) as the LHCs and mayors involved remained active and continued receiving support and technical assistance from organizations such as the Resource and Information for Development Center (CIRD—reflecting Spanish terminology), which was heavily funded by USAID.

Also in 1999, an important development significantly impacted the progress of health decentralization services in Paraguay. The new agreements to be signed with the Ministry of Health required that funds generated at each local health center, health post, or district hospital be deposited in a Ministry of Finances' bank account, which would then transfer those funds back to the Health Ministry, and from there back to the local level. This was done in accordance with the Financial Administrative Law of the country, which regulates procedures for all government institutions; however, central authorities were ultimately given control over resources that were never fully transferred back to local levels. The new requirement also allowed Health Ministers who were not enthused with the process to delay the implementation of decentralization—based on technicalities within the law.

Other persistent problems: numerous municipalities did not comply with the stipulation that 5% of their budgets were to be allocated to LHCs; underhanded tactics were common (e.g., considering trash collection to be a health service provision; thus, those expenses counted toward the 5% they were required to allocate for health).

Health workers at the local level remained employees of the national health ministry. This jeopardized the process of decentralization. By the year 2000, there were 19,842 health employees at the Health Ministry, including doctors, nurses, and other health professionals. About 7,000 of those were administrative and administrative support personnel<sup>82</sup>. LHCs were not able to reform human resource policies and/or discipline workers, who considered themselves accountable to the Regional Health Secretaries (named by the Ministry in Asuncion). A major problem was that Regional Health Secretaries retained funds sent by the Ministry, and used those funds to contract new employees or to buy supplies not needed by the LHCs (CIRD, 2002; and interviews). By the early 2000s, these developments had heavily impeded the implementation of health provision decentralization (CIRD, 2002).

Nevertheless, by 2001, even though the decentralization process was progressing slowly, citizen participation and collaboration among the municipalities involved in the program continued. International organizations continued to support the institutions that had been established, continued to strengthen human resources, and assisted with the funding of medicines and other medical needs (PAHO, 2001).

During the 1996-2003 period, the Ministry continued the deconcentration of some technical and administrative services to regional and local authorities. Improvements in some health indicators were noted, especially vaccination rates, maternal health care, infant mortality rates, and infrastructure improvements at hospitals and health posts. Health

---

<sup>82</sup> These numbers are to be taken cautiously as there is no reliable information on the number of public employees at the different government agencies in Paraguay. Many people are employed by the Ministry of Health and also by the Institute of Social Welfare (IPS for its Spanish acronym) or by a regional health center or hospital, and thus they can be counted multiple times. Those who are hired on temporary contracts are often not included in the counts.



expenditures as percentage of GDP remained at the same level (see Table 39), or in some instances increased during this period (CIRD, 2002)

**Table 39: Total Health Expenditures 1998 - 2010**

Year	Health Exp. % of Public Exp.	Health Exp. % of GDP
2012	17,13%	4,34%
2011	16,08%	3,43%
2010	14,93%	3,00%
2009	15,25%	3,25%
2008	14,13%	2,41%
2007	13,08%	2,40%
2006	12,17%	2,35%
2005	11,61%	2,12%
2004	11,43%	2,16%
2003	10,92%	2,07%
2002	11,58%	2,39%
2001	12,41%	2,65%
2000	15,24%	3,23%
1999	14,88%	3,03%
1998	N/A	2,82%

Source: [www.datosmacro.com/estado/salud/Paraguay](http://www.datosmacro.com/estado/salud/Paraguay)

Between 2000 and 2006, under the administration of at least three different ministers (See Table 40 below), there were different levels of political commitment and, consequently, varying levels of incentives for continuing the decentralization implementation process. Often, little was done to implement the local health plans or to sign new agreements at the local level—though the plans continued to be supported by some senior officials at the Health Ministry, USAID, and the Pan-American Health Organization (PAHO).

**Table 40: Health Ministers of Paraguay, 1996 – 2010**

Period of Government	Name	Political Party
July 1994 – August 1998	Dr. Andres Vidovich Morales	Colorado Party
August 1998 – March 1999	Dr. Carmen Frutos de Almada	Colorado Party
March 1999 – January 2003	Dr. Martin Antonio Chiola	Colorado Party

January 2003 – August 2003	Dr. Jose Antonio Mayans	Colorado Party
August 2003 – May 2005	Dr. Julio Cesar Velasquez	Colorado Party
May 2005 – June 2006	Dr. Teresa Leon Mendaro	Colorado Party
June 2006 – August 2008	Dr. Oscar Martinez Doldan	Colorado Party
August 2008 – June 2010	Dr. Esperanza Martinez	Frente Guazu Government

Source: Author – Ministry of Health of Paraguay

A third phase in the decentralization process started in the year 2004—with the administration of Dr. Julio Velazquez as health minister—when new decentralization agreements were signed or existing ones were renewed. Thus, in 2004, the Ministry reinitiated the decentralization process with the signing of 32 agreements with local governments in 12 Departments. Regardless of these advances, the funding of LHCs, and their ability to collect and use revenues, continued to be a source of controversy.

In 2005, given the lack of clarity on the use of funds by LHCs, local and regional political leaders endorsed a Congressional law that would clarify the situation. The law was approved in 2006 (Law 3007/06) and established that regional and local health councils that collected funds, while administering the LHCs as established by their agreements with the Ministry of Health, will be able to use and allocate those funds without having to transfer them to the Ministry of Finances as required by Law 1535. A major obstacle had been removed. By the end of 2008, a total of 49 new agreements had been established (Gaete, 2012).

But, as of 2008, the country still lacked a general decentralization law, which impacted the implementation of health decentralization by local agreements—many local authorities feared working in a potential legal vacuum that could make them susceptible to central government accusations of malpractice.

The Lugo Administration took office in August of 2008 and established a new vision of health policy. Fundamentally, it focused on free access to health services for all Paraguayans (Gaete, 2012; Gimenez Caballero, 2012; Mancuello y Cabral, 2011). LHCs would no longer collect fees. To replace this funding, the Ministry of Health was to transfer 1% of its budget to LHCs. These funds were named Equity Funds (*Fondos de Equidad*). With equity, all people were to have equal access to health services (Barrios Kuck, 2002). Table 41 below summarizes the legal framework of the revitalized approach to health care decentralization in Paraguay.

In this new modality, municipalities and the Ministry (not Departments), signed decentralization agreements, and some administrative functions are thus decentralized, but LHCs now administer funds transferred from the central government and not locally generated funds. Those funds were to be complemented by transfers from the local government (5% of budget), Departmental governments, and civil society organizations.

By 2011, 196 agreements were in place—about 82% of municipalities in Paraguay. From 2008 to 2011, about 20 million dollars had been transferred to LHCs in the form of Equity Funds<sup>83</sup> (Gaete, 2012).

---

<sup>83</sup> Equity Funds refer to the concept that all LHCs and municipalities will receive “equity funding” according to their needs and history. The concept in Spanish is referred as *Fondos de Equidad*

**Table 41: Legal Framework for Health Decentralization in Paraguay**

National Constitution		<ul style="list-style-type: none"> <li>• Defines the country as decentralized</li> <li>• Article 69 call for the promotion of a National Health System</li> </ul>
Law 1032/96	Created the National Health System	<ul style="list-style-type: none"> <li>• Established the administrative decentralization of health services</li> <li>• Established community participation as key element in the management of services through local, regional, and national Health Councils</li> <li>• Promoted the signing of decentralization agreements and contracts between municipalities and central authorities</li> </ul>
Decree 19966/98	Regulated the local health decentralization, citizen participation, and the management of health facilities at the local level as a way to help the implementation of Law 1032/96	<ul style="list-style-type: none"> <li>• Made possible the temporary transfer of basic health services (district hospitals, health posts and centers) to municipalities.</li> <li>• Established the requirements needed for the signing of decentralization agreements</li> <li>• Agreements are optional and municipalities may or may not request the transfer of services</li> <li>• Municipalities that sign the agreement must allocate 5% of their budget to health</li> </ul>
Contractual agreements between Municipalities and Ministry (starting in 1998 to present)		<ul style="list-style-type: none"> <li>• Details which health services will be transferred to the local level</li> <li>• Establishes the responsibilities of the Ministry, the municipality, and the Local Health Council</li> </ul>
Law 426/94	Created Departmental Governments	<ul style="list-style-type: none"> <li>• Created, within the structure of Departmental Governments, the Departmental Health</li> </ul>

		Secretaries (but clear mandates were not defined)
Law 3007/06	Exempted LHCs from transferring funds as required by Administrative Financial Law	<ul style="list-style-type: none"> <li>LHCs could collect and keep funding generated for service provision at the local level.</li> </ul>
Law 5099/08	Established Free Health Provision	<ul style="list-style-type: none"> <li>Guaranteed free access to health care regardless of social class or income</li> <li>Eliminated fees collected at the local level or at hospitals for most services</li> <li>Established the so called Equity Funds by which the Health Ministry transfers 1% of its budget to LHCs.</li> <li>Promoted the creation of Family Health Units</li> </ul>

Source: author based on Angeles et al., CIRD, USAID, Rojas, Mancuello & Cabral, Gimenez Caballero, Uharte Pozas

### **Have Reforms been Successful?**

In regard to the evaluation of results, *“there is no evidence at this time that would allow (one) to see if the health sector reforms have had an impact in reducing the gap in health indicators”* (PAHO, 2001). But there have been direct investments in certain areas—as a result of the emphasis of local health plans—namely, in children (vaccinations) and pre and post maternal health care (PAHO, 2001).

In general, critics of health service decentralization argue that the process has not accomplished its stated goals. It has led to increased inequality, reduced efficiency and quality of services, and increased costs. There is insufficient evidence to establish if decentralization failures are a result of inadequate policy choices or issues surrounding implementation (Ugalde & Homedes, 2002).

Ugalde and Homedes (2002) name two phases in the decision making process of decentralization: choosing policies and policy-implementation. Paraguay has had serious problems both with defining decentralization and with its implementation

In Paraguay, by not clearly defining coordination mechanisms between all stakeholders, in particular among the three levels of government, many implementation problems ensued. The difference in responsibilities between Departmental Health Secretaries (named by the governors) and the Regional Health Directors (named by the Health Ministry) were not clearly defined, generating tensions and duplication of efforts. The funding system, and the transfer of those funds, was also not clearly established, creating confusions and frustration (Ugalde & Homedes, 2002; Gaete, 2012; COPLANEA, and interviews).

According to Martinez (2005), and many knowledgeable observers interviewed for this research, weaknesses of the process include:

- lack of clarity within the Health Ministry of what the process entailed;
- divided opinions about its merits;
- technical support units lacking enforcement authority and lack of technical guidance to LHCs;
- lack of political commitment;
- lack of leadership role from the Ministry;
- absence or deficient definition of roles and responsibilities among Regional Health Secretaries, Departmental Health Secretaries, and local authorities;
- among some local authorities, not considering the provision of health services to be a local responsibility;

- lack of leadership among some LHCs, and not providing adequate services;
- internal political divisions and rivalries within communities and among the three levels of government involved;
- lack of resources;
- insufficient communication and clarity about the goal of the process;
- weakness of the legal framework that has left many decisions subject to legal review or contestation;
- uncertainty about the stability of public health officials, which created resistance to implementation.

Lack of political will and lack of administrative capacity at all levels of government generated serious implementation problems (Martinez, 2005; Recalde, 2011; Gimenez Caballero, 2012; interviews). According to the Pan-American Health Organization (PAHO), as of 2012, the Law has not been able to fundamentally change the health system. In the twenty years since its enactment, the management model has not changed, nor have the care or financing systems (Gimenez Caballero, 2012; interviewees).

Fiscal decentralization has not advanced much as Departments and municipalities only spend 3% of the public health budget, and with the reforms enacted by the Equity Funds Law, LHCs lost the little financial autonomy they had in revenue collection.

Many aspects of Law 1032/96 have yet to be implemented (e.g., the National Health Directorate or the National Health Fund). Only the Superintendence of Health has been created. The National Health Council does not function consistently and has not met in regularly since its creation. Between 1996 and 2008, less than 10% of municipalities had a

working LHC. In 2008, with the introduction of free public health for all, and through the Equity Funds, about 200 municipalities progressively signed up (about 80% of the total).

Supporters of the process point to successes that—given Paraguay’s weak data collection systems—are more difficult to measure, but include (Martinez, 2005; interviews):

- extension of care hours at the local health posts or centers;
- new services such as emergency care extended hours and lab services;
- reduced doctor and nurse absenteeism;
- increased number of patient visits;
- increased revenues;
- the development of LHCs as essential to citizen participation. This aspect is the most important successful element of the process (Gimenez Caballero, 2012; interviews).

According to Uharte Pozas (2012), the most important development in the health decentralization process of Paraguay was the establishment of free access to services in 2008 by the Lugo Administration. The number of people visiting hospitals increased by 50% and the number of people accessing primary health centers increased from 4 to 8 million in 2010. Investment in health also increased by 77%. The creation of the Family Health Units (*Unidades de Salud de la Familia*) provided basic primary health care in the



18 Health Regions<sup>84</sup> of the country. By mid-2011, 503 of these units had been established, improving health coverage by 33%.

The health decentralization process in Paraguay has been a dynamic process, subject to political will, and not necessarily a structured or strategically planned one. Among those involved in the process, there is a general consensus that the pressure to continue the process has come mostly from subnational levels of government and civil society, with the assistance of donor organizations, and not necessarily from the Ministry of Health (Gaete, 2012; interviews).

### **Can Health Decentralization Impact be measured in Paraguay?**

The process of health decentralization in Paraguay started in 1996 with the approval of the National Health System Law, but implementation did not begin until 1998; several phases of implementation occurred, hindered by serious challenges. The first phase (between 1998 and 2000) saw the signing of several agreements between the Ministry of Health and Local and Departmental governments as indicated on Table 42. In 2004 and 2005, more agreements were signed and previous agreements were renewed; finally, between 2008 and 2010, as a result of the decision to provide free basic health care and with the creation of Equity Funds, the number of signatories more than doubled.

**Table 42: Number of LHCs incorporated by year and with agreements in place 1998 – 2010**

Year	1998	1999	2000/3	2004/5	2008	2009	2010
Number of LHCs	23	17	0	32	33	106	175

Source: Author based on CIRD materials, and General Directorate for Health Decentralization, Ministry of Health

<sup>84</sup> The Ministry of Health administratively divides the country in 18 “health regions,” which correspond to the 17 Departments plus the City of Asuncion (*Regiones Sanitarias* in Spanish).

The objectives of the reform, as indicated, were to transfer some decision-making authority to the regional and local level in the design of local health programs that would effectively reflect the needs of the population; there was an expectation that, with community oversight of programs, plans would become more efficient and quality of care will improve—achieving more transparency and accountability (Semidei et al., 1996).

Table 43 below shows the number of municipalities by Department that have signed decentralization agreements with the Ministry of Health, and thus have LHCs in place. The table shows how many LHCs were in place for each Department in 1998, 2008/2009, and 2010, also indicating the total number of municipalities that have not signed agreements, do not have an LHC in place, and have not initiated decentralization reforms—these municipalities do not benefit from fund transfers.

The Department of San Pedro, with a total of 19 municipalities, has the fewest number of municipalities (as of 2010) that have signed decentralization agreements with the Health Ministry (14), followed by the Departments of Guaira (13) and Canindeyu (10). On the other hand, the Departments of Itapua (29 out of 30 municipalities), Cordillera (19 of 20), and Caaguazu (17 out of 21) have the largest number of municipalities with decentralization agreements. The Department of Central, the most populated of the country, is one of the few that has been involved in the decentralization process from the very beginning; Central has a relatively large number of municipalities that have signed agreements (13 out of 19), and those agreements have been in place the longest.

**Table 43: Total LHCs per Municipality and per Department (number of municipalities with decentralization agreements signed)<sup>85</sup>**

Department	Total Mun.	With dec. agreements 1998	With dec. agreements Year 2008/09	New agreements 2010	Total w/ agreements	With no agreements
Concepcion	7	0	6	0	6	1
<b>San Pedro</b>	19	0	4	1	5	14
<b>Cordillera</b>	20	2	19	0	19	1
<b>Guaira</b>	18	0	4	1	5	13
<b>Caaguazu</b>	21	1	15	2	17	4
Caazapa	10	0	7	1	8	2
<b>Itapua</b>	30	0	24	5	29	1
Misiones	10	2	9	0	9	1
Paraguari	17	12	11	1	12	5
Alto Parana	20	4	14	2	16	4
<b>Central</b>	19	3	12	1	13	6
Neembucu	16	0	4	3	7	9
Amambay	3	0	3	0	3	0
<b>Canindeyu</b>	11	0	1	0	1	10
Pte. Hayes	8	1	5	0	5	3
Alto Paraguay	4	0	0	0	0	4
Boqueron	3	0	1	0	1	2
<b>Total</b>	<b>237</b>	<b>25</b>	<b>139</b>	<b>17</b>	<b>156</b>	<b>80</b>

Source: Author - based on CIRD materials, and General Directorate for Health Decentralization, Ministry of Health

This section will analyze whether health decentralization—as defined and implemented in the Paraguayan context in the above mentioned Departments—has positively impacted basic health indicators such as infant mortality rates (under 1 year old). Because the Ministry of Health has placed so much emphasis on LHC contributions to reduce infant mortality, it is interesting to compare the three Departments with the fewest LHCs (San Pedro, Guaira, and Canindeyu) and the three Departments the most LHCs

<sup>85</sup> A requirement for signing a decentralization agreement with a municipality is the presence of Local Health Council. Thus, “decentralized municipalities” must include in each case a LHC.

(Itapúa, Cordillera, and Caaguazú), and the Department of Central, which has been involved in the decentralization process from its beginnings in 1996<sup>86</sup>.

As health decentralization expands, and as more health centers are established at the local level, and as local health centers become more responsive to the demands of communities, access to health care and information will increase and, thus, rates of infant mortality (under one year old, live births) at the Departmental level should decline.

It is also expected that higher education levels and lower poverty rates will impact infant mortality rates, as better educated parents will seek medical assistance sooner, and will have more resources to seek help. In the case of the seven Departments, the average illiteracy rate and poverty indexes were calculated based on historical trends obtained from the Ministry of Health Basic Indicators yearly reports.

Access to appropriate funding is important. Lack of resources can affect the ability of local and regional governments to provide the necessary services. In the case of Paraguay, serious challenges to the funding of LHCs have been present throughout the process with significant lapses of time where no funding—or autonomy in the use of funding—was available to LHCs, and political opposition to the process slowed down decentralization significantly.

Data on budget transfers for health decentralization (Table 44) to the Departments was obtained from the Under-Secretariat for Health Decentralization of Paraguay. The point of reference is the year 1998, when budget transfers were initiated to some of the

---

<sup>86</sup> Regrettably, there are many serious limitations in Paraguay's health/government data. From accessibility to under-reporting, to the fact that many other institutions working on health do not report to the Health Ministry. Consequently, information provided must be viewed with caution. Another problem encountered had to do with the lack of consistent data gathering for the time period sought.

Departments as a component of pilot projects in health decentralization initiated by the Ministry of Health.

**Table 44: Budget Transfer from Health Ministry to Departments**

Department	Total Transfers 1998*	Equity Funds (only) 2008	Equity Funds (only) 2009	Equity Funds (only) 2010
Concepción	47,165,270	100,000,000	1,763,805,661	2,015,000,000
San Pedro	74,169,500	120,000,000	918,062,005	1,250,000,000
Cordillera	125,750,000	15,000,000	1,797,422,095	3,042,342,496
Guairá	133,001,310	140,000,000	500,905,883	935,000,000
Caaguazú	34,537,500	160,000,000	2,053,193,953	2,955,000,000
Caazapá	19,500,000	60,000,000	858,780,099	1,185,000,000
Itapúa	0	475,000,000	4,864,521,065	5,553,280,832
Misiones	107,433,100	150,000,000	2,093,644,868	2,198,280,832
Paraguari	77,650,000	155,000,000	1,396,603,768	2,150,000,000
Alto Paraná	310,388,000	100,000,000	1,558,463,116	2,080,000,000
Central	806,754,000	240,000,000	3,051,848,187	2,915,000,000
Ñeembucú	158,000,000	0	496,096,080	1,270,000,000
Amambay	0	135,000,000	744,825,394	865,000,000
Canindeyú	0	0	150,000,000	420,000,000
Presidente Hayes	28,600,000	120,000,000	730,320,379	902,500,000
Boquerón	0	30,000,000	321,507,447	503,280,832
Alto Paraguay	0	0	0	0
Capital	0	0	0	0
<b>Total</b>	<b>1,922,948,680</b>	<b>2,000,000,000</b>	<b>23,300,000,000</b>	<b>30,239,684,992</b>

In millions Guaranies

\*it includes all transfers made at the time by the Health Ministry in all categories

Information on transfers for the 1999 – 2007 periods were not available

Equity Funds refers only to the funds transferred to LHCs beginning with the Lugo Administration.

Given the limitations on data on the Departments, the tables below include data that enables us to observe improvements in infant mortality rates for each Departments (Tables 45, 46 and 47).

**Table 45: Department of San Pedro**

<b>Department of San Pedro</b>	<b>Health Facilities</b>	<b>Transfers</b>	<b>Mortality Rate</b>
1997	85		17.03
1998	87	74,169,500	17.4
1999	84		13.8
2000	84		18.1
2001	87		17.9
2002	101		22.1
2003	101		19.8
2004	104		16.5
2005	104		17
2006	108		15.7
2007	110		11.8
2008	110	120,000,000	12.1
2009	112	918,062,005	10.1
2010	120	1,250,000,000	14.5
2011	124	2,117,300,000	9.4
Estimated Rate of analphabetism 7.7%			
Estimated Poverty Rate			
37% (extreme, 2000)			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

**Table 46: Department of Guaira**

<b>Department of Guaira</b>	<b>Health Facilities</b>	<b>Transfers</b>	<b>Mortality Rate</b>
1997	54		25.15
1998	42	133,001,310	25.6
1999	42		15.4
2000	42		21.5
2001	43		21
2002	48		22.6
2003	48		29.6
2004	50		25.2
2005	50		21.6
2006	62		20.6
2007	64		21.4
2008	64	140,000,000	14.5
2009	62	500,905,883	12.8
2010	66	935,000,000	12.6
2011	79	1,419,373,334	15
Estimated Rate of analphabetism 10.5%			
Estimated Poverty Rate 25% (extreme, 2000)			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

**Table 47: Department of Canindeyu**

<b>Department of Canindeyu</b>	<b>Health Facilities</b>	<b>Transfers</b>	<b>Mortality Rate</b>
1997	35		39.62
1998	29	0	23.5
1999	36		23.8
2000	36		23.5
2001	36		18.9
2002	47		20
2003	47		20.3
2004	45		24.3
2005	45		29.1
2006	49		22.9
2007	55		21
2008	55	0	10
2009	68	150,000,000	12.7
2010	72	420,000,000	11.9
2011	74	982,500,000	12.5
Estimated Rate of analphabetism 17.4%			
Estimated Poverty Rate 23% (extreme, 2000)			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

In the case of the three Departments that have the fewest municipalities with decentralization agreements (and thus the least number of LHCs), and where extreme poverty is more widespread than in other Departments considered here, there seems to be a relationship between number of health facilities, increased access to funding, and declines in infant mortality rates of children under one. In the Department of San Pedro, one of the poorest in Paraguay, the number of health facilities incrementally increases starting in the year 2002 reaching 124 by 2011, with a decrease in infant mortality rates from a peak of 22.1% in 2002 to 9.4% in 2011—a reduction of almost 43%. Both Guaira and Canindeyu also experienced significant decreases in mortality rates; and in the three cases, significant



changes begin in the year 2008—the year that Equity Funds and free access to basic health care were established. The total funds transferred to each Department starting in 2008 were significant, as all three saw increases of over ten times what they initially received, and, these funds have most likely impacted the ability of LHCs to implement their local health plans through the existing, or newly created, health facilities at the local level.

Let us now examine the three Departments with the most municipalities with decentralization agreements and, thus, the highest number of LHCs (Tables 48, 49 and 50 below).

**Table 48: Department of Itapua**

<b>Department of Itapua</b>	<b>Health Facilities</b>	<b>Transfers</b>	<b>Mortality Rate</b>
1997	117		26.2
1998	86	0	20.7
1999	77		21.5
2000	77		21.2
2001	77		25
2002	87		20.6
2003	87		18.8
2004	82		15.6
2005	82		14.5
2006	78		17.2
2007	79		16.8
2008	79	475,000,000	9.6
2009	85	4,864,521,065	10.1
2010	90	5,553,280,832	10.1
2011	102	7,045,810,992	9.9
Estimated Rate of analphabetism 9.5%			
Estimated Poverty Rate 20% (extreme, 2000)			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

**Table 49: Department of Cordillera**

<b>Department of Cordillera</b>	<b>Health Facilities</b>	<b>Transfers</b>	<b>Mortality Rate</b>
1997	54		20.16
1998	39	125,750,000	20.3
1999	42		22
2000	42		20.3
2001	42		21.3
2002	42		16.5
2003	42		20.8
2004	44		15.8
2005	44		17.6
2006	42		16.7
2007	45		12.8
2008	45	15,000,000	11.2
2009	49	1,797,422,095	10.5
2010	55	3,042,342,496	10
2011	65	3,385,000,000	10.1
Estimated Rate of analphabetism 7.4% Estimated Poverty Rate 17% (extreme 2000)			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

**Table 50: Department of Caaguazu**

<b>Department of Caaguazu</b>	<b>Health Facilities</b>	<b>Transfers</b>	<b>Mortality Rate</b>
1997	80		17.03
1998	68	34,537,500	19.8
1999	62		18.3
2000	62		17.7
2001	62		18.4
2002	65		40.5
2003	65		13.8
2004	58		15.2
2005	58		16.4
2006	66		12.7
2007	69		13.1
2008	69	160,000,000	9.3
2009	73	2,053,193,953	9.7
2010	79	2,955,000,000	10.4
2011	84	3,439,000,000	8.1
Estimated Rate of analphabetism 7.5%			
Estimated Poverty 22% (extreme 2000)			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

In the first ten years of the process, when legal frameworks were not clear, the cases of Itapua, Cordillera, and Caaguazu were similar to those of San Pedro, Guaira, and Canindeyu. Funding and/or use of funding was either not available, not properly transferred or the autonomy on its use was curtailed; there are no significant changes in the infant mortality rates. In fact, available data indicate that changes begin in the year 2008 when funding, and the use of the funding, is significantly increased.

Although the number of health facilities in these instances remains somewhat constant, there seems to be a positive impact in the reduction of infant mortality rates. In

the case of Cordillera, for example, in ten years (from 2000 to 2010), the rate decreased by 50% from 20.3% to 10%.

Finally, we examine the case of the Department of Central (Table 51), the most populous of the country, and the one that has, through the 1998-2010 time period, been involved the longest with health decentralization. Results are, though, similar to the other six Departments analyzed here; namely, improvements are mostly observed after the year 2008. The Department witnessed a 55% reduction in the infant mortality rate in the ten years between 2000 and 2010, and data suggest that the biggest drops begin in the year 2008.

**Table 51: Department of Central**

Department of Central	Health Facilities	Transfers	Mortality Rate
1997	134		16.45
1998	26	806,754,000	15.1
1999	71		15.6
2000	71		18.4
2001	72		16.2
2002	68		15.6
2003	68		15.5
2004	73		15.4
2005	73		14.1
2006	72		14.7
2007	72		13.3
2008	73	240,000,000	8.6
2009	83	3,051,848,187	9.2
2010	123	2,915,000,000	10.2
2011	150	3,797,163,636	8.7
Estimated Rate of analphabetism 3%			
Estimated Poverty Rate 3%			

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

By summing the total population of San Pedro, Guaira, and Canindeyu (i.e, the three Departments with the fewest municipalities with decentralization agreements; and thus, the least number of LHCs) in the periods where data on funding is available (1998, 2008, 2009, 2010, and 2011), and doing the same for Itapua, Caaguazu, and Cordillera (i.e., the three Departments with the most municipalities with decentralization agreements), and combining that information with the total budget transfers of each Department, a health per capita average can be calculated to examine whether those with the most decentralized agreements (and thus the most LHCs) have had greater success in attracting funding to their regions. The table below summarizes the result (Table 52):

**Table 52: Per capita health expenditures in selected Departments**

<b>San Pedro, Guaira, Canindeyu (least number of LHCs)</b>	<b>Year</b>	<b>Total population</b>	<b>Total Budget US Dollars</b>	<b>Per Capita US\$</b>	<b>Number of LHCs</b>	<b>Infant Mortality Rate (%)*</b>
	1998	653856	47,625	<b>0.07</b>	0	22.1
	2008	653856	59,770	<b>0.08</b>	10	12.2
	2009	1307712	360,682	<b>0.49</b>	10	11.8
	2010	2615424	598,850	<b>0.8</b>	11	13
	2011	4576992	1,038,890	<b>1.388</b>		12.3
<b>Caaguazu, Cordillera, Itapua</b>						
	1998	7192416	36,847	<b>0.032</b>	3	20.2
	2008	11769408	149,425	<b>0.117</b>	58	10
	2009	18961824	2,003,479	<b>1.568</b>	58	10.1
	2010	37923648	2,655,315	<b>2.06</b>	65	10.1
	2011	68654880	3,188,462	<b>2.456</b>		9.3
<b>Central</b>						
	1998	1225612	185,460	<b>0.163</b>	3	15.1
	2008	1929918	55,172	<b>0.043</b>	12	8.6
	2009	1998994	701,574	<b>0.549</b>	12	9.2
	2010	2068066	670,115	<b>0.519</b>	13	10.2
	2011	2144591	872,911	<b>0.672</b>		8.7

Source: Author, based on Ministry of Health's yearly basic indicators (Indicadores Básicos de Salud)

US\$ 1 = Gs 4,350 as per the year 2008 – Ministry of Finance data

\*Average per Department

As shown above, the per capita transfer of funds is minimal by any standards, but in those Departments with the most LHCs, as funds per capita increased, the infant mortality rates seem to decline. Though other factors likely played a role, and causation cannot be established, there is some correlation between increased numbers of LHCs (a result of decentralization requirement), increase funding to the local level (also a result of decentralization), and improvement in basic health indicators such as infant mortality rates.

## **Discussion**

It is difficult to establish a causal relationship between the increase of funding, increased number of health facilities, the levels of education and poverty, and the reduction of infant mortality rates as data limitations do not allow us to further explore the possible links between them. However, major changes can be observed after the Paraguayan government established progressive free access to health care (with reducing infant mortality rates through improved maternal health care as main objectives), and as funding to LHCs and Regional Health Councils were significantly expanded. Though the limited autonomy on revenue collection and expenditure that LHCs had was lost with the administration of President Lugo (2008-2010), the benefits of free health care and the increased number of LHCs positively impacted some basic indicators such as infant mortality rates (children under one year old) as shown in the cases of the seven Departments considered here.

In light of the reforms implemented in Paraguay, where so much emphasis was put on aspects of citizen participation—and due to the severe political limitations faced by the reformers—the relevance, responsiveness, adequacy, costs and benefits, quality and quantity of services, as stated by Katorobo (2004), are difficult to assess.

The lack of information continues to be a problem in assessing the impact that health decentralization has had on Paraguay's local communities. Though outcomes such as infant mortality rates have improved, this cannot be attributed only to LHCs and the work they have promoted. Other factors, independent of the control of LHCs, such as central government extensive vaccination campaigns, have most likely also played a role.

Part of the difficulties health reformers faced involved the uncertainty of support from key decision makers such as health ministers in office or legislators in Congress that

were able to keep the issue on the political and policy agenda. In this regard, and at the beginning of the health decentralization process, the figure of Minister Vidovich Morales as a keen policy entrepreneur must be stressed. It is noteworthy that after he left the Ministry (1998) and the political upheavals the country endured, the impetus for reform slowed.

Political turmoil and the consequent change of authorities in the Ministry impacted the continuity of the reforms, especially in the 1999 to 2005 period where health reforms practically stalled. Concrete reforms were proposed, but formal authorization (legislative or ministerial decrees) was harder to come by. Many veto points (Immergut, 2008) occurred along the way. For example, the original difficulties faced by LHCs to use the revenues generated locally—as initially provided by the health decentralization law—conflicted with the National Financial Administrative law. This situation created a series of political, fiscal, and administrative challenges, and many years passed before this problem was solved by Congress.

The lack of a clear legal framework has been a constant problem throughout the process, and this is further exacerbated by the National Constitution itself in its creation of governors and Departmental governorships. The Constitution does not clearly specify the powers and responsibilities of governors. Subsequent enacted legislation has done nothing to clarify this situation. Thus, governors can name health secretariats but their responsibilities are not defined, aside from their need to “coordinate” their work with local governments and central authorities. In a country as centralized as Paraguay, and with a tradition of *caudillismo* and clientelism, the fact that the original agreements signed between the Ministry and the local governments did not specify the role of governors, or



how coordination was to occur, created conditions for conflict, rivalries, and duplication of efforts.

