Local Government Capacity in Colombia

Beyond Technical Assistance
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The World Bank
Washington, D.C.
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Preface

Colombia has made a strategic decision to decentralize to subnational governments responsibilities in sectors that are key to the country’s future. The success of that strategy depends critically on the capacity of local governments to perform their new duties in an effective way. The World Bank and the Colombian National Planning Department (DNP) identified this as an area that deserved special attention as part of their joint work for the 1994 Poverty in Colombia report.

This report presents the results of a joint effort by the two institutions to address the need for a more complete understanding of the condition of capacity development in Colombian municipios. It reflects the findings of a study of sixteen local governments in Colombia. The purpose of the study was to learn about the progress made by municipal governments since 1988 in developing the capacity needed to successfully perform their new responsibilities and the means through which they achieved those results. Those lessons provide the empirical basis for a strategy of local capacity strengthening.

In-depth case studies were prepared for sixteen municipios following a common methodology. They are not necessarily a representative sample of all Colombian municipalities. Rather, they were selected on the basis that, to different degrees, they made attempts to develop capacity. The strength of this evidence, however, resides in the fact that these municipalities—which face similar problems and constraints as the rest—have, to different degrees and varying success, faced-up to the challenge of decentralization. By studying their experience we have learned many lessons valid for other municipios.

The study followed a participatory approach. Concepts and methodologies were discussed openly in Colombia and the design of the case studies reflects suggestions by several professionals in the field of institutional development. A workshop with the mayors of the sixteen municipalities was organized before the study was launched. The final design of the case studies reflects the results of that workshop. Each case study involved workshops with communities and public servants. Opinion surveys were conducted in the four largest municipios. A preliminary version of this report was discussed with a subgroup of the participants in the initial workshop with mayors. This version incorporates their comments. Support by the Fund for Innovative Approaches in Human and Social Development (FIAHS) made possible many of these participatory activities.

The World Bank team was composed by Ariel Fiszbein (mission leader), Tim Campbell, Eduardo Wallentin and Martha Laverde. The DNP team was led by Alberto Maldonado and Jorge Acevedo. The researchers in charge of the case studies that constitute the empirical basis for this report were, in alphabetical order, Juan Camilo Cardenas, Ariel Cifuentes (final report prepared by Gonzalo Vargas), Johnny Palencia and Camilo Villa Van Cotthem. They had the assistance of Oscar Rosero, Miriam Mercedes Castilla, Olga Perez and Gonzalo Vargas respectively. The study was initiated in June 1994 with the support of Cecilia Maria Velez and Manuel Salazar who at that time were the Deputy Director of DNP and the Chief of the Unidad de Desarrollo Territorial. Their successors, Juan Carlos Ramirez (Deputy Director, DNP) and Ileana Kure (Chief, UDT) offered continued support and made possible for the study to be successfully completed.

Ernesto May and Hans Binswanger helped in the definition of the conceptual framework used in the case studies. The team benefited from comments and advice by several people. In Washington by Dan Morrow, Norman Hicks, Ernesto May, Hans Binswanger, Vincent Gourane (peer reviewer) and Rita Hilton (peer reviewer). In Bogotá by Fernando Ro-
jas, Jaime Silva Bautista, Hector Sanín Angel, the members of the UDT and participants in a seminar organized by the DNP to discuss a preliminary version of the report. Sofia Corredor provided valuable secretarial support in Bogotá. Margarita Caro provided excellent help in the preparation of this report.

This report was discussed with officials from several ministries, departments, municipios, the Federación Colombiana de Municipios and cofinancing funds, in a meeting organized by DNP in Bogotá on June 15, 1995. Comments by Cesar Vallejo and Jorge Enrique Vargas, who reviewed the report for that occasion, are welcomed.

Dan Morrow, Norman Hicks and Yoshiaki Abe were, respectively, the managing Division Chief, Lead Economist and Department Director.

