

## COLOMBIA

UNITARY COUNTRY

## BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: UPPER MIDDLE INCOME

LOCAL CURRENCY: COLOMBIAN PESO (COP)

## POPULATION AND GEOGRAPHY

**Area:** 1 141 748 km<sup>2</sup>  
**Population:** 49.292 million inhabitants (2017), an increase of 1.0% per year (2010-2015)  
**Density:** 43 inhabitants / km<sup>2</sup>  
**Urban population:** 80.4% of national population  
**Urban population growth:** 1.3 % (2017 vs 2016)  
**Capital city:** Bogotá D.C. (21.5% of national population)

## ECONOMIC DATA

**GDP:** 710.1 billion (current PPP international dollars), i.e. 14 406 dollars per inhabitant (2017)  
**Real GDP growth:** 1.8% (2017 vs 2016)  
**Unemployment rate:** 8.9% (2017)  
**Foreign direct investment, net inflows (FDI):** 14 013 (BoP, current USD millions, 2017)  
**Gross Fixed Capital Formation (GFCF):** 21.2% of GDP (2017)  
**HDI:** 0.747 (high), rank 90

## MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Colombia is a presidential republic. The President is elected for four-year mandates as both Head of State and Head of Government. Colombia has a bicameral congress: the upper chamber, the Senate, has 102 members elected by the entire country; the lower chamber, the House of Representatives, comprises 172 representatives elected by territorial constituencies (*circunscripciones territoriales*) and three special constituencies. Territorial constituencies are formed by all departments and the capital district of Bogotá D.C. The special constituencies represent indigenous communities, Afro-Colombian communities and Colombian citizens living abroad. For the current legislative term (2014-2018), 161 of the House's 166 members are elected in territorial constituencies. Members of both houses are elected by popular vote for four-year terms. Local interests are strongly represented in the legislative power.

Colombia has experienced rapid changes linked to decentralisation reforms over the past three decades. The decentralisation process started in 1986 with Law No. 1 on the election of mayors by universal suffrage, and was strengthened by the 1991 Constitution, which defined the country as a unitary and decentralised republic and granted the principle of self-governance and autonomy to the SNGs. Despite a trend towards recentralisation between 2002 and 2010 through reforms related to the intergovernmental transfers, the National Royalties System (SGR) and the Land Planning and Management Law (LOOT Law) have made significant efforts to restore decentralisation since 2010. The 2011 LOOT Law in particular described the forms of possible territorial cooperation enabling land use, planning and territorial development across the country, and strengthened the national government's ability to coordinate decentralisation policies throughout the country. The Peace Agreement signed in 2016 seemingly reaffirmed the country's commitment to and interest in decentralisation.

Colombia has a two-tier local government structure enshrined in the 1991 Constitution, composed of departments and municipalities. In its fundamental principles, Article 1 states that "Colombia is a social state under the rule of law, organised in the form of a unitary republic, decentralised, with autonomy of its territorial units, democratic, participatory, and pluralistic, based on the respect of human dignity, the work and solidarity of the individuals who belong to it, and the prevalence of the general interest". A full chapter (title XI from article 285 to article 331) is dedicated to the "territorial organisation".

At both departmental and municipal levels of governments, the executive power is vested in the hand of governors and mayors, elected for single four-year terms by popular vote. Each department also has a departmental assembly (*asamblea departamental*), with members elected by universal suffrage, one for every 40 000 inhabitants, and each municipality has a municipal council, elected using the same electoral system that is used for departmental assemblies. The Capital District of Bogotá is administered by a directly-elected Superior Mayor (*Alcalde mayor*) and a 45-member municipal council.

## TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	1 101 municipalities (municipios)		32 departments ( <i>departamentos</i> ) and Capital District of Bogota	
	Average municipal size: 44 770 inhabitants			
	1 102		33	1134

**OVERALL DESCRIPTION.** Colombia has a two-tier local government structure, including at regional level, 32 departments (*departamentos*) and the Capital District of Bogota and 1 102 municipalities (*municipios*) at lower level.

**REGIONAL LEVEL.** The regional level is made up of 32 departments and of the Capital District of Bogota, which has a special constitutional status giving it the powers of both municipalities and departments. Departments are very diverse in terms of population size and area, ranging from 33 150 inhabitants (Vaupès in Colombian Amazon) to 5,750 million inhabitants in Antioquia and 8,255 million inhabitants in the Capital District of Bogota while the average size amounted 1,223 million inhabitants (excluding the Capital District of Bogota). Departments have the power to establish municipal districts and to review the acts of the municipal governments to determine their constitutionality. Bogotá is subdivided into 20 localities (*localidades*) each with their own local administrative board of at least seven members and a local mayor appointed by the superior mayor from a list submitted by the local administrative board or JAL (*Junta Administrativa Local*). Acute disparities across regions and urban areas persist despite the significant resources Colombia invests to promote regional development, in particular regarding access to infrastructure.

**MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION.** Among the 1 102 municipalities, seven are categorised as special districts (*distritos especiales*) due to their particular political, commercial, historical, industrial, cultural or environmental characteristics, among other important factors, which allows them to enjoy

certain prerogatives according to a new regime adopted in 2013. Bogota is the most populated city in the country, whereas the municipality of Jordan is the least populated, with 54 persons. Municipalities are large on average, especially compared to the OECD average in 2017 (9 700 inhabitants). Municipalities may be further subdivided into sub-districts known as *comunas* (within urban areas) and *corregimientos municipales* (in rural areas), which are administered by a JAL.

Colombia has a system to classify municipalities (and departments) which is considered as an important administrative tool for the central government to organise differentiated policies. Municipalities are classified into seven groups based on their population and revenue base. 88% of municipalities are currently in the lowest category (class six) but 50% of the population lives in municipalities that are classified in the two highest classes (largest municipalities).

The Colombian government has provided a new legal basis for inter-municipal cooperation with the 2011 LOOT Law. However, in 2016 there were only 11 cooperative structures at the municipal level that had directly followed the LOOT. Another 14 arrangements were waiting to be accepted. In addition, law no. 1625 – passed in 2013 – set up six metropolitan areas that are legislated territorial jurisdictions (*Áreas Metropolitanas*). They have more administrative and fiscal autonomy than other urban regions and they can manage jointly some services of area-wide importance (e.g. transport).

**INDIGENOUS TERRITORIES.** The 1991 Constitution recognised Colombia as a multi-ethnic nation, giving indigenous territories (*resguardos*) a special status. There are currently 811 indigenous territories in Colombia, with an estimated population of around 1.5 million (3.4% of the national population). The land area covered by indigenous territories is nearly 30% and in some departments about 70%. A landmark decision in the autonomy of indigenous regions was the Decree 1953 of 2014. It enlarged the autonomy of the indigenous territories, allowing them manage directly the specific allocation of resources. In addition, while approximately 38% of the Colombian Amazon did not have a formally recognised local government, the Decree 632 of April 2018 further strengthened the autonomy of indigenous peoples of Guainía, Vaupés and Amazonas, which are departments of Colombia's Amazon region.

The Constitution also sets the framework for the creation of administrative or planning regions that can result from the merger of several departments.

## SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The 1991 Political Constitution and the laws No. 60 of 1993 and No. 115 of 1994 delineated the distribution of SNGs' competences related to public service delivery, social services, and public amenities among departments and Bogota (Laws 715/2001 and 1176/2007), and the municipalities and districts (Law 136/1994). In 2011, the LOOT contributed to clarify the rules for decentralisation by providing details about the division of responsibility between the central government and territorial entities. Yet the distribution of competencies across levels of government remains complex.

There is a dual system of decentralised and delegated responsibilities and the majority of competences are shared between all levels of government (education, health, water and sewerage, housing). The departments are responsible for planning and promoting the economic and social development of their territory. They exercise administrative functions of coordination and intermediation with the municipalities. Municipalities provide services such as electricity, urban transport, cadastre, local planning and municipal police. They are classified as being "certified" or "non-certified" for the provision of certain competences (such as health, education, water and sanitation), for which the central government determines universal coverage targets and quality standards. Only when a territorial administration reaches these targets and standards is it entitled to use the surplus resources in other areas of its own competence.

### MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	DEPARTMENTS	MUNICIPALITIES
1. General public services	Passport issuance	Civil registers; Building permits; Management of municipal property and enterprises
2. Public order and safety	Risk and disaster management	
3. Economic affairs/transport	Rural development; Regional policies; Regional territorial planning; Traffic management	Promotion of social, economic and environmental development
4. Environmental protection	Environmental protection	Solid waste management; Sanitation
5. Housing and community amenities	Coordination and co-financing of water schemes	Territorial planning; Local infrastructure; Water supply; Housing
6. Health	Public health; Services for the uninsured poor population; Operation of the hospital network	Public health; Administration of the subsidised scheme; Services for the uninsured poor population
7. Recreation, culture & religion		Sport; Culture; Leisure
8. Education	Management of teacher and administrative personnel in basic and primary education	Early, primary and secondary education; Construction and upkeep of buildings; Canteens and extra-curricular activities; Payment of salaries
9. Social protection		