The process of health decentralization in Paraguay has been one of partial decentralization (Devarajan et al., 2009), as the central government decentralized administrative responsibilities and some financial resources, but the overall control of the process remained in the hands of the Ministry of Health. Funding was earmarked and only at the very beginning of the process did LHCs have access to resources and some independence in their use—though the amounts were insignificant.

In the case of Paraguay’s health decentralization, a “managerial view” (Nickson, 2011) has prevailed with the Ministry of Health, and other agencies of the central government like the Ministry of Finance, controlling the overall process. The relationship of local governments with their communities was certainly recognized and given priority—importance was given to citizen participation, to involvement of community organizations in the creation of local health councils, and to citizens’ role in the preparation and implementation of local health plans. But this did not mean that those LHCs were given autonomy in the use of funds, the management of human resources administration, or administration.

Faced with so many difficulties and contradictions, it was the persistence of mayors, governors, some committed senior health officials, local NGOs, and multilateral organizations that kept the issue of health decentralization on the policy agenda; pressure was also felt from local communities<sup>87</sup> that had been empowered by participation in LHCs

---

<sup>87</sup> In interviews with project coordinators and directors from the NGO, CIRD (in charge for most of the period of the USAID funded project to support the health decentralization process) the issue of LHCs’

and the local health plans. Some mayors who were part of the health decentralization process were later elected to Congress or elected governors, or were later named as senior government officials at the Ministry of Health; these individuals ensured that reforms were kept on the agenda<sup>88</sup>. In interviews with former senior health officials, mayors, and representatives of LHCs, the members of LHCs are credited with lobbying Congress and driving the legal reforms needed for harmonization between the Health Law 1032/96 and the Administrative Fiscal Law.

Most people involved in issues of health reform in Paraguay credit emphasis on citizen participation—and increased citizen participation—as an achievement of the process. In a country with decades—if not centuries—of citizen apathy, this is not a small achievement.

The chapter showed that the degree of collaboration between national, regional, and local authorities on health decentralization in Paraguay has been inconsistent, heavily influenced by political upheavals in the country, and thus very dependent on the good will of Health Ministers and Financial Ministers. There was not a broad national discussion on the issue, neither consensus on how to implement decentralization. However, citizens and stakeholders were involved and continue to be. The collaboration of all stakeholders at the beginning of the process (1994-1999), and the role played by policy entrepreneurs,

---

members being empowered by the process was continuously brought up; as well as their ability to influence the mayors of their communities to keep the programs in place. Women, especially, were empowered and played a key role in demanding accountability.

<sup>88</sup> For example a former mayor of Itagua became General Director of the Ministry of Health's Directorate for Decentralization. Others became Governors of their Department as it was the case of one mayor in the Central Department. In many other instances, mayors became members of the Chamber of Deputies in Congress and their former constituents were able to lobby them for support.

guaranteed the enactment of health decentralization policies, but not its success or effectiveness. The degree of collaboration was not sustained, in particular for the 1999-2004 period, and thus the process slowed down and its impact on health indicators was not fully measurable. For the period 2005 to 2010, there seems to be a convergence of stakeholders, giving a new impetus to the process; thus, collaboration and coordination of stakeholders improved and progress was renewed. Thus, hypothesis one<sup>89</sup> and two<sup>90</sup> are partially confirmed. The impact on basic indicators, with the information accessible at the time of this research, has been difficult to measure, but, there seems to be a correlation between increased funding and access and improved indicators.

---

<sup>89</sup> H1: If national, regional, and local political leaders participate and collaborate in the promotion of political, fiscal, and administrative decentralization, there is a greater probability for the passage, approval, and implementation of public service decentralization laws.

<sup>90</sup> H2: Once public service delivery decentralization has been enacted, the higher the degree of collaboration between national, regional, and local levels of government (in essence the type of intergovernmental relations established), stakeholders and citizens (other socio-political actors); the greater the probability for its success and effectiveness.

## CHAPTER SEVEN

### HEALTH DECENTRALIZATION IN COLOMBIA 1990 – 2010

#### Introduction

Colombia, with 45 million inhabitants (2010),<sup>91</sup> is characterized by its great cultural, geographical, and social diversity. It has also been marked by decades of conflict and violence while, at the same time, experiencing remarkable economic stability by Latin American standards.

In the 1990s, and as a model of decentralization for many unitary countries in the region, Colombia was—as previously mentioned—at the forefront of political, fiscal, and public service delivery decentralization. Two key service delivery areas were targeted by reformers: health and education. As such, here we examine the country’s experience with health decentralization.

We intend to test the validity of hypotheses:

H1: If national, regional, and local political leaders participate and collaborate in the promotion of political, fiscal, and administrative decentralization, there is a greater probability for the passage, approval, and implementation of public service decentralization laws.

And,

H2: Once public service delivery decentralization has been enacted, the higher the degree of collaboration between national, regional, and local levels of government (in essence the type of intergovernmental relations established), stakeholders and citizens (other socio-political actors); the greater the probability for its success and effectiveness.

---

<sup>91</sup> <http://www.banrep.gov.co/es/poblacion> Banco Central de la Republica de Colombia

This section will analyze Colombia's experience with health decentralization by reviewing the decentralization process, the approval of major reforms, and its impact on basic health indicators, in particular infant mortality rates for children under 1 year of age (one of the main goals of the reforms). We will compare the indicators of ten regional governments (Departments), examining those that have the largest number of certified municipalities with those that have the fewest certified municipalities. The chapter concludes with an overall assessment of the process that occurred in Colombia between 1995 and 2010 and its implication for the hypotheses posited here.

### **Colombia's Health Sector**

Before the 1990s decentralization reforms, Colombia had a mixed and fragmented health system (Hernandez, 2002; Yepes et al., 2011; Santa Maria et al., 2011; Galilea et al., 2011). In fact, by the 1960s, health care was provided via five different mechanisms: (1) services for the very wealthy were provided by private doctors and clinics, sometimes supported by private insurance; (2) compulsory insurance, with many variations, which covered workers in the private and public sector; (3) services for the poor, which were usually delivered either by charities, both public (called public assistance) and private (especially the Catholic Church); (4) care and control mechanisms provided by the State for major epidemics or sicknesses of high impact; and, (5) popular non-medical, non-scientific care. This fragmented system was based on an individual's ability to pay, with limited State interference.

The system, though fragmented by type of provider, was very centralized and the National Health System, directed by the Ministry of Health, was the agency in charge of

establishing rules and overseeing the three basic subsystems: the public, social security, and the private sector.

The social safety system was composed of different social security funds that covered both public and private employees. The public sector was comprised of hospitals and health centers that provided services to those who did not qualify for the social safety system or those who could not afford to buy private insurance (65% of the population used this system). Finally, the private sector covered wealthy individuals, and it was comprised of private insurers and providers (Santa Maria, 2011; Galilea et al., 2011).

Each system was financed by different mechanisms. The social safety system was funded by a 7% contribution per employee. Services were offered in full to the employee but only partially to his/her family. In the case of public employees, their contribution was 5%, and, as in the case of the social safety system, the employee was fully covered, but not the immediate family. The quality of care provided, the efficiency and equity of services and care, in all cases was disparate.

The public sector (basically, public hospitals) was funded by Departments and the Ministry of Health. The principal source of funding was the *Situado Fiscal* (funds transferred by the central government), established back in 1968, and the voluntary contributions of Departments and municipalities. Resources of the *Situado Fiscal* were distributed in accordance with a population and poverty rate formula, based on historical expenditures of each hospital and health center (Galilea et al., 2011; Santa Maria, 2011).

In the late 1960s, the World Health Organization and the Pan-American Health Organization reinforced the concept that universal health care, or at least access to it, should be a basic service provided by the State. But in Colombia, as Hernandez (2004) argues, the

dynamics of the political alliance of the *Frente Nacional*—where both political parties and their supporters benefitted from a segmented health care system—did not push for reforms but did support a clientelistic, patronage based, and exclusionary state. Thus, the reforms proposed by Law 12 of 1963, which required the creation of unified health service provision system, were never fully implemented. All stakeholders involved in the provision of health services—from state workers, to medical associations, to charities, and political parties—preferred to protect their benefits (Hernandez, 2004).

Nevertheless, technocrats in the Ministry of Health moved toward the idea of creating a unified system, or at least expand the provision to cover the poorest of the population. In 1972 reforms were proposed, but Congress and the political parties rejected them as a “communist” project. It was not until the 1980s, and with the funding and technical assistance of the World Bank, that the idea to reform the system through decentralization begun to be taken seriously (Hernandez, 2004).

By the late 1980s, 25% of the Colombian population had no access to health care, 18% were covered by public assistance, 17% by the private sector, and about 40% by the formal sector (Hernandez, 2004; Yepes et al., 2010); great differences in quality, access, and efficiency of care existed. An important development toward reform was the passage of Law 10 of 1990, which municipalized some of the health care provision, but with serious administrative and fiscal challenges for its implementation.

Law 10 of 1990 transferred to the Departments and the municipalities the responsibility to provide health services, including human resources management. The law

established that Departments would provide secondary and tertiary care (the more sophisticated services), and municipalities would be in charge of primary health care<sup>92</sup>.

Later on, Law 60 of 1993 ratified the constitutional mandate establishing that Departments would lead the Sectional Health System, confirming their role of providing secondary and tertiary health services, as long as certain administrative and technical requirements were met. The law also ceded to Departments and municipalities the health facilities established in their territories. The law confirmed that municipalities were in charge of providing primary health care but, also allowed them—with the approval of the respective Department—to provide secondary and tertiary care. In these cases, the Department would be required transfer the necessary funds to the local level.

Law 60, in the area of health, established that the national government would be in charge of the overall health policy in the country, oversee the process of implementation and the flow of resources, ensure transparency and accountability in the use of funds, and ensure levels of enrollment and the quality of services provided (Santa Maria, 2001).

Departments would be in charge of: implementing, at the regional level, the national health plans, especially in regard to the organization and reforms of public hospitals; overseeing and controlling enrollment to health plans offered by municipalities; and overseeing and controlling health services.

Municipalities would ensure that people (especially the most disadvantaged) would enroll in health plans (subsidized based or contribution based). In this regard, municipalities were put in charge of ensuring that the health companies authorized to sell

---

<sup>92</sup> In interviews with mayors, the importance of this law as a key milestone for Colombia's decentralization reform was always mentioned.



health plans were offering the best opportunities and savings for the subscribers, ensuring transparency and accountability; local governments also had to help identify and select the most needed population and assist them in the process of enrollment.<sup>93</sup>

Municipalities that could demonstrate the capacity (as defined by the Ministry) to implement health decentralization at the local level, were considered “certified” and were transferred the resources and competences to implement health decentralization at the local level. The requirements that a municipality must demonstrate to be certified for the provision of health services include:

1. Organization and implementation of the local health directorate.
2. Having the needed health professional and administrators in place, and the enactment of a manual of procedures.
3. Institutional reforms necessary for the provision of health services, including providing health units with legal status and administrative structures.
4. Signing contracts for the provision of services.
5. Creation and organization of the local health fund.
6. Membership of employees to unemployment funds, health providers (EPS—reflecting Spanish terminology), and pension fund.
7. Organization and operation of a basic information system, in accordance with technical standards, and the adoption of procedures for the programming, implementation, evaluation, control and physical and financial monitoring of health programs.

---

<sup>93</sup> This would become a source of criticism as some mayors favored some people over others.

8. Adoption of the methodology for the municipality's annual quality, efficiency and service coverage evaluations, in accordance with the criteria prepared by the Department's health development plan.

9. Implementing, with the assistance of the respective Department, the institutional changes required by Law in terms of hospitals' organizations, human resources, and health management<sup>94</sup>.

In 1990, only 31% of the Colombian population had access to health care through the social security system. The public hospitals network was deficient and inefficient, with too many resources spent on salaries and benefits due to generous contract negotiations for health sector workers, and politicians who provided jobs for their supporters in health facilities (Santa Maria, 2011).

The late 1980s saw the international trend of modernization of the State influence Colombian politics in two major ways: decentralization, and the introduction of market oriented reforms for the provision of public and social services. These trends heavily influenced the 1991 constitutional convention process.

The early 1990s also saw citizens' demands for better services provision increase, sometimes resulting in violent confrontations with government authorities. At the same time, the political disarray provoked by the narco-terrorist threat and the deep delegitimization of the State, led to the constitutional convention of 1990 and the new

---

<sup>94</sup> From Portal Territorial. Translation by author. <http://www.portalterritorial.gov.co/documentos.shtml>

Constitution of 1991<sup>95</sup>—which was influenced by progressive and left leaning groups (the M-19 representatives)—ensured health care as a benefit of all Colombians<sup>96</sup>.

Thus, the new Constitution was the result of negotiations between those who wanted a more benefactor and protector State, and those who promoted market reforms with emphasis on efficiency and quality of services as a result of open competition (Yepes et al., 2010).

### **The Approval Process of Law 100/1993: the Legislative Process**

Opposite positions in regard to health care reform already clashed in the constitutional assembly in 1990 (Ramirez, 2004). The government aimed to introduce elements of competition, something not supported by the Social Security Institute (ISS), but supported by the private sector and some delegates in the Assembly. The ISS was interested in promoting solidarity, universality, and a non-segmented system to ensure a strong presence and control of the State. The ISS supported competition only in the provision of services. The doctors' professional association was strongly opposed to competition and wanted to keep the monopoly of the State. The Ministry of Health took an intermediate position, pushing for reform that would introduce solidarity in the system, but also with elements of competition. According to Ramirez (2004), the Ministry of Health was not in a strong position to negotiate as, at the time, it was headed by a former member

---

<sup>95</sup> All people interviewed for this research, regardless of their political affiliation, agreed that the political and social situation the country was going through at the time cannot be underestimated when trying to analyze the Colombian process. The need to re-legitimize the State was paramount for Colombia's political elite.

<sup>96</sup> It was not until 2013 that access to health was defined by law as a basic human right of all Colombians (Bernal & Zamora, 2013).

of the guerrilla movement that was not particularly supported by the president, and there was high rotation among ministers (during the Gaviria administration there were four ministers, and during the Samper and Pastrana administrations, three each).

*“The Assembly and commission debates were paralleled by a much broader process of discussion among sector specialist and stakeholders. University forums, workshops, and international seminars were held not only in Bogota but also in the regions; think tanks, universities, nongovernmental organizations, unions, and government representatives with their varied views took part.”* (Ramirez, 2004. page 129).

A key reformer was Juan Luis Londoño<sup>97</sup>, named Minister of Health by Gaviria in 1992. He became a strong and outspoken leader of reform, regaining control of the process for the Executive branch. Since there was strong opposition within the Ministry to the reforms, Londoño assembled a team of outside experts. The team was technical, highly professionalized, and did not have particular political party connections.

Londoño was very successful in building support for the reform throughout the executive bureaucracy. He successfully negotiated with the president, the Minister of Finance, and the Director of the National Planning Department. He was also able to work horizontally with pension groups, unions, the ministry of labor, the Deputy Minister of Finance, the ISS, and with those in charge of developing the System for Identifying

---

<sup>97</sup> Minister Londoño’s successful experience with implementing health decentralization made him an international expert. In fact, the Paraguayan Minister of Health, Andres Vidovich Morales, when started the reform process a few years later (in 1995) requested the advice of Mr. Londoño who traveled to Paraguay and offered a week long technical advice to the Minister and his senior staff, as well as to Paraguayan members of Congress. In 2003, Dr. Juan Luis Londoño died in a plane accident. He was at the time Minister of Social Protection in the Uribe administration.

Possible Beneficiaries of Social Programs (SISBEN—reflecting Spanish terminology)<sup>98</sup>, a mechanism within the National Planning Department. He also secured support from several universities, research centers, and NGOs. His team played a crucial role in making sure the reforms were understood in the national Congress, and in advising Congress during the drafting and final approval of Law 100, which was to set the whole process of health decentralization in motion. Minister Londoño's actions, and his ability to create and sustain a reform coalition in the initial phase of the health decentralization process, highlights his role as policy entrepreneur (Kingdom, 1995; Mintrom & Vergari, 1996; Mintrom & Norman, 2009) able to move the process forward and to negotiate with many different stakeholders.

During the legislative approval process, many professional associations were involved in the discussion, along with government agencies. Patients and civic groups, though, had little influence due to their lack of organization and lack of trust in the decision-making process, and because they did not see clear channels for participation. Unions were strongly opposed to the reform, especially teachers, oil workers, and the armed forces, all of whom—in the end—were not included in the health reform and were able to keep their existing insurance plans. Issues such as the extent of the reform, funding, limitations, and how to introduce concepts of solidarity with market reforms, among many other technical

---

<sup>98</sup> Mechanism that measures poverty and health needs, used to determine what segments of the population are to be included in the government subsidized health scheme.

issues made the discussions very heated. The law was finally approved in December of 1993 and signed into law by President Gaviria (Ramirez, 2004).

The law significantly changed the existing health care provision in the country and its funding. The same year (1993), Law 60 was introduced, greatly changing the role of Departments and municipalities in public service delivery, deepening decentralization.

In their strategy to have the reforms approved, Londoño and his team involved each legislator in the discussions, making sure to understand individual concerns<sup>99</sup>. They also framed the discussion in the larger long-term objective of reforming social security and pensions. The close alliance between the ministers of health and labor also aided to reduce the opposition of unions. *“During this stage, and as a result of the congressional request to consult a wide range of groups, the reform team talked to every visible leader of the groups involved in the reform: unions, doctors, producers’ associations, prepaid medicine organizations, academic forums, and so on”* (Ramirez, 2004; page 137).

The implementation of the law suffered greatly because of the political crisis that ensued following the election of the Samper administration (1994-1998) and by the law’s lack of specificities. Many aspects of its implementation were achieved via decrees and ministerial resolutions. The lack of legitimacy, and the governability crisis that involved all levels of government, made implementation very difficult. Moreover, in 1999, Colombia entered a serious financial and economic crisis—the worst since the 1970s. In addition to the economic crisis, the country experienced an intensification of internal armed conflict and increased violence and insecurity, and internal displacement of the population

---

<sup>99</sup> In all interviews, the importance of Londoño’s negotiating skills were recognized and highlighted.

was on the rise. The Pastrana administration (1998-2002) also faced these problems; thus, the implementation of reforms was difficult to fulfill.

Neither Samper nor his first Minister of Health (Alonso Gomez) were great supporters of reform. In July of 1995, Samper appointed a new Minister (Augusto Galan Sarmiento) and reforms began to move forward. The pace of reforms further increased with the appointment of his third Minister (Maria Teresa Forero de Sade).

During the Pastrana administration, the central government understood that the progress of reform needed to occur more rapidly, and that adjustments were needed due to the implementation challenges of both Law 60 and Law 100. Thus, in 2001, Congress modified the Constitution and passed Law 715, which aimed to address earlier problems of financing and accountability<sup>100</sup>. These reforms were seen as key solutions to the macroeconomic instability impacting the country's finances, which was partly blamed on the fiscal decentralization initiatives put in motion by the 1991 Constitution, and the decentralization laws approved up to that point. Nevertheless, national and local bureaucracies, hospitals, and health workers remained strongly opposed to many aspects of the reform. Hospitals continued to receive funding from the national annual budgets, though Law 100 had technically put an end to this, and the deepening economic crisis also meant that many people were not able to enroll in the health programs.

Colombia was able to implement such broad, complex, and difficult reforms partly because the political class understood the dangers of disintegration and lack of legitimacy faced by the state and its agencies. Health reform was part of a wider discussion on how to

---

<sup>100</sup> A former Senator interviewed in Bogota noted that, without Law 715/2001, Colombia's decentralization might have failed altogether due to the fiscal pressure the process was having on the country's fiscal balance.

reform social pensions, and reformers were successful in linking health decentralization to an overall initiative to reform social security. The administration of President Gaviria was able to seize the moment and propose and pass important legislation. The strategy pursued by Minister Londoño—of building consensus by involving all stakeholders and drawing on significant expertise—gave the process substantial legitimacy despite problems and challenges during implementation. The presence of a policy entrepreneur such as Minister Londoño likely ensured the success of the approval process.

In contrast with education decentralization—where Ramirez (2004) believes progress has not been made—in the case of health decentralization, four factors were important: first, linking health reform to pensions helped gain the support of the president and his administration, as pension reform was one of his main objectives; second, there was a commitment to the reforms from many senior government officials in the national government; third, the health worker unions were divided and did not achieve consensus in their opposition to the reforms, contrary to the case in the education sector; and fourth, the proposed health reform included values that were important to many, including universal coverage, equity, solidarity, and the principles of efficiency.

Having reviewed the approval process of the law, we now direct the discussion toward analysis of the significant changes the law brought about in the Colombian health system.

### **Law 100 and the Reform of Colombia's Health System: Radical Changes**

The 1991 Constitution and the Law 100 of 1993 sought to create a new system where universal coverage, efficiency, solidarity, integrality, unity, and participation



became core values—creating what has been called a “regulated market.” The implementation of the new system started in 1995 (Yepes et al., 2010).

Law 100 of 1993 radically changed the provision of health services. Its objective was to guarantee universal health coverage and to generate competition between health insurers and health providers. It formally created the General System of Social Security in Health (SGSSS—reflecting Spanish terminology)<sup>101</sup>. Exempted from the new health system were the military, congressmen, teachers, employees of the Bank of the Republic, and oil workers, who all kept their health providers.

Law 100 sought to provide universal health care coverage for all Colombians through a universal health insurance aimed at guaranteeing efficiency through competition, quality through the free selection of insurers and providers, and equity and solidarity through a contributive scheme for those who could afford it, and subsidized scheme for the poor. The assumption in the Colombian model was that the market would ensure the optimization of resources with the regulatory participation of the State (Bernal & Zamora, 2014; Yepes et al., 2010; Santa Maria et al., 2011; Galilea et al., 2011; Avila Urdaneta, 2010; Molina & Spurgeon, 2007; Molina et al., 2006; Homedes & Ugalde, 2005; Bossert et al., 2003; Jaramillo, 2002; Hernandez, 2002).

With the new law, local governments also played a role in the provision of basic health care, mostly through awareness campaigns in areas such as reproductive health, vaccination campaigns, preventable diseases campaigns, and environmental health (e.g., local campaigns promoted proper waste disposal). Mayors are responsible for

---

<sup>101</sup> Sistema General de Seguridad Social en Salud

implementing these local health plans (called PABs or *Plan de Atencion Basica*) with most of the funding provided by the national government. This is now part of what is referred to as public health care.

The national government reserved for itself four major roles: (1) setting guidelines in collaboration with the National Health Council; (2) subsidizing demand for those in extreme poverty; (3) oversight and overall control of the system; and, (4) controlling health policy in areas such as catastrophes and epidemics. These functions are now called “public health” but are distinctively separated from the provision of medical/health services, which is done exclusively through the contributive or subsidized schemes.

One of the main objectives of the Law was to provide universal coverage (Yepes et al., 2010; Santa Maria, 2011), which was achieved through two schemes: the contributory and the subsidized. The previous social security system by which employers contributed a portion of their salaries was expanded to cover their immediate family, and independent workers who earned at least one legally established minimum wage, and to those who could afford it. The contributory system does not receive government funding, and employees contribute 8% of their salaries (8.5% after 2007), and employers 4%.

The subsidized scheme was the result of the constitutional mandate to offer universal coverage, and the market oriented trend for a system based on demand and not necessarily on supply. It was intended to cover the poorer segments of the population. This system is funded 47% by funds of the nation’s current revenues account, which are transferred to local governments and/or Departments depending on whether or not municipalities are “certified,” 34% by transfers from the contributive system, and 19% by municipalities and Departments from their own budgets (Yepes et al., 2010).

The subsidized scheme works with two central instruments:

- A national standard health plan called POS (*Plan Obligatorio de Salud*) that must be offered to all insured people.
- A per capita payment unit or UPC (*Unidad de Pago per Capita*), which is the same for all insurers and paid to them per person insured.

Both the UPC and POS amounts are established by the National Council on Social Security and Health or CNSSS (*Consejo Nacional de Seguridad Social en Salud*).

To ensure compliance, the law creates the Health Promotion Entities or EPSs (*Entidades Promotoras de la Salud*) as new actors in charge of providing health insurance, and the creation of a network of providers, both public and private, called the Service Providers Institutions or IPSs (*Instituciones Prestadoras de Servicios*).

The EPSs could also be public or private, not-for-profit or for profit. They all have to offer the same POSs. In this way, it was expected that insurers would compete for quality and efficiency as the services they provide and the revenues they receive are regulated.

In order to qualify for the subsidized scheme, a mechanism to evaluate poverty levels and capacity of payment was devised by the National government, called the SISBEN or *Sistema de Selección de Beneficiarios de Programas Sociales* (Santa Maria et al., 2011)<sup>102</sup>. The SISBEN is an instrument designed to identify structural poverty; it is based on classifying the population in six categories—taking into account socio-economic

---

<sup>102</sup> An important factor in the Colombian reform was to maximize and optimize the use of subsidies on those with the most need. In order to better identify those in need, Colombia (based on the Costa Rican and Chilean models) developed a Beneficiary Identification System (SISBEN).

characteristics. It is a point system based on a survey, which is then combined with other socio-economics and statistical information. The municipalities are in charge of collecting the information that feeds the system in the areas of their municipality considered poor<sup>103</sup>.

Levels 1 and 2 of the SISBEN are for those who qualify for the subsidized scheme; in some municipalities belonging to Level 3 might also qualify for the subsidized scheme. As of 2008, 70% of participants in the subsidized scheme belonged to Levels 1 and 2 of the SISBEN and 15% to Level 3, and 15% (up to 1.3 million people) had registered for the subsidized scheme but had not been classified by the SISBEN, and thus it was not known if they actually qualified for the scheme.

The contributive scheme is composed of people employed with payment capacity or those in Level 3 or higher in the SISBEN mechanism. Those belonging to the contributive system have health coverage for themselves and their immediate family, but coverage is limited to each individual in the subsidized scheme. In 2006, a Partial Subsidized Scheme (RSP or *Regimen Subsidiado Parcial*) was established with reduced coverage offered to some in the Level 3 of the SISBEN.

The subsidized system is managed by the ARS (*Administradora del Regimen Subsidiado*), which contracts with service provider institutions (*Instituciones Prestadoras de Servicios* or IPSs). The administration of the insurance is done by the EPSs (*Empresa Prestadora de Servicios*), and the provision of the services by the IPSs. The idea was that both public and private institutions will seek insurance providers in a market system and the population would be able to choose between EPSs and IPSs.

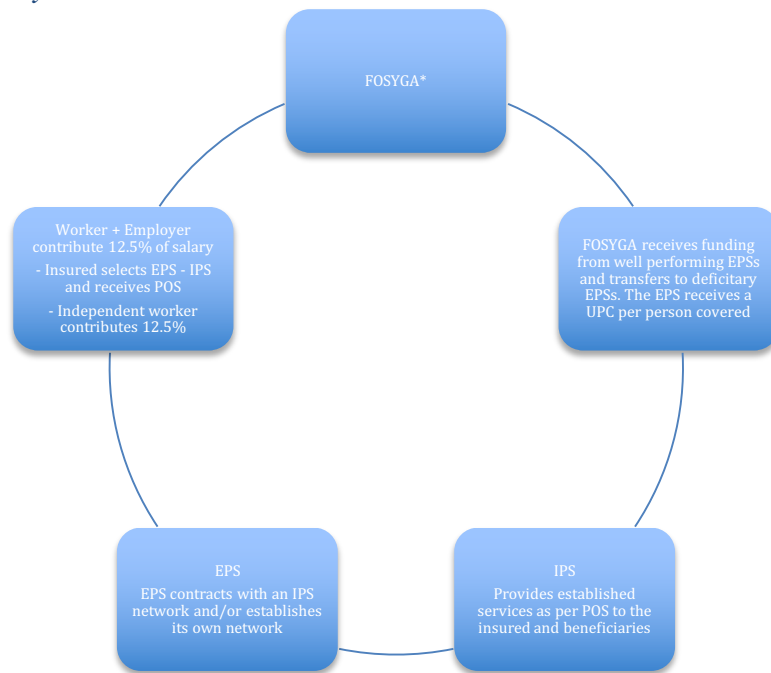
---

<sup>103</sup> This has been criticized as being a source of corruption and clientelistic practices, as some mayors have benefitted supporters by making sure they qualify for categories 1 and 2 of the SISBEN.

For those employed, but who did not qualify for either scheme, the Law anticipated a transition period—ultimately categorizing those individuals into one of the two schemes. The original deadline was 2001, but as of 2010, this had not yet been achieved (Santa Maria, 2011).

In the contributory scheme, workers and employers pay into the system. Each beneficiary is free to choose from established insurers (EPSs) and the services are provided by the IPSs contracted by the EPSs. A principle of solidarity was established in the system by which, the contributive scheme transfers 1.5% to the subsidized scheme, and people with less health risks contribute to those with higher health risks.

*Figure 1: Contributory scheme*



Source: Adapted from Yepes et al. (2010)

The fiscal resources for the subsidized scheme are transferred by the national government to the municipalities, and the resources for the solidarity fund (collected from the contributive system) are transferred by Solidarity and Guarantees Fund (or FOSYGA—reflecting Spanish terminology)<sup>104</sup>.

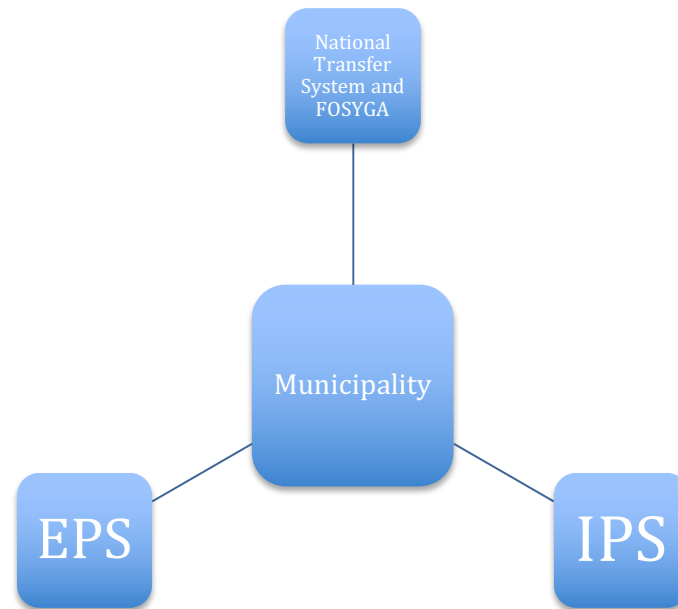
In the subsidized scheme, the municipality receives the transfers from the FOSYGA and the General Transfer System (national government). The municipality hires and pays the EPSs (insurers)<sup>105</sup>, in turn the EPSs contracts out services—and pay for services provided—to the IPSs (providers). Municipalities must identify people in need, applying the criteria established by the government (SISBEN), and the EPS is in charge of enrolling those identified.

---

<sup>104</sup> *Fondo de Solidaridad y Garantía*

<sup>105</sup> As mentioned before, allegations of corruption, patronage, and clientelism have been rampant both on the contracting of EPSs and in the SISBEN access.

Figure 2: *Subsidized scheme*



Source: Adapted from Yepes et al. (2010)

### **Administration and provision of services**

Law 100 also transferred ownership of hospitals and health centers to the Departments and municipalities, as well as the responsibility for coordinating health services. On the other hand, public hospitals were transformed into quasi-state agencies with more management autonomy, with a directorate comprised of professionals and members of the community, and with the competency to seek resources in the private market as well. Briefly, public hospitals were transformed into public social enterprises.

Law 715 of 2001 replaced Law 60 of 1993 and established the responsibilities of each level of government in health services provision (Santa Maria et al., 2011; Galilea, 2011; Yepes et al., 2010).

As such, the law established that the national government is in charge of designing the system, establishing regulations, and directly funding some of the services (Table 53 below summarizes the competences per level of government). The Departments are to manage the hospitals of Categories 2, 3, and 4 (offering more sophisticated and complex care). Municipalities administer the subsidized scheme (select beneficiaries through the SISBEN administration, contract with the ARSs, and provide funds for such services). Local governments are also in charge of local health centers and hospitals providing services of Category 1. The fact that all three levels of government have a role in the administration, management, and funding of health service provision, makes for a very complex and often confusing system, with difficulties for oversight, follow-up, and accountability.<sup>106</sup>

---

<sup>106</sup> In fact, interviews with representatives of the health sector, as well as mayors, and advisors for both the municipal and Departmental Federations indicate that irregularities in the use of funds, as well as accounting bottlenecks have caused that the national government now directly transfers the funds to the EPSs, and the Departments and municipalities only record the transactions for accounting reasons, without actually receiving those funds.