Finally, the team wishes to thank the mayors, government officials and citizens of the sixteen municipalities whose generous support and collaboration made this study possible.
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACUAVALLE</td>
<td>Water Company of the Department of Valle</td>
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<tr>
<td>ASOOBANDO</td>
<td>Asociación de Municipios de la Provincia de Obando</td>
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<tr>
<td>CPC</td>
<td>Community Participation Committee</td>
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<td>CPU</td>
<td>Central Planning Unit</td>
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<tr>
<td>DNP</td>
<td>Departamento Nacional de Planeación</td>
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<td>DRI</td>
<td>Desarrollo Rural Integrado</td>
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<tr>
<td>EMPOCALDAS</td>
<td>Water Company of the Department of Caldas</td>
</tr>
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<td>EMPONARIÑO</td>
<td>Water Company of the Department of Nariño</td>
</tr>
<tr>
<td>ESAP</td>
<td>Escuela Superior de Administración Pública</td>
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<tr>
<td>FINDETER</td>
<td>Financiera de Desarrollo Territorial</td>
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<tr>
<td>FIS</td>
<td>Fondo de Inversión Social</td>
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<tr>
<td>FUNDAGUA</td>
<td>Colombian Non-Governmental Organization</td>
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<tr>
<td>GTZ</td>
<td>German Cooperation</td>
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<tr>
<td>ICAM</td>
<td>Instituto de Capacitación Municipal de Manizales</td>
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<tr>
<td>IDEA</td>
<td>Instituto de Desarrollo Económico de Antioquía</td>
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<tr>
<td>INSFOPAL</td>
<td>Instituto de Fomento Municipal</td>
</tr>
<tr>
<td>ISERVI</td>
<td>Instituto de Servicios Varios de Ipiales</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>PDI</td>
<td>Programa de Desarrollo Institucional</td>
</tr>
<tr>
<td>PNR</td>
<td>Plan Nacional de Rehabilitación</td>
</tr>
<tr>
<td>PPF</td>
<td>Production Possibility Frontier</td>
</tr>
<tr>
<td>PROCOMUN</td>
<td>Colombian Non-Governmental Organization</td>
</tr>
<tr>
<td>SISBEN</td>
<td>Sistema de Selección de Beneficiarios</td>
</tr>
<tr>
<td>SSP</td>
<td>Strategic Situational Planning</td>
</tr>
<tr>
<td>TPU</td>
<td>Techno Political Unit</td>
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<tr>
<td>UBS</td>
<td>Unidades Básicas de Servicios</td>
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<tr>
<td>UFW</td>
<td>Unaccountable for Water</td>
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<tr>
<td>UMATA</td>
<td>Agricultural extension unit</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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Executive Summary

The questions

For almost a decade now, Colombia has embarked in a process of state decentralization which, combined with other structural reforms, is reshaping in a fundamental manner the way public policies are conducted. The transition to this new system is not an easy one. More than a thousand municipalities, seventy percent of which have populations of less than twenty thousand, must develop the capabilities to perform effectively the new duties starting with little or no tradition of public administration and local governance. As a result, a natural concern has emerged within Colombia on the capacity of local governments and the appropriate means of strengthening it.

The conventional view indicates that a successful process of decentralization requires a massive technical assistance effort, led by the national level, to help local governments develop their capabilities: the professional and technical skills of their staff, the equipment, materials and buildings required for operations, as well as their organizational, planning and executing functions.

However, a certain skepticism regarding the effectiveness of this approach has developed within Colombia and in the Bank. It is fueled, in part, by the frustrating experience of technical assistance programs that do not seem to achieve sustainable results. Consensus on a new approach that postulates the ineffectiveness of purely supply-driven assistance programs is slowly emerging.

The task of defining the characteristics of a new strategy for local capacity development is made more difficult by the insufficient information on the current status of Colombian municipios—the effectiveness of their governments and the alternative ways in which they have attempted to develop their capacity in response to the new circumstances.

This report should be seen as an effort to address both the scarcity of information on local capacity and the need for a strategy that goes beyond the conventional technical assistance approach. It is based on case studies of sixteen municipios, jointly conducted by the World Bank and the Colombian National Planning Department. The studies reviewed the municipal provision of three services (water, education and roads), over the period 1988-94 corresponding to the administrations of popularly elected mayors. The municipios were selected on the basis of their efforts to develop the capabilities required to perform the new responsibilities. The approach to local capacity development we are proposing is based on the lessons derived from their experience.

While the report offers new evidence on the state of the decentralization process, it does not claim to provide an assessment of nationwide trends. Also, by focusing on issues of institutional capacity, the report has not attempted to evaluate the current system of financial incentives under which municipios operate. This will be the subject of future collaborative work with the Colombian government.

The lessons

The picture emerging from the experience of these municipios is encouraging. By making use of existing, but under-utilized, capabilities and through conscious efforts to upgrade them, most of the local governments reviewed in the study have been able to meet the challenge of decentralization in a relatively effective way. The perception of generalized collapse in services following devolution to local governments can be rejected, at least for these municipios. Serious problems were observed in only a few places or in specific sectors. On the contrary, the studies, backed up by opinion surveys, found evidence of increased service coverage, citizen
satisfaction, attention to rural areas and the poor, cost consciousness and resource mobilization efforts.