## SUBNATIONAL GOVERNMENT FINANCE

<b>Scope of fiscal data:</b> at the regional level: departments, universities, state government mixed funds and departments' institutes at the regional level; at the local level: municipalities (including Bogota, municipal foundations, municipal corporations, municipal centres, local government funds and local government associations.	SNA 2008	Availability of fiscal data: <b>Medium</b>	Quality/reliability of fiscal data : <b>Medium</b>
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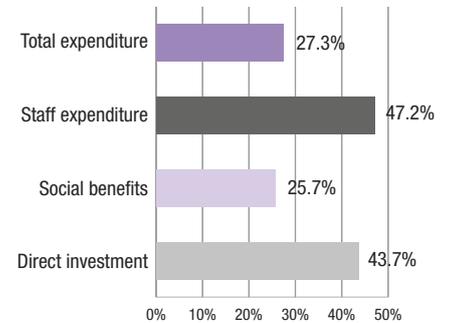
**GENERAL INTRODUCTION.** The 1991 Political Constitution and the laws No. 60 of 1993 and No. 115 of 1994 set the framework for fiscal decentralisation in the country and ruled on the distribution of resources among departments and municipalities. Regulations may be issued by Departments through ordinances (*ordenanzas*) and by municipalities through agreements (*acuerdos*). Colombia is one of the most decentralised unitary countries in Latin America, and SNGs have significant resources and spending responsibilities, yet fiscal decentralisation is vertically imbalanced, as SNGs have wide-ranging competences compared to limited fiscal autonomy, tending more towards a system of devolution rather than a decentralised one. Equalisation systems were introduced in 2011-2011 through the reform of the General System of Royalties (SGR) by introducing a sharing system across Departments.

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## SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
<b>Total expenditure</b>	<b>1 815</b>	<b>12.9%</b>	<b>100%</b>	
<b>Incl. current expenditure</b>	<b>1 589</b>	<b>11.3%</b>	<b>87.5%</b>	
Staff expenditure	560	4.0%	30.9%	27.3%
Intermediate consumption	308	2.2%	17.0%	47.2%
Social expenditure	471	3.4%	26.0%	25.7%
Subsidies and current transfers	161	1.2%	8.9%	
Financial charges	71	0.5%	3.9%	
Others	16	0.1%	0.9%	
<b>Incl. capital expenditure</b>	<b>226</b>	<b>1.6%</b>	<b>12.5%</b>	
Capital transfers	0	0.0%	0.0%	
Direct investment (or GFCF)	226	1.6%	12.5%	43.7%

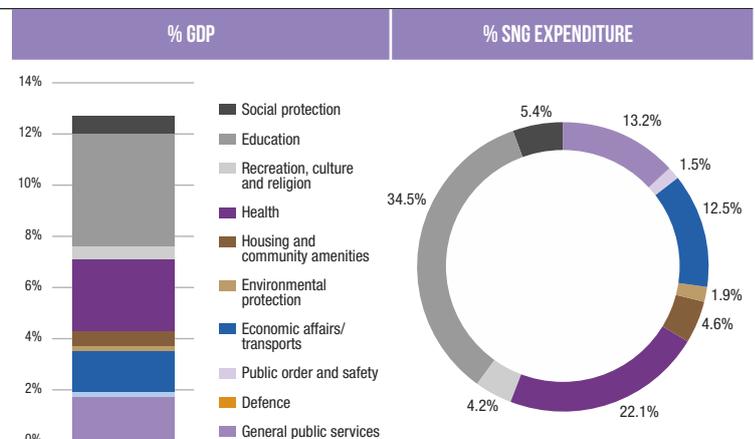


**EXPENDITURE.** SNG expenditure in Colombia is below the OECD average as both a share of GDP and share of public expenditure (respectively 16.2% and 40.4% in the OECD). Municipalities represent around two-thirds of expenditure against one-third for departments. Current expenditures represent around 88% of SNG total expenditure, as they include the payment of teachers and health staff, over which SNGs have no control. SNG spending autonomy is limited by the fact that SNGs have limited revenue sources. SNG may be considered “spending agents” on behalf of the central government, as most expenses are earmarked to three areas: education, health and water, and sanitation. Law 617 of 2000, modified by Law 1551 of 2012, defined seven categories of municipalities and five categories of departments to determine appropriate ceilings for current expenditures, according to demographic size and current own revenues. More financially autonomous SNGs have stricter current expenditures ceiling than smaller ones. On the other hand, capital expenditures are financed through limited tax revenue and royalties, which are volatile, based on international oil prices.