**Table 53: Competences in Health by Level of Government**

<b>Central Government</b>	<b>Departmental Government</b>	<b>Municipal Government</b>
<ul style="list-style-type: none"> <li>- Formulate public health policies, service delivery, sets objectives for population receiving subsidies, and creates a National Health Information System</li> <li>- Establish the priorities for the Basic Health Plan</li> <li>- Decide and provide for the National Vaccination Plan</li> <li>- Provide technical assistance to the Departments</li> <li>- Distribute and control fiscal transfers</li> <li>- Oversight the implementation of health reforms and the delivery of services</li> <li>- Provide highly specialized health treatments in coordination with other agencies</li> </ul>	<ul style="list-style-type: none"> <li>- Adopt and implement public health policies, provide services, and distribute resources</li> <li>- Formulate the Basic Health Plan for the Department</li> <li>- Administer the regional health plan, and provide health services of secondary and tertiary level</li> <li>- Oversee the Departmental health plan implementation, the control of health provision services, and the resources</li> <li>- Provide technical assistance to the municipalities</li> <li>- Grant legal registration to health institutions</li> <li>- Implement the Health Information system</li> <li>- Distribute and control the funds of the Subsidized Regimen</li> </ul>	<ul style="list-style-type: none"> <li>- Adopt and implement public health policies, provide services, and allocation of subsidies to the target population</li> <li>- Formulate and implement the Basic Health Plan: preventive programs and health promotion</li> <li>- Provide health services to the population either by contracting out or with its own health care institutions</li> <li>- Oversee and control public health, and of the services provided by health organizations</li> <li>- Promote the creation of community organizations to participate in and control the quality of services</li> <li>- Implement the Health Information system</li> <li>- Carry out the survey of the Subsidized Beneficiaries Identification System (SISBEN), and create a database of the population by social and economic category</li> <li>- Allocate subsidies to poor populations</li> <li>- Contract the provision of services for the poor population included in the subsidized system</li> </ul>

Source: Molina & Spurgeon (2007) based on Laws 10/1990; 60/1993; 715/2001

Article 153 of Law 100 charged the regulation, oversight, and general direction of the national health system to three agencies: (a) the National Council on Social Security and Health (CNSSS or *Consejo Nacional de Seguridad Social en Salud*), the highest authority, responsible for updating and designing the POSs and for setting the value of UPCs; (b) the Ministry of Social Protection (MPS or *Ministerio de Protección Social*) in charge of policy setting, strategies, design of programs and plans, charged with increasing efficiency in the management of the system; and, (c) the National Health Superintendence (SNS or *Superintendencia Nacional de Salud*) in charge of oversight, inspection, and control of the different players in the system. The SNS is also charged with conflict resolution in disputes involving pre-existing conditions or when other complaints are raised.

The CNSSS is composed of 14 members representing each sector involved in the provision of services (government, companies, professionals, users, employees), the Minister of Finances, representatives of regional and local governments, and the Ministry of Social Protection. Eight members—proposed by companies, the EPSs, the IPSs, health professionals, employees, retired personnel, and users in rural areas—are selected by the national government.

Summarizing, the reform has created new important actors in the Colombian health system:

- The EPSs, which replaced the state institutions in providing health coverage. They must offer an “integral” health plan as established by the Obligatory Health Services Plan (POS)<sup>107</sup> regulated by the government.
- FOSYGA, created as a fiduciary, administers the funds of the contributive scheme, as well as the solidarity fund of the subsidized scheme.
- Users’ Associations, created for all participants to represent them in the defense of their rights and to oversee the quality of services provided.

The reform also changed the roles of traditional players, in particular:

- Public hospitals became state social enterprises: public hospitals that had traditionally been funded and administered by Departments and municipalities, were transformed in state social enterprises, autonomous in their administration and management, ruled by a Board Council with state participation, community leaders and health professionals, and funded by the provision of services (90% as of 2010). Public hospitals had to learn how to bill for services, change their incentives, and restructure their administrations.
- Public insurers with a captive clientele became the EPSs, competing amongst themselves: public insurers had to adapt to a new system, by becoming EPSs or were dissolved. The political implications were many as these unions were strong and well represented.

---

<sup>107</sup> *Plan Obligatorio de Servicios de Salud (POS)*

- The Health Superintendent Office took a new role as the agency that authorizes new EPSs and supervises their performance, particularly in regard to selection criteria to avoid discrimination. It is also the mediator in cases of conflict; receives complaints about the system, and establishes sanctions if needed.

In summary, Law 100/1993—and the many decrees, rules, and regulations that followed it—substantially changed the provision of health services in Colombia while trying to keep a difficult balance between market oriented incentives and government led policies aimed at achieving universality, equality, and equity in health care.

### **Citizen Participation in the Health Decentralization Process**

The Colombian reform also considered citizen participation mechanisms that would ensure accountability and control over the system, making it more democratic, participatory, and reflective of local needs; in doing so, the links between communities and the state were strengthened (Arevalo, 2004; Yepes et al., 2010; Santa Maria, 2011; interviews).

Overall, interviews with mayors, health secretaries, and health reformers indicate a consensus that, despite advances in promoting participation in general, there have been no significant advances in social control of the process, there is dispersion and atomization of social control, and there are serious weaknesses in participation encoded into institutional policy. Years of intense political and often violent confrontations are noted as explanations for the lack of effective citizen participation in the process.

Nevertheless, attempts to promote citizen participation date back to the late 1950s when the Community Action Councils (*Juntas de Accion Comunal*) were created by the

National Front to legitimize and improve relationships between the State and local communities. The process though was hijacked by clientelism and patronage. In the 1970s, independent groups and social movements demanded more participation in the design of social policies. The decentralization reforms of the 1980s, including the direct election of mayors, were a response to these demands for more direct participation. It was during this time that the Local Administrative Councils or JALs, for their Spanish name, (*Juntas Administradoras Locales*), were created as administrative subunits of local governments with an advisory role in budgetary issues, and a surveillance role in the provision of public services. The Constitution of 1991 expanded the roles of JALs giving them a bigger role in oversight of public funds and the allocation of the budget (Arevalo, 2004).

In 1989, the Committees for Community Participation or COPACOs (*Comites de Participacion Comunitaria*) were created. Law 10 of 1990 expanded their role and gave communities the opportunity of being part of the local health boards through the COPACOS. Several decrees regulated the implementation of citizen participation: citizens could create users' associations and could be represented on boards of the IPS or the ARS, both public and private; also, municipal health directors were to be part of the COPACOs, as well as the Departmental health director and representatives of the education sector. Each COPACO was to include the local mayor or his/her representative, the local health director, the director of the most representative IPS in the municipality, and one representative from each social or community organization.

In general, citizen participation was expected to play a role in the planning process of local health plans and in the oversight of implementation. Though the design and

management of the plans needed to be done with the different social sectors, the mechanisms to do it were not put in place.

Citizen participation, and its ability to have an impact on the decision making process and implementation of local health plans, is influenced by size of the municipalities and their respective institutional capacity. The low levels of technical capacity, the lack of professionalized human resources, and ignorance about the legal framework have been obstacles to implementing many aspects of citizen participation (Arevalo, 2004; interviews with local health directors, and former mayors).

Most users' associations have a very small number of members, with an average in 2004 of about 10 people, and only the largest municipalities had associations with more than 25 members. In a survey, almost 80% of IPSs have at least one users' association, and only 10% of IPSs did not have an association (Arevalo, 2004).

An important role—not originally planned—in oversight of the system, and in promoting citizen participation, has been taken on by the *Personeros* in charge of ensuring the efficiency and transparency in the delivery of public services. Since Law 100 of 1993 also emphasized the need of municipalities to ensure that citizen participation mechanisms were put in place in the decision making process, the role of *Personeros* in this regard has increased, but with moderate success.

Overall, the implementation of citizen participation mechanisms in the health decentralization process have had mixed results with the size and capacity of municipalities being—quite naturally—one of the most important factors, along with the political will of the local political authorities. Lack of resources, trust, and weak inter-institutional collaboration have been impediments to the ability of users' associations to influence the

process. The preeminence of a fiscal oversight role for the users' associations and the COPACOs<sup>108</sup> has also reduced their ability to be part of the decision making process. Citizen participation in general has been limited<sup>109</sup>.

### **Evaluation, Impact, and Results of the Health Reform**

Trying to assess the success of health decentralization is a difficult task. Many factors must be accounted for while analyzing the results obtained over 20 years of decentralization. As Nelson (2004) states, *“health outcomes of course are determined not only by the amount and quality of health care but also – indeed, more importantly – by nutrition, housing, and related services (especially the supply of clean water), income and education, environmental factors, and an array of public health measures”* (page 24).

A review of different studies conducted on the results of health decentralization implementation shows mixed results, but with an overall consensus that the principal goal of universal coverage had, by 2010, mostly been achieved with about 95% of the population having access to health care—be it through the contributive or the subsidized scheme (Bernal & Zamora, 2014; Santa Maria et al., 2011; Yepes et al., 2010; Galilea et al., 2011; Avila Urdaneta, 2010; Molina & Spurgeon, 2007; Molina et al., 2006; Homedes & Ugalde, 2005; Bossert et al., 2003; Jaramillo, 2002; Hernandez, 2002). Nuances in the

---

<sup>108</sup> Their greatest contribution has been to provide information about local needs, populations in need (for the SISBEN requirement), preferences and complaints about providers and insurers. They have not always been taken into account at the time of designing policy initiatives or programs.

<sup>109</sup> The Secretary of Health for the City of Bogota, and an advisor to the Colombian Federation of Municipalities, as well as other former mayors interviewed, confirm that the lack of a clear understanding of the process by many citizens and actors involved, made the efficacy of citizen participation questionable.

level of success are to be expected, with the quality of care and equity of access continuing to be a serious structural problem not yet solved by the reform.

Some studies have concentrated on the effectiveness of using formulae based allocations to improve equity in resource allocation (Bossert et al., 2003), finding that, in general, smaller municipalities had spent more from their own budgets on health services than larger ones.

Previous studies show, and interviews with former mayors and health officials in Colombia confirm, that the lack of local capacity—both at the government level and within the EPSs, has been a major problem in the implementation of health reforms, along with poor participation by communities in the management process of health decentralization (Galilea et al., 2011; Avila Urdaneta, 2010; Molina & Spurgeon, 2007).

To implement reforms, municipalities, in particular, need ample administrative capacity. Results of analyses by Molina & Spurgeon (2007) find that municipal health directorates, in general, lack the administrative capacity to fulfill their duties. Clientelism, with mayors tending to appoint those with shared political affiliation and/or personal loyalty over those with capacity, has resulted in plans not implemented, poor oversight, and high personnel rotation. The Ministry of Health has not provided sufficient or consistent technical assistance either.

Hospitals have found themselves with higher administrative costs as a consequence of personnel increases to comply with new regulatory and reporting demands.

Others criticize the process as an imposition by multilateral organizations such as the World Bank and other multilateral agencies (Homedes & Ugalde, 2005), where privatization and market reform considerations prevail over the needs of the population



and, as a consequence, many of the neediest individuals still lack access to decent health care. In their view, the EPSs were able to find loopholes to bypass the requirements of the law, offering poor quality health care or not coverage at all; thus, most people remain in the subsidized system<sup>110</sup>. Hernandez (2002) joins this criticisms and argues that the reforms have only perpetuated the inequalities (including clientelism and patronage) present in Colombia's society, which are the results of the country's violent and often conflictive history<sup>111</sup>.

Jaramillo's evaluation (2002), after ten years of health decentralization implementation, noted that the new system had three basic characteristics:

- 1) public subsidies were decentralized to Departments and municipalities;
- 2) public hospitals have become state social enterprises, with significant changes in management model;
- 3) a system of health subsidies has been created for the poorest citizens, and the old monopoly on health and social security was eliminated.

Jaramillo finds that the reforms have increased financial resources, which has led to an increase in public health staff and higher salaries. Hospitals have increased their budgets, and 20% of the poorest have benefitted from subsidies on demand. "However,

---

<sup>110</sup> Interviews with health officials in Colombia confirm that one of the main problems of the system is that too many people still remain in the subsidized scheme when the original provisions expected most people to move to the contributive scheme after about 10 years. The financial long-term sustainability of the program is then threatened.

<sup>111</sup> For Hernandez (2002), the fact that the subsidized POSs needed to meet only 70% of the benefits offered by the contributive one, already set the poor at a disadvantage. It must be clarified though, that in 2015 a new law was passed aimed at correcting this problem, and all EPSs have now to offer the same POSs regardless of the scheme people belong to.

*indicators of public health have fallen and health professionals are critical of a system based on mediation, which increases transaction costs” (Page 48).*

Molina and Spurgeon (2007), in their analysis of elements of citizen participation and institutional capacity of municipalities to implement health decentralization, find that clientelism is still a key factor for the implementation and progress of the process. The mix of decentralization and privatization has also created conflicts in the delivery of services.

Contracting problems are present in many municipalities including, in some instances, EPSs that have not delivered the necessary services to the municipalities, requiring patients to visit different hospitals and travel significant distances. Some EPSs and ARSs do not renew their contracts on time and delay payment to hospitals or health providers<sup>112</sup>; and the provision of services has been fragmented so patients are forced to visit several health organizations to receive basic services (Molina & Spurgeon, 2007; Hernandez, 2002).

Clientelism has been a serious problem with mayors, councilmembers, and even Departmental councilmembers—benefiting those who are politically loyal to the detriment of those who really need the subsidies. Clientelism and patronage have impacted local governments’ capacity to mobilize political, social, and technical resources, and their capacity to gain credibility and autonomy.

---

<sup>112</sup> Delay in payments to EPSs and to IPSs continues to be a significant problem. Interviews in Colombia indicate that the national government has opted to transfer funds directly to the EPSs instead of to Departments and certified municipalities in order to avoid financial bottlenecks. The transfers are still recorded as to subregional governments for accounting purposes.

Ironically, the private sector, with more resources and capacity, has benefitted from the reforms, gaining access to public funding easier than public hospitals, without assuming responsibility for the poorest population.

Lack of capacity at the local and regional level has also hindered the control and oversight of the system. Molina et al. (2006) in a study of three Departments (Antioquia, Caldas, and Risaralda, with over 164 municipalities considered) found that 81% have a health director, though 40% of them do not have the qualifications required for the position. Control and oversight is still weak or lacking. Moreover, 79% of municipalities have various providers, offering people more options; but in cases where ARSs are selected by mayors, those who use ARSs do not have choices in providers.

In the same Molina et al. (2006) study, the authors find that decentralization has not greatly impacted access, quality, and coverage. All municipalities have community participation organizations but they do not play a fundamental role in the decision making process.

In essence, the questions to consider are then: has the system reduced barriers to access and increased coverage? Has competition and freedom of choice increased the quality and efficiency of health services? Has equity in access improved? Have health indicators improved and is there more health equity in Colombia?

Overall, different evaluations indicate that, as previously mentioned, the contributive scheme has grown more slowly than the subsidized one, but—as of 2010—a significant difference remained between the POSs of the contributive system vs. the subsidized system (Yepes et al., 2010).

Reforms have increased coverage of the most poor among the population (Levels 1 and 2 of SISBEN) and in rural areas. But the differences in the services provided by the two systems make it structurally unequal, as poor people are offered less services than those in the contributive system.

Serious problems remain with universal coverage by income, as 43% of the poorest people have not joined vs. just 14% of the richest (Yepes et al., 2010). An important accomplishment has been to reduce the gap between insured and uninsured in rural and urban areas; as well as the age gap with younger (less than 15) and older people (over 60) being covered (Yepes et al., 2010).

Regarding access to health, there is not enough information as a baseline prior to the implementation of reforms. A proposed way to measure access to health is via insured individuals' ability to obtain services. Data from 2007 and 2008 indicate that 79.5% of participants of the contributive scheme and 74.4% of those in the subsidized scheme received services when they first felt sick; only 49.7% of those without insurance did (Yepes et al., 2010)

The Colombian Constitution allows citizens to contest the way services are provided through a system of "wardship" or tutelage aimed at protecting basic rights. If the number of tutelages can measure lack of access, then a high number of tutelages presented (over 60,000 per year between 1999 and 2005) by individuals covered by some kind of POS could be an indicator of serious access problems (Yepes et al., 2010, interviews).

A second consideration in the study of Yepes et al. (2010) is the impact of competition and freedom of choice on the quality and efficiency of services provided. The impact of competition is, quite naturally, bigger in large and mid-size cities, but it is not

possible in most of the country's municipalities where often there are very few insurers and/or providers, and the population is too small to justify more insurers or providers to enter the market. This lack of competition impacts people's freedom of choice (again, especially in rural areas and small urban centers).

Other common problems that have impacted quality of care provided involve too many administrative requirements, such as: constant contract renewals between Departments, municipalities, and insurers; peoples' need to change plans due to unsteady jobs; the need to constantly update the SISBEN; and delays in transferring funds. Corruption, overpricing, medical absenteeism, and unscrupulous enterprises that do not register all their workers in the system contribute to the lack of quality care. The 2007 Law 1122 required the establishment of a quality control system for all IPSs, but, as of 2010, it has not yet been implemented.

In evaluating the impact of reforms on equity of access to health services, researchers (Yepes et al., 2010; Santa Maria et al., 2011) note the lack of a baseline to compare from, but nevertheless emphasize that this goal has not been achieved. The existence of different schemes with different services and procedures covered implies a lack of equity in access (Yepes et al., 2010; Hernandez 2002). Typically, the poorest individuals have POSs with fewer benefits. In the case of independent workers, to access the contributive system they must assume all costs related to the plans' contributions, which puts them at a disadvantage, creating barriers to access equality.

Better equality in certain services have been achieved (for example, in pre-natal care and delivery services), but inequality by programs and by income is still a significant problem.

Have overall health indicators improved? Most analysis and studies point to a lack of advances in improving health indicators in Colombia, partly due to a system that was not adapted to the highly unequal Colombian reality<sup>113</sup>. Some indicators, such as infant mortality rates for those under five years old and malnutrition, have decreased, but other serious diseases such as tuberculosis, respiratory infections, and maternal-birth-related deaths have not seen major changes (Bernal & Zamora, 2014; Santa Maria et al., 2011; Yepes et al., 2011; Galilea et al., 2011; Avila Urdaneta, 2010; Molina & Spurgeon, 2007; Molina et al., 2006; Homedes & Ugalde, 2005; Bossert et al., 2003; Jaramillo, 2002; Hernandez, 2002).

As of 2010, some positive results of the reform include:

- A reduction in out-of-pocket expenses. Between 1977 and 1980, the proportion of family income spent on health was 12.1% (Yepes et al., 2010); in 1997 it was about 10.7%, and in 2003 about 7.24%.
- Overall increase in total coverage both through the subsidized and the contributive schemes. The number of members in the subsidized scheme tripled between 1997 and 2008 (from 7 million to 23 million), mostly the very poor (those classified as Level 1 and 2 in the SISBEN). Increase in coverage has also reduced the gap between the very rich and the poor in terms of access. While in 1993 only 24% of

---

<sup>113</sup> Interviews conducted in Colombia confirmed the fact that the country's historical inequalities have made the principle of equity of care and access very difficult to achieve. A mayor explained that one of the major challenges in the whole decentralization process in Colombia, has been the fact that the country's inequalities and diversity were not taken into account while designing the decentralization laws and programs. Thus, the same programs apply to all local and regional governments regardless of their size and capacity, when a staggered process would have been more appropriate. He referred to the challenge of the "Three Colombias": the Colombia of the big cities with large capacities, the Colombia of the mid-size cities, and the 'forgotten Colombia', the one of the poorest and where the national government does not reach.

the population had access to health services, and of those about 90% belonged to Categories 3 and up; in 2003 that percentage was 85%, of which about half were from Categories 1 and 2 (Santa Maria et al., 2011).

- Reduction of inequality in terms of coverage between urban and rural regions, by age, and by education level.
- Optimization in the use of subsidies. Though there have been great improvements in the allocation of subsidies, the SISBEN system has not been exempt of serious criticism<sup>114</sup>.
- Better access to health services for those with coverage.
- Increase number of preventive visits to health centers.

On the other hand, as of 2010, some the negative results of the reform include:

- In terms of access to services, structural problems remain such as the differences between POSs, the high number of tutelage actions in response to lack of services, and the lack of qualified human resources to implement reforms.
- Among structural problems, the reform has put too much emphasis on financial issues and ensuring its smooth implementation without an overall vision of the complexity of the problem and a lack of a national health policy agenda. The need to constantly verify who qualifies as poor (through the SISBEN), and thus who qualifies for the subsidies, adds administrative costs and burdens to the system. The differences between POSs that were supposed to be transitory have not been fixed,

---

<sup>114</sup> Besides the allegations of corruption already mentioned, some people - who the SISBEN leave out of the subsidized scheme, consider it unfair or discriminatory.

aggravating the existing inequality. Delays in funds transfers, lack of incentives, and deficient information systems.

- The negative impact the reforms have had on the labor market, with many companies laying off or changing the labor status of their workers, to reduce the contributions they are required to make to the contributive system (Santa Maria et al., 2011).
- Duplication of efforts and duplication in the use of funds, especially in the case of hospitals, where many expenses are made more for political reasons than technical ones (per Law 715/2001, the management of hospitals was transferred to the Departments). The efficient use of resources continues to be a problem.
- Problems of “adverse selection” with many EPSs and ARSs taking in high risk patients (as they are paid by services provided and based on UPCs) with the probability of serious financial consequences.
- As previously mentioned, the subsidized scheme has become a financial liability. When Law 100 was enacted, the expectation was that the contributions and enrollment of the contributive system would suffice to cover the needs of the subsidized scheme. But, over the years, experience has shown that enrollment in the subsidized scheme continues to increase, but the contributive one does not. In fact, in the Santa Maria et al. report (2011) it is estimated that 22 million people are in the subsidized scheme while only 16 million are in the contributive one<sup>115</sup>. It is

---

<sup>115</sup> As of November of 2013, 52.51% (22,586,073 people) belonged to the subsidized scheme, while 46.59% (20,040,671 people) were enrolled in the contributive scheme, and 0.90% (387,986 people) were in the special scheme. The Departments of Cundinamarca, Antioquia, Risaralda, San Andres, Santander, Valle del



clear that the long-term financial sustainability of the system is at risk. Also, the fiscal stability of the system is further at risk by continually relying on transfers from the central government. Interviews in Colombia confirmed this assertion.

- The eligibility mechanisms of the SISBEN are not clear and thus its impact on the selection process is not always transparent<sup>116</sup>. It seems the pool of poor is ever larger, and political considerations also seem to impact who qualifies for the subsidized scheme.
- Institutional problems include the complexity of the financial and institutional arrangements creating bottlenecks in the transfer of funds, making the follow-up, oversight, and accountability of the system very difficult, especially in the subsidized scheme. The CNSSS is also highly dependent on the Ministry of Social Protection as its guidelines, as well as all administrative and technical support, comes from the Ministry. The members of the Council also have a high level of rotation making consistency and long-term planning difficult. There is no accountability system for members of the Council, making them susceptible to third party influences in the decision-making process.
- Another institutional problem is the status of EPSs and ARSs; though they act as financial institutions, their financial activities are not supervised by the Superintendence of Finances.

---

Cauca and the city of Bogota are the only ones where over 50% of enrolled are in the contributive system (Ministry of Health).

<sup>116</sup> Some of the variables used by the SISBEN include information on human capital, demography, unemployment, income, overcrowding, housing characteristics and ownership of home appliances, as well as access to public services such as potable water, bathrooms, and waste disposal (Santa Maria et al., 2011).

- And finally, many EPSs (almost 70% of them) offer their services only through their providers' network, making the freedom of choice for consumers difficult and generates congestion and client attention problems.

### **Examining Health Indicators**

To assess if health decentralization has impacted some basic indicators, and given that improving infant mortality rates was one key indicator to be taken into account, this section will now try to analyze if Departments with the highest number of certified municipalities have achieved better indicators than Departments with the least number of certified municipalities. The exercise will also help to determine if there is a difference when Departments are in charge of decentralization—since in the case of municipalities that are not certified, Departments are given competence over health care—as opposed to those with the largest number of certified municipalities<sup>117</sup>.

The Departments considered are some of the wealthiest and most populated ones in Colombia (Antioquia, Cundinamarca, and Valle del Cauca), as well as some of the poorest (Choco, Boyaca, and La Guajira), representing areas where a great number of Colombians reside.

The Departments with the largest number of certified municipalities (see Table 54 below) considered here are Antioquia with 94.4% of municipalities being certified (as of 2005), and Cesar with 92%, Huila with 100%, Santander with 64.3%, and Tolima with 74.4%.

---

<sup>117</sup> Data available on the number of certified municipalities was obtained from the Colombian Planning Department (DANE) as for the year 2005. Data on the infant mortality rate under 1 year of age was obtained from the Ministry of Health for the 2001 – 2011 period.

The Departments with the fewest certified municipalities include the Department of Cundinamarca, one of the most populous in the country, with just 12% of local municipalities certified as of 2005, Boyaca with just 2.4%, Choco with just one local municipality certified, La Guajira with 13.3%, and Valle del Cauca with 28.5% of municipalities certified.

**Table 54: Number of Certified Municipalities by Department (Health – 2005)**

Department*	Number of Municipalities (Total)	Number of Certified Municipalities (2005)	Number of NOT certified Municipalities (2005)
Antioquia	125	118	7
Atlantico	23	12	11
Bolivar	48	33	15
Boyaca	123	3	120
Caldas	27	12	15
Cauca	42	2	40
Cesar	25	23	2
Cordoba	30	21	9
Cundinamarca	116	14	102
Choco	31	1	30
Huila	37	37	0
La Guajira	15	2	13
Magdalena	30	5	25
Meta	29	11	18
Nariño	64	44	20
N. Santander	40	6	34
Quindio	12	2	10
Risaralda	14	9	5
Santander	87	56	31
Sucre	26	9	17
Tolima	47	35	12
Valle del Cauca	42	12	30

\*Departments of Caqueta, Arauca, Casanare, Putumayo, San Andres, Amazonas, Guainia, Gauviare, Vaupes and Vichada were not included as data was not available. Special districts such as Bogota, Medellin, and Cali were not included either as their size and resources are not representative and are treated differently by the DANE.

In the case of the Department of Antioquia<sup>118</sup> it can be argued that there have been no major differences or improvements on infant mortality rates (children under 1 year old, live births) when compared to the Department of Cundinamarca (See Tables 55 and 56

<sup>118</sup> Both Antioquia and Valle del Cauca Departments are the only ones, throughout the period considered, where the majority of the population belong to the contributive scheme.

below). As shown in the tables below, neither one of these Departments improved dramatically, nor did the other Departments considered here<sup>119</sup>.

**Table 55: Infant Mortality Rate (Per 100,000) per Department – 1 year old (live births) – Departments with the most certified municipalities**

Department	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Antioquia	1319	1375	1627	1420	1192	1256	1257	1212	1198	1174	955
Cesar	772	1043	1435	1659	1431	1452	1486	1633	1842	1804	1568
Huila	1702	1964	1919	2005	1493	1234	1443	1383	1242	1261	1078
Santander	1069	1008	1068	1018	881	856	1172	1065	1102	947	929
Tolima	1597	1411	2020	1787	1519	1094	1155	1242	1222	1009	884

Source: Author, based on Basic Health Indicators Reports 2001 – 2011, Ministry of Health.

**Table 56: Infant Mortality Rate (Per 100,000) per Department with the least certified municipalities**

Department	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Boyaca	1243	1234	1278	1191	1257	1075	1422	1379	1115	1179	923
Cundinamarca	945	1241	1408	1365	1378	1300	1323	1158	1155	1095	926
Choco	1256	1043	1670	1771	1616	1661	1254	1438	1217	1307	1525
La Guajira	1564	1516	2137	2137	2194	1539	1326	1201	1358	1080	1134
Valle del Cauca	1126	1196	1198	1230	1068	1053	1119	1137	1015	1104	922

Source: Author, based on Basic Health Indicators Reports 2001 – 2011, Ministry of Health.

<sup>119</sup> These results are consistent with interviews conducted in Colombia in the fall of 2015 where secretaries of health, former hospital directors, and advisors concurred that the “certification” of municipalities was not to have a major impact on the ability of local governments or Departments to improve basic health indicators, as all policy programs are designed by the central government and whoever is in charge of the funding (be it certified municipalities or Departments), all have to comply with the central government’s directives.

Per capita health expenditures, as a percentage of GDP (See Table 57 below), does not seem to greatly impact indicators either. While many other factors including education levels, income, employment, and poverty rates influence, and impact infant mortality rates, a correlation between more funds spent per capita and improved indicators could not be established. From 2005 onward, when the country spent more per capita on health, the Departments with the most certified municipalities saw few improvements in the indicator considered here (actually the Department of Cesar's indicator worsens in this period). In the case of the Departments with fewest certified municipalities, three saw continuing reductions for the 2005-2011 time period (La Guajira, Choco, and Cundinamarca), while in the other two (Boyaca and Valle del Cauca), the reductions fluctuated more. Since La Guajira and Choco—being two of the poorest Departments in the country—have benefitted from other social policies, it is difficult to establish a direct link between GDP health expenditure per capita and reductions in infant mortality rates. If anything can be garnered from these comparisons, it is corroboration that more certified municipalities does not necessarily mean better indicators, and certainly many other factors might be playing roles as well.

**Table 57: Health Expenditure per Capita and as Proportion of GDP – 2001 - 2010<sup>120</sup>**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>GDP Per Capita Invested on health (US\$ per person)</b>	75.9	n/a	104	69	125	116	116	116	237	317	323
<b>National Health Expenditure per year as a Proportion of GDP (%)</b>	7.7	n/a	8.2	8.2	8.2	7.8	7.8	7.8	7.4	5.9	6.4

Source: Author, based on Basic Health Indicators Reports 2001 – 2011, Ministry of Health.

While in general the indicator considered here has improved in the overall period between 2000 and 2010, great disparities depending on ethnic, income, and rural/urban divide remain. As of 2013, and according to reports of the Ministry of Health, infant mortality rates under one year old were 32% higher among the poorest of Colombians. Departments in the Colombian Amazon region as well as in Choco and La Guajira (though improved), continued to see higher rates in this indicator than other Colombian Departments. Table 58 below shows that income is still an important factor when considering mortality rates, with the poorest quintile (Quintile 1) with higher rates than the wealthiest quintile (Quintile 5).

**Table 58: Mortality Rates under 1 year old 1995 – 2013 per wealth quintiles**

	1995	2005	2013
<b>Quintile 1 (poorest)</b>	39.0	27.9	9.2
<b>Quintile 2</b>	25.0	22.2	8.1
<b>Quintile 3</b>	31.0	20.9	7.0
<b>Quintile 4</b>	28.0	9.4	7.8
<b>Quintile 5 (richest)</b>	19.0	6.7	7.1

Source: Santa Maria et al., 2011 and Ministry of Health's "Analysis of Health Sector 2013"

<sup>120</sup> Health reforms were initiated in 1995. In 1998, Colombia's Department of Planning changed how these indicators were calculated. Thus, only the period 2001 – 2011 was used.

Most reports conclude that there were improvements in areas expected to improve such as maternal and children care (Bernal & Zamora, 2014; Santa Maria et al., 2011; Yepes et al., 2011; Galilea et al., 2011; Avila Urdaneta, 2010; Molina & Spurgeon, 2007; Molina et al., 2006; Homedes & Ugalde, 2005; Bossert et al., 2003; Jaramillo, 2002; Hernandez, 2002). In those cases, the impact was very important and indicators positively improved. Other indicators did not show the expected impact and many problems persist.

## **Conclusions**

Examining the process of health service decentralization in Colombia, as in other parts of Latin America, reveals that decentralization has taken the form, mostly, of deconcentration as the central government has maintained its role as director, regulator, and controller of the system (Molina & Spurgeon, 2007).

Administration of the services were decentralized but the central government has retained control over regulation and supervision of the system. Heavy dependence on transfers from central government continues, and resources are still controlled by the central government. The lack of clarity on who is finally responsible for oversight and control of the reforms among the three levels of government continues to make implementation very difficult.

Colombia has designed a highly complex and ambitious health decentralization process where the mix of market initiatives, competition, privatization, and decentralization has made the reform difficult to understand and implement; and while universal coverage has almost been achieved, serious problems in terms of equity and quality of care remain.