The central message of the study is that competition for political office has, in many cases, opened the doors to responsible and innovative local leadership that, in turn, became the driving force behind capacity building efforts. More widespread community participation—voicing demands, making choices, being involved in projects—has expanded the range of possibilities open to municipios and provided the basis to sustain local government capacity over time. Leadership and participation, thus, consolidated corporate strength in local governments.

A majority of the local governments reviewed for this study enhanced their capabilities by giving attention to areas such as staff skills and professionalization, equipment, materials and buildings, organization, and planning and execution functions. They did so drawing upon resources which already existed inside the public sector or in the community that were not fully utilized under the old system. They also initiated efforts to upgrade the skills of their staff (through new hirings and training), expand the equipment available to them (for example, contracting out to the private sector), and improve the way local administrations work (for example, involving users in decision-making).

These municipios illustrate that capacity can be enhanced through skillful innovations even under difficult circumstances, given the right political incentives and if the community and its leadership are determined. It also suggests that assistance from governmental and non-governmental organizations can play a role if it responds to and is guided by local demands.

However, even the most motivated municipios face obstacles in the process of developing their capacity. For example, small municipios may experience capacity limits—particularly in terms of hiring a cadre of adequately remunerated professionals—due to insufficient scale. Also, the lack of institutional efforts to disseminate information on best practices and alternatives to municipal problems, forces most municipios into the awkward position of "reinventing the wheel" when dealing with capacity development. Finally, doubts and uncertainties regarding a rapidly expanding legal and regulatory framework, combined with sometimes strained inter-governmental relations, do not contribute to maintaining an environment propitious to local government effectiveness.

Furthermore, the cases reviewed are not necessarily representative of current events in the rest of the country. Nevertheless, the experience of these municipios offers many lessons to other Colombian municipios facing similar challenges and constraints on how to build capacity. It also provides valuable lessons to national level institutions concerned with making decentralization work.

The challenge ahead

The chief findings of this study—the importance of leadership, of civic involvement and of political reform, as well as the tremendous potential for innovation at the local level—lead us to propose an approach to capacity strengthening of local governments that implies the involvement of a variety of actors—public and civic, central, regional and local—and tools that go beyond traditional technical assistance programs.

Our proposal is based on three basic premises arising from the study:

- Sustainable development of capacity at the local level is possible only when there is effective demand by local administrations and communities. The interventions needed to increase demand for capacity development must go beyond technical assistance and work, indirectly, by promoting innovative and responsible leadership and civic involvement. This would have the double
effect of increasing demand for capacity development and increasing capacity itself in the form of better mayors and council members and local participants. This view is in consonance with the approach proposed by the Government of Colombia in its new development plan, *El Salto Social*, that calls for public policies and actions conducive to more participation and supportive of the development of participatory organizations.

- **Technical assistance should follow local demand, be tailored to local needs, and be provided in a decentralized manner.** The challenge is to create the environment conducive to the emergence and consolidation of a system in which multiple agents (public and private) are positioned to offer support to local governments. A network of those institutions—organized at the regional and national level—would provide a forum for the exchange of ideas and experiences.

- **The diffusion of institutional change throughout the country will depend on the speed and extent to which information—on best practices and available solutions for local governments—flows between municipios.** Such dissemination can be considered a public good that is currently being under-supplied. This justifies an active role by one or more national institutions although not exclusively by the central government.

In this approach, the many civil society actors—public and private, national, regional and local—become the agents of change. The heart of the strategy proposed here is to enhance the incentives for local governments to find and adapt innovations they need, to improve the information officials and voters alike need to make informed decisions, and to let voter taxpayers at the polls, as well as through other modes of participation, voice their approval or disapproval for local performance.

The role of the center would be much more sharply focused on developing ways to leverage incentives already being felt in civil society. National authorities would thus become enablers of possibilities, rather than direct builders of municipal institutional strength. Departments should become partners and enablers of the efforts conducted at the local level. Cooperative forms of associations between municipalities could become a central part of this approach. The *Federación Colombiana de Municipios* could play a very important role, but it needs to regain its legitimacy among members and build up its own capacity.

This approach to capacity development is sketched out as a concept, not a blueprint. Further detail, delivery mechanisms, and program components still need to be developed. We offer these concepts and ideas as an input for discussion and consideration of all the relevant parties to this enterprise.