**DIRECT INVESTMENT.** SNGs accounted for 43.7% of general government direct investment in 2016, a significant figure that is still below the OECD average of (56.9% in 2016). Still, the role of SNGs in public investment has increased since the decentralisation reforms. SNGs invest, in particular, in local infrastructure projects such as schools, hospitals and local roads. Yet the infrastructure gap remains significant in Colombia, which affects access to transport infrastructure, education and housing, especially in rural communities. The 2014-2018 National Development Plan, and the local territorial plans for 2016-2019, enhanced the territorial approach to close these gaps. Additionally, investment financed via transfers from the central government has decreased since the 2000, whereas the royalties reform (SGR) in 2012 increased available resources to SNGs for investment. From 2012 to 2015, royalties financed around 10 000 approved projects amounting to around COP 21.2 trillion. Investment projects to be financed by the SGR system have to be approved by a collegiate body made up of public authorities and experts. In order to improve coordination of investments among different levels of government, Colombia has launched a model of “*Contratos Plans*” in 2011. These contracts are defined jointly by the national government, departments and municipalities to coordinate investment programmes in specific areas. The latest *Contrato Plans* have focused on supporting areas that have been affected by the conflict, and on areas with low economic, social and environmental circumstances.

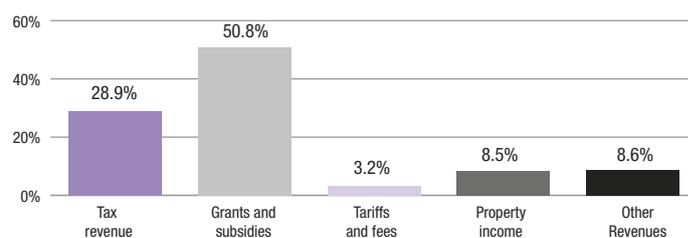
## SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

SNGs play a key role as public service providers, however most expenditures are earmarked by the central government. Education is the biggest budget item, accounting for 32.7% of SNG budget in 2016, as SNGs are responsible for almost half of total public spending in this sector. Indeed, SNGs are responsible for the management of educational services of pre-school, basic primary and secondary school and high schools. Departments are responsible for paying and training teachers, while municipalities are responsible for the construction and maintenance of school buildings. The number two budget item is health (20.6% of SNG budget and 33% of total public spending), for which they receive earmarked funding. Other important spending items are economic affairs and transport, general public services and housing and community amenities (water supply).



## SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
<b>Total revenue</b>	<b>1 801</b>	<b>12.8%</b>	<b>30.2%</b>	
Tax revenue	520	3.7%	21.2%	28.9%
Grants and subsidies	914	6.5%		50.8%
Tariffs and fees	58	0.4%		3.2%
Property income	153	1.1%		8.5%
Other revenues	156	1.1%		8.6%



**OVERALL DESCRIPTION.** SNGs in Colombia depend heavily on intergovernmental transfers, which represented slightly more than half of their total revenue, above the OECD average (37.2% in 2016). Tax revenue accounted for less than 30% of SNG total revenue. Property income (including oil and mining royalties) is a significant source of revenue for SNGs.

**TAX REVENUE.** Tax revenues represent a limited share of GDP and of public tax revenue in Colombia, well below the OECD average (respectively 7.1% and 31.9% in 2016). SNGs have limited taxation autonomy and little room for manoeuvre over tax rates and bases. Several taxes are earmarked for specific use. Tax revenue represents around 29% of municipal revenues and around 20% of those of Departments. Departmental tax revenues include receipts from the excise taxes (beer, tobacco, liquor, i.e. 56% of their tax revenues), vehicle tax (10%), register tax and gasoline tax. There are around twenty different municipal taxes, but 80% of tax receipts come from only three of them: Industry and Commerce tax (ICA, 38% of municipal tax revenues), property tax (*Predial*, 34%) and a gasoline surtax (around 7%). Since 2016, Colombia has engaged in reforms to update and modernise its cadastral and land registries in order to improve the performance of the municipal property tax. On December 2016, a fiscal reform was approved by the Congress (Law No. 1819), which established limits for local taxes such as public lighting tax and cigarettes, and set up new rules to establish the territoriality of the ICA, created an online sales tax, among others.