Supporters of health decentralization in Colombia were able to push reforms through Congress by aptly working out a coalition of stakeholders that supported the reforms, as well as by linking the need for health decentralization with other necessary reforms impacting fiscal stability like pension reforms. Undoubtedly, the difficult political, social, and economic problems Colombia experienced in the 1990s provided momentum to reforms and an urgency that contributed to building consensus in support of the reforms. Thus, in contrast with other countries where reforms were barely supported by the political elites in Congress, in the Colombian case, and thanks to the role played by policy entrepreneurs (Kingdon, 2003), there was generalized support not only to approve the required legislation, but also to enact the necessary rules, regulations, and normative needed for implementation as soon as possible. By doing this, some details were left for later review, which made duplication of efforts and confusion common.

Many veto points (Immergut, 2008) occurred along the way, including incidences of violence against local authorities, or takeovers by guerrilla and/or paramilitary groups of municipal governments (be it by way of elections, or by ensuring the elected officials responded to their demands). Complexities in contracting out services between insurers (EPSs) and providers (IPs), as well as cases of corruption, duplication in enrollment, and the failure to move people from the subsidized scheme to the contributive one, also gave the perception that the reforms were ineffective or insufficient.

The complex, new health system devised by the health reformers made the relevance, responsiveness, adequacy, costs and benefits, quality and quantity of services, as stated by Katorobo (2004), difficult to establish. The fact that there are no clear guidelines of who is ultimately responsible for services and results, especially in cases of

municipalities that are not certified, make oversight and accountability of the reforms hard to evaluate. The fact that governors are only required to “coordinate” service delivery gives them a reason to avoid responsibility when difficulties and contradictions arise.

The process of health decentralization in Colombia has been one of partial decentralization (Devarajan et al., 2009), and a “managerial view” (Nickson, 2011) has prevailed, as the central government decentralized administrative responsibilities and financial resources, but the overall control of the process remained in the hands of the Ministry of Health and the National Planning Department. Though substantial financial resources were decentralized to regional and local governments, funding is strongly earmarked—also, these governments do not have the capacity to create new resources and they are highly dependent on government transfers.

The relationship of local governments with their communities was certainly recognized and given priority, evidenced by the importance given to citizen participation, and the need to involve community organizations in the local health councils and in the preparation and implementation of local health plans; but, overall, the Colombian case shows very few instances of effective citizen participation in the health decentralization reforms and/or during implementation.

This chapter has shown that, in the case of Colombia, the close collaboration of political leaders represented in Congress (and given the urgency to re-legitimize the State), key stakeholders, and civil society organizations contributed to the approval of health decentralization reforms that impacted Colombia’s health system. Thus, hypothesis one (H1) is generally positive.

In regard to hypothesis two (H2), the evidence is harder to establish. The review of ten Departments (five with a majority of certified municipalities; five with a minority of certified municipalities), as well as a review of per capita expenditures on health as percentage of GDP, did not provide clear indication of having an impact on the chosen indicator (infant mortality rate under 1 year old, live births).

As Colombia implemented a health system that has practically privatized the delivery of all health services (reserving for the government only services such as vaccination campaigns, public health campaigns, or dealing with catastrophic events and/or pandemics), the ability of political parties or the political elite to influence the delivery of health services has been very limited. The degree of collaboration between the three levels of government, as well as with other stakeholders, has been essentially defined by the way the system has been redesigned, with a limited role for the government sector. Though collaborative mechanisms have been established, there have been difficulties with implementation. The impact of reforms on health indicators has been more difficult to establish. Thus, H2 is partially confirmed: collaboration impacts successful reforms' approval and implementation, but it does not necessarily translate to improved indicators.

## CHAPTER EIGHT

### EDUCATION DECENTRALIZATION IN PARAGUAY: 1990 – 2010

#### Introduction

This chapter will examine the education decentralization process in Paraguay as another way of testing hypothesis one (H1)<sup>121</sup> and two (H2)<sup>122</sup> of this study. It will first consider a brief overview of education decentralization literature emphasizing what conditions make the process successful. The chapter will then analyze the role played by political parties, congress, and other stakeholders in the passage and approval of education decentralization policies. It will attempt to assess the impact of education decentralization on basic indicators.

The research will argue that implementation of the proposed decentralization reforms was confronted with serious political and financial challenges from representatives of the central government and unions and by tensions among governors, local mayors, and authorities of the national government themselves.

---

<sup>121</sup> H1: If national, regional, and local political leaders participate and collaborate in the promotion of political, fiscal, and administrative decentralization, there is a greater probability for the passage, approval, and implementation of public service decentralization laws.

<sup>122</sup> H2: Once public service delivery decentralization has been enacted, the higher the degree of collaboration between national, regional, and local levels of government (in essence the type of intergovernmental relations established), stakeholders and citizens (other socio-political actors); the greater the probability of its success and effectiveness.

## **Education Decentralization: Background and Some Concepts**

Over the last two decades, education decentralization has been implemented using various approaches in many different parts of the world. The education-specific rationales for education decentralization include: improving enrollment rates; improving quality of education and equity in education; and increasing communities' participation and accountability (Winkler, 1989; Hanson, 1997; Berhman et al., 2002; Naidoo, 2003; Kaufman & Nelson, 2004; Gropello, 2004; Daun, 2007; Lora, 2007; Meade & Gershberg, 2008).

Specific reforms usually accompany education decentralization including: devolution of authority to local governments (spending, staffing, and content); school-based management; community financing of education; curriculum reform; school vouchers; and demand-side financing (Berhman et al., 2002).

While the reasons to decentralize have been mostly political or fiscal in nature, there is the expectation, from an educational perspective, that indicators will improve as a result. Outcomes in schooling are many but at a minimum involve “*level and distribution of learning and years of schooling*” (Winkler & Gershberg, 2000).

Winkler (1989) grouped the rationales for education decentralization under three broad categories: educational finance, efficiency and effectiveness, and redistribution of political power. Aside from improving quality of education, Hanson (1997) refers to different possible goals and strategies sought with education decentralization, including: accelerating economic development by dispersing power, wealth, and executive talent; increasing management efficiency; redistribution of financial responsibility by distributing power; increasing democratization; promoting market-based education; and neutralizing

competing centers of power. Daun (2007) includes economic decline, cultural factors, the weakening of the state/public sector, and/or international/globalization pressures as reasons behind the promotion of education decentralization. Arguments linking education and development, and the need to have better human capital, have also been emphasized by the World Bank, and other international organizations (Kaufman & Nelson, 2004), as essential for the long-term future of developing countries.

In regard to claims of improving or promoting citizen participation through education decentralization, Naidoo (2003), by reviewing education decentralization in a number of countries, identifies a series of important factors that increase community participation in the process, including: a positive perspective in the communities involved on basic education; regular and stable household income; a history of social mobilization; the level of community organization and leadership present; a community's involvement in education beyond the financial aspects; the general status and appreciation for education that local leaders show support for; the level of community involvement in the decision making process; the kind of government support provided to the process; and students' achievements, among others. Economic factors, such as poverty levels and income distribution, impact the success of decentralization, along with other indicators related to health and political stability.

When discussing citizen participation, within an education decentralization process, certain key questions are relevant, including who can participate, how participation takes place, the inclusiveness of the process, the role of civil society's participation in the process, how democratic the participation process is, and if roles are clearly defined. The answers to these questions can help define if an education

decentralization process (or any type of service provision decentralization for that matter) is considered successful or not (Meade & Gershberg, 2008; Hanson, 2006; Berhman et al., 2002).

In regard to the financing of education decentralization, the types of services that are actually decentralized is a central issue, and this will have implications for the financial impact of the process. Over the past decades, many countries have experimented with different types of education decentralization, but Naidoo (2003) places them in four broad categories: (1) decentralization of school budgets to buy basic supplies (this implies a the minimum level of decentralization); (2) decentralization of specific functions such as school management, building maintenance, and school feeding programs; (3) full school autonomy (including fiscal autonomy); and, (4) competitive grants and incentives.

As correctly pointed out, but often overlooked, “*system-wide cost implications are often a key factor in decentralization reforms*” (Naidoo, 2007). And, the difference between the cost of education services and the financing of the system is important, as the former refers to the actual cost of factors such as supplies and teachers’ salaries, and the latter refers to where those funds are coming from, who decides how funds should be spent, and who collects those funds.

One of the main concerns, and the reason for many criticisms of education decentralization processes, involves the quality of human resources capacity at the local level to implement decentralization and, consequently, involves issues of capacity building. Developing capacity “*requires the state and its several partners to make deliberate and sustained efforts to train local leaders and their communities, as well as local organizations in the skills needed to support decentralized governance*” (Naidoo,

2007). For this to occur, multiple stakeholders must be part of the process, including not only central, regional, and local government agencies, but also businesses, cultural institutions, NGOs, students, and parents. Important attention should be given to ensuring that traditionally excluded groups are not left out of the process, and that their needs are properly addressed.

Capacity development should be an ongoing process that must be implemented in phases to be successful. Many of the capacity building strategies used will be conditioned by the context in which they are implemented, and political commitment is essential for long term sustainability and continuity.

Winkler (1989), in his analysis of education decentralization from an economic perspective, points to different factors that are necessary for successful implementation of education decentralization, including:

1. The presence of a tradition of self-reliance at the local level (this is important as many education decentralization policies aim to increase parents' participation in defining education policies or make the process more participatory);
2. Local authorities' or communities' capacity to have their own source of revenues, create them, or control its spending;
3. Local demand for decentralization, as opposed to decentralization being imposed from central planners;
4. Keeping key stakeholders in the process (parents organization, teachers unions, local bureaucracies, etc.) well informed and involved in the development and implementation of decentralization process; and



5. Existing local administrative capacity or providing such capacity through training.

Very similarly, Naidoo (2007), in evaluating the successful implementation of education decentralization, finds the following issues as critical:

1. Understanding the reforms: clear communication exists, legal instruments are present, and roles are clearly established and understood by all.
2. Communication: clear information to all stakeholders is available
3. Staggered implementation: regions and local governments require administrative capacity and local political support.
4. Systemic approach: decentralization process must take into account the needs of all levels of government and the necessary coordination.
5. Clear lines of monitoring/evaluation: a strong system of accountability should be established, well understood and applied to the process.
6. Clearly connect educational quality with educational management reforms: a clear connection between educational reforms and outcomes should be developed and monitored.
7. Clear role of community/local level: this also requires the strengthening of grass roots structures in the communities.
8. Transparency in delivery of resources and decision-making: transparency and accountability also from local leaders to their constituents.
9. Data and information: as the process widens, is essential to monitor and evaluate the success of programs.

In essence, for education decentralization to be successful, a “mix of political will” (policy makers working together with stakeholders) is essential, including: whether or not the main political parties have a shared vision about the objectives of the reform and agree on collaboration; technical inputs (competent policies and personnel in education); and economic factors (adequate resources) (Naidoo, 2007; Hanson, 2006).

Education services in Latin America have usually been organized around a centralized Ministry of Education, which had control over resources, personnel, curriculum, and administrative decisions, as well as assessments. This monopolistic organization produces users that have no input in the process; generates strong, and difficult to deal with, unions; and creates inefficiency in structures where control and oversight are too difficult to achieve (Lora, 2007).

The decentralization of education in the 1990s occurred in the context of a wave of democratization in the Hemisphere, and the need to reform government policies that have proven inefficient. In the case of Latin America, *“The decentralization of the administration and, to a lesser extent, the financing of public school systems to subnational governments (or directly to the schools) have been the most common reforms in the region since the 1990s”* (Lora, 2007; p. 48).

## **The Case of Paraguay**

### **Introduction**

The Paraguayan state has a long and sad record of failing its citizens—especially the poorest among them—in the provision of quality education that could equip them with the necessary tools to attain a better future.

Though the Constitution ensures that education should be accessible to all (Article 73), many people do not have access to education and, when they do, its quality is very poor. The failures of the school system have contributed to increased poverty rates, and have not helped to improve human capital or contributed to strengthening workers skills, with many socio-economic repercussions. Grade repetition and dropouts rates are still alarmingly high and great socio-economic and ethnic disparities exist (Oscar Flecha et al., 1996).

The end of the Stroessner regime in 1989 marked a new impulse toward education. The 1992 Constitution not only established free, basic education as a fundamental human right, but also guaranteed that the first years of education could be completed in the maternal language of the child<sup>123</sup> (Gaete, 2012).

In 1998, a new General Education Law (Law 1264) was enacted, establishing the guidelines for public and private education in the country; and making education one of the main goals and priorities of the Paraguayan state (Gaete, 2012).

---

<sup>123</sup> Paraguay is an officially bilingual country with two main languages: Spanish and Guaraní. 37% of Paraguayans speak only Guaraní, 50% Guaraní and Spanish, 7% only Spanish, and 6% use other languages (Gaete, 2012).

The Ministry of Education and Culture is in charge of regulating the educational system and implementing its reforms. The Paraguayan education system has three levels: pre-K and basic/elementary education; middle school (grades 7-9); and high school education (grades 10-12). Special needs education, and other training and vocational studies, are also provided by public schools. Universities (both private and public) are autonomous and are covered by a separate legal framework.

All aspects of public education from the design of academic curricula, to supervising the implementation of the curricula, the national academic calendar, the evaluation of the process, hiring and firing of human resources, and expenditures, as well as investment in infrastructure, are controlled by the Ministry of Education (Gaete, 2012). Most students in Paraguay attend public schools (on average 65%), and the rest attend private schools (about 25%), and lesser numbers attend private schools that receive funding from the state.<sup>124</sup> Most special-needs education children attend public schools.

The lack of access to, and quality of, education in Paraguay can be seen in the great differences that exist among rural and urban areas, with urban children benefitting from better schools and infrastructure. There is also greater concentration of resources—both material and human—in the city of Asuncion, its metropolitan area, and other large urban areas. Ethnicity is also a great indicator of inequality, as illiteracy and dropout rates are prevalent among indigenous groups.

---

<sup>124</sup> Information gathered from <http://datos.mec.gov.py/index> available on the Ministry of Education's web page. Accessed on 8/11/2015

## **Financing of Education system**

The financing of education in Paraguay depends almost completely on the allocations assigned to it in the National Budget. According to the National Constitution, the amount allocated to education must not be less than 20% of the total allocated to the central administration (Article 85). On average 92% of the education budget is spent on current expenses, and only 8% on capital expenditures (Gaete, 2012; Villagra Carron et al., 2011).

Governorships and municipalities have invested in education out of their own budgets, but have not had any input in school management and oversight, or on education management issues. In the time period analyzed here (1990-2010), their investments—when they did occur—were done with the knowledge of the Ministry but there were no official agreements signed or required. There were no fiscal rules guiding how much the subregional levels of government must spend on education. And, in general, those expenses were for repairs and infrastructure, custodian/janitorial services, or to assist with the nutritional needs of the students (Gaete, 2012).

The table below (Table 59) shows that expenditures on education, as a percentage of the overall national budget, and as required by the Constitution, has more or less been complied with over the years. But, as a percentage of GDP, expenditures on education have not increased over the same period of time, and are actually low by international and regional standards. The administration of President Lugo (2008-2010) saw increases in education's budget. Information on how much governors and mayors have spent on education was not available, but in general these subregional levels of government have invested few of their own resources on education, partly because the legal framework is

not clear on their roles, and also because the financial resources were not available. Only after 2012, with the approval of the National Fund for Development and Investment Law (FONACIDE), which allocates a portion of royalties collected to governorships and to local governments, did subregional levels of government secure access to funds that are earmarked for school infrastructure and for nutritional programs.

**Table 59: Education Expenditures – Paraguay – 1999 – 2011**

Year	Education Budget (Millions €)	Budget Education (% public spending)	Budget Education (% of GDG)
2011	805,7	22,48%	4,80%
2010	587,0	18,72%	3,77%
2007	356,9	19,33%	3,55%
2004	221,3	18,23%	3,44%
2003	230,1	20,86%	3,95%
2002	259,6	18,82%	3,88%
2001	363,7	19,88%	4,25%
2000	405,4	21,56%	4,57%
1999	350,5	21,88%	4,45%

Source: <http://www.datosmacro.com/estado/gasto/educacion/paraguay>

As indicated above, the majority of budget is spent on salaries of education sector personnel, and very limited resources are available for capital expenditures or for teacher training programs. Numbers of total employees in the education sector are hard to determine and, thus, it is difficult to estimate the total number of employees and/or how much is spent on salaries<sup>125</sup>. As is the case in many countries, resources are very limited but, in the case of Paraguay, interviews and reviews of the press indicate that many of those financial resources are misused.

---

<sup>125</sup> Only in 2013, did the Ministry of Education, for the first time in its history (and in compliance with a new civil service law), provide an estimated number of employees. About 11,000 people -between administrators (about 5,100), teachers (about 5,000), and contractual employees (about 880) – work for the education sector in Paraguay (<http://www.abc.com.py/nacionales/mec-divulga-su-lista-de-funcionarios-632217.html>). It is important to keep in mind that the appointments in the education sector are a notorious source of patronage in Paraguay

## **Legal Framework of Education Sector in Paraguay**

The three main legal texts dealing with education in Paraguay are the National Constitution of 1992, the General Education Law of 1998 (Law 1264), and the Childhood and Adolescence Code of 2001 (Law 1680) (Villagra Carron et al., 2011). The administrative organizational laws of both the regional governments (Departments) and the municipal governments also give some role to these authorities in the education sector (see table 60 below); and Law 1725 of 2001, which describes the responsibilities and rights of workers in the education field. The latest significant piece of legislation was approved in 2009 establishing free middle school and free pre-K education in all public schools in Paraguay.

The Departmental Administrative Law (*Ley Orgánica Departamental*), established that governors will “coordinate school education and training activities with the relevant organizations” (Article 16), but there are no specifications as to what that coordination entails, and Article 45 of the same law also established that governors must, in their “investment plans”, include educational development and—in particular—contribute to the construction and maintenance of educational centers. The law, though, fails to allocate resources to governorships for these tasks; further legislation has also failed to clarify the coordination among the three levels of government—or other relevant organizations—and how expenses will be covered.

In 2009, the Ministry of Education signed a cooperation agreement with the Council of Governors in which both parts committed to deepen and strengthen the decentralization process in education; but, the text does not clearly state what each party is responsible for—

or how reforms (and their funding)—would be implemented. As of 2014, interviews conducted reveal a consensus that not much has been achieved.

The municipal administrative law (*Ley Orgánica Municipal*), in force at the time of this study, established that in the area of education, municipalities are responsible for:

- 1) providing “education services”—the law is vague but states that municipalities are responsible for providing education services according to local needs, under the supervision of the Ministry of Education, and according to the guidelines provided by the Ministry;
- 2) Elaborating municipal education plans;
- 3) Encouraging community educational activities;
- 4) Building and maintenance of locally based education infrastructure (including furniture, equipment, supplies, and consumables);
- 5) Promoting culture, sports, and tourism;
- 6) Promoting civic education and participation.

As noted above, the law is ambiguous and did not establish financing mechanisms, nor did it clarify which specific responsibilities were assigned to the local government, the regional government, and the national government. For example, the lack of clarity on subsection 4 above, which notes that municipal governments are responsible for supplies and consumables, has led to conflict as local governments fear that they could be asked to provide—paid using their own resources—school supplies (a responsibility of the national ministry) or the “glass of milk” program—a responsibility of the Departmental governments (Merino Estrada et al., 2010).



Interviews with former senior education government officials indicate that opposition to decentralization reforms from the education unions has been strong, and this has played a significant role in blocking the process.

**Table 60: Summary of Legal Framework, 1990 – 2010**

1992 National Constitution	Chapter VII of the Constitution established the gratuity of education and the role of the State	<ul style="list-style-type: none"> <li>• Article 75 defined the role of the State in education</li> <li>• Article 163 established that Governorships should coordinate with the central government the provision of educational services</li> <li>• Article 168 established the role of municipalities in regard to education</li> </ul>
Law 426/94	Creates Departmental Governments	<ul style="list-style-type: none"> <li>• Article 16 established that Governorships must coordinate in their respective territories the actions of the Executive in regard to education according to their local needs</li> </ul>
Law 1294/87	Municipal Administrative Law	<ul style="list-style-type: none"> <li>• Articles 18, 33, 43, and 69 gave municipalities responsibilities in promoting education, allows Municipal Juntas/Councils to have education committees, and gave local governments a role in assisting educational institutions.</li> </ul>
Law 1264/98	General Education Law established the role of the State in providing educational services	<ul style="list-style-type: none"> <li>• Article 4 established that the State is responsible for providing free education and that it should guarantee access and equity. Funding for education will come for the General National Budget</li> <li>• Article 6, the State will promote education decentralization. The</li> </ul>

		<p>education budgets for the Departments will be prepared in coordination with the Governorships</p> <ul style="list-style-type: none"> <li>• Article 16, municipalities will promote local education</li> <li>• Article 90, the Executive branch will promote education decentralization, supporting and advising Governorships and municipalities</li> <li>• Article 117, the Ministry of Education will develop its general plans of action and curricular needs in accordance with the needs of decentralization</li> </ul>
Resolution 10711 of the Ministry of Education (2000)		<ul style="list-style-type: none"> <li>• Established the Departmental Educational Councils in each of the 17 Departments and describes their responsibilities</li> </ul>
Law 1725/01	Administrative Charter Law for workers of the education sector – regulates the teaching profession in the levels of initial, primary and secondary school education in the national education system, both at public or private educational institutions.	<ul style="list-style-type: none"> <li>• Article 35 established that Departments and municipalities can support and promote the training and continuing education of teachers in their region or communities</li> </ul>
Law 4088/10		<ul style="list-style-type: none"> <li>• Established free pre-K and middle school education in all public schools</li> </ul>

Source: Author based on documents and laws reviewed

## Reform and Decentralization

Paraguay's history shows no significant experience with education decentralization. The Ministry of Education was first established in 1870 but it was not until the year 2009 that its charter was drafted (Table 61 below).

**Table 61: Ministry of Education, Paraguay**

1870	The Department of Justice, Worship, and Public Education was established
1942	Department of Education established
1956	The area of Worships affairs its included to the Education Department
1998	Name is changed to Department of Education and Culture
2009	The charter of the Department is drafted

Source: author based on Department of Finance documents

Through the years, many reforms to improve the sector's performance were introduced. But, the objectives of the reforms were mostly aimed at the deconcentration of the Ministry's work and not the decentralization of education services. The main goal with deconcentration was to improve education management and efficiency, as well as the modernization of the general administration.

Deconcentration dates back to 1921 when the first School Directors at the Departmental level were named to supervise schools. In the 1940s, "education areas" were established in which certain schools were considered the "main" centers of learning, and satellites schools were also established. The 1960s saw the establishment of teacher training centers at the regional level to improve the quality of human resources in charge of education. By 1992, the Regional Educational Councils were created as part of regionalization program of the Department of Education. In the beginning, only representatives of educational institutions of the region could be part of the Councils. Later, citizens were encouraged to participate, but this initiative never succeeded as expected. By 1995, the Ministry began promoting the signing of memorandums of understanding with the governorships to promote decentralization. But, the roles of governors were kept vague along with details on financing. In the year 2000, with the launching of a national plan for the Redesign of Education Supervision, the Departmental Educational Councils (CDEs—

reflecting Spanish terminology) were created (governorships needed to sign an MOU with the Ministry). Many other initiatives were launched to promote decentralization, though many are yet to be implemented (see Table 62 below)

**Table 62: Measures aimed at promoting education decentralization – Status (as of 2010)**

Pedagogical units in each of the country's 17 Departments	Inactive
Departmental Management Teams	Mixed
Teachers Selection Committees	Inactive
Association of Schools Cooperation (equivalent to US PTAs)	Mixed
Decentralization Commission	Inactive
Departmental General Directorate at the central level	Inactive
Qualifications and certification for regional supervision	Mixed
Departmental Statistics Unit	Mixed
Decentralization Secretariat	Inactive
Departmental Education Councils (at the Governorship level)	Mixed

Source: author based on interviews and review of documentation

As shown above, the central government has retained control over the provision of educational services in the country, and very little has been done to promote decentralization of services, funds, or human resources related to this important area of government services.

The process of educational reform in Paraguay has experienced different phases (Villagra Carron et al., 2011), with a first phase occurring between 1990 and 1995, where the National Advisory Council for Educational Reform (CARE) was formed (1992). With the approval of the National Education Law in 1998, the CARE was replaced by the National Council on Education (CONEC). The mission of the Council is to promote educational reforms.

The objectives of CONEC include:

- 1) Develop the nation's culture and education, in coordination with the Ministry of Education;
- 2) Cooperate with implementation in the short, medium, and long term;
- 3) Assist in the coordination, among all education related stakeholders, and among different administrative levels, of education and culture related activities;
- 4) Periodically evaluate and inform the Executive Branch and Legislative Branch about the status and progress of the national education system;
- 5) Periodically evaluate the performance of public and private universities, as well as other higher learning centers, and present reports to the Congress for their consideration;
- 6) Provide advice on education policy;
- 7) Propose to the Ministry of Education reforms or adjustments to policy programs, as needed, to improve education;
- 8) Advise national scientific and technological research in the country, in coordination with the respective government agencies<sup>126</sup>.

In this first phase, the Inter-American Development Bank (IDB) became an important player supporting the reforms and providing financial and technical assistance, especially for elementary education; the World Bank played a similar role in the case of middle schools (Villagra Carron et al., 2012; Rivarola, 2000).

---

<sup>126</sup> <http://www.conec.gov.py>

The main objectives of this first phase included universalizing access to education and promoting equity; prioritizing quality education; improving curricula and teaching (including Guarani as a language of instruction); improving human resources; and expanding and improving school infrastructure (Villagra Carron et al., 2011).

The second phase (1996-2000) saw the approval of the National Education Law in May of 1998 (Law 1264). The Presidency of Juan Carlos Wasmosy established universal and free pre-K schooling (with the technical assistance of the IDB). Evaluation mechanisms were considered and implemented from the central government, again with the support of the IDB.

The 2001-2005 phase had as a theme “education with quality and equity.” A National Literacy Plan was launched, oriented to adults with no education, especially in rural areas of the country.

A final phase, for the time period considered here, occurred from the year 2006 to 2010 and includes the administration of President Fernando Lugo (2008-2010). In this time period, the administration of President Nicanor Duarte Frutos (2003-2008), himself a former education minister in the Wasmosy administration, devoted significant resources to public education, with special emphasis again on rural areas, improvement of human resources, and reducing absenteeism and dropout rates.

Since 2008, with the administration of President Lugo, as in the case of the health sector, there was a strong political discourse in favor of ensuring that the benefits of free education were accessible to all. Education was defined then as a “public good” and a fundamental right of every Paraguayan citizen. The State assumed the role of guaranteeing that right (Uharte Pozas, 2012). Law 4088 of 2009 exemplifies this commitment,

establishing that middle school education would be free for all, in fact extending free public education (Uharte Pozas, 2012).

Throughout the process of reform in Paraguay, it is argued that the goal of educational decentralization reforms were directed more toward the deconcentration of the Ministry's activities, and not toward full decentralization to subnational levels of government. The 1998 law called for the creation of Departmental Educational Councils, Commissions of Educational Reform and Management at the Departmental level (never implemented), and a National System for Teachers' Training, among other proposed reforms. Other decentralization proposals included the creation of parent associations, which were supposed to co-manage and support the local schools attended by their children (very few of these have been created and/or are active) (Gaete, 2012).

A significant initiative regarding education decentralization was the creation of Departmental Educational Councils or CDEs (*Consejos Departamentales de Educacion*), with responsibilities such as the formulation, and support for the implementation, of educational plans for each Department in consultation with local communities. The Councils were to be composed of up to 11 different organizations including the governorship, the Departmental Junta (regional legislative body), municipalities, and regional educational centers, the Catholic Church, universities, training institutes, teachers and parents associations, and supervisory organizations, among others. The relationships among them were not clearly defined, and the CDEs have no authority to fire or evaluate teachers who continue to be responsive only to the national education ministry. In essence, CDEs do not have a management or administrative role in schools (Gaete, 2012).

The Education Law did not create a similar structure at the municipal level, and though some local governments—with the support of NGOs and cooperation agencies—tried to implement local education councils, based on the model of local health councils, the initiatives were not successful and/or sustainable in the long term (Gaete, 2012; interviews).

Departmental governments were given responsibility for the so called Nutritional Complement Program by which children attending school were given a glass of milk and enriched food to help alleviate malnutrition. Funding for this initiative was contentious up to the recent approval of the so called FONACIDE Law, by which specific funds were assigned for this nutritional program to regional governments. The implementation of this program is not without criticism, as interviews with some NGO representatives and senior officers from the Ministry of Education allege that funds were being misused.

In general, the Ministry of Education, and its bureaucracy, has not been very supportive of decentralization initiatives and the process remains very slow. The Ministry has delegated certain basic functions (especially in the area of maintenance and payment services), but all other key areas such as human resources management, curriculum reforms, evaluation, training, etc. remain firmly in control of the central government.

By examining which level of government is in charge of the decision making process in public schools, the table below illustrates the limited role played by local and regional governments in the provision of education services (Table 63).

As indicated, the Paraguayan legal framework provides a very limited role to governorships in the running of schools, and much less to municipal governments. And, in the case some responsibilities that have been assigned to them, compliance with the law is



limited. Local communities have no major role in the day-to-day management of schools, and their involvement has been limited to the Association of Schools Cooperation (or *Asociaciones de Cooperativas Escolares*—ACEs) where parents, teachers, and the leadership of the schools supposedly have voice in how some budgetary decisions are made.

**Table 63: Education Decision Making by Level of Government/Authority in Public Schools, 2010**

	National	Departmental	Municipal	Community	School
Hiring/Firing of teachers (1)	X	X			
Hiring/Firing of School directors	X	X			
Teachers' promotion	X				
Payment of Salaries	X				
Budget/Use of resources	X			X	
School calendar	X				
School fees (2)	X				
Maintenance of Schools	X			X	X
Textbooks selection	X				
Curricula designs	X	X			
Study Programs	X	X			X
Class schedule	X	X			X
Class organization					X
Teachers supervision (3)	X	X	X		
Teachers training	X				
Teachers evaluation (4)	X	X	X		X

Notes: (1) Technically there are Selection Commissions at the Departmental level. As of 2010 there were no cases in which Governorships have made those decisions.

(2) In the year 2008, fees for middle school were eliminated.

(3) Each district should have a pedagogical and administrative evaluation commission.

(4) There is a process of self-evaluation and evaluations made by school directors. Their purpose are for diagnostic and training reasons.

Source: Translated from 2013 Educational Report of Paraguay. Rodolfo Elias et al.

## **Discussion of Reforms**

Paraguayan educational reforms concentrated vastly on improving quality, equity, and access to education. Many plans and programs were drafted, and many strategic consultancy meetings were held, but, the reforms were always controlled by the Ministry of Education, and decentralization was not extensively discussed, nor was it included in the discussions and/or plans of the central authorities. If civil society organizations included decentralization in their proposals, they were not really taken into account. The fact that decentralization, in the form of the creation of Departmental Education Councils (CDEs), was included in the 1998 Law has been suggested as both a consequence of the momentum for decentralization that, at the time, the health decentralization law had created; and to the fact that the Governors Association was able to lobby for some more specific role for governorships that were otherwise not given much responsibilities by the Constitution and the subsequent laws.

Some factors might help explain this lack of progress in education decentralization services:

- 1) Interviews with senior officials, in both Congress and the Ministry of Education, indicated that technocrats within the central administration have played a role in keeping decentralization initiatives alive—at least at the proposal level—but, there is no clear political commitment to actually implement them.
- 2) There has not been a strong demand from citizens or civil society to push for education decentralization. Citizens do not trust local authorities in the provision of educational services.

- 3) There has not been a political figure(s) or civic leader(s) able to create coalitions or networks supporting education decentralization, or with the capacity to galvanize such momentum. There has not been a class of policy entrepreneurs (Kingdon, 2003) in this area.
- 4) There has not been a strong commitment from Congress, as many legislators do not want to antagonize powerful education unions, or because they have used employment in the education sector as a patronage tool.
- 5) It has also been suggested that governors themselves, when given the small opportunity to implement programs, did not live up to the challenge, and used it for political benefit.
- 6) Lack of support from the Ministers of Education themselves.<sup>127</sup>
- 7) Strong opposition from public sector unions and from education sector bureaucrats.

Instead, deconcentration of education services has been the norm. Recent interviews with representatives from civil society organizations involved in improving Paraguayan public schools revealed a potential, emergent push for reform, as the private

---

<sup>127</sup> In fact, and as an example of the lack of political will from central authorities, in the mid-1990s, the Institute for Public Management & Community Service (IPMCS) of Florida International University (FIU) was implementing a USAID funded program in support of decentralization. IPMCS had a meeting with the then Minister of Education to propose a decentralization pilot program on education, much as it was been done on the health sector. The proposal was firmly rejected. None of the Education ministers of the 1990 – 2010 period analyzed here have been known for supporting decentralization policies.

sector, realizing that the quality of education is not providing qualified human resources, and this might hinder economic development, is now pushing for educational reforms.