**The report**

Chapter one presents the evidence, collected through case studies of sixteen municipios, on local government effectiveness—and problems—in the provision of water, education and roads. Chapter two explores the links between leadership and participation, on the one hand, and the development of local capacity on the other. In doing so it reflects the lessons derived from the experience of the sixteen municipios. Chapter three reviews the most significant initiatives undertaken by municipios in order to enhance their capabilities, as they were identified through the case studies. In doing so, it considers some notable innovations that are being introduced at the local level, as well as the obstacles facing local governments in their capacity strengthening efforts. Chapter four describes a strategy of local institutional development.
Chapter 1

Local government effectiveness: evidence from the front-line

For almost a decade now, Colombia has embarked in a process of state decentralization under which municipios were invested with new resources and responsibilities for the provision of such fundamental services as education, health, water and roads. Their performance will thus be increasingly important for growth, poverty alleviation and long term development prospects. The evidence collected for this report indicates that, to different degrees, these local governments have met the challenge of added responsibilities and increased resources in a relatively effective manner. The perception of generalized collapse in services following devolution to local governments can be rejected, at least for the municipios reviewed for this study. Serious problems were observed in only a few places or in specific sectors.

Most of the local governments reviewed in the study have been able to face the challenges posed by decentralization making use of existing, but under-utilized, capabilities and through conscious efforts to upgrade them. In our view, responsible and innovative local leadership has been the driving force behind the process of capacity building required for the effective provision of services. Intense community participation and growing civic involvement have expanded the range of possibilities open to municipios and provided the basis to sustain local government capacity over time.

This chapter presents the evidence, collected through case studies of sixteen municipios, on local government effectiveness—and problems—in the provision of water, education and road services. It serves as a background to the core of the report: the analysis, in chapters 2 and 3, of the process by which these municipios developed the capabilities required to perform the new responsibilities. The cases reviewed are not necessarily representative of current events in the rest of the country. Nevertheless, the experience of these municipios offers many lessons to others facing similar challenges and constraints on how to build capacity.

A new environment for municipios

In the second half of the 1980s Colombia initiated a process of decentralization and political reform that reversed a long tradition of centralism. Through the passage of several new laws, presidential decrees and a new constitution, Colombia has dramatically changed the framework within which its local governments operate. Essentially, municipios have now more resources, responsibilities and decision-making autonomy than under the old centralized regime.

Resources. Since the beginning of decentralization, municipal governments experienced a sharp increase in resources—from 2.6 percent of GDP in 1980 to 5.5 percent in 1994. Under the new framework (established by Law 12 of 1986 and Law 60 of 1993) transfers from the central level, as a share of GDP, increased by a factor of three. Laws 14 of 1983 and 44 of 1990, and the 1991 Constitution made possible an increase in local revenues (tax and non-tax) from approximately 2 percent of GDP in 1980 to 3.5 percent in 1994. Municipios have access to additional resources from the national level through the system of cofinancing funds that have also been reformed and expanded over this period. They also have access to credit, mostly through the banking sector and in some cases through the emission of bonds.

Responsibilities. Under the new system, municipios assume key responsibilities for the provision of services and the execution of public expenditure programs. Municipios:

- Administer pre-school, primary and secondary education, and are responsible for
infrastructure projects in the sector.

- Provide medical services through local hospitals and health clinics, and are responsible for infrastructure projects in the sector.
- Provide basic water and sanitation, energy and telephone services (directly or through private sector), and are responsible for construction and expansion of water and sewerage networks.
- Promote and support low income housing programs.
- Are responsible for urban and sub-urban roads, and for agricultural extension services and the promotion of rural development.
- Acquire responsibilities in the areas of environmental protection, culture, sports and recreation.

Political reforms. The political environment within which local governments operate also experienced significant changes. Starting in 1988, mayors have been popularly elected. Changes in the electoral system for local officials and members of Congress (such as the introduction of the Tarjetón) have made the process more transparent and fair. Citizen participation was also enhanced, both through legal means (Law 11 of 1986 and Law 132 of 1994) and through the practice of several national programs, most notably the Plan Nacional de Rehabilitación (PNR).

Clientelistic practices were weakened, among other means, by the elimination of the auxilios regionales. Government accountability was enhanced, for example, through the introduction of the so-called voto programático (programmatic vote).

It is the combination of the added responsibilities, more resources and political reforms that created the environment conducive to the emergence of effective local governments. The experience of the municipios reviewed for the study leads us to believe that decentralization of resources and responsibilities without the political reforms would have been incomplete and, probably, not conducive to socially effective results.

The many legal and institutional reforms promulgated over the last decade were meant to speed the transformation of departments and municipalities toward more effective governments. However, the new arrangements are not yet fully operative. Different levels of government still need time to understand and adapt to the new modus operandi. In certain cases the speed and extent to which the legal and regulatory framework changed creates a lack of clarity and limits the ability of local governments to respond appropriately. The consolidation of an environment propitious to the development of effective local governments will require conscious efforts to clarify the role and responsibilities of each level of government. Additional time and better communication channels are needed to build trust between the different actors in the decentralization process.