**GRANTS AND SUBSIDIES.** The main central government transfer is the General Participation System (*Sistema General de Participaciones, SGP*). SGP funds are earmarked for the most part to current expenditures (labelled as “social investments” in Colombia), according to a formula based on a combination of population coverage, social equity and efficiency criteria. It benefits both departments (35% of the SGP) and municipalities (65% of the SGP). SGP links transfers with sectoral policies and aims to improve the decentralised provision of basic services throughout the country: education, health, and water supply and basic sanitation. Expenditure parameters have been defined for each of those three areas by the Organic Law 715 of 2001 on resources and competencies, modified by Law 1176 of 2007. Such a strict earmarking has a significant equalisation effect across jurisdictions; however, the allocation criteria has been criticised for not distinguishing between urban and rural areas, and for being too rigid. Other grants, coming from co-financing schemes and ministerial subsidies, are also earmarked and come with strings attached. For instance, the projects must fund specific sectors (e.g. road or urban infrastructure).

**OTHER REVENUES.** Tariffs and fees account for 3.2% of SNG revenue, a smaller percentage relative to the OECD average of 14.9%. The Constitution of 1991 defined the distribution of a property income resulting from the extraction of non-renewable resources, mainly coal and oil (royalties - collected by the central government) among Departments and municipalities. Until 2011, most royalties were directly allocated to resource-rich departments, whereas only 20% were transferred to the National Royalties Fund as a redistribution tool. A radical reform was introduced by the Law 1530/2012 that granted the reallocation of all royalties to all SNGs based on needs and population. The SGR fund is divided into six sub-funds, including two regional funds (Regional Development Fund and Regional Compensation Fund) and the Science, Technology and Innovation fund, which are all earmarked for investment projects only (50% of the SGR).

## SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
<b>Total outstanding debt</b>	<b>648</b>	<b>11.1%</b>	<b>15.0%</b>	<b>100%</b>
Financial debt*	96	1.6%	3.4%	14.8%

\* Currency and deposits, loans and bonds

**FISCAL RULES.** The fiscal context of the 1990s at the subnational level required the central government to enact a set of fiscal discipline laws to address fiscal imbalances. In addition to rules applied to borrowing (cf. below), several laws were adopted to limit growth of current expenditure and establish a budgetary classification of the municipalities based on population and current incomes (Law 617/2000). In 2003, fiscal rules were again strengthened through a proper Law on Fiscal Transparency and Responsibility (Law 819/2003), which applies both to the national and SNGs, setting a budget balance rule and budget targets linked to debt and deficit ceilings at subnational levels.

**DEBT.** Borrowing is regulated by strict prudential rules, in particular the 1997 Traffic Light Law that classified SNGs according to liquidity and solvency indicators. In 2003, the law 819/2003 tightened borrowing restrictions. This required departments and large municipalities to obtain satisfactory credit ratings from international rating agencies before being able to borrow on the market. SNGs are allowed to take on debt if it is meant to finance capital expenditure (“golden rule”). SNG debt is below the OECD average (24.5% of GDP and 20.7% of public debt). The bulk of SNG debt is composed of insurance technical reserves (71%), whereas the financial debt and “other accounts payable” accounted for respectively 14.8% and 14.5% of total outstanding debt. Within financial debt, loans accounted for almost three-quarters of the debt stock while bonds represented a minor share (7%). In addition, debt is very concentrated in a few Departments and large municipalities.



Lead responsible: OECD  
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**Socio-economic indicators:** OECD // World Bank // UNDP // UN Desa // ILO // DANE.

**Fiscal data:** OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // IMF-GFS, Departamento Administrativo Nacional de Estadísticas.

**Other sources of information:** OECD (2019) Asymmetric decentralisation: Policy implications in Colombia // Bonet-Morón, J., Pérez-Valbuena, G. J., & Montero-Mestre, J. L. (2018) Las finanzas públicas territoriales en Colombia: dos décadas de cambio. Documentos de trabajo sobre economía regional y urbana // OECD (2017) OECD Economic Surveys: Colombia 2017 // de la Maisonneuve, C. (2017) “Towards more inclusive growth in Colombia”, OECD Economics Department Working Papers // OECD (2016) Making the Most of Public Investment in Colombia: Working Effectively across Levels of Government // Sánchez, A. (2016) Revisión histórica del proceso de descentralización administrativa y sus restos en Colombia, de 1985 a 2016. // Sánchez, P.A. (2014) Estructura de los ingresos territoriales en Colombia, Criterio Jurídico Garantista // OECD (2014) Territorial review of Colombia.