Education decentralization has not been seen as a process by which governorships and municipalities obtain a significant role in the provision of education services. The few responsibilities that were decentralized (many of them not implemented as of 2010), involve “coordination” and support in the design of school curriculum to better reflect local or regional needs, or with infrastructure needs. But, in fact, very few of these initiatives have been implemented. The central government retains authority over every major decision that involves education, from human resource management and evaluation, to funding, to decisions over school calendar, opening and closing of schools, teachers training needs, and information and statistics systems. All remains under the firm control of the central authorities in Asuncion.

Though Article 75 of the Paraguayan Constitution states that education provision is the responsibility of the family, the municipalities, and the State, very little has been done to include local governments in the decentralization process.

As of 2015, interviews and reviews of local press indicated that the situation was not likely to change and that, in fact, no new developments regarding education decentralization were to be expected.

### **Indicators of Success?**

If Paraguay has minimally decentralized education but has put emphasis on some deconcentration, can progress in education be measured? Most people interviewed for this

research agreed that little progress has been achieved, and the central authorities (regardless of the political party in power) have done little to implement reforms.

The country has improved some of its education indicators with the reduction of illiteracy, increased school enrollment, and better infrastructure. The involvement of some civil society organizations has greatly contributed to these improvements, though regional and ethnic differences make the improvements relative.

A 2009 United Nations (UN) report and a 2013 Partnership for Educational Revitalization in the Americas (PREAL—reflecting Spanish terminology)<sup>128</sup> report on the progress of educational reform in Paraguay for the 1990-2010 period show that, though progress has been made, many challenges remain, including (Villagra Carron et al., 2011; PREAL report, 2013):

- 1) High levels of grade retention at the elementary level (up to 30%);
- 2) Very low levels of graduation at the middle school level (27%);
- 3) High dropout rates among indigenous communities and in rural areas. The average school attendance for Paraguay was, for those older than 15 years of age, 8.2 years (2010). Only 3 of 10 students entering the first grade in 1999 had completed their formal education in 2010;
- 4) Illiteracy rates among indigenous people over 15 years of age continues to be very high (40%);
- 5) In terms of enrollment, school registration has increased but there is a large number of children between the ages of 13 and 17 that do not attend school;

---

<sup>128</sup> Programa de Promoción de la Reforma Educativa en América Latina y el Caribe (PREAL)

- 6) Paraguay continues to score very low on regional and international tests of students achievement;
- 7) Place of residence, maternal language, and ethnic differences continue to be serious challenges to equity in the provision of education services;
- 8) Teachers evaluation, training, and preparation is still weak;
- 9) Though the budget of education as percentage of public spending has slightly increased over the period, as a percentage of GDP it continues to be low, thus investment in teachers training, infrastructure, or students has diminished;
- 10) Decentralization of education management has been very challenging, and the Departmental Education Councils have had limited impact on policy decision and implementation<sup>129</sup>. Some parents associations (ACEs) have had a limited role in the budget decisions of their local schools<sup>130</sup>.

By referring back to what Winkler (1989) and Naidoo (2007) considered necessary factors for a successful decentralization, and applying those factors to the Paraguayan experience between 1990 and 2010, the country's initiative has failed to meet most of the proposed criteria (Table 64)

---

<sup>129</sup> A limited number of DEC's are active in the country. Some as the one in the Department of Caacupe is quite active, but most are not or have been established but play no specific role.

<sup>130</sup> The number of ACEs is hard to establish. Interviews indicate that if each school had one, there should be between 5,000 to 8,000 ACEs established. But, ACEs are not recognized as legal entities, thus their capacity to make decisions or influence the management of local schools is limited and is directly tied to the relationship that each one might have with their respective school directors.

**Table 64: Factors for a Successful Decentralization**

	Yes	No	Mixed
Presence of tradition of self-reliance at local level		X	
Subregional governments have access -and autonomy in the use of - to funding		X	
There is local demand for decentralization		X	
Key stakeholders are involved in the decision making process			X
Local administrative capacity exists			X
Clear understanding of reform process			X
Staggered implementation	X		
Clear lines of monitoring and evaluations are shared by all stakeholders		X	
Central authorities support for decentralization		X	
Transparency in the delivery of resources and decision-making		X	

Source: author based on Winkler (1989) and Naidoo (2007)

Overall then, the education reforms proposed in Paraguay, including some decentralization initiatives, have had a very limited impact on improving the quality and equity of education services in the country. The implementation of the proposed decentralization reforms were confronted with serious political and financial challenges from representatives of the central government and unions, as well as by other internal political tensions among governors, local mayors, and authorities of the national government themselves.

The lack of clear legal framework, both in terms of responsibilities assigned to the different levels of government, and financially, hindered the process, made it more confusing, and held back reforms. Congress did not give impetus or guidance to the process, and did not enact the necessary legislation to move the process forward. Moreover, the Ministry of Education leadership was also not supportive of the process. Thus, the progress made has been very slow and the results not very encouraging.



Decentralization reforms proposed such as the creation of CONEC, the Departmental Education Councils, and the ACEs have not played an important role in promoting decentralization of education.

It is possible that the approval of the Education Law in 1998, was done under the impetus of what was happening in the health sector, and at a time when some legislators in Congress were supportive of decentralization. But, the implementation confronted serious opposition from the Ministry's bureaucracy, unions, and a political situation that made it very difficult to succeed. Funding to regional and local governments was never enough and their responsibilities were limited in scope.

As in the case of the health sector, this chapter has shown that education decentralization, even more than in the health case, has been dependent on the political will of key stakeholders. Even more than in the health sector, there was no national discussion on educational decentralization reforms, and the degree of collaboration that was present at the time of enacting Law 1264 of 1998 quickly dissolved, and opposition to the process took the upper hand. Thus, hypothesis one and two are partially confirmed, but the impact on basic indicators could not be measured.

## **CHAPTER NINE**

### **EDUCATION DECENTRALIZATION IN COLOMBIA 1990 – 2010**

#### **Introduction**

For most of its modern history, Colombia's public education has been marked by a lack of clear rules, powerful unions, and poor results. The country's public education has not been characterized as one that excels in preparing students for the labor market or one that provides a good education. Over the years, formal education catered mainly to the middle and upper classes, emphasizing preparation for more prestigious careers such as law, was prioritized over the education of poor Colombians (Hudson, 2010).

The 1991 Constitution established that basic education was free and compulsory for all children between 5 and 15 years of age; including kindergarten, five years of elementary school, and four years of secondary education. Access and quality continue to be a serious challenge, and most people who can afford it send their children to private schools. Inadequate resources and mismanagement continue to drive students to the private sector.

Though indicators, such as coverage and literacy rates, have improved significantly with the implementation of decentralization policies, the statistics must be interpreted cautiously as serious regional and social differences remain (Hudson, 2010. Santa Maria et al., 2009; Iregui et al., 2006; Faguet & Sanchez, 2006). Major cities have mostly achieved universal coverage and literacy is also very high, but in rural areas, the situation is very different.

The national government oversees all public education policies in Colombia and provides most of the funding for public schools, whether directly through the Ministry of Education or through transfers to subnational governments. The decentralization reforms initiated in the 1980s, and accelerated after the 1991 Constitution, though, have given Departments and local governments a voice in the control of the schools. Thus, the Ministry has found itself sharing responsibilities with regional governments, which tend to be more responsive to political pressure, and whose record of performance varies widely (Hudson, 2010; Santa Maria et al., 2009).

A significant obstacle to education reform has been the Colombian Federation of Educators (FECODE), which is the largest union in the country. FECODE has strongly resisted decentralization initiatives that would give more control to subnational authorities over teachers' evaluations and resources, preferring to maintain its grip on national politics by exerting pressure at the national level (Hudson, 2010; Santa Maria et al., 2009; Melo, 2005; Lowden, 2004; Hanson, 1995).

This section will examine education decentralization in Colombia, its background, and the decentralization reform process, including its implementation to test the validity of hypothesis one (H1)<sup>131</sup>. The section will conclude by analyzing the impact of reforms to test the validity of hypothesis two (H2)<sup>132</sup> by using indicators of school coverage and enrollment.

---

<sup>131</sup> H1: If national, regional, and local political leaders participate and collaborate in the promotion of political, fiscal, and administrative decentralization, there is a greater probability for the passage, approval, and implementation of public service decentralization laws.

<sup>132</sup> H2: Once public service delivery decentralization has been enacted, the higher the degree of collaboration between national, regional, and local levels of government (in essence the type of intergovernmental relations

## **Background of the Reform: The Need for Reform**

Public education in Colombia has been affected by poor allocation of resources, regional inequalities, teachers' selection mechanisms, teachers' salaries, socio-economic factors of each student, and the transitory aspects of many reforms (Iregui et al., 2006).

The Ministry of Education has historically lacked the capacity to execute national education policies in the country, as well as the capacity to enforce education standards.

In the 1950s, Colombia was lagging behind most Latin American countries in educational indicators. Illiteracy reached 44% of the population older than 7 years old, and elementary education only reached 46.3% of children between 7 and 11 years old. High school indicators were abysmal. Recommendations were made to increase coverage and to improve quality, especially of basic elementary education and vocational schools. The government of Rojas Pinilla sought to implement some of these reforms (Iregui et al., 2006).

In the 1960s, there was a considerable increase in resources allocated to education, and special emphasis was placed on improving secondary education. A result of these efforts was the creation, in many parts of the country, of National Institutes of Diversified Education (or INEM—reflecting Spanish terminology)<sup>133</sup>, aimed at providing classes not only on the classical curriculum, but also vocational training in industrial, commercial, and agricultural areas. By the end of the decade, the Educational Regional Funds (FERs—reflecting Spanish terminology)<sup>134</sup> were created to centralize education administration, and

---

established), stakeholders and citizens (other socio-political actors); the greater the probability of its success and effectiveness.

<sup>133</sup> *Institutos Nacionales de Educacion Media Diversificada*

the *Situado Fiscal* was established to provide Departments with resources to be spent on education.

The efforts made did not produce much results as the 1970s still saw serious problems with lack of infrastructure (classrooms and unfinished buildings), poorly trained teachers, absenteeism and high drop-out rates. Regional inequalities continued, as well as lack of curricular integration between the three levels of schooling (Iregui et al., 2006). A series of policies were again designed to address these persistent problems, including the universalization of primary education, the creation of pre-K centers, and the adoption of a mechanism of automatic promotion in primary school, increased coverage in high school education, and the standardization of salaries for secondary education. A training program for teachers was designed, as well as an economic incentive one to attract better qualified teachers to the public sector.

Toward the end of this decade, some improvements in elementary education could be seen, but secondary education continued in critical condition, including tertiary education where only 9 out of 1,000 students had access to a public university. An important development was the adoption, in 1979, of the Teachers' Statute (*Estatuto Docente*), oriented toward establishing the conditions by which teachers would be hired, promoted, and retired in the public schools system (Iregui et al., 2006; Lowden, 2004).

The 1979 enactment of the teachers' labor regime, the *Estatuto Docente* gave the teachers' union (FECODE) great influence and bargaining power at the national level. The new rules were to have a great impact for future decentralization reforms, as many benefits

---

<sup>134</sup> Fondos Regionales de Educacion

(such as automatic promotion based on years of service or attendance to trainings/publications, no performance evaluation criteria, tenure, and the near impossibility of being fired) were to be seen as threatened by the unions if decentralization advanced. As such, the power of FECODE was cemented. FECODE also sought to defend its bargaining power as a nationally representative organization, and feared that decentralization would impact their national-level bargaining power (Santa Maria et al., 2009; Lowden, 2004; Melo, 2005; Hanson, 1995).

At the beginning of the 1980s, the Betancur administration tried again to boost public education and a national literacy campaign was launched, aimed especially at traditionally excluded communities (called CAMINA), and a National Program for Open and at Distance Universities with the objective of making higher education more accessible and with broader coverage.

By 1989, a serious attempt to reform the Ministry of Education (MEN) was launched calling for a rational distribution of tasks through administrative decentralization. *“The role of the reorganized MEN is to specialize in nationwide policy formation, planning, evaluation, and training”* (Hanson, 1995; page 110). Within the guidelines and parameters established by MEN, local municipalities were to establish their own priorities on issues such as school construction and maintenance, budget expenditures, and personnel needs. Mayors and local councils were put in charge of educational leadership and coordination. In accordance with the stated goal of increasing participation in the education decision-making-process, “large committees of appointed and elected members at the municipal, Departmental, and national levels” (Hanson, 1995) were established with the responsibility of approving decisions made by the mayors and their education secretaries. A process of

fiscal decentralization was also established to finance the administrative decentralization of education.

The Barco administration also sought to expand education at all levels, but no specific programs or plans were designed to advance quality of education. Universities still lacked research capacity, and though there was an expansion in the number of higher education institutions, they were besieged by administrative and financial problems (Iregui et al., 2006).

At the beginning of the 1990s, discussions about the need to reform public education were placed in the context of its importance for the development of human capital and economic development. At this time, access to secondary and tertiary education continued to be serious bottlenecks; simultaneously, improvements in the quality of educators started to be noticeable, but the quality of education results continued to be poor. A serious problem persisted: called the “politization of education,” governors used appointments and promotions in schools for political gain (Meade & Gershberg, 2008; Iregui et al., 2006).

The Constitution of 1991, and Law 60 of 1993, marked the beginning of education decentralization and the launching of new reforms, especially fiscal ones. Financial resources for education increased dramatically. Departmental and local governments began to have a much larger role in the administration and expenditure of financial resources.

In 1994, the General Education Law was enacted to regulate the provision of education services in accordance with the requirements of the new Constitution. By the end of the decade, with the exception of large cities, universal coverage was still not prevalent, access to education, by socio-economic categories and by regions, continued to

be highly unequal, and quality was still a serious problem (Hudson, 2010; Santa Maria et al., 2009; Iregui et al., 2006; Lowden, 2004).

The Pastrana administration, in an attempt to improve the sector, focused on reducing the teacher/student ratio, as well as on the need to better the socio-economic situation of families, seen as a major obstacle to students' achievements. The proposed reforms of his administration included the transfer of teachers within municipalities or within the same Department, and also the revision of financial mechanisms including considering a voucher system, and greater collaboration with the private sector.

By 2001, of great concern were the fiscal implications of decentralization on the macroeconomic stability of the country. Thus, by way of Legislative Act 1 in the same year, the transfer system to regional governments was reformed and unified in one fund, creating the General Sharing System (SGP—reflecting Spanish terminology)<sup>135</sup>.

As discussed in other sections of this study, Law 715 in the same year (2001) modified the allocation of funds in the SGP, and defined the competences of Departmental and local governments in education and health.

Complementarily, Decree 1278 of 2002 issued a new Teachers Statute by which the criteria for hiring, promotion, and retirement of public education were redefined, and a new echelon of compensation was established based not only on years of service, but also on performance.

No major developments have taken place since then, but the overall goal of continuing to expand coverage, increase access and quality, as well as to open more the

---

<sup>135</sup> *Sistema General de Participaciones*



tertiary sector have been kept as important objectives of the education decentralization process.

### **Legal Framework, the 1991 Constitution and Education Decentralization**

Between 1975 and 1987, the public education system was greatly centralized. The Ministry of Education was the agency responsible for formulating policies and coordinated the activities in the area. The national government controlled the transfers to Departments. Each Department had a delegate of the central government charged with overseeing how expenditures were made, and making sure that contracting was done according to national guidelines (Iregui et al., 2006).

A first attempt at decentralization occurred in 1987 by giving local governments responsibility over local infrastructure. A 1989 law gave authority to the mayors to hire teachers with the national government in charge of paying salaries.

Law 29 of 1989 turned over management of the majority of teachers to the municipalities. The law did not have the support of FECODE or the mayors, as they feared that resources would not be available and they would be held responsible for any failure.

During the 1980s and 1990s, responsibilities were split between central, regional, and local levels without clear definitions; thus, duplication, confusion, and lack of accountability was common (Meade & Gershberg, 2008).

With the 1991 Constitution, the administration of elementary and secondary education was transferred to regional and local governments with the main objective of expanding coverage, especially for elementary and middle school.

The drafting of the new constitution in 1991, and the critical political situation of the country, provided an opportunity to redefine the provision of services in the country,

and the need for educational reform was central to many delegates (Galilea et al., 2011; Meade & Gershberg, 2008; Lowden, 2004; Dillinger & Webb, 1999).

During the Constitutional Assembly, one of the most contentious issues was whether to orient decentralization toward a greater role for Departmental governments or toward municipalities. FECODE (represented at the Assembly by two of its former leaders) was strongly opposed to the municipalization of education. Lowden (2004) attributes the success of diluting education decentralization to the fact that many representatives to the Assembly feared the power of FECODE, and saw the number of governors (32) as more “manageable” than a thousand mayors<sup>136</sup>. But, President Gaviria and his teams highly preferred municipalization of education based on principles of subsidiarity and local public choice, including more autonomy to local schools (Lowden, 2004). In the end, a compromise was reached with regional and local governments sharing some responsibilities for education administration, though it was left for future legislation to clearly define the competences of each.

The voices of NGOs, church groups, and private school associations were also represented at the constitutional assembly but did not have much influence on the outcome. The Federation of Municipalities and the Governors Association did not have a major role either, as they were relatively new and had very different interests and lacked institutional capacity.

Overall, the discussions regarding education decentralization in the Assembly had more to do with fiscal and administrative issues and not with pedagogical ones.

---

<sup>136</sup> This view was shared by people interviewed in Colombia (December 2015)

The new Constitution made education a right and increased the number of years for obligatory attendance, but did not make it “free and mandatory for all,” something the national government opposed as it would have curtailed greater private participation in public education (Lowden, 2004; and interviews). The design and implementation of education reform was postponed for later discussion.

Laws 60 of 1993 and 115 of 1994 were the major legislative initiatives to regulate education after the enactment of the new Constitution (Bonet et al., 2014; Galilea et al., 2011; Iregui et al., 2006; Melo, 2005; Dillinger & Webb, 1999). More autonomy was given to governors and mayors in terms of human and financial resources administration.

Law 60, left in the hands of Departments and the special districts (Bogota, Cartagena, Santa Marta, and Barranquilla) the *Situado Fiscal*, which gave them a percentage of the current central government revenues—scheduled to increase from 22.1% in 1993 to 24.5% in 1996. A share totaling 60% of the *Situado Fiscal* was to be spent on education, with 20% for health, and the remaining 20% designated for discretionary purposes. The municipalities were to allocate 30% of their share to education, 25% to health, 20% basic infrastructure and sanitation, and 25% to other expenditures (Santa Maria et al., 2009; Lowden, 2004).

Administrative responsibilities were also redefined, with the Ministry of Education maintaining its regulatory and policy-setting role, Departments were to administer and pay teachers, and have a supervisory role over municipalities, which were put in charge of the administration and provision of infrastructure. In order for Departments, and municipalities

of over 100,000<sup>137</sup> to take over the new functions, they needed to be “certified” by the Ministry based on meeting a series of criteria, which included having an institutional structure, development plan for education, and an information system (Bonet et al., 2014; Di Gropello, 2004; Lowden, 2004; Dillinger & Webb, 1999).

The second major law of this period was introduced by FECODE, and became Law 115 of 1994, which was supposed to ensure school autonomy with the creation of the Institutional Education Projects—allowing schools to present their own pedagogic projects. However, the law gave schools no financial or administrative authority. Moreover, the law increased the role of the newly created departmental education secretariats and also allowed the creation of secretariats at the local level. Their functions, though, remained vague.

In particular, Law 115/94 sought to give more autonomy to local schools by allowing the creation of school governments to include teachers, parents, and students in charge of establishing the internal rules of the school, identifying needs, and evaluating its performance criteria. Institutional Educational Plans (or PEI—reflecting Spanish terminology)<sup>138</sup>, defined the academic goals of each school according to the general guidelines provided by the Ministry of Education. In practice, neither one had real autonomy, neither in resource management nor in the decision-making process.

By 2001, fiscal pressures and economic crisis paved the road for the Pastrana administration to annul Law 60, and enact Law 715, which substantially changed how

---

<sup>137</sup> Some decentralization reformers had proposed that the threshold be 50,000 inhabitants, but they were defeated (Lowden, 2004).

<sup>138</sup> *Plan Educativo Institucional*

subnational governments were to be financed<sup>139</sup>. The *Situado Fiscal*, and other sources of funding, were consolidated in the General Sharing System (*Sistema General de Participaciones*), which was delinked from increases or decreases of the central government revenues, and a ceiling to total transfers was established. Funds could be spent on infrastructure, food, and transportation (after paying for salaries); municipalities could also contract with private entities to provide services.

Law 715 created a new system by which central funds for education were to be allocated according to the number of students enrolled in public schools and no longer on the number of teachers employed in each jurisdiction. Departments and municipalities were also no longer able to create teaching posts (no doubt a good source of patronage and clientelism) unless they had the budget to pay for them. Reforms to the teaching career were also made, including increasing the number of years teachers needed to be in each category before they could move up on the career ladder (Lowden, 2004).

The Law also increased the power and control of the Education Ministry over teachers' management, including elimination of posts and transfers, new reporting rules and regulations were put in place to ensure better oversight of Departments and municipalities by the central authorities (Lowden, 2004). The Law made certification easier for municipalities (assuming control of resources and administration from the Departments) by making possible for local governments with less than 100,000 inhabitants

---

<sup>139</sup> Interviews with former Pastrana administration senior officials also expressed the deep preoccupation at the time with the financial stability of the country and the perception that local and regional governments' financial imbalances were threatening the country's fiscal stability.

to apply for certification. School directors were given more autonomy in the selection and management of teachers and resources.

The main purpose of Law 715 from the central government’s perspective was to strengthen decentralization, but with greater central government enforcement capacity (Lowden, 2004). The Law was supported by many political actors and stakeholders as the fiscal situation of the country was increasingly difficult, governors and mayors claimed for clarification of their roles and responsibilities, and many felt that the power of FECODE needed to be curtailed. In this regard, in 2002 the Pastrana administration reformed the *Estatuto Docente* or Teacher Statute establishing clear requisites to enter the teaching profession, as well as for promotions and retirement, conditions for reallocation, and dismissal of teachers. Decree 230 established norms to evaluate students and school performance (Lowden, 2004).

**Table 65: Law 60/1993 – Responsibilities by Level of Government – Education**

<b>National Government</b>	<b>Departmental Governments</b>	<b>Municipal Governments</b>
<ul style="list-style-type: none"> <li>- sets the policies and general objectives of the education sector</li> <li>- establishes the technical, curricular, and pedagogical norms to be used by the Departments</li> <li>- designs and manages the national information system</li> </ul>	<ul style="list-style-type: none"> <li>- administers and directs, jointly with the municipalities, the provision of elementary and secondary education</li> <li>- participates in the funding and co-funding of the area, and on infrastructure</li> <li>- administers and transfers the <i>Situado Fiscal</i> (resources from the central government)</li> <li>- promotes and evaluates teacher training</li> </ul>	<ul style="list-style-type: none"> <li>- administers pre-K, elementary and secondary education as designed by the Department</li> <li>- finances the necessary investment for infrastructure and maintenance of education facilities</li> <li>- examines and supervises the provision of education services</li> </ul>

Source: Author. Adapted from Melo (2005)

Law 715/2001 redefined the role of Departments and of certified municipalities in human resources administration (hiring, establishing guidelines, promotions), and were allowed to transfer teachers within municipalities (Table 66 below summarizes competences by level of government). Non-certified municipalities could only transfer teachers within the educational institutions present in their territory, could invest their own resources in infrastructure or to improve educational outcomes (Bonet et al., 2014; Galilea, 2011; Di Gropello, 2004).

In the case of Departments, the requirements for education certification included having (Melo, 2005; Di Gropello, 2004):

- a functional information system,
- the approval of a development plan for the area,
- the approval by the Departmental Junta of the rules and regulations by which resources were to be used,
- the adoption of a plan to increase the number of enrolled students,
- an agreement with the Ministry of Education.

In the case of municipalities, certification has been slow, partly due to institutional challenges and lack of capacity at the local level, but also due to the opposition of Departmental government, which see their resources diminished. As of 2009, only 4% of municipalities were certified in education (48 of 1,120 municipalities). The requirements for education certification were established by the Ministry of Education by decree 2700 of 2004 and include (Santa Maria et al., 2009):

- Presenting a municipal education development plan in accordance with national guidelines. The plan must include a description of programs, projects, goals and indicators for coverage, quality, and efficiency in the provision of services.
- Human resources staff with the required proficiency, as established by national government guidelines. The municipality must elaborate a feasibility study that justifies the human resources and provide such study to the Departmental government with an analysis of the financial viability. Once certified, the Department will formally, and effectively, transfer the education human resources to the municipality.
- Local governments must have the educational facilities needed to provide such services<sup>140</sup>.
- Institutional capacity: in accordance with guidelines established and defined by the Ministry of Education, municipalities must have undergone a modernization plan that would allow them to have the technical capacity to take over their new roles.

Municipalities that intend to be certified must submit a request to the governor of the Department, who will have a month to consider the petition. After that, the Department must assist in the certification process. The Ministry of Education will verify the level of support provided by the Department to the local government. Once all requirements are met, the municipality formally requests the certification from the Department. The governor would then make an official transfer of the education resources to the

---

<sup>140</sup> The law requires that educational institutions must be able to provide education from pre-K (one year of pre-K) to ninth grade.



municipality, with the municipality from then on receiving the financial transfers directly from the central government.

By the end of 2001, only one municipality was certified in education (Armenia), and by 2007 the number had increased to 39<sup>141</sup>. Lowden (2004) attributes the reasons for this partly to political conflict and tensions between FECODE and the governors and between governors and mayors, and also to the reluctance of many municipalities to assume responsibilities without proper funding, especially in regard to the refusal by some Departments to cover the pension costs of teachers (Meade & Gershberg, 2008; Lowden, 2004).

---

<sup>141</sup> <http://www.portalterritorial.gov.co/preguntas.shtml?apc=r-caqueta;x;x;x1-&x=80241>

**Table 66: Law 715/2001 Competences by Level of Government – Education**

National Government	Departmental Governments	Municipal Governments
<ul style="list-style-type: none"> <li>- formulate policies and objectives of the education sector, and provide the norms and rules for the organization and delivery of services;</li> <li>- regulate the provision of services for public and private institutions;</li> <li>- promote, fund, coordinate and evaluate investment programs;</li> <li>- evaluate the financial and administrative performance of regional governments;</li> <li>- transfer the education resources of the SGP;</li> <li>- annually define the per student allocation;</li> <li>- establish the requirements for municipalities' certification, and decide about the certification of municipalities of less than 100,000 inhabitants (in the case the Department refuses to do it).</li> </ul>	<p><u>General Competences:</u></p> <ul style="list-style-type: none"> <li>- provide financial, administrative, and technical assistance on the provision of education services to the municipalities;</li> <li>- administer, and be responsible for, the education information of the Department (including its reliability and quality);</li> <li>- support and provide technical and administrative assistance to the municipalities wishing to be certified;</li> <li>- certify the municipalities that fulfill the requirements.</li> </ul> <p><u>Competences Regarding non-certified municipalities:</u></p> <ul style="list-style-type: none"> <li>- direct, plan, and provide education services in the pre-K, elementary, and middle levels;</li> <li>- administer and distribute among municipalities the financial resources coming from the SGP;</li> <li>- administer the educational institutions, as well as teaching and administrative personnel;</li> <li>- distribute among municipalities the teaching and administrative staff in accordance to the needs of the system.</li> </ul>	<p><u>For certified municipalities:</u></p> <ul style="list-style-type: none"> <li>- direct, plan, and provide education services in the pre-K, elementary, and middle levels;</li> <li>- administer and distribute among the educational institutions the financial resources coming from the SGP;</li> <li>- administer the educational institutions, as well as teaching and administrative personnel.</li> </ul> <p><u>For non-certified municipalities:</u></p> <ul style="list-style-type: none"> <li>- administer and distribute the SGP resources assigned to them for the maintenance and improvement of quality, the transfer of teachers and vacancies between their educational institutions;</li> <li>- provide the information required by the Department and the national government.</li> </ul>

Source: Author. Adapted from Santa Maria et al., 2009 & Galilea et al., 2011

## **Financing of Public Education**

By 2009, only about 4% of municipalities were certified. Most of education decentralization has, in practice, been taken over by Departmental governments (Santa Maria et al, 2009).

The principal source of funding for public education comes from transfers of the SGP. These transfers are distributed among Departments, certified municipalities, and special districts in accordance to the criteria established by Law 715/2001. Subnational governments can also allocate from their own budget, resources to education. A particular source of revenue in this regard are the funds from the Royalties Fund which are used to finance regional development plans to include education.

Presently, Law 715 orders that 58.5% of the SGP must be spent in education. Criteria for the distribution of resources, as per Law 715, is based on population served (students enrolled). Each year the Ministry defines a per student allocation, per each level of education (pre-K, elementary, middle), and per area (rural and urban). Once resources are allocated by population served, the balance is distributed taking into account criteria of students to be served and by poverty index.

About 90% of expenses are paid from transfers of the SGP, which shows the high dependence of Departments and certified municipalities on transfers from the central government (Santa Maria et al., 2009).

Between 2002 and 2007, the Departments with the largest population dispersion, were the ones that received the most funds from the SGP per student enrolled (Guainia, Vaupes, Vichada, and Amazonas). Of the 32 Departments (plus the city of Bogota), 23, or

72%, received in average 1 and 1.3 million of pesos—the average spent per enrolled student (Santa Maria et al., 2009).

Royalties also play a role in the financing of public education. Law 141 of 1994, established that Departments and municipalities could use the funds from royalties to increase coverage in health, education, and potable water. Law 756 of 2002 also established that, as long as subregional levels of government did not meet the basic coverage indicators in infant mortality rates, basic health and education coverage, potable water and sewage, Departmental governments must allocate no less than 60% of the total royalties transfer to these services. In the case of local governments, the percentage is 90% (Santa Maria et al., 2009; Melo, 2005).

The national government transfers the royalties through two mechanisms: direct royalties transferred to the producing Departments and municipalities, and to the port cities from where the products are exported to; and indirect royalties that benefit all Departments and municipalities of the country through the presentation, to the National Royalties Fund or FNR (reflecting Spanish terminology),<sup>142</sup> of development programs and projects for its approval and funding. Those projects are evaluated and prioritized by the National Planning Department and its approval is dependent on the Royalties Advising Board, an advisory agency of the FNR. Overall, the amounts are low and their share of education financing too. According to Santa Maria et al. (2009), it represented less than 1%.

Direct royalties have been characterized by uncertainty as the price of commodities have fluctuated, and economic crisis have impacted the transfers. The producing

---

<sup>142</sup> *Fondo Nacional de Regalias*

Departments of Casanare, Arauca, Meta, Guajira, Tolima, and Huila are the ones who have benefited the most from direct royalties, though they are subject to market fluctuations and commodity price slumps.

A problem with the use of royalties is the heavy dependence on transfers from the central government. Moreover, though the law established that when basic indicators are not been met, 60% of royalties funds must be spent on health, education, and water and sanitation, there are no requirements or guidelines as to what percentage should be spent on what sector, leaving it to the discretion of governors and mayors—the resources are often misallocated, misspent, embezzled, or simply spent on projects of poor technical quality or with no sustainability (Santa Maria et al., 2009).

### **Impact of Education Decentralization in Colombia**

Analyzing the impact of education decentralization is not an easy task as many socio economic factors influence the possible results of the proposed policies.

In terms of the legal framework established, Meade and Gershberg (2008) point to the fact that, during the 1980s-1990s in the intergovernmental system established in Colombia, responsibilities were split between central, regional, and local levels without clear definitions; thus, duplication, confusion, and lack of accountability was common.

Impediments to reform included a lack of unity within the national ministry to facilitate reforms, clientelism, and opposition by unions, and a lack of capacity at the local level. The Education Ministry had little enforcing capacity, accountability was problematic (the ministry lacked a good information system to be able to know what was happening in

remote regions). Smaller cities had low capacity, poor infrastructure, and some were embedded in conflict.

As central funding was tied to the number of teachers employed by Departments, this led to an extremely unequal distribution of funding (plus it also encouraged clientelism). The numbers of teachers hired continued to rise, as well as their salaries.

Di Gropello (2004) and Melo (2005) also note that the dispersion of responsibilities across political actors, while it can make sense politically, greatly complicates accountability relationships because of the absence of a level that is clearly responsible for service delivery. This view was expressed by many people interviewed in Colombia who mentioned that with everybody being responsible for some part of the reforms, in the end, nobody is responsible for anything<sup>143</sup>.