Local government effectiveness

The evidence collected shows that a majority of the reviewed municipios are making progress—often significant—in terms of providing essential services to their population. In some cases, empowered local governments were able to solve some previously untractable problems facing their communities (see Box 1.1).

Not all municipios in our sample, however, are examples of successful decentralization. Some are experiencing serious problems in one or more sectors. Nevertheless, even in those cases, poor performance appears to be grounded in a history of past inadequacies and not the result of a collapse following the transfer of responsibilities.

Coverage and quality. The first pattern emerging from the review is that the increase in resources managed by local governments is starting to be reflected in more service coverage. Overall, these local governments
And the water came with decentralization: An acueducto for San Juan Nepomuceno

When the first elected mayor took office in 1988 only 350 families were connected to the system. Water ran only 3 days a week and for only 6 to 8 hours. The acueducto project was launched in 1984, but by 1988 only 5.5 out of the 32 km had been built as the design kept changing due to the lukewarm cooperation by participant municipios and problems with contractors.

The presence of elected mayors with a stronger commitment to their electorate, together with an enhanced administrative capacity and broader financing alternatives, made possible the completion of the acueducto, ending almost one hundred years of water shortages. The first elected administration was able to assume the responsibility of the project by securing, through an agreement with the departmental authorities and the related national entity, the financial resources and administration of the project. By mid-1990 the water was finally arriving to San Juan. The second administration, aided by a strong community involvement, initiated major works to expand the system. By 1992, 850 urban dwellings were connected to the system. The third administration made progress in improving management of the municipal company in charge of the service.

Today, San Juan Nepomuceno has 75 percent coverage in the urban area. All of the 261 rural dwellings in three corregimientos are connected to the system. Water service is available every day for up to 19 hours and the water quality meets the national standards. San Juan is a leading contender for the department’s annual prize for the best municipal water system.

took over the new responsibilities avoiding service collapse.

Water

Eight of the sixteen municipios have established municipal enterprises in charge of the water sector. Of those, four are financially sustainable and two others have made significant progress in that direction over the last year. Two others have delegated service responsibility to the departmental enterprise and one to a neighboring municipality. The rest are managing the service through the municipal administration. In a majority of cases, water systems in rural areas are constructed with financial and technical help from the local government but managed by the community without municipal assistance.

Increase in coverage was documented in twelve cases. For example, between 1985 and 1994 Ipiales increased coverage from 63 percent to 96 percent and Puerto Tejada from 71 percent to 89 percent. San Juan Nepomuceno was able to complete a project that brought water to 75 percent of the households in urban areas (see Box 1.1). Serious problems of quality and continuity of the service were identified in only six of the sixteen cases. Many municipios have made important efforts to improve water treatment as well as to protect water sources. Some, however, are not able to afford the cost of technically adequate solutions and have opted for partial ones.

Education. The changing legal framework and the sharing of responsibilities with departments has complicated the process of municipal engagement in education. For example, teachers are hired by municipios and departments, that not always coordinate their actions. Nevertheless, ten of the reviewed municipios have a significant role in managing the sector. Some of them are de facto running their education systems, showing initiatives not only on school construction and maintenance but in other areas such as teacher training, curriculum, planning and administrative reforms.

Progress in this sector is more difficult to gauge given the large disparity in coverage indicators even among such a small number of municipios. Some have achieved very high coverage at the primary and secondary level and the main challenge they face is to upgrade the quality of education. Manizales, for example, has 97 percent coverage in primary (up from 83 percent in 1985) and 86 percent...
in secondary. Others, still have some important gaps in coverage, or show signs of insufficient effective demand for their stock of schools and available teachers.

**Roads.** Road construction and maintenance is an area in which municipios have been very active since the beginning of the decentralization process. The evidence collected shows an expansion in intra-municipal road networks, some important projects linking smaller municipios to bigger ones, and consistent efforts to upgrade the quality of roads through paving and other means.

The case studies identified notable emphasis on road maintenance in ten of the sixteen municipios. In Manizales, for example, the percentage of roads in good condition increased from 30 percent in 1991 to 60 percent in 1993. In Valledupar the creation of a cooperative enterprise for rural road maintenance made possible an increase in coverage from 40 km. in the previous four years to 170 km. in its first year of existence. In Libano the municipio was able to substitute the Federation of Coffee Growers (which used to take responsibility for road maintenance) when the sector experienced a deep financial crisis, and maintain the excellent condition of its roads.