In an analysis of the impact of fiscal decentralization on public education (in essence how efficiently have regional and local governments spent the resources), Melo (2005) concludes that there are high levels of inefficiency. During the time that Law 60 was in place, there was a positive impact on coverage, but a negative impact on the academic achievements of students. The transfer of more resources has not been accompanied by an increase in the quality of education.

Universal coverage was one of the main goals of decentralization (Melo, 2005). Governors seem to have concentrated on expanding coverage but were not as concerned with the quality of the education provided. As a result of conflicting responsibilities, quality of education has not significantly improved. Public schools continue to be at the bottom of

---

<sup>143</sup> Representatives of the Governors and Mayors Federations during many interviews conducted for this research.

quality indexes, and the results of per-grade-proficiency level exams are, in general, very poor (Iregui et al., 2006).

Public expenditure on education has increased. As percentage of GDP it grew from 3.3% in 1993, to 4.9% in 1999, to 4.8% in 2010 (World Bank data. See Table 67 below). On average, the central government covers about 85% of education expenses, and Departments and municipalities, using their own resources, contribute the remaining 15%. The largest expense is by far salaries and pensions (see Tables 67 & 68) where up to 90% of public education expenditures is spent on education staff compensation.

**Table 67: Education Expenditures – Colombia 1998 – 2010**

	<b>Expenditure on education (1)</b>	<b>Government expenditure on education (2)</b>	<b>Per Capita Expenditure (Euros)</b>
<b>1998</b>	12.4	3.9	-
<b>1999</b>	13.1	4.4	90
<b>2000</b>	13.2	3.5	94
<b>2001</b>	13.4	3.7	100
<b>2002</b>	15.2	4.3	107
<b>2003</b>	15.5	4.3	87
<b>2004</b>	15.4	4.0	91
<b>2005</b>	15.5	3.9	110
<b>2006</b>	13.7	3.8	116
<b>2007</b>	14.4	4.0	140
<b>2008</b>	14.6	3.9	146
<b>2009</b>	16.0	4.7	177
<b>2010</b>	16.4	4.8	229

(1) as % of total government expenditure (%)

(2) as % of GDP (%)

Source: Author based on World Bank Development Indicators. Accessed 1/14/2016 and <http://www.datosmacro.com/estado/gasto/educacion/colombia>

The increase on public expenditures in education can be seen in Table 68 below, which shows the education budgets per Department.

**Table 68: Public Expenditure in Education per Department, 2002-2007 (millions of pesos, 2008)**

Department	2002	2003	2004	2005	2006	2007
Antioquia	1,132,423	1,151,569	1,198,661	1,333,733	1,464,470	1,248,820
Bogota	1,273,137	1,247,522	1,214,342	1,473,483	1,536,902	1,117,382
Valle Cauca	680,339	698,111	756,990	804,120	822,387	883,567
Santander	554,039	545,084	514,179	541,071	550,655	588,886
Bolivar	399,747	444,949	497,398	530,674	535,466	566,331
Cundinamarca	611,432	573,391	553,597	583,067	564,991	564,893
Cordoba	382,959	385,757	442,677	472,368	476,174	531,038
Tolima	365,930	371,071	364,983	381,283	368,531	493,493
Nariño	422,486	453,825	571,062	441,574	468,868	482,751
Boyaca	526,466	511,059	437,971	450,879	450,078	467,832
N. Santander	346,936	340,320	343,788	345,768	392,739	398,067
Cauca	320,886	329,523	343,952	343,437	357,759	390,085
Atlantico	349,811	366,459	393,668	404,207	400,073	388,804
Magdalena	273,220	285,484	403,668	354,681	374,004	376,645
Huila	275,352	277,896	293,186	307,054	302,073	346,191
Cesar	219,646	238,586	270,825	267,262	283,542	329,221
Meta	184,949	189,943	214,061	228,102	258,603	305,127
Guajira	128,621	153,827	215,111	173,493	253,383	265,338
Caldas	290,047	284,525	255,901	255,448	262,531	262,437
Sucre	204,778	245,092	259,005	262,346	261,609	260,927
Casanare	116,957	120,085	132,193	125,692	137,039	218,156
Risaralda	207,588	215,595	212,826	217,798	224,320	211,346
Choco	173,546	183,368	195,266	184,885	185,307	183,440
Putumayo	105,664	108,418	133,719	132,545	132,563	147,891
Caqueta	121,483	123,382	249,930	132,994	136,864	140,400
Quindio	143,641	148,059	135,080	131,834	158,384	138,851
Arauca	97,504	100,534	82,868	89,822	101,139	136,291
Guaviare	36,125	34,772	45,294	46,958	44,972	46,753
Amazonas	29,086	29,813	38,600	38,703	41,019	38,287
Vichada	32,965	32,084	36,796	36,151	34,912	35,687
San Andres	23,047	21,552	21,603	20,972	23,890	23,328
Guainia	24,367	25,044	21,224	21,225	28,688	20,486
Vaupes	24,560	24,324	19,165	19,648	19,656	19,715
<b>Total</b>	<b>10,079,682</b>	<b>9,920,703</b>	<b>10,484,579</b>	<b>10,349,157</b>	<b>11,429,271</b>	<b>11,445,026</b>

Source: Santa Maria et al., 2009

The Colombian government's own ten year evaluation of education decentralization (1990-2001) finds that education "decentralization has favored an increase in coverage, reduction in the general illiteracy rate, greater availability of teachers and



higher schooling levels” (Rojas & Frank, 2004). Faguet and Sanchez (2009), in analyzing the results of education decentralization in Colombia, also find that decentralization coincides with a 20% increase in total school enrollment, and increased literacy rates (93%). The authors also stress the finding that enrollment increased sharply in those districts that were the most financially decentralized and most free from central government influence.

There is overall consensus that coverage has increased. The vast majority of students in Colombia attend public schools. Between 1985 and 2002, 75% of students were enrolled in public schools, and 70% of teachers worked for public schools. Elementary school coverage increased from 68.4% in 1989 to 83.7% in the year 2000, and secondary education coverage increased from 40.3% in 1989 to 62% in 1997 (Santa Maria et al., 2009).

Coverage has increased nationwide, especially for elementary (6 to 10 years old), and secondary education (11 to 14 years old), with less success in expanding middle education (15 to 17 years old). Tables 69 and 70 below show national improvements in primary and secondary enrollment rates, as well as in completion rates for primary students. Completion and enrollment rates have improved significantly—since the implementation of decentralization and the 1994 education law—for secondary students (one of the main policy goals), with gross enrollment rates improving from 64% in 1994 to 71% by the year 2000, to 82% in 2005, and 95% by 2010. Completion rates have also increased, from 45% in 1993 to 58% in 2001, reaching 91% in 2010 (see also Figure 3).

Great regional variations remain. The newest Departments (Vichada, Guaviare, Vaupes) have the lowest coverage for elementary school and secondary school. Choco is

another Department that stands out for its low coverage at all levels (Santa Maria et al., 2009). School drop-out rates continue to be a problem in many Departments. In 2007, the average dropout rate, at the Departmental level, was of 7.1%. For the 2002-2007 period, the Department of Caqueta had the most serious problem in this regard with 14.9% drop out rate, and the best was the city of Bogota with just 3.2% (Santa Maria et al., 2009).

**Table 69: Education Indicators (Selected) – Colombia 1990 – 2010**

Series Name	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Enrolment in primary education(1)	4246658	4310970	4525959	4599132	4648335	4692614	4916934	..	..	5162260	5221018
Out-of-school children of primary school age(2)	..	1190651	875312	857424	840109	725269	532967	..	270024	198353	159945
Gross enrolment ratio, primary (3)	105.4405	106.1356	110.4852	111.3202	111.5517	111.6661	116.09	..	119.0579	118.5221	118.8807
Primary completion rate, both sexes (%)	73.55794	72.94743	81.81144	82.92981	82.62786	86.39491	87.58864	..	93.39546	94.86706	94.8574
Enrolment in secondary education(4)	..	2377947	2686515	2829435	2935830	3025350	3252128	..	..	3589425	3568889
Gross enrolment ratio, secondary(5)	..	52.36373	58.23482	60.50289	62.07318	63.34929	67.57471	..	72.42449	72.57739	71.51099
Lower secondary completion rate(6)	..	..	..	45.66249	..	..	..	..	69.17265	..	..
Youth literacy rate, population 15-24 years(7)	..	..	..	90.52465	..	..	96.995	..	..	..	..
Current education expenditure, total(8)	..	..	..	..	..	..	..	..	..	..	..
Expenditure on primary(9)	..	..	..	..	..	..	..	..	44.93812	45.16187	44.55692
Government expenditure per primary student(10)	..	..	..	..	..	..	..	..	13.24931	15.24253	11.95551
All education staff compensation, primary(11)	..	..	..	..	..	..	..	..	..	..	..
All education staff compensation, secondary(12)	..	..	..	..	..	..	..	..	..	..	..

(1) both sexes (number)

(2) both sexes (number)

(3) both sexes (%)

(4) both sexes (number)

(5) both sexes (%)

(6) both sexes (%)

(7) both sexes (%)

(8) (% of total expenditure in public institutions)

(9) as % of government expenditure on education (%)

(10) as % of GDP per capita (%)

(11) (% of total expenditure in primary public institutions)

(12) (% of total expenditure in secondary public institutions)

Source: Author based on World Bank Development Indicators. Accessed 1/14/2016

**Table 70: Education Indicators (Selected) – Colombia 2001 – 2010**

Series Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Enrolment in primary education(1)	5131463	5193055	..	5259033	5298257	5296190	5292476	5285523	5299258	5084972
Out-of-school children of primary school age(2)	234995	189015	..	281828	178763	222685	272710	295334	319134	391648
Gross enrolment ratio, primary (3)	116.0434	116.9415	..	118.4376	119.633	119.733	119.7376	119.5937	119.8435	114.9137
Primary completion rate, both sexes (%)	92.17438	92.58965	..	100.0221	103.5889	109.3641	110.8273	110.4283	114.623	113.3939
Enrolment in secondary education(4)	..	3723348	..	4050525	4297228	4509406	4684033	4772189	4992062	5079732
Gross enrolment ratio, secondary(5)	..	73.2597	..	78.1847	82.21493	85.76431	88.71023	90.15461	94.25033	95.96435
Lower secondary completion rate(6)	58.6589	63.78273	..	69.81939	75.2119	77.94411	80.1693	82.43913	88.81356	91.30218
Youth literacy rate, population 15-24 years(7)	..	..	..	97.99131	97.9584	97.88317	97.96863	97.98927	97.93743	98.09842
Current education expenditure, total(8)	..	96.83647	..	93.31497	..	..	100	100	..	77.73353
Expenditure on primary(9)	44.57196	39.88195	..	48.3245	47.43698	40.49725	36.62786	37.30254	38.40722	35.92155
Government expenditure per primary student(10)	13.06542	13.51016	..	15.94129	15.4463	13.05167	12.49926	12.45925	15.75964	15.83455
All education staff compensation, primary(11)	..	..	..	76.47044	..	..	80.06557	75.26206	93.1597	89.70094
All education staff compensation, secondary(12)	..	..	..	76.47042	..	..	80.06557	75.26207	93.1597	89.70095

(1) both sexes (number)

(2) both sexes (number)

(3) both sexes (%)

(4) both sexes (number)

(5) both sexes (%)

(6) both sexes (%)

(7) both sexes (%)

(8) (% of total expenditure in public institutions)

(9) as % of government expenditure on education (%)

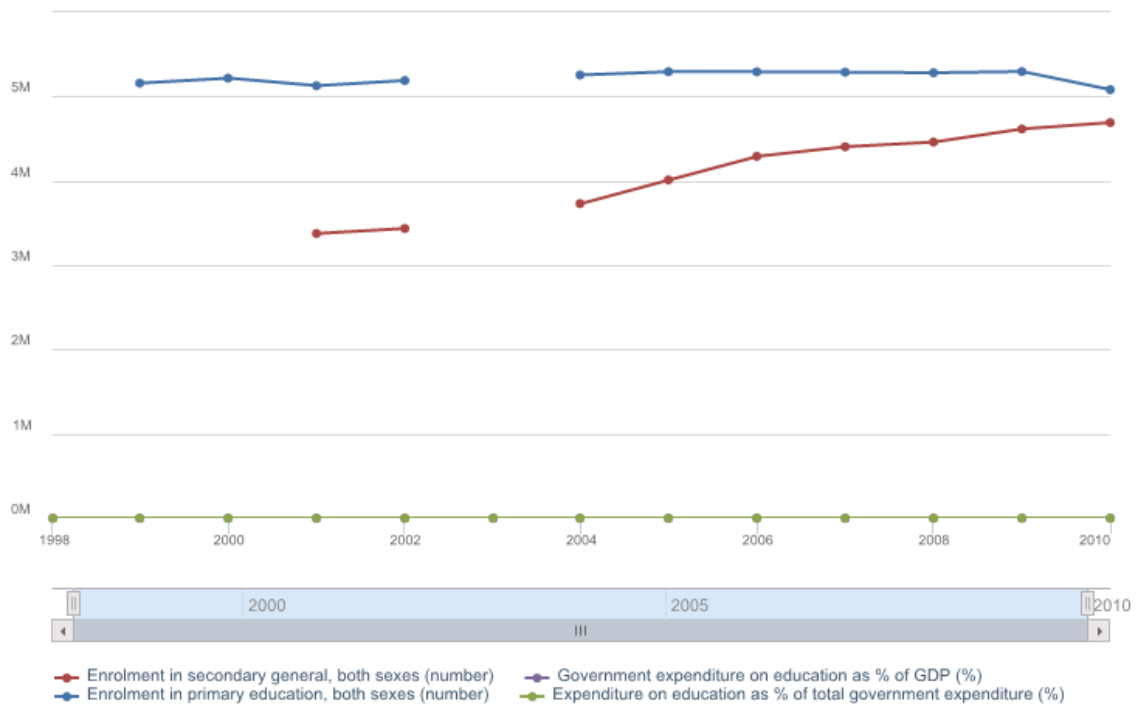
(10) as % of GDP per capita (%)

(11) (% of total expenditure in primary public institutions)

(12) (% of total expenditure in secondary public institutions)

Source: Author based on World Bank Development Indicators. Accessed 1/14/2016

**Figure 3: Evolution of Primary and Secondary Enrollment (1998 – 2010)  
Government Expenditure on Education (1998 – 2010) – Colombia**



Country : Colombia

Source: World Development Indicators

In the case of municipalities, data has been very difficult to gather to compare their effectiveness in implementing education decentralization. But, Faguet and Sanchez (2006), using large-N and quantitative analysis of municipalities in Bolivia and Colombia (90% of Colombian municipalities), find evidence of the link between decentralization and increased number of school enrollment. Also, those municipalities that spend more of their own resources in education, as well as those that are certified, show higher enrollment rates than those which are not (Faguet & Sanchez, 2006).

In truth, since the law establishes that municipalities with over 100,000 inhabitants and Departments are certified, and the municipalities meeting that population threshold are

in the minority, most of education decentralization in Colombia has been implemented by the regional governments. The goal of increasing enrollment has been largely achieved, but serious quality gaps remain.

## **Conclusions**

The Colombian experience with education decentralization offers some important insights into a process that is often complicated, reversible, and filled with power struggles and intense politicking.

As noted at the outset of this review of the Colombian experience, some key questions related to roles and responsibilities, fiscal impact, accountability, local capacity, and local participation in the decision-making process must be addressed and taken into account as decentralization processes are unfolding (Winkler, 1989; Naidoo, 2007; Hanson, 1997). In the case of Colombia, some of these issues were not properly addressed and problems appeared early in the process.

By applying what Winkler (1989) and Naidoo (2007) consider necessary factors of successful decentralization, to the Colombian experience between 1990 and 2010, it is evident that the country's initiative has met some of the proposed criteria (Table 71 below), resulting in an overall mixed success in the implementation of education decentralization policies.

**Table 71: Factors for a Successful Decentralization**

	Yes	No	Mixed
Presence of tradition of self-reliance at local level		X	
Subregional governments have access—and autonomy in the use of—to funding			X
There is local demand for decentralization			X
Key stakeholders are involved in the decision making process	X		
Local administrative capacity exists			X
Clear understanding of reform process			X
Staggered implementation	X		
Clear lines of monitoring and evaluations are shared by all stakeholders			X
Central authorities support for decentralization	X		
Transparency in the delivery of resources and decision-making			X

Source: author based on Winkler (1989) and Naidoo (2007)

At the beginning of the process in Colombia, years of persistent political violence meant that local communities lacked a tradition of self-reliance, so it was necessary to ensure accountability at the local level and citizens' involvement in the process. Some of the school reforms aimed at including parents and students in participatory school and curriculum management failed because of this. Key stakeholders also lacked clear information and understanding of what the process entailed, and what was expected from each level of government. Lack of information and communication has negatively impacted accountability at all levels.

Some other obstacles to the reform included the lack of coordination among different stakeholders; lack of a shared vision of what the process entailed; confusion as there were no clear guidelines of what was expected from each level of government; the and opposition of national, regional, and local bureaucracies, as well as the powerful

teachers' union (FECODE). Decentralization for the teachers' union meant losing political power, which came from being able to negotiate national contracts (Berhman, Deolalikar, Soon, 2002). The unions scored some important victories as schools were not given autonomy to select, hire, and discipline staff, for example.

At the Departmental and municipal levels, a main problems was the weakness of administrative institutions, and the lack of local capacity, in particular for smaller municipalities and Departments. As these concerns arose, much to its credit, the Colombian government and the Colombian Federation of Municipalities continued to implement training to local and regional governments on managing the new programs.

Many local governments also felt that the central government was transferring responsibilities and challenges before a minimum standard was achieved. Thus, local governments would have to spend many resources to bring their local schools to the new standards and mayors would risk the political fallout in case reforms did not work out.

The lack of a shared vision of what education decentralization aimed to accomplish, and what level of government was to be in charge of what aspect of implementing the reforms, added to the misunderstandings and the setbacks in the Colombian process. Vested interests, in particular the teachers' union, ministries' bureaucracies, some political movements, and to some extent, the violent armed movements, made certain reforms very difficult to implement, whittling down the proposed changes. An "all-at-once," "from-the-top" imposed strategy did not help the government's initiative.

The Colombian case also demonstrates that regional differences and local diversity should be taken into account in the design and implementation of education decentralization policies. Wealthier and larger Departments, as well as local governments,

were reluctant to accept the new responsibilities as long as roles, funding, and accountability were not clearly defined and established. Necessary good will and political capital were lost in those first years of implementation.

One of the main problems in the Colombian education decentralization experience was, and to some degree still is, with fiscal autonomy and local and regional governments' lack of capacity to procure their own source of revenues, create them, or control spending. The Colombian central government still has tight control on how Departments and local governments can spend the funds that are transferred to them.

The case of education decentralization in Colombia shows just how complicated and difficult it is not only to design, but also to implement, decentralization. Setbacks have not been uncommon, but—to their credit—Colombia's political leaders (especially at the regional and local level) have shown resilience and political will to continue demanding, and improving, the implementation of education decentralization. Decentralization of education services, as is the case for any other service, is not an easy task; the issue is finding the appropriate balance. Thus, hypothesis one (H1) tends to be positive.

In regard to the effectiveness of the policies implemented, the goal of extending coverage and increasing enrollment has largely been achieved. Coordination toward this goal has not been easy, and the central government has kept close control of the process, but, in general, there has been cooperation and collaboration. Thus, the proposed hypothesis 2 is also largely positive. The more collaboration between different stakeholders, including the three different levels of government, the more likely that public policy decentralization objectives would be achieved.



## CHAPTER TEN

### ANALYSIS AND CONCLUSIONS: INTERGOVERNMENTAL RELATIONS IN COMPARATIVE PERSPECTIVE: PARAGUAY AND COLOMBIA

Colombia and Paraguay are unitary and decentralized countries, as defined in their political constitutions. The present research has explored the way inter-governmental relations were re-shaped in the 1990s as a consequence of significant reforms initiated in both countries, and we have examined the political factors that shaped the decentralization reforms in Colombia and Paraguay. These centralized countries were selected for analysis because of how reforms emerged from the historical circumstances unique to each country. Violence and a need to re-legitimize the State motivated many of Colombia's reform, while departure from years of authoritarian rule and the imperative to strengthen institutions motivated Paraguay's reform. Both countries owed their societies improved delivery of public services.

The particular historical characteristics of each country and the evolution of their political and intergovernmental systems was described in Chapters 3 and 4 of this study. Colombia's political system had been marked by years of violent conflict, civil wars, right and left wing extremism, and the infiltration of drug cartels in politics. Facing continuously weakening democratic institutions, the traditional parties (Conservative and Liberal) allowed for significant political reforms aimed at re-legitimizing the State. In the case of Paraguay, its political psyche had been scarred by two external wars, followed by years of political upheaval that ended in the longest dictatorship—by one man—in Latin American

history. Succession tensions and economic worries led to the replacement of the dictator and the transition to democracy. In Paraguay, too, there was a need to re-legitimize the State and its presence in the territory. Thus, both countries launched a series of reforms leading to new political constitutions (in 1991 in the case of Colombia, and in 1992 in the case of Paraguay).

The present research has shown that external shocks provided reformers with both the opportunity, and the challenges, to move reforms forward and realize their policy goals. Critical junctures, and taking advantage during a window of opportunity, offered supporters of decentralization in both Colombia and Paraguay the momentum to push reforms forward. Domestic, international, and economic factors contributed to the impetus for change, and those same factors are at the heart of slowdown. The present research has also considered changes that occurred over time and that contributed to a gradual and incremental institutional change (Mahoney & Thelen, 2010).

We examined formal rules (political and judicial, economic, social), and their hierarchy (Constitutions, laws, decrees and bylaws), that might constrain institutional changes (North, 2009). The bargaining strength of different stakeholders was also taken into account in the analysis.

In the end, it is essential to keep in mind that, as North (2009) posits, institutional change is “overwhelmingly incremental.” We have observed that Colombia’s and Paraguay’s decentralization reforms, with all their successes and setbacks, show a “*gradual restructuring of a framework in which the interconnections between formal and informal constraints and enforcement characteristics evolved*” over time (page 89). The limited success of Paraguay’s decentralization can be attributed to the limited degree of freedom

that politicians and stakeholders might have to bargain and still maintain the loyalty of their constituencies.

If using Daughters and Harper's (in Lora, 2007) proposed Decentralization Maturity Index to assess how appropriate or effective decentralization reforms have been in five fundamental policy areas (political decentralization, expenditures assignment, subnational taxation, intergovernmental transfers, and subnational debt management), a clearer picture of their similarities and differences can be attained:

- 1) *Local democratic representation*: indicating whether subnational authorities are directly or indirectly elected;
- 2) *Effective assignment of roles and responsibilities at various levels of government*: measuring the extent of responsibilities over a specific sectors' delegation to subnational authorities;
- 3) *Strengthening of subnational taxation system*: expanding subnational governments' authority over local taxes;
- 4) *Reduced discretion in the intergovernmental transfer system*: level of discretion over transfers by the central government, namely the extent to which transfers are automatic or freely allocated;
- 5) *Creation of hard credit culture for subnational borrowing*: measuring the presence of borrowing restrictions.

**Table 72: Decentralization Maturity Index – Colombia and Paraguay**

	<b>Democratic representation</b>	<b>Responsibilities</b>	<b>Taxation System</b>	<b>Discretion of transfers</b>	<b>Borrowing capacity</b>
<b>Colombia</b>	Yes	Mixed – much confusion remains	No	Yes – but central government keeps control	No
<b>Paraguay</b>	Yes	Mixed – much confusion remains	No	Yes – but central government keeps control	No

Source: Author based on Daughters and Harper (in Lora, 2007)

As indicated, the differences between the two countries are not significant, except in the level of expenditures made by subnational governments in Colombia (much higher than their Paraguayan counterparts), and the fact that, though responsibilities are in both cases not clearly defined, Colombia's subnational governments do play a more important role in the implementation of health and education decentralization reforms than the Paraguayan regional and local authorities.

Fiscal decentralization has been significant in Colombia but much less so in the case of Paraguay. Fiscal decentralization has been a process principally involving public expenditure rather than revenue; and three major concerns remain regarding the movements toward fiscal decentralization and how the services decentralized are being financed: (a) generating own revenues which, in general, is very limited; (b) the heavy reliance on fiscal transfers from the central government; and (c) borrowing, which has also been seriously limited (Gomez Sabaini, & Jimenez, 2006). Tax collection remains a problem for most local and regional governments in Colombia and Paraguay.

Treisman's indicators of decentralization (2002) can be used to measure the level of decentralization achieved by these two countries: Vertical decentralization refers to the number of tiers for each country; decision making decentralization refers to the extent to which subnational levels of government have autonomy to make political decisions. In that regard, Treisman points to *weak autonomy* (constitution reserves exclusive right to legislate on at least one specific policy area to subnational legislatures), *residual authority* (constitution gives subnational legislature exclusive right to legislate on policy areas not specifically assigned in the constitution), and *subnational veto* (regionally-chosen upper house of parliament has constitutional right to block legislation). Appointment decentralization refers to the extent to which executive appointments are made by actors at same tier; electoral decentralization to the extent to which subnational authorities are directly elected; fiscal decentralization, the share of subnational governments in total public expenditures or share of tax revenue collection; and finally, personnel administration, the share of government employees at the subnational level (see table 73).

**Table 73: Treisman’s Decentralization Indicators: Colombia and Paraguay**

	Vertical Decentralization	Decision Making Decentralization				Appointment decentralization	Electoral Decentralization	Fiscal Decentralization	Personnel Decentralization
		Weak Autonomy	Residual Powers	Regionally chosen upper house can block financial bills	Regionally chosen upper house can block non-financial bills				
Colombia	3	No	No	No	No	Yes	Yes	18% of tax revenue collected by subnational level* subnational government expenditure 32.3%*	43% **
Paraguay	3	No	No	Yes for Departments No for municipalities	No	Yes	Yes	subnational government expenditure 6% (2006)** *	8.6% (2006)** *

\*OECD Territorial Reviews OECD Territorial Reviews: Colombia 2014

\*\* OECD Colombia: Implementing Good Governance, 2013

\*\*\* UCGL Country Profiles: Paraguay ([http://www.cities-localgovernments.org/gold/Upload/country\\_profile/Country%20Profile%20Paraguay.pdf](http://www.cities-localgovernments.org/gold/Upload/country_profile/Country%20Profile%20Paraguay.pdf))

The table above serves to visualize the stark differences between these two unitary countries. Though both have very similar legal frameworks in terms of political and administrative autonomy, Paraguay’s regional governments are more restricted fiscally as

their budgets are finally approved by Congress and are part of the nation's budget. This contrasts the situation of Colombia's Departments. Moreover, Colombian municipalities are not subject to central government intervention in cases of mismanagement or malpractice; while in Paraguay, the legislation allows it—although these instances are rare.

The main difference between the two countries involves fiscal decentralization. Here again, both have limited the fiscal autonomy of subnational governments. They are not allowed to create new taxes, but can raise existing ones (in the case of local governments), or increase the fees that they already collect. In both Colombia and Paraguay, regional and local governments rely heavily on transfers from the central government, including royalties. But, the clearest indicator of how much more fiscally decentralized Colombia is lies in the share of public expenditures spent at the subnational level, which in the case of Colombia reaches 32%—the highest of any other unitary country. Paraguay lags behind at only 6%. What is not different between them is the little autonomy and/or discretion that regional governments have in the use of funds.

If central governments only decentralize certain services and funds are earmarked to control what subnational governments can actually do, why do they only “partially decentralize”? (Lockwood, in Ahmad & Brossio, 2009). The present research has shown that this was partly because central governments feared being held responsible for the mistakes and mishaps of subnational authorities. In the case of Colombia, for example, the fiscal problems of the first wave of decentralization led to the 2001 Law 715 that pushed back some of the fiscal decentralization reforms already in place.

The way decentralization has been designed in many countries, including Colombia and Paraguay, has made accountability in the use of funds and outcomes of subnational

governments by citizens very difficult (Devarajan et al., 2009). Central governments have incentives to deliberately withhold resources from local governments—a widespread practice by the Finance Ministry in the case of Paraguay. In both Colombia and Paraguay, the central government has put stringent conditions on the transfer of funds, earmarking them in such a way that little autonomy is left for subnational governments. Finally, transfers have been, in certain instances, selective—benefitting some political allies more than others, particularly in the case of Paraguay.

This partial decentralization creates a governance trap (Devarajan et al., 2009), as local and regional governments, facing insufficient resources and lacking decision making autonomy, are thus not accountable to their citizens, and central governments blame subnational authorities for the lack of capacity they themselves help to perpetuate. As such, and as evident in the cases of Colombia and Paraguay, a perverse and self-reinforcing cycle is set in motion by which subnational authorities blame central authorities for a poorly designed and funded decentralization model, creating incentives at the local level for patronage and clientelism; central authorities blame local and regional governments of their lack of capacity and accountability. As long as subnational authorities do not have autonomy and control over resources (and thus are held accountable for their use and outcomes), the expected success of policy decentralization will never materialize.

The section on political parties (Chapter 5), and their frequent lack of support for further decentralization reforms, could be partly explained by the structure of electoral incentives (Grofman, in Weingast & Wittman, 2006) —where incentives for voters (or their desires) do not always align with those of candidates and parties (aiming to be reelected) —and by the ambiguity that characterizes the approval of conflictive legislation



where, even when legislation is approved, details are left to be decided by future legislation in order to avoid conflict and further tensions.

The chapter also offered an analysis of the role played by patronage and clientelism in defining the characteristics of both countries' political system, and the influence these practices still have in the decision-making process. By analyzing how political decentralization, and the electoral reforms enacted in the 1990s, have contributed to the denationalization and fragmentation of political parties in both countries, the research shows that the practices of clientelism and patronage have been, in some instances, encouraged.

It is argued here that the differences, and the internal divisions within the parties, have contributed to the Executive branch's lack of support—in both countries—for decentralization, and to the central government's ability to define the public policy decentralization agenda with an emphasis on fiscal issues, control over policy areas, and by restraining the authority of subnational governments.

The remaining chapters of this research (Chapters 6 through 9) have analyzed the process by which public service delivery decentralization, in the areas of health and education, occurred. It offers an evaluation of the effectiveness (defined as the capacity to implement the policies formulated with the desired results), and efficacy (defined as the capacity to make decisions or formulate adequate policies) of the policies devised. Both Colombia and Paraguay can be considered good examples of efficacy (laws and programs were mostly approved), but they have not necessarily been effective—subnational governments' capacity to implement programs has been curtailed by legal requirements, excessive reporting, and fiscal constraints.

By examining laws dealing with health and education decentralization in both Colombia and Paraguay, the present research has attempted to explain how the agenda setting for reform occurred and explain the role of key actors in such processes (Kingdon, 2003; Mintrom & Vergari, 1996; Mintron & Norman, 2009). The role of policy entrepreneurs, such as Minister Vidovich Morales of Paraguay and Londoño in Colombia, in health decentralization was also discussed. Their ability to create coalitions and networks of support to further reforms were essential to the approval process. Education decentralization in both countries seemingly lacked key policy entrepreneurs to champion reform implementation.

By analyzing how those reforms were approved and implemented, the present research has sought to understand the complex relationships between legislators, bureaucrats, voters, politicians, and members of civil society. In the end, uncertainty and risk aversion have played a significant role, especially in Paraguay, in slowing down the decentralization reforms initiated in the mid-1990s.

Regulatory uncertainty, the role of large state bureaucracies in health and education, and labor unions, as well as informal rules of interparty consultation, have also been discussed in the chapters dealing with the particulars of health and education decentralization in these two cases. In general, these informal institutions have made decentralization implementation very difficult.

The research presented here strengthens previous findings (Kaufman & Nelson, 2004) that major social sector reforms, especially in health and education, are often moved to the backburner due to pressing concerns of the political agenda of the country's political class. As a consequence, and even when the legal framework was enacted and put in place,

the path of reform implementation has been very slow in the case of Paraguay, and has slowed down in the case of Colombia.

The present research describes the phases that Colombia and Paraguay have traversed during the reform process: from the point that decentralization was included in the policy agenda; to a second phase in which concrete proposals were designed, approved, and brought to the Executive for approval; to the formal authorization of the reforms; and finally, the implementation phase (Kaufman & Nelson, 2004).

The final phase has proven to be a very difficult one, with the introduction of a host of new actors impacted by the consequences of the proposed reforms. In this case, labor unions played a significant role in either blocking reforms or modifying them in such a way as to either derail implementation or slow it down. This is particularly true, both in Colombia and Paraguay, in the case of education decentralization where labor unions had long had a very powerful influence on politicians, a long tradition of strong organization, and an ability to influence the process, mostly, in their favor. In the case of health, since so many different stakeholders were involved and/or impacted by the reforms, a cohesive front of opposition was not present in either case, and some part of state bureaucracies were, in fact, in favor of the reforms.

As discussed above, many difficulties have hindered the effective and efficient implementation of public policy decentralization, ranging from vague legal frameworks, unclear mandates, lack of adequate human capital, competing political forces, and the fundamental fact that local and regional governments in both countries continue to be heavily dependent on the transfer of resources from central authorities. Central authorities have also, through excessive regulations and controls, found a way of exercising control of

subnational governments, hindering their ability to be innovative and creative in the implementation of health and education decentralization reforms.

Today, the future of public service delivery may emerge from the small but nonetheless significant changes that can be implemented through ministerial decrees, local initiatives, or changes in administrative practices—leading to new ways of delivering services with greater autonomy for subnational levels of government. These small steps, as long as they remain uncontroversial, could, in the long term, contribute to incremental changes in the way services are delivered.

Though Kaufman et al. (2004) only analyze the decentralization policy reforms in various Latin American countries, they do not attempt to evaluate the extent to which those policies have been successful. The present research has modestly tried to evaluate the impact of health and education reform in Colombia and Paraguay by examining infant mortality rates (children under one year old, live births) in the case of health, and school enrollment (coverage) in the case of education.

The findings are mixed in both countries, as many other social factors influence these indicators, and because so much of the desired data were not available. Nevertheless, these preliminary findings seem to support the assumption that, as subnational levels of government are given increased fiscal and administrative autonomy, basic indicators tend to improve, though the quality of those services is still very much in doubt and very difficult to assess.

The present research has shown that health and education decentralization reforms imply: a series of very complex, difficult to implement new structures; a redesign of policies and procedures; changes in the relations between stakeholders; and changes in

intergovernmental relations that are not always clearly defined, much less understood, by all participants, including local communities. Thus, implementation suffers and demands for “better reforms” increase resulting, in some instances, in the slowing down of the process as different strategies are put forward to improve decentralization and no agreements are reached.

By analyzing the dynamics by which these reforms were approved, this research has also shown that the political will of some key political actors—from ministers, state bureaucracies, legislators, community organizations, unions and associations, to presidents—was essential for the approval and implementation of decentralization reforms.

In the case of Paraguay’s health decentralization, the commitment to reform of then Minister Andres Vidovich Morales—and his ability to create consensus both within his Ministry, as well as with national legislators, the president of the country, and subnational authorities—was fundamental to achieving reforms. Implementation, though, was impacted by his departure as Minister, as well as by the difficult political upheavals that would characterize Paraguayan politics in subsequent administrations.

The case of health decentralization in Colombia has also shown the important and similar role played by Minister Juan Luis Londoño. In the Colombian case, implementation has been more successful and reforms have profoundly changed how health services are provided in the country.

Promoters of health decentralization in Colombia benefitted from a strong reform team in the Ministry, as well as social movement, interest groups such as the Colombian Federation of Mayors, and political parties willing to support the coalition for reform. In the case of Paraguay, the coalition consisted mostly of the then Minister of Health, some

legislators in Congress, and few civil society organizations, and though associations such as the mayors and governors once supported the initiatives, momentum was—through the passage of time and implementation problems—slowly lost. The Lugo administration’s (2008-2010) decision to make health provision free of charge for all Paraguayans, though a laudable initiative, greatly diminished the little autonomy local governments had achieved in implementing and funding small health programs at the local level.

In the case of education, neither country has had a key figure promoting decentralization. In Paraguay, education decentralization implementation never occurred and has essentially failed. In the case of Colombia, even with the strong opposition of the Colombian Federation of Educators (FECODE), there had been a previous tradition of subnational governments’ involvement in providing education services; thus, with the arrival of political decentralization, mayors and governors were empowered and demanded a role in education decentralization.

Finally, in applying Bjork’s propositions for effective decentralization<sup>144</sup> (2006) to the Colombian and Paraguayan experience:

- 1) *The greater the accepted vision of decentralization between the distinct center of power, the greater the chance for successful change:* in both countries this assertion holds true, with the qualifier that, in both cases—but especially in the case of Paraguay—the definition and implications of decentralization were not clear for all, and the consensus decentralization created did not hold for long.

---

<sup>144</sup> Though his proposals are specifically for education decentralization, they can easily be applied to other policy areas.

- 2) *Devolution rather than delegation of authority and responsibility has a greater chance of long-term success:* Neither Colombia nor Paraguay devolved authority and resources to subnational levels of government.
- 3) *It is easier to initiate decentralization in times of political, economic, and social stress, than during times of relative stability:* the research has shown that this assumption holds true for both Colombia and Paraguay.
- 4) *When decentralization initiatives die, it is usually for political rather than administrative/technical reasons:* here the results are mixed. First, in neither case has decentralization “died.” Though both countries show signs of a slowdown in decentralization, which can be attributed to political reasons (especially for Paraguay), administrative obstacles have also proven to be a factor in the slowdown, especially in Colombia. In fact, it is argued here that central authority bureaucracies, through excessive regulations and reporting requirements, have managed to effectively slow down the implementation of reforms.
- 5) *The presence of a strong management infrastructure at the regional level creates greater opportunity for success:* this assumption holds true for both countries. In the case of Colombia, the presence of a more established infrastructure and previous experience in implementing such programs (especially in education) was important for Departmental governments in their success with extending coverage and enrollment. Paraguay’s subnational governments have lacked experience and infrastructure.
- 6) *Readiness and an incremental approach are important factors when decentralizing:* this research has shown that one of Colombia’s problems,

according to subnational authorities interviewed and previous research, was the fact that the immense differences in resources, capacity, and ability to manage and implement public policies of Colombia's subnational governments was not taken into account. This has been a very important factor for the perceived failures in implementation. In the case of Paraguay, the incremental approach was applied in the health sector reforms with the signing of memorandums of understanding between the Ministry, Departments, and local governments that required a series of steps to be met before health decentralization could be initiated.

- 7) *People who have been part of an organizational culture that has managed a centralized system are not very effective in managing a decentralized system:* Paraguay and Colombia have demonstrated that large bureaucracies are difficult and slow to change, and since decentralization involves relenting power, these authorities tend to combat any reforms.

Colombia and Paraguay have shown that sufficient power is required to influence the process. In both cases, but particularly in Paraguay, mayors and governors have lacked it. In Colombia, mayors in particular, have been more successful in exercising their power to influence the process.

In neither case do subnational levels of government have sufficient autonomy in the management of financial resources, however in both cases, the way fiscal decentralization has been designed and implemented with its heavy dependence on transfers from the central government, makes them very vulnerable to the political will of those central authorities.



Adequate capacity in both cases has already been noted as a problem, along with the lack of reliable accountability mechanisms. Accountability issues might be the result of a lack of a democratic tradition and widespread practices of clientelism and patronage that are hard to eliminate, but at least in the case of Paraguay, it is somehow counterbalanced by an emerging and vocal civil society.

In conclusion, the cases of both Colombia and Paraguay are a combination of “classic deconcentration” and “coercive devolution” (Lowry, in Cheema & Rondinelli, 2007), where subnational levels of government have mixed administrative responsibilities in the implementation of public service delivery.

In the case of Paraguay’s educational system deconcentration has been the norm as the few programs that exist are still implemented at the local level by local staff of national agencies. Primary implementation authority remains in the central government, and local authorities have minimal discretion in planning and implementation as noted in Chapter 8. Their planning and management capacity is also highly controlled by the central government, and accountability goes upward to the national ministry. In the case of health decentralization, in the initial stages of the reform and through the period between 1996 and 2008, the goals included increasing subnational governments’ involvement in the decision-making process with more responsibilities and management capacity. But the situation has, with time, moved toward a classic deconcentration model (Chapter 6).

In the case of Colombia’s education and health reforms, the model more closely resembles that of coercive devolution, as local officials implement local plans, but central government authorities review their actions for consistency with national priorities and guidelines. The system is frequently characterized by tension as national, regional, and

local officials argue about who is in charge. The central government reviews local and regional implementation plans and regulatory compliance with national guidelines. Subnational governments are expected to meet certain criteria for successful implementation, and non-compliance is punished (Chapters 7 and 9).

Decentralization continues to struggle against a number of challenges in both countries due to the unique complexities of Paraguayan and Colombian societies, the administrative and political challenges the countries still face, residents' demands for more services and improved services, the presence of political turmoil and conflicting values, economic problems, and the constant need for political leadership. Future research can further explore and analyze the role played by state bureaucracies in hindering or advancing decentralization implementation, the initiatives to strengthen local capacity, and under what conditions would further decentralization of service provision occur.

The present research has shown that “getting the institutions right” (Ostrom, 1990) is a very difficult task. The reshaping and realignment of intergovernmental relations spawns tension and conflict; therefore, incrementalism is an important factor for success.

Institutional change always carries tension as resource considerations, which have distributional consequences (Mahoney & Thelen, 2010), are thrust to the forefront of political considerations. In both Colombia and Paraguay, political and economic resources and control of those resources were, and are, at the center of discussions of decentralization reform.

## REFERENCES

- Abente Brun, Diego. *Estatalidad y Calidad de la Democracia en Paraguay*. América Latina Hoy, 60, 2012, pp. 43 – 66. Ediciones Universidad de Salamanca
- Abente Brun, Diego (coordinador). *Paraguay en transición*. Editorial Nueva Sociedad. Caracas, Venezuela, 1993
- Abente Brun, Diego. *The Quality of Democracy in Small South American Countries: The Case of Paraguay*. Working Paper #343, November 2007. Kellogg Institute
- Acosta, Olga Lucia and Richard M. Bird. “The Dilemma of Decentralization in Colombia”. ITP Paper 0404. 2003
- Ahmad, Ehtisham and Giorgio Brosio Editors. *Does Decentralization Enhance vita Service Delivery and Poverty Reduction?* Published by Edward Elgar Publishing Limited, Glos, UK. 2009
- Ahmad, Junaid; Shantayanan Devarajan; Stuti Khemani; and Shekhar Shah. World Bank Policy Research Working Paper 3603, May 2005
- Alesina, Alberto; Alberto Carrasquilla, and Juan Jose Ehavarria. *Decentralization in Colombia*. In Alesina, Alberto. Editor. *Institutional Reforms: The Case of Colombia*. The MIT Press, Cambridge, Massachusetts. 2005
- Andrade Terán, Ramiro. *La crisis de los partidos políticos en Colombia*. Cali: Editora Feriva, 2011
- Angeles, Gustavo; John F. Stewart, Ruben Gaete, Dominic Mancini, Antonio Trujillo, Christina I. Fowler. *Health Care Decentralization in Paraguay: Evaluation of Impact, Cost, Efficiency, Basic Quality, and Equity. Baseline Report*. MEASURE Evaluation Technical Report Series, No. 4. MEASURE – USAID. December 1999
- Arditi, Benjamín. *Elecciones y partidos en el Paraguay de la transición*. Revista Mexicana de Sociología, Vol. 52, No. 4, Procesos Electorales en América Latina (Oct. – Dec., 1990), pp. 83 – 98 Published by Universidad Autónoma de México
- Arévalo, Decsi Astrid. *Participación Comunitaria y Control Social en el Sistema de Salud*. Rev. Salud pública. 6 (2): 107-139, 2004
- Avila Urdaneta, Maritza. *La Salud en el paradigma de la descentralización en América Latina*. Revista de Ciencias Sociales (RCS). Vol. XVI, No. 3, Julio – Septiembre 2010, pp. 526-543

Azfar, Omar; Satu Kahkonen; Anthony Lanyi; Patrick Meagher; & Diana Rutherford. Decentralization, Governance and Public Services: the Impact of Institutional Arrangements. A Review of the Literature. IRIS Center, University of Maryland, College Park. September 1999

Balmelli, Carlos Mateo. El Desarrollo Institucional. PNUD. Asuncion, Paraguay. Junio 2004

Barberena Nisimblat, Viviana. Las preguntas sin respuesta de la descentralización: la encrucijada y los nuevos caminos. In Gutierrez Sanin, In 25 Años de Descentralización en Colombia. GTZ Konrad Adenauer Stiftung. Abril 2010

Barbosa Cardona, Octavio and Alvaro Alegria Guerrero. Relaciones Intergubernamentales y Organización del Estado en Colombia. Escuela Superior de Administración Pública (ESAP). Subdirección Académica. Facultad de Investigaciones. Imprenta Nacional de Colombia. Bogotá, 2011

Barboza, Ramiro. Constitución de la República del Paraguay 1992. Tomo II. CIDSEP-AID. Pags. 775-780. Asunción, marzo 1993

Bardhan, Pranab. Governance Dilemmas in Service Delivery. In Does Decentralization Enhance Service Delivery and Poverty Reduction?. Ehtisham Ahmad and Giorgio Brosio Editors. Published by Edward Elgar Publishing Limited, Glos, UK. 2009

Bardhan, Pranab. Decentralization of Governance and Development. The Journal of Economic Perspectives, Vol. 16, No. 4 (Autumn, 2002), pp 185-205

Bardhan, P. & D. Mookherjee. Expenditure Decentralization and the Delivery of Public Services in Developing Countries. Working Paper No. C98-104, Center for International and Development Economics Research, Berkely, 1998

Barrios Kuck, Maria Elizabeth. Equidad en el Gasto Público en Salud en Paraguay. Informe Final. Dirección General de Estadística, Encuestas y Censos. Programa para el mejoramiento de las encuestas y las mediciones de las condiciones de vida en Paraguay (MECOVI-Paraguay). Asunción, Paraguay. Enero 2002

Bejarano, Ana Maria. The Constitution of 1991: An Institutional Evaluation Seven Years Later. In Charles Bergquist, Ricardo Peñaranda, and Gonzalo Sanchez Editors. Violence in Colombia 1990-2000: Waging War and Negotiating Peace. By Scholarly Resources Inc. 2001

Behrman, Jere R.; Anil B. Deolalikar; Lee-Ying Soon. Conceptual Issues in the Role of Education Decentralization in Promoting Effective Schooling in Asian Developing Countries. ERD Working Paper Series No. 22. Economics and Research Department. Asian Development Bank. September 2002

Benton, Allyson Lucinda. The Strategic Struggle for Patronage: Political Careers, State Largesse, and Factionalism in Latin American Parties. *Journal of Theoretical Politics* 19 (1): 55-82, 2007

Bernal, O. and Zamora, DC. (2014) A Better Understanding of Reasons for the Failure of the Healthcare Reform in Colombia. *Health*, 6, 2918-2926.  
<http://dx.doi.org/10.4236/health.2014.621330>

Bjork, Christopher (ed.). *Educational Decentralization*, 1 – 7. Springer, 2006

Bonet, Jaime; Gerson Javier Pérez V.; Jhorland Ayala. Contexto histórico y evolución del SGP en Colombia. Documentos de Trabajo Sobre Economía Regional. Banco de la República. Centro de Estudios Económicos Regionales (CEER) – Cartagena. Num. 205, julio 2014

Boslaugh, Sara E. *Health Care Systems Around the World: A Comparative Guide*. SAGE Publications, 2013

Bossert Thomas J.; Osvaldo Larrañaga; Ursula Giedion; Jose Jesús Arbelaez; and Diana M. Bowser. Decentralization and equity of resource allocation: evidence from Colombia and Chile. *Bulletin of the World Health Organization* 2003, 81 (2)

Bossert, Thomas. *Analyzing the Decentralization of Health Systems in Developing Countries: Decision Space, Innovation and Performance*. (unpublished paper) Harvard School of Public Health. Cambridge, Massachusetts, 1997

Brosio, Giorgio and Juan Pablo Jimenez (editors). *Decentralization and Reform in Latin America: Improving Intergovernmental Relations*. United Nations, 2012

Cardenas S., Mauricio, Roberto Junguito B, Mónica Pachón. Political Institutions and Policy Outcomes in Colombia: the Effects of the 1991 Constitution. *Coyuntura Economica*. Pp 62-114. 2006

Cheema, G. Shabbir; Dennis A. Rondinelli Editors. *Decentralizing Governance. Emerging Concepts and Practices*. Ash Institute for Democratic Governance and Innovation. John F. School of Governance. Harvard University. Brookings Institution Press. Washington, DC. 2007

Cetrangolo, Oscar and Ariela Goldschmit. Fiscal Decentralization: increasing social cohesion among widely disparate territorial units. In Brosio, Giorgio and Juan Pablo Jimenez (editors). *Decentralization and Reform in Latin America: Improving Intergovernmental Relations*. United Nations, 2012

Colindres, Hector y Tisna Veldhuyzen van Zanten. Informe Técnico No. 4. Plan Estratégico para Descentralizar el Sistema de Salud en Paraguay. Partnerships for Health Reform en colaboración con Development Associates, Inc., Harvard School of Public Health, Howard University International Affairs Center, University Research Corporation. Agosto de 1996

Connerley, Ed; Kent Eaton; and Paul Smoke Editors. Making Decentralization Work. Democracy, Development, and Security. 2010 by Lynne Rienner Publishers, Inc.

Constitución de la República del Paraguay. Sancionada y Promulgada el 20 de junio de 1992. La Ley Paraguaya S.A. Editora e Impresora. Asunción, Paraguay. 1992

Convención Nacional Constituyente, Discusiones Diario de Sesiones, Artículo 1. – document provided by COPLANEA, Asuncion, Paraguay, 2014

Corduneanu-Huci, Cristina; Alexander Hamilton; Issel Masses Ferrer. “Understanding Policy Change. How to Apply Political Economy Concepts in Practice”. The World Bank, Washington, DC. 2013

Dargent, Eduardo and Paula Muñoz (2011). Democracy Against Parties? Party System Deinstitutionalization in Colombia. *Journal of Politics in Latin America*, 3, 2, 43-71

Daughters Robert and Leslie Harper. Fiscal and Political Decentralization Reforms. In Lora, Eduardo. Editor. *The State of State Reform in Latin America*. The Inter-American Development Bank. Stanford University Press. 2007

Daun, Holger. How Does Decentralization Work and What Has it Achieved? In Daun, Holger (ed.) *School Decentralization in the Context of Globalizing Governance: International Comparison of Grassroots Responses*, 27-54. 2007 Springer

Devarajan, Shantayanan, Stuti Khemani and Shekhar Shah. The Politics of Partial Decentralization. In *Does Decentralization Enhance Service Delivery and Poverty Reduction?*. Ehtisham Ahmad and Giorgio Brosio Editors. Published by Edward Elgar Publishing Limited, Glos, UK. 2009

Di Gropello, Emanuela. Education Decentralization and Accountability Relationships in Latin America. World Bank Policy Research Working Paper 3453, November 2004

Dickovick, J. Tyler. Decentralization and Recentralization in the Developing World. *Comparative Studies from Africa and Latin America*. The Pennsylvania State University Press. 2011

Dillinger, William and Steven B. Webb. Decentralization and Fiscal Management in Colombia. World Bank. May 1999

DiMaggio, Paul and Walter W. Powell. The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*. Vol. 48, No 2 (April 1983) pp 147-160

Dirección General de Estadística, Encuesta y Censos/Paraguay. Encuesta Permanente de Hogares, 2007. Asunción, Paraguay

Duarte Recalde, Liliana. Variaciones en el Comportamiento Electoral en Paraguay. *América Latina Hoy*, 60, 2012, pp. 117 – 138. Ediciones Universidad de Salamanca

Eaton, Kent. Decentralization's Nondemocratic Roots: Authoritarianism and Subnational Reform in Latin America. *Latin American Politics and Society*. Vol. 48, No. 1, Spring 2006, pp 1-26

Eaton, Kent. The Downside of Decentralization: Armed Clientelism in Colombia. *Security Studies* 15, no. 4 (October-December 2006)

Eaton, Kent. *Politics Beyond the Capital. The Design of Subnational Institutions in South America*. Stanford University Press. 2004

Eggertsson, Thrainn. *Imperfect Institutions. Possibilities and Limits of Reform*. University of Michigan Press, 2005

Elias, Rodolfo. Investigador Principal. *El Desafío es la Equidad. Informe de Progreso Educativo: Paraguay, 2013*. PREAL, Instituto Desarrollo. 2013

Enikolopov, Ruben and Ekaterina Zhuravskaya. Decentralization and Political Institutions. *Journal of Public Economics*. Volume 91, Issues 11 – 12, December 2007. Pages 2261 – 2290

Escobar-Lemmon, Maria C. Executives, Legislatures, and Decentralization. *The Policy Studies Journal*, Vol. 34, No. 2, 2006

Escobar-Lemmon, Maria. Political Support for Decentralization: An Analysis of the Colombian and Venezuelan Legislatures. *American Journal of Political Science*, Vol. 47, No. 4, October 2003, pp. 683-697

Estrada Merino, Valentin; Enrique Riera Escudero; Rafael Salgado Gimeno; Enrique Sosa Arrua. *Análisis del marco jurídico municipal en Paraguay*. Programa de Fortalecimiento de la Cooperación Española en Paraguay. Centro Latinoamericano de Economía Humana, Embajada de España en Paraguay, Oficina Técnica de Cooperación, MUSOL. Noviembre 2010.

- Faguet, Jean-Paul. Decentralization and Governance. Economic Organization and Public Policy Discussion Papers, EOPP 027. London School of Economics and Political Science, London, UK. Available on LSE Research Online: July 2011
- Faguet, Jean-Paul and Fabio Sanchez. Decentralization and Access to Social Services in Colombia. CLAS Working Papers, Center for Latin American Studies, UC Berkeley, April 2009. Paper No. 26
- Faguet, Jean-Paul and Fabio Sanchez. Decentralization's effects on educational outcomes in Bolivia and Colombia. *World Development*, 36 (7). pp 1294-1316. 2008
- Faguet, Jean-Paul. Does Decentralization Increase Responsiveness to Local Needs? Evidence from Bolivia. Centre for Economic Performance and Development Studies Institute. Chapter 2 of PhD Dissertation. November 2000
- Falleti, Tulia. A Sequential Theory of Decentralization: Latin American Cases in Comparative Perspective. *The American Political Science Review*. Vol. 99, No. 3 (Aug., 2005), pp. 327 – 346
- Falleti, Tulia. Decentralization and Subnational Politics in Latin America. Cambridge University Press. 2010
- Faust, Jorg and Imke Harbers. On the Local Politics of Administrative Decentralization: Applying for Policy Responsibilities in Ecuador. *The Journal of Federalism*, volume 42, number 1, pp 52-77. February 2011
- Fiszbein, Ariel. Decentralization and Local Capacity: Some Thoughts on a Controversial Relationship. Economic Development Institute, the World Bank. Technical Consultation on Decentralization. December 1997
- Flecha, Oscar; Juan Manuel Ortellado; Rubén Gaete; Esperanza Martínez; Agustín Carrizosa (Director de Proyecto). Diagnóstico sobre la situación del sector salud en el Paraguay. Centro Paraguayo para la Promoción de la Libertad Económica y de la Justicia Social (CEPPRO). Serie Estudios, Volumen 11, Asunción, Paraguay. 1996
- Flecha, Victor-jacinto. Paraguay: República Independiente y Soberana. *1813 – 2013*. Libro Conmemorativo de los 200 años de la Proclamación de la República. Congreso Nacional del Paraguay. Servilibro. Asunción, octubre 2013
- Flecha, Victor-jacinto, Enrique Sosa, Oscar Carvallo, Estela Velasquez, Blas Cristaldo, Osvaldo Ayala, Carlos Mancuello. Construcción de una base de datos de municipalidades de la Región Oriental, con el objetivo de mejorar el mecanismo de distribución de las transferencias y el monitoreo que realiza el Gobierno Central a los Gobiernos Locales. Agencia de Cooperación del Japón (JICA), Ministerio de Hacienda (M.H.), Comunidad y Planeamiento (COPLANEA). Asunción, Paraguay, Octubre 2004



Flecha, Victor-Jacinto, Enrique Sosa, Blas Cristaldo, Vera Lúcia Valente, Carlos Mancuello. Los Gobiernos Locales en el Paraguay. Agencia de Cooperación del Japón (JICA), Comunidad y Planeamiento (COPLANEA). Asuncion, Paraguay. Marzo 2003

Flecha, Víctor-jacinto; Sosa, Enrique and Cristaldo, Blas. Descentralización, Paraguay y América Latina. Federación de Gobiernos Departamentales y Municipales. Julio 2003

Flecha, Víctor Jacinto y Carlos Martini. Historia de la transición. Pasado y futuro de la democracia en el Paraguay. Ultima Hora. Asuncion, Paraguay. Enero 1994

Flecha, Víctor Jacinto y Cristina A. Rodríguez Lagier. Relatorio del Coloquio sobre Concertación, Participación y Descentralización en Salud. Auspiciado por Oficina Regional para el Desarrollo Urbano (RHUDO/SA), Agencia de los EE.UU. para el Desarrollo Internacional (USAID), Universidad Internacional de la Florida (FIU). Asunción, diciembre 1994

Frank, Jonas (writer); Rojas, Fernando (Task Manager). “Assessment of the Impact of Decentralization: the Case of Colombia (1991-2001)”. Public Sector Group/Decentralization Thematic Group Funding 2002-2003. The World Bank. February 2004

Fretes Carreras, Luis. Participación Ciudadana y Descentralización en Paraguay. Centro para la Participación y el Desarrollo Humano Sostenible. No. 10. 17 de junio de 2002

Fretes Carreras, Luis Antonio. La Consolidación Democrática en Paraguay. América Latina Hoy, 60, 2012, pp. 67 – 82. Ediciones Universidad de Salamanca

Gaete, Ruben. Estudio de la descentralización de los servicios esenciales para el caso del Paraguay. CEPAL Documento de Proyectos. Copyright Naciones Unidas. Santiago de Chile, Julio 2012

Galilea O., Sergio; Leonardo Letelier S.; Katherine Ross S. Descentralización de los servicios esenciales. Los casos de Brasil, Chile, Colombia, Costa Rica y México en salud, educación, residuos, seguridad y fomento. Documento de Proyecto. CEPAL/GIZ. Naciones Unidas. Santiago de Chile, enero 2011

Garay Salamanca, Luis Jorge and Eduardo Salcedo-Albarán. Crimen, captura y reconfiguración cooptada del Estado: cuando la descentralización no contribuye a profundizar la democracia. In 25 Años de Descentralización en Colombia. GTZ Konrad Adenauer Stiftung. Abril 2010

Gargarella, Roberto and Gustavo Arballo. Federalism and fiscal federalism: the emergence and distortion of the centro-federalist constitutional model in its political and fiscal manifestations. In Brosio, Giorgio and Juan Pablo Jimenez (editors).

Decentralization and Reform in Latin America: Improving Intergovernmental Relations. United Nations, 2012

Garcia-Guardilla Maria Pilar. Translated by Carlos Perez. Democracy, Decentralization, and Clientelism; New Relationships and Old Practices. Latin American Perspectives, Vol. 29, No. 5, September 2002, 90-109

Gascó, Mila. Descentralización en Paraguay: La Asignatura pendiente. Desarrollo Humano e Institucional en América Latina. Institut Internacional de Governabilitat de Catalunya, España. 2002

Gatti, Roberta. The Economics of Decentralization: a Review of the Literature and the Case of Education Provision. Development Research Group. The World Bank. September 2001

George, Alexander L. and Andrew Bennett. Case Studies and Theory Development in the Social Sciences. Cambridge, MA. MIT Press. 2005

Gerring, John, Strom C. Thacker, Carola Moreno. Centripetal Democratic Governance: A Theory and Global Inquiry. American Political Science Review. Vol. 99, No. 4, November 2005

Gimenez Caballero, Edgar. Introducción al Sector Salud del Paraguay: Una Aproximación conceptual y metodológica par el análisis sectorial. Instituto Desarrollo. Asunción, Paraguay 2012

Gimenez Caballero, Edgar. Hacia un Sistema de Salud con Garantías. Notas para nuevas políticas de salud en Paraguay. Diciembre 2012. Editado por Instituto Desarrollo/Higea Salud Paraguay. Asunción, Febrero 2013

Gomez, Eduardo J. Decentralization and Municipal Governance: Suggested Approaches for Cross-Regional Analysis. Studies in Comparative International Development, Fall 2003, Vol. 38, No. 3, pp. 57-80

Gomez Sabaini, Juan Carlos and Juan Pablo Jimenez. The Financing of Subnational Governments. In Decentralization and Reform in Latin America: Improving Intergovernmental Relations. United Nations, 2012

Gordin, Jorge P. Neoliberalismo y democracia en América Latina: descentralización, ¿el eslabón perdido?. Estudios Interdisciplinarios de America Latina y el Caribe (EIAL) 2002- 2003, Vol. 13:1. Available in: [http://www1.tau.ac.il/eial/index.php?option=com\\_content&task=view&id=572&Itemid=222](http://www1.tau.ac.il/eial/index.php?option=com_content&task=view&id=572&Itemid=222)

Grajales, Isabel C. and Doris Cardona. La segunda transición demográfica y el nivel de desarrollo de los departamentos de Colombia, 2005. Revista Facultad Nacional de Salud Pública vol.28 no.3 Medellín Sept./Dec. 2011 pp. 209-220

Grindle, Merilee S. Audacious Reforms: Institutional Invention and Democracy in Latin America. The John Hopkins University Press. 2000

Grindle, Merilee S. Going Local: Decentralization, Democratization, and the Promise of Good Governance. Princeton University Press. 2007

Grofman, Bernard. The Impact of Electoral Laws on Political Parties. In Weingast, Barry R and Donald A. Wittman. The Oxford Handbook of Political Economy. Oxford University Press, 2006

Guillen, Stella. El Gasto Social en Paraguay: una Mirada detallada al período 2002/2010. OFIP/CADEP. Asuncion, Paraguay. Diciembre 2010

Gutierrez Sanin, Fracisco. Instituciones y Territorio: la Descentralización en Colombia. In 25 Años de Descentralización en Colombia. GTZ Konrad Adenauer Stiftung. Abril 2010

Haggard, Stephan, Mathew D. McCubbins. Presidents, Parliaments, and Policy. Cambridge University Press. 2001

Hanson, Mark E. Strategies of Educational Decentralization: Key Questions and Core Issues. In Bork, Christopher (ed). Educational Decentralization, 1-7. 2006 Springer

Hanson, Mark E. Educational Decentralization: Issues and Challenges. No. 9. November 1997

Hanson, Mark E. "Democratization and Decentralization in Colombian Education". Comparative Education Review. Vol. 39, No. 1, Special Issue on Education in Latin America. February 1995, pp. 101-119. Published by The University of Chicago Press on behalf of Comparative and International Education Society.