**Distribution.** A second pattern emerging from the case studies is that, perhaps surprisingly, attention to rural areas increased over this period. Overall, if there was a bias it appears to have been in favor and not against rural areas. The data indicate that a significant part of the increased service coverage took place in rural areas. The expansion of rural water systems in municipios like Pensilvania, Zapatoca, Belalcazar, Ipiales, Piedecuesta or Valledupar was one of their most notable achievements and reduced significantly service gaps with urban areas. For example, since 1985 coverage of water services in rural areas increased from 20 to 70 percent in Ipiales, and from 43 to 74 percent in Zapatoca.

Similarly, a lot of progress was made in expanding and improving rural roads. Notable examples are Valledupar, Cucunubá (where all veredas were linked), Pensilvania (where 80 km. of new roads were built) and San Juan Nepomuceno (where 200 km. of new rural roads were built during this period). The evidence in the education sector is less compelling.

Within urban areas, we found repeated examples of local governments that make particular efforts to address the problems of the poor. Municipios as diverse as Manizales, Pensilvania and Cucunubá are in the process of introducing the SISBEN, a methodology used to target social programs to the poor. In spite of the large migration to its urban area, Valledupar has been able to avoid the development of shantytowns through its many innovative programs in the three sectors. Municipios like Pensilvania, Versalles, Piedecuesta and Zapatoca have introduced several initiatives in the social sector with particular emphasis on the poor.

**Sectoral balance.** Overall, there appears to be a balance in the sectoral emphasis of local government programs. We did not find indications that a particular sector is consistently being favored or neglected. An exploratory analysis evaluating performance in the sixteen cases did not show large differences in scores between the three sectors. The evidence does not support the view that all municipios, and under all circumstances, prefer, for example, roads over education.

The emphasis given to water, education and roads, however, varies between municipios. In more than half the cases there is evidence of important sectoral differences in performance. It is not unusual to find local governments concentrating their attention on one or two sectors at the expense of the rest, with a tendency for education to be the "odd" sector.

The observed sectoral emphasis does not seem to follow a random pattern. Although
the evidence does not allow a rigorous assessment, it appears that, relative to larger municipios, the smaller ones tend to emphasize water and to a lesser extent roads. This is possibly the reflection of local priorities as, at the beginning of the decentralization period, most of them experienced serious gaps in those sectors. Opinion surveys conducted for this study tend to support the view that, in general, the sectoral allocation of resources is consistent with community preferences. At least in one case, insufficient capacity forced the local administration to concentrate its energies on one sector identified as priority.

The observed pattern may also be partially influenced by the legal and administrative framework. Law 12 of 1986 and Decree 77 of 1987, which led to the liquidation of INSFOPAL, to a certain extent forced municipios to concentrate attention on the water sector. Law 60—which imposes a mandate for municipios to allocate at least 75 percent of transferred resources on investments in education, health and water—is also likely to be influencing the sectoral emphasis of local programs. The extent to which these rules may be forcing municipios into a sub-optimal pattern of allocation is an extremely important question that deserves to be analyzed in more detail in future work.

Citizen satisfaction. A key element in our assessment of local government effectiveness is associated with the views expressed by citizens. We collected evidence through opinion surveys in the four largest municipios and through workshops with the community in all sixteen cases. Overall, the community recognizes that progress has occurred. For example, approximately three out of four individuals in Manizales and Villadupar think services improved since mayors started being elected by the people. In five of the municipios the surveys and workshops identified high satisfaction levels consistently across the three sectors (see Box 1.2 for some examples). On the other hand, only three cases showed signs of low satisfaction in two or more sectors and, in general, with local government performance.

Opinion surveys show that a majority of individuals see municipal governments playing a central role in the provision of the three services. An overwhelming majority of those surveyed report they trust more the local than the national government: more
than 90 percent in Valledupar and Manizales, almost 75 percent in Ipiales, and almost 60 percent in Zipaquira. A larger number of individuals prefer the municipio, not a higher level of government, to be in charge of service provision. The only sector in which there seems to be support for the involvement of departments and the national government is in education. In roads and water, citizens see the private sector playing a more important role than departments and the center.

Cost effectiveness. The case studies also provided some limited evidence on cost-effectiveness. The first thing to notice is the fact that the field work did not identify notorious examples of ‘white elephant’ type of projects, even among those municipios more attached to old-fashioned clientelistic practices. In very few occasions did the opinion surveys or workshops with the community show a generalized perception of grossly inefficient spending or official corruption.

A second consistent finding is that those construction projects—in road principally, but in some cases also in water and education—that involve community contributions in labor, materials or cash, and for which there is community supervision, result in substantial savings with respect to similar projects executed directly by municipal employees. For example, the cost per kilometer of a street paving program with community involvement in Valledupar was one third of the cost of an alternative program. Evidence from Cucunuba and Versalles indicates that community involvement in construction projects in water and roads reduced costs to the municipality by 50 percent. Ipiales was able to conduct a major overhaul of its water system with half the budget assigned by FINDETER for that purpose. In a few cases, it was possible to find evidence indicating that municipios were able to make substantial savings with respect to similar projects done by the department.

It is hard, based on this evidence, to make conclusive judgments on just how cost-effective local governments are in the three sectors. Nevertheless, we did not find evidence that would lead us to believe there is a trade-off between ‘doing the right thing’ and ‘doing it the right way’. In general, municipios that are effective in increasing coverage for all their citizens and maintaining a balance between sectors have also shown an aptitude and an inclination to contain costs.

Resource mobilization. The evidence indicates there are large differences in local resource mobilization among municipios. Tax revenues per capita among the sixteen municipios were able to increase its fiscal base and reducing tax evasion Manizales was able to increase its budget substantially over this period.

The urban area of Piedecuesta expanded from 300 to 2,300 blocks over the last decade. The administration faced the challenge of increased demand for services in a creative manner. Through negotiations, developers took responsibility for basic urban infrastructure, reducing demands on the fiscally strained municipio. Improvements were reflected in higher market prices. Piedecuesta increased property tax collection by a factor of five since 1989. A “land use tax” (a one time charge for new developments) was imposed to finance social infrastructure (health and education) in those neighborhoods.

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Box 1.3: Local resource mobilization

Between 1989 and 1994 Valledupar tripled tax revenues and quadrupled its budget in real terms through a strategy of accountability and transparency with the community. Collection of valorization taxes increased notably as taxpayers saw how their taxes were spent. In spite of being an election year, the government introduced the gasoline surcharge in 1994 to finance much needed road projects. A committee integrated by representatives of interested parties discussed options and built consensus for the surcharge.

To regain people’s trust on government’s ability to deliver, the new administration that took office in Manizales in 1992 promised to complete in five months the Avenida del Río project that was stalled for several years. Successful and timely completion of the project brought higher confidence and set the foundations for a stronger partnership with the community. Doubling its fiscal base and reducing tax evasion Manizales was able to increase its budget substantially over this period.

The urban area of Piedecuesta expanded from 300 to 2,300 blocks over the last decade. The administration faced the challenge of increased demand for services in a creative manner. Through negotiations, developers took responsibility for basic urban infrastructure, reducing demands on the fiscally strained municipio. Improvements were reflected in higher market prices. Piedecuesta increased property tax collection by a factor of five since 1989. A “land use tax” (a one time charge for new developments) was imposed to finance social infrastructure (health and education) in those neighborhoods.
nicipios vary from a high of more than Col$19,000 in Manizales to only Col$500 (less than one US dollar) in Puerto Nariño (see Table 1.1). Even among nicipios of similar size, significant differences are observed. In part these differences naturally reflect variance in fiscal capacity, as in the case of Manizales and Puerto Nariño. Also, tax revenues are probably an incomplete measure of local resource mobilization in small nicipios where contributions in-kind (mostly through community labor but also with materials) to construction and maintenance projects can be quite important, as already suggested. Thus, tax revenues are likely to overestimate the differences between large and urban nicipios, on the one hand, and small and rural ones on the other.

Nevertheless, the evidence indicates that fiscal effort indeed varies. Some of the nicipios have made significant efforts in mobilizing local resources—for example, increasing collection on property taxes, imposing a gasoline surcharge and betterment levies—linked to the expansion in service coverage and quality. In nine of the sixteen cases, tax revenues in real terms increased well above population growth in the period analyzed. In general, these were the larger nicipios in the sample (see Table 1.1).

National transfers represent between 80 and 90 percent of current revenues in the smaller nicipios in the sample, and approximately 60 percent in the larger ones. This ratio is relatively lower in nicipios like Pidedecuesta, Manizales, Valledupar, Jamundi and La Mesa that have made important revenue mobilization efforts during this period (see figures on growth in tax revenues in Table 1.1). Their experience (described in Box 1.3) suggests that local governments which are perceived to be effective by their communities are in a stronger position to mobilize fiscal resources locally.