Harbers, Imke (2010). Decentralization and the Development of Nationalized Party Systems in New Democracies: Evidence form Latin America. Comparative Political Studies 43 (5), 606-627. 2010 SAGE Publications

Harbers, Imke and Jorg Faust (2011). On the Local Politics of Administrative Decentralization: Applying for Policy Responsibilities in Ecuador. The Journal of Federalism, volume 42, number 1, pp 52-77

Hernández, Mario. Reforma sanitaria, equidad y derecho a la salud en Colombia. Cad. Saude Pública, Rio de Janeiro, 18 (4):991-1001, jul-ago, 2002

- Hilgers, Tina. Editor. Clientelism in Everyday Latin American Politics. Palgrave Macmillan. 2012
- Hopkins, Jonathan (2003). Political Decentralization, electoral change and party organizational adaptation: a framework for analysis (online). London: LSE Research Online. Available in <http://eprints.Lse.ac.uk/archive/00000644>
- Huber John D. and Charles R. Shipan. Politics, Delegation, and Bureaucracy. In Weingast, Barry R and Donald A. Wittman. The Oxford Handbook of Political Economy. Oxford University Press, 2006
- Hudson, Rex A. (editor). Colombia. A Country Study. Federal Research Division. Library of Congress. 2010
- Hutchinson, Paul. Decentralization in Tanzania: the View of District Health Management Teams. MEASURE Evaluation. Carolina Population Center, University of North Carolina at Chapel Hill. January 2002
- Hylton, Forrest. Evil Hour in Colombia. First published by Verso, 2006. Printed in the UK by Bath Press
- Immergust, Ellen M. Institutional Constraints on Policy. In The Oxford Handbook of Public Policy. Edited by Michael Moran, Martin Rein, and Robert E. Goodin. Oxford University Press. 2008
- Instituto Internacional de Gobernabilidad. Diagnóstico Institucional de la República del Paraguay: Descentralización y Gobierno Local. Septiembre, 2002
- Inter American Development Bank Latin America after a Decade of Reforms; 1997 Report. Washington, DC: IDB, 1997
- Iregui, Ana María, Ligia Melo B., Jorge Ramos F. Evaluación y análisis de eficiencia de la educación en Colombia. Banco de la República. Bogotá, D.C. Febrero de 2006
- Iregui, Ana María, Ligia Melo B., Jorge Ramos F. La educación en Colombia: análisis del marco normativo y de los indicadores sectoriales. Revista de Economía del Rosario, Bogotá, Colombia 9 (2): 175-238, diciembre de 2006
- Isbester, Katherine. The Paradox of Democracy in Latin America. Ten Country Studies of Division and Resilience. University of Toronto Press. 2011
- Ivanyna, Maksym and Anwar Shah. How Close is Your Government to Its People? Worldwide Indicators on Localization and Decentralization. Policy Research Working Paper 6138. The World Bank, East and the Pacific Region, Poverty Reduction and Economic Management Unit. March 2012

Jaramillo Perez, Iván. La nueva descentralización y su impacto en las relaciones intergubernamentales. IX Congreso Internacional del CLAD sobre Reforma del Estado y la Administración Pública, Madrid, España, 2 – 5 Nov. 2004

Jaramillo, Ivan. Evaluación de la descentralización de la salud y la reforma de la Seguridad Social en Colombia. *Gaceta Sanitaria* 2002; 16 (1): 48-53

Katorobo, James. Decentralization and Local Autonomy for Participatory Democracy. December 2004. Paper presented to the 6<sup>th</sup> Global Forum on Reinventing Government, Towards Participatory and Transparent Governance. 24-27 May, 2005, Seoul, Republic of Korea

Kaufman, Robert R. and Joan M. Nelson. Conclusions: The Political Dynamics of Reform. In *Crucial Needs, Weak Incentives: Social Sector Reform, Democratization, and Globalization in Latin America*. Kaufman, Robert R. and Joan M. Nelson editors. Woodrow Wilson Center Press. The Johns Hopkins University Press. 2004

Kaufman, Robert R. and Joan M. Nelson. The Politics of Education Sector Reform: Cross-National Comparisons. In *Crucial Needs, Weak Incentives: Social Sector Reform, Democratization, and Globalization in Latin America*. Kaufman, Robert R. and Joan M. Nelson editors. Woodrow Wilson Center Press. The Johns Hopkins University Press. 2004

Kearney, Christine. Decentralization Index. December 30, 1999

Khaleghian, Payvand. Decentralization and Public Services: The Case of Immunization. World Bank Policy Research Working Paper 2989, March 2003

Kingdon, John W. *Agendas, Alternatives, and Public Policies*. Second Edition. The University of Michigan. 2003

Kubal, Mary Rose. Contradictions and Constraints in Chile's Health Care and Education Decentralization. *Latin American Politics and Society*; Winter 2006; 48, 4; pags. 105 - 135

Kugler, Maurice and Howard Rosenthal. Checks and Balances: An Assessment of the Institutional Separation of Political Powers in Colombia. In Alesina, Alberto. Editor. *Institutional Reforms: The Case of Colombia*. The MIT Press, Cambridge, Massachusetts. 2005

Lago-Peñas, Ignacio and Santiago Lago-Peñas (2010). Decentralization and Nationalization of Party Systems. Andrew Young School of Policy Studies, Georgia State University. International Studies Program. Working Paper 10-06. February 2010.

Leiras, Marcelo. Los procesos de descentralización y la nacionalización de los sistemas de partidos en América Latina. *Política y Gobierno* [online] 2010, XVII (2) : [Date of reference: 11 / septiembre / 2014] Available in:<<http://www.redalyc.org/articulo.oa?id=60327299001>> ISSN 1665-2037

Litvack, Jennie and Jessica Seddon, Editors. *Decentralization Briefing Notes*. World Bank Institute. WBI Working Papers. 2007

Lockwood, Ben. *Political Economy Approaches to Fiscal Decentralization*. In *Does Decentralization Enhance Service Delivery and Poverty Reduction?*. Ehtisham Ahmad and Giorgio Brosio Editors. Published by Edward Elgar Publishing Limited, Glos, UK. 2009

Lopez, Magdalena. *La restauración del orden democrático en Paraguay. Apuntes para entender el triunfo de Fernando Lugo dentro de una larga transición inconclusa*. Desafíos, Vol. 22 No. 2, Universidad del Rosario, Bogotá, pp. 71 – 107. 2010

Lora, Eduardo. Editor. *The State of State Reform in Latin America*. The Inter-American Development Bank. Stanford University Press. 2007

Lowden, Pamela S. *Education Reform in Colombia: The Elusive Quest for Effectiveness*. In Kaufman, Robert R. and Joan M. Nelson. *The Politics of Education Sector Reform: Cross-National Comparisons*. In *Crucial Needs, Weak Incentives: Social Sector Reform, Democratization, and Globalization in Latin America*. Kaufman, Robert R. and Joan M. Nelson editors. Woodrow Wilson Center Press. The Johns Hopkins University Press. 2004

Lyne, Mona M. *Stonewall or Compromise? An Electoral Theory of Legislative Conflict and Cooperation*. Department of Government and International Studies. University of South Carolina. Prepared for delivery at the 2006 Annual Meeting of the Midwest Political Science Association. April 20-23, 2006

Mahoney, James and Kathleen Thelen. *Explaining Institutional Change. Ambiguity, Agency, and Power*. Cambridge University Press. 2010

Mainwaring, Scott. *Presidentialism in Latin America*. *The Latin American Research Review*. Vol. 25, No. 1 (1990), pp 157-179

Mancuello Alum, Julia Noemi and Maria Stella Cabral de Bejarano. *Sistema de Salud de Paraguay*. *Rev. Salud Pública Paraguaya*. Vol. 1 (1): 13 -25. 2011

Manor, James. *The Political Economy of Democratic Decentralization*. The World Bank, Washington, DC 1999

- March, James G. and Johan P. Olsen. Rediscovering Institutions: the Organizational Basis of Politics. The Free Press, 1989
- \_\_\_\_\_. B: The Institutional Dynamics of International Political Orders. *International Organization* 52, 4, Autumn 1998, pp. 943-969
- Marshall, Catherine and Gretchen Rossma. The “What” of the Study, Building the Conceptual Framework. *Designing Qualitative Research* ---ADD YEAR
- Martínez-Vázquez, Jorge. América Latina in La Financiación de los Gobiernos Locales: Desafíos del Siglo XXI. Segundo Informe Mundial sobre la Descentralización y la Democracia Local. United Cities and Local Governments (UCGL). Gold II. Thomson Reuters, 2011
- Martz, John D. The Politics of Clientelism: Democracy and the State in Colombia. Transaction Publishers, 1997
- Maxwell, J. Designing a Qualitative Research. *Handbook of Applied Social Research Methods*. Ch. 7. 1993
- Meade, Ben and Alec Ian Gershberg. Making Education reform work for the poor: accountability and decentralization in Latin America. *Journal of Education Policy*, 23:3, 299-322, 2008
- Mehrotra, Santosh. Governance and Basic Social Services: Ensuring Accountability in Service Delivery Through Deep Democratic Decentralization. *Journal of International Development*, 18, 263-283 (2006). Published online 7 June 2005 in Wiley InterScience
- Melin, Beatrice and Jean-Francois Claverie. Balance de las Políticas de Descentralización en América Latina. Ministerio de Asuntos Exteriores de Francia. Diciembre 2005
- Melo B., Ligia. Impacto de la Descentralización Fiscal sobre la Educación Pública Colombiana. Junio 2005
- Merino Estrada, Valentín; Enrique Riera Escudero; Rafael Salgado Gimeno; Enrique Sosa Arrua. Análisis del marco jurídico municipal en Paraguay. Programa de Fortalecimiento Municipal de la Cooperación Española en Paraguay. CLAEH, Embajada de España en Paraguay, AECID, MUSOL. Asunción, Paraguay, noviembre 2010
- Ministerio de Salud Pública y Bienestar Social. *Compilado de Leyes y Decretos Vigentes para Consejos Regionales y Locales de Salud (Sistema Nacional de Salud)*, Paraguay 2011
- Decreto 16572/97
  - Decreto No. 19966/98
  - Modelo de Manual de Organización y de Procedimientos Administrativos para consejos regionales y locales que suscriban acuerdos de descentralización de

salud en el marco de la Ley 1032/96 “que crea el Sistema Nacional de Salud” y la Ley 3007/06 “que amplía y modifica la Ley 1032”. Equipo Técnico Nacional de la Descentralización. Resolución SG No. 93/08. Octubre 2008  
- Indicadores Básicos de Salud, Paraguay 1998 – 2013

Ministerio de Salud y Protección Social. República de Colombia.

- Indicadores Básicos de Salud. Situación de Salud en Colombia. Reportes 2001 – 2011. With Organización Panamericana de la Salud. Accessed online  
- Análisis de Situación de Salud. Colombia 2013

Mintrou, Michael and Sandra Vergari. Advocacy Coalitions, Policy Entrepreneurs, and Policy Change. *Policy Studies Journal*, Vol. 24, No. 3, 1996 (420-434)

Mintrou Michael and Phillipa Norman. Policy Entrepreneurship and Policy Change. *The Policy Studies Journal*. Vol. 37, No. 4, 2009

Mitchell, Christopher. New Studies of Political Decentralization in Latin America. *Latin America Research Review*. Vol. 41, No. 3, October 2006

Molero, Juan Carlos and Isabel Rodriguez-Tejedo. An Index of Political Support for Decentralization: The Spanish Case. *Const Polit Econ* (2010) 21: 50-79. Published online: 25 November 2008. Springer Science + Business Media, LLC 2008

Molina M., Gloria y Peter Spurgeon. La descentralización del sector salud en Colombia: Una perspectiva desde múltiples municipios. *Gestión y Política Pública*. Volumen XVI. Número 1. I Semestre de 2007. Pp 171-202

Molina M., Gloria; Nilton Montoya; Claudia M. Rodriguez T.; Peter Spurgeon. Descentralización del sector salud en Colombia: análisis de 91 municipios. *Rev Fac Nac Salud Pública*. Vol. 24 No. 1 enero-junio 2006

Molinas, Jose; Aníbal Perez Liñan; Sebastian Saiegh. Political Institutions, Policymaking Processes, and Policy Outcomes in Paraguay, 1954-2003. *Revista de Ciencia Política*, Volumen XXIV, No. 2, 2004, 67-93

Monaldi, Francisco. The Role of Sub-National Political Authorities in the National Policymaking Process: A Comparative Perspective of Latin American Cases. *Inter-American Development Bank*. February 2005

Montero, Alfred P. and David J. Samuels. Decentralization and Democracy in Latin America. Chapter 1: The Political Determinants of Decentralization in Latin America: Cases and Consequences. *University of Notre Dame Press*. 2004

Naidoo, Jordan. Policy and Strategy Paper. Implementing Educational Decentralization. Second draft. October 2003



- Navarro, Juan Carlos. Education Reform as Reform of the State: Latin America since 1980. In Lora, Eduardo. Editor. The State of State Reform in Latin America. The Inter-American Development Bank. Stanford University Press. 2007
- Neffa, Juan Alberto. Descentralización Fiscal: El Caso Paraguay. Serie Política Fiscal 91. Proyecto Regional de Descentralización Fiscal, CEPAL-GTZ. Comisión Económica para América Latina y el El Caribe. Naciones Unidas. Santiago de Chile, 1996
- Nelson, Joan M. The Politics of Health Sector Reform: Cross-National Comparisons. In Crucial Needs, Weak Incentives: Social Sector Reform, Democratization, and Globalization in Latin America. Kaufman, Robert R. and Joan M. Nelson editors. Woodrow Wilson Center Press. The Johns Hopkins University Press. 2004
- Nickson, Andrew. Where is Local Government Going in Latin America? A Comparative Perspective. Working Paper No 6. ICLD, Swedish International Centre for Local Democracy. 2011
- Nickson, Andrew and Peter Lambert. State Reform and the 'Privatized State' in Paraguay. Public Administration and Development 22, 163-174 (2002). Published online in Winley InterScience
- North, Douglass C. Institutions, Institutional Change and Economic Performance. Cambridge University Press. First published 1990, 28<sup>th</sup> Printing, 2009
- O'Neill, Kathleen. Decentralizing the State: Elections, Parties, and Local Power in The Andes. Cambridge University Press, 2005
- Organización Panamericana de la Salud. Perfil de los Sistemas de Salud – Paraguay. Monitoreo y Análisis de los Procesos de Cambio y Reforma. USAID-OPS. Enero 2008
- Ospina, Sonia y Michael Penfold (editores). Gerenciando las Relaciones Intergubernamentales. Experiencias en America Latina. National Association of Schools of Public Affairs and Administration – Naspaa. Editorial Nueva Sociedad. 2002
- Osterling, Jorge Pablo. Democracy in Colombia: Clientelist Politics and Guerrilla Warfare. Transaction Publisher. 1989
- Ostrom, Elinor. Governing the Commons. The evolution of institutions for collective action. Cambridge University Press, 1990
- Pan-American Health Organization (PAHO). Perfil del Sistema de Servicios de Salud, Paraguay. Organización Panamericana de la Salud. Julio 2001
- Paredes, Roberto. Por qué cayó el Partido Colorado. Servilibro. Asunción, Paraguay. Julio 2008

- Paredes, Roberto. Por qué cayó Lugo. Servilibro. Asunción, Paraguay. Julio 2012
- Pening Gaviria, Jean Philippe. Evaluación del proceso de descentralización en Colombia. Economía y Desarrollo, Volumen 2 Número 1, marzo 2003
- Peters, B. Guy. Institutional Theory in Polical Science. The New Institutionalism. The Continuum International Publishing Group. 2012
- Platteau, Jean-Philippe. Information Distortion, Elite Capture and Task Complexity in Decentralized Development. In Does Decentralization Enhance Service Delivery and Poverty Reduction?. Ehtisham Ahmad and Giorgio Brosio Editors. Published by Edward Elgar Publishing Limited, Glos, UK. 2009
- Porras, Oswaldo A. La descentralización en Colombia: estado actual y perspectivas. In Dario Restrepo I. (editor). Historias de Descentralización: Transformación del régimen político y cambio en el modelo de desarrollo América Latina, Europa y EUA. Universidad Nacional de Colombia. Bogotá, noviembre 2006
- Ramírez, Patricia. A Sweeping Health Reform: The Quest for Unification, Coverage, and Efficiency in Colombia. In Crucial Needs, Weak Incentives: Social Sector Reform, Democratization, and Globalization in Latin America. Kaufman, Robert R. and Joan M. Nelson editors. Woodrow Wilson Center Press. The Johns Hopkins University Press. 2004
- Recalde, Felipe. La Reforma que no Cambió el Sistema de Salud. Revista de Salud Pública Paraguaya, 2011; Vol. 1 (2): 2-3
- Restrepo, Darío I. (editor). Historias de Descentralización: Transformación del régimen político y cambio en el modelo de desarrollo América Latina, Europa y EUA. Universidad Nacional de Colombia. Bogotá, noviembre 2006
- Restrepo, Darío. De la descentralización a la regionalización. Nuevo escenario de la guerra y oportunidad para la paz. Revista Eure. Vol. XXIX, No. 89, pp. 81-96, Santiago de Chile, mayo 2004
- Restrepo, Darío. Transformaciones recientes en América Latina: La descentralización, mito y potencia. El caso colombiano. Cuadernos de Economía, 16. 1990
- Rezende, Fernando and Joao Veloso. Intergovernmental transfers in subnational finances. In Decentralization and Reform in Latin America: Improving Intergovernmental Relations. United Nations, 2012
- Richards, Donald G. Transition and Reform in a Predatory State: the Case of Paraguay. Journal of Economic Policy Reform. Vol. 11, No. 2, June, 2008, 101–114

- Rivarola, Domingo M. La Reforma Educativa en el Paraguay. Serie Políticas Sociales, 40. CEPAL. División de Desarrollo Social. Santiago de Chile, septiembre de 2000
- Rodden, Jonathan. Comparative Federalism and Decentralization: On Meaning and Measurement. *Comparative Politics*. July 2004 Vol. 36 (4) pp. 481-500
- Rodriguez, Alfredo y Fabio Velásquez. La Gestión Local de Servicios Públicos. Segunda parte de Municipio y Servicios Públicos. Gobiernos Locales en Ciudades Intermedias de América Latina. Colección Estudios Urbanos. Ediciones Sur, Santiago, Chile, 1994
- Rojas, Fernando; Jonas Frank. Assessment of the Impact of Decentralization: the Case of Colombia (1991-2001). Public Sector Group/Decentralization Thematic Group Funding 2002-2003. The World Bank. February 2004
- Rojas, Maria Victoria. Participación civil en el proceso de descentralización del sector salud pública en Paraguay. *Revista de Ciencias Sociales*, Vol. VI, No. 2, Mayo – Agosto 2000, pp. 275-290
- Roland, Gerard and Juan Gonzalo Zapata. Colombia's Electoral Party System: Possible Path for Reform. In Alesina, Alberto. Editor. *Institutional Reforms: The Case of Colombia*. The MIT Press, Cambridge, Massachusetts. 2005
- Rondinelli, Dennis A; John R. Nellis; G. Shabbir Cheema. Decentralization in Developing Countries. A Review of Recent Experience. The World Bank Staff Working Paper. Number 581. Management and Development Series, Number 8. The World Bank, 1984.
- Roniger Luis. Review: Political Clientelism, Democracy, and Market Economy. *Comparative Politics*, Vol. 36, No. 3 (April 2004), pp. 353-375
- Rosales, Mario. Descentralización del Estado y Finanzas Municipales en América Latina. Síntesis actualizada de los informes regionales sobre Descentralización en América Latina de CGLU y FLACMA. Editorial Universidad Bolivariana, 2012
- Rosales, Mario and Salvador Valencia Carmona. Latin America Chapter. In *Decentralization and local democracy in the World. First Global Report by United Cities and Local Governments*. Co-publication of The World Bank and the UCLG. 2008
- Rosenbaum, Allan; Cristina Rodriguez-Acosta; Maria Victoria Rojas. Decentralizing the Health Service Delivery System in an Emerging Democracy: A Case Study of Organizational Change, Civil Society Participation and Local Institution Building in Paraguay. *International Review of Administrative Sciences*. Vol. 66; Number 4, Pags.655-672. December 2000

Rosenbaum, Allan and Cristina A. Rodriguez Lagier. Paraguay: Decentralization, Subnational Government, Citizen Participation and the Process of Democratization. A Diagnostic Analysis. FIU, RHUDO/SA, USAID/Paraguay. April 1995

Sabatini, Christopher. Decentralization and Political Parties. *Journal of Democracy*, Volume 14, Number 2, April 2003, pp. 138-150

Saiegh, Sebastian M. ¿Jugadores activos o apéndices del ejecutivo? Una evaluación del papel de los legisladores latinoamericanos en la toma de decisiones. *Política y Gobierno*. Volumen XVII, Número 1, I Semestre de 2010, pp. 3-24.

Saito, Fumihiko. Decentralization and Local Governance: Introduction and Overview. In *Foundations for Local Governance: Decentralization in Comparative Perspective*. Physica-Verlag HD, 2008 pp. 1 – 24

Santa María Salamanca, Mauricio; Patricia Camacho Álvarez; and José Fernando Arias Duarte. “Exposición de Motivos de la Reforma a la Ley 60 de 1993. Sector Educación y Sector Salud”. *Archivos de Economía*. Dirección de Estudios Económicos. Departamento Nacional de Planeación. República de Colombia. Documento 173. 21 de diciembre de 2001

Santa María, Mauricio (editor). Paula Acosta, Fabián García, José Luis González, Ana Virginia Mujica, Diana Pinto, Carlos Felipe Prada, Anwar Rodríguez, Sandra Roza, Mauricio Santa María, María José Uribe, Tatiana Vásquez. *Efectos de la Ley 100 en Salud. Propuestas de Reforma*. Fedesarrollo, 2011. La Imprenta Editores S.A. Bogotá, Colombia

Santa María, Mauricio, Natalia Millán U., Julián Moreno B., Carlos Felipe Reyes. *La descentralización y el financiamiento de la salud y la educación en los Departamentos: ¿cuáles son las alternativas? Capítulo educación*. Informe presentado a la Federación Nacional de Departamentos. Diciembre 2009

Santos Perez, Antonio and Juan Ibeas Miguel. *Elecciones y Reforma Política en Colombia (1990 – 1991)*. Universidad Complutense. *Revista de Derecho Político*, núm. 40, 1995. pp 341-378

Scartascini, Carlos; Ernesto Stein, Mariano Tommasi Editors. *How Democracy Works. Political Institutions, Actors, and Arenas in Latin America Policymaking*. Inter-American Development Bank. 2010

Seall Sasiain, Jorge and Esperanza Martinez. *Revisión del Marco Jurídico de la Descentralización*. Ref.: Programa de Reformas a la Atención Primaria de la Salud, Préstamo BID No. 1006 OC/PR. Informe Final. MSPyBs/BID/CIRD. Asunción, enero 2005

Selee, Andrew D. and Joseph Tulchin. Decentralization and Democratic Governance: Lessons and Challenges. In Decentralization, Democratic Governance, and Civil Society in Comparative Perspective. Africa, Asia, and Latin America. Edited by Philip Oxhorn, Joseph S. Tulchin, and Andrew D. Selee. Woodrow Wilson Center Press, The John Hopkins University Press. 2004

Semidei, Cristina; Maria Victoria Rojas de Wickzen & Tisna Veldhuyzen van Zanten. Analysis of Decentralization in the Health Sector of Paraguay at the Departmental Level. Technical Report No. 3. Partnerships for Health Reform. February, 1996

Setrini, Gustavo. Twenty Years of Paraguayan Electoral Democracy: from Monopolistic to Pluralistic Clientelism. Working Paper No. 3. Serie: Paraguay. 200 Years of Independent Life. From Instability and Stagnation to the Challenge of Sustainable Growth and Social Equity. Tinker Foundation Incorporated; Proyecto Bicentenario; Centro de Analisis y Difusion de la Economia Paraguaya. September 2010

Shapiro, Ian; Stephen Skowrone, and Daniel Galvin. Rethinking Political Institutions. The Art of the State. New York University Press, 2006

Silvero Salgueiro, Jorge. La Constitución de la República del Paraguay del 20 de junio de 1992. Boletín Mexicano de Derecho Comparado. UNAM Biblioteca Jurídica Virtual. © 2011. Accessed on 12/28/2013  
[www.juridicas.unam.mx/publica/rev/boletin/cont/92/art/art10.html](http://www.juridicas.unam.mx/publica/rev/boletin/cont/92/art/art10.html)

Stein, Ernesto and Mario Tommasi, Editors (with Pablo T. Spiller and Carlos Scartascini). Policymaking in Latin America. How Politics Shapes Policy. Inter-American Development Bank. Co-published by David Rockefeller Center for Latin American Studies, Harvard University. 2008

Smith, B.C. The Decentralization of Health Care in Developing Countries: Organizational Options, Public Administration and Development. Issue No. 4, John Wiley & Sons, 1997

Streeck, Wolfgang and Kathleen Thelen, Editors. Beyond Continuity: Institutional Change in Advanced Political Economies. Oxford University Press, 2005

Treisman, Daniel. Defining and Measuring Decentralization: A Global Perspective. Department of Political Science, University of California, Los Angeles. March 2002

Tulchin, Joseph S. and Andrew Selee. Editors. Decentralization and Democratic Governance in Latin America. Woodrow Wilson International Center for Scholars. Latin American Program. 2004

Ugalde, Antonio & Nuria Homedes. La Descentralización de los Servicios de Salud: de la teoría a la práctica. Salud Colectiva, Buenos Aires, 4 (1) pags. 31-56. Enero-Abril, 2008

Ugalde, Antonio & Nuria Homedes. Descentralización del sector salud en América Latina. *Gac Sanit* 2002; 16(1): 18-29

Uharte Pozas, Luis Miguel. El Proceso de Democratización Paraguayo: Avances y Resistencias. *América Latina Hoy*, 60, 2012, pp. 17-42

UNDP Governance and Democratic Development in Latin America and Caribbean. New York: United Nations, 1997

United Nations Development Program (UNDP)  
Informe Nacional de Desarrollo Humano/Paraguay, 2003  
Informe Nacional de Desarrollo Humano/Paraguay, 2008

United Cities and Local Governments (UCLG), and The World Bank. Decentralization and Local Democracy in the World. First Global Report by United Cities and Local Governments. Gold I, 2008

United Cities and Local Governments (UCGL). La Financiación de los Gobiernos Locales: Desafíos del Siglo XXI. Segundo Informe Mundial sobre la Descentralización y la Democracia Local. Gold II. Thomson Reuters, 2011

Veldhuyzen van Zanten, Tisna & Cristina Samidei. "Assessment of Health Sector Decentralization in Paraguay". Technical Report No. 1. Partnerships for Health Reform. January 1996

Villagra Carrón, Jazmín Elena; Magdalena Molinas de Monroy; Tania Biedermann; Fátima Pineda. Consultoría para la recopilación documental en educación. Segundo llamado. Centro de Investigación e Innovación Educativa (CIIE). Ministerio de Educación y Cultura. Informe Final. Asunción, febrero del 2011

Weingast, Barry R and Donald A. Wittman. *The Oxford Handbook of Political Economy*. Oxford University Press, 2006

Willis, Eliza, Christopher da Garman, Stephan Haggard. The Politics of Decentralization in Latin America. *Latin America Research Review*, Vol. 34, No. 1 (1999), pp 7-56. The Latin American Studies Association

Wilson, Robert H.; Peter M. Ward; Peter K. Spink; and Victoria E. Rodriguez. *Governance in the Americas. Decentralization, Democracy, and Subnational Government in Brazil, Mexico, and the USA*. University of Notre Dame Press, 2008

Winkler, Donald R. Decentralization in Education: An Economic Perspective. Policy, Planning, and Research Working Papers. Population and Human Resources Department. The World Bank, March 1989. WPS 143

Winkler, Donald R. and Alec Ian Gershberg. Education Decentralization in Latin America: The Effects on the Quality of Schooling. Partnership for Educational Revitalization in the Americas (PREAL), No. 17. April, 2000

World Health Organization (WHO). Pan-American Health Organization (PAHO). Health in the Americas, 2007, Volume II

Yepes, Francisco J.; Manuel Ramírez; Luz Helena Sánchez; Marta Lucía Ramírez; Iván Jaramillo. Luces y sombras de la reforma de la salud en Colombia. Ley 100 de 1993. Centro Internacional de Investigaciones para el Desarrollo. Assalud en Coedición con al Universidad del Rosario, Facultad de Economía y Mayor Eidciones, S.A., marzo 2010

Zapata, Juan Gonzalo. Las finanzas territoriales en Colombia. CAF/Fedesarrollo Debates Presidenciales. 2010

Zarate, Walter A. El Presupuesto y el Gasto Público en Paraguay: aportes para un mejor entendimiento 2000 – 2009. Observatorio Fiscal. Centro de Análisis y Difusión de la Economía Paraguaya (CADEP). Asunción, Paraguay. Diciembre 2010

Zucco, Cesar Jr. Presidentialism, State Size and Party Behavior in Latin America. Department of Political Science – UCLA. January 2003

## ORGANIZATIONS CONSULTED

Centro de Información y Recursos para el Desarrollo (CIRD), Asunción, Paraguay

- <http://www.cird.org.py/>
- [www.descentralizacionsalud.org.py](http://www.descentralizacionsalud.org.py)
- Manual de Rendición de Cuentas de los Consejos de Salud, 2011
- Consejo Local de Salud: Aspectos institucionales y organizacionales. Manuales, 2011
- Guía para la formulación participativa de un plan local de salud, Manuales, 2011
- Dirección General de Estadística y Censos: Encuesta Permanente de Hogares 1998 – 2010

Departamento Nacional de Planeación, Colombia

<https://www.dnp.gov.co/Paginas/inicio.aspx>

- Elementos básicos del Estado colombiano: Guía para autoridades territoriales y ciudadanía, 2011
- Las Asambleas Departamentales y su papel en la gestión pública para el desarrollo, 2011

Sistema General de Regalías, Colombia

<https://www.sgr.gov.co/>

Congreso de la República de Colombia  
<http://www.camara.gov.co/portal2011/inicio>

Portal de Alcaldes y Gobernadores de Colombia  
<http://www.portalterritorial.gov.co/documentos.shtml>  
[http://portalterritorial.gov.co/apc-aa-files/7515a587f637c2c66d45f01f9c4f315c/Regalias\\_DNP.pdf](http://portalterritorial.gov.co/apc-aa-files/7515a587f637c2c66d45f01f9c4f315c/Regalias_DNP.pdf)

Federación Colombiana de Municipios: <https://www.fcm.org.co/Paginas/Index.aspx>

- 20 años en defensa de la descentralización y la autonomía municipal. Federación Colombiana de Municipios y GTZ, Bogotá, 2010
- Revista Municipios. 25 años. Edición Especial. Número 48, 2014. Accessed online:  
[http://issuu.com/jacqueaguirre/docs/revista\\_municipios\\_no\\_48?e=11543336/669461](http://issuu.com/jacqueaguirre/docs/revista_municipios_no_48?e=11543336/669461)

Federación Nacional de Departamentos: <http://www.fnd.org.co/fnd/>

The World Bank: World Development Indicators: [www.databank.worldbank.org](http://www.databank.worldbank.org)



## VITA

### CRISTINA A. RODRIGUEZ-ACOSTA

- 1992 – 1994 MA in Latin American Studies  
Georgetown University, Washington, D.C.  
Graduated with Distinction
- 1984 – 1989 Universidad Del Salvador, Buenos Aires, Argentina  
Bachelors of Science in International Relations and Certificate in  
Political Science  
Graduated with Honors
- 2009 – 2016 Doctoral Candidate  
Florida International University  
Miami, Florida

## PUBLICATIONS

Rodriguez-Acosta, Cristina. *Decentralization in Latin America: history and future prospects*. Hemisphere Magazine (guest editor). Volume 24. Summer 2015.  
<http://lacc.fiu.edu> pp. 19 – 24

Rodriguez-Acosta, Cristina A. *Descentralización y Devolución de competencias: la educación en la descentralización colombiana* in *Descentralización, Transparencia y Seguridad Jurídica en América Latina y Europa*. Instituto Nacional de Administración Pública. Colección Monografías (pp.92-101), Madrid, Marzo 2014

Rodriguez-Acosta, Cristina A. *La Descentralización en Estados Unitarios: Una Aproximación a los Casos de Bolivia, Chile, Colombia y Paraguay* in *Medio Ambiente y Urbanización*, IIED-AL #76. (pp.49-68). Abril 2012

Rodriguez-Acosta, Cristina A. *International Migration and Local Skills Strategies: The Case of El Salvador, Central America*. Prepared for the Organization of European Cooperation and Development (OECD), March, 2008.

Rodriguez-Acosta, Cristina A. and Allan Rosenbaum. *Metropolitan Governance in Latin America: Paradoxes and Challenges*. In “*Improving Local Government*”, Michiel S. de Vries, PS Reddy & M. Shamsul Haque (eds). Palgrave Macmillan. 2008

Rodriguez-Acosta, Cristina A. and Allan Rosenbaum. *Local Government and the Governance of Metropolitan Areas in Latin America*. Public Administration and Development. 2005

Rodriguez-Acosta, Cristina A.; Ximena Nuñez and Javier Espinoza Fajardo. *The State Modernization Process and the Decentralization of Chile*. In *State Modernization and Decentralization – Implications for Education and Training in Public Administration: Selected Central European and Global Perspectives*. Edited by Allan Rosenbaum and Ludmila Gajdosova; Bratislava: United Nations/IASIA/NIPAcce, Spring 2003

Rodriguez-Acosta, Cristina A. and Allan Rosenbaum. *Building Partnerships*. FIU Hemisphere Magazine, volume 9, number 3; Winter 2001

Rodriguez-Acosta, Cristina A., Maria Victoria Rojas, and Allan Rosenbaum. *Decentralizing the Health Service Delivery System in an Emerging Democracy: A Case Study of Organizational Change, Civil Society and Local Institution Building in Paraguay*. International Review of Administrative Sciences, Fall 2000 (English and French)

Rodriguez-Acosta, Cristina A. and Allan Rosenbaum *Paraguay*. *Encyclopedia of Parliaments*, edited by George Kurian. Washington, DC, Congressional Quarterly Press; 1998

Rodriguez-Acosta, Cristina A. and Allan Rosenbaum *Paraguay: Decentralization, Subnational Government, Citizen Participation and the Process of Democratization. A Diagnostic Analysis*. Quito, Ecuador; United States Agency for International Development, 1995 (in English and Spanish)

Rodriguez-Acosta, Cristina A., Victor j. Flecha, and Allan Rosenbaum *Relatorio del “Coloquio Concertación, Participación y Descentralización en Salud”*. Ministerio de Salud, Asunción, Paraguay, 1994