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<thead>
<tr>
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<tbody>
<tr>
<td>Manizales</td>
<td>39.1%</td>
<td>19,167</td>
<td>49.2%</td>
</tr>
<tr>
<td>Valledupar</td>
<td>51.5%</td>
<td>9,434</td>
<td>121.3%</td>
</tr>
<tr>
<td>Ipiales</td>
<td>82.8%</td>
<td>4,780</td>
<td>62.4%</td>
</tr>
<tr>
<td>Zipaquirá</td>
<td>67.0%</td>
<td>8,737</td>
<td>76.6%</td>
</tr>
<tr>
<td>Piedecuesta</td>
<td>60.8%</td>
<td>6,729</td>
<td>231.6%</td>
</tr>
<tr>
<td>Jamundí</td>
<td>58.8%</td>
<td>14,231</td>
<td>66.2%</td>
</tr>
<tr>
<td>Libano</td>
<td>71.1%</td>
<td>5,431</td>
<td>0.0%</td>
</tr>
<tr>
<td>Puerto Tejada</td>
<td>79.0%</td>
<td>4,297</td>
<td>69.2%</td>
</tr>
<tr>
<td>Pensilvania</td>
<td>90.7%</td>
<td>4,052</td>
<td>60.2%</td>
</tr>
<tr>
<td>San Juan Nepomuceno</td>
<td>88.6%</td>
<td>1,304</td>
<td>-26.7%</td>
</tr>
<tr>
<td>La Mesa</td>
<td>45.4%</td>
<td>7,412</td>
<td>188.3%</td>
</tr>
<tr>
<td>Versalles</td>
<td>87.9%</td>
<td>2,702</td>
<td>0.3%</td>
</tr>
<tr>
<td>Belalcazar</td>
<td>65.2%</td>
<td>5,383</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Zapatoca</td>
<td>85.1%</td>
<td>2,835</td>
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</tr>
<tr>
<td>Cucunubá</td>
<td>77.8%</td>
<td>1,452</td>
<td>-62.9%</td>
</tr>
<tr>
<td>Puerto Nariño</td>
<td>98.1%</td>
<td>517</td>
<td>-12.0%</td>
</tr>
</tbody>
</table>
The key questions

Overall, the evidence presents a positive record of municipal performance. The small number of cases reviewed is obviously insufficient to speculate on national trends. Nevertheless, the experience of these municipios suggests that municipal governments can be more reliable service providers than it is sometimes assumed.

Any analysis of local government performance must necessarily lead to a discussion of existing capabilities at the local level and the conditions for their development. It is only natural to ponder whether local governments are up to their new jobs and how they acquire new capabilities. After all, under a centralized regime, local governments do not generally exercise the capacity they might have, nor face the incentives to develop it further.

These concerns can be summarized in two key questions. First, what are the main forces driving the process of capacity development at the local level? Are they, principally, local in nature or, on the contrary, mostly external to the municipio? Second, will motivated local governments have the means and the ingenuity to upgrade the required capabilities? The experience of the sixteen municipios reviewed provides answers to both questions. Chapter two addresses the first of these questions. The second one is the subject of chapter three, which considers the different ways in which municipios have upgraded their capabilities and the problems they faced in doing so.

1 Annex 1 includes a list of the municipios covered and the selection criteria used.
2 Annex 2 includes a brief description of the most important components of the new framework of decentralized governance.
3 Sanchez and Gutierrez (1994) and Diaz and Sanchez (1994).
4 For a discussion of the system of cofinancing funds see World Bank (1994).
5 See Fainboim and others (1994).
6 The 1991 Constitution introduced the election of Governors.
7 Under this system, voters receive their ballots at the election cite, thus reducing opportunities for vote manipulation. Ballots include photographs of candidates.
8 A significant quota of the public budget allocated to members of congress and other regional officials for their own discretionary use within broadly defined criteria.
9 All mayoral and gubernatorial candidates must present a government program to be later used to assess their performance.
10 Annex 3 presents the conceptual framework on which the case studies were based.
11 See Annex 4 for additional evidence on municipal performance in the water sector.
12 The water systems in Belalcazar and Jamundi are managed, respectively, by EMPOLADAS and ACUAVALLE. Piedecuesta delegated responsibility of its water system to Bucaramanga’s water company.
13 Among the other four cases, Manizales, Zipaquira and La Mesa already had close to 100 percent coverage in urban areas in 1985. Valledupar did not show an increase in coverage rates (above 90 percent in urban areas) but was able to maintain them in spite of high population growth.
14 This is not necessarily the result of insufficient effort in the past. Piedecuesta, for example, is experiencing migration of such magnitude that it is having a difficult time reducing the coverage gap although enrollments increase at 8 percent annually.
15 This appears to be the case in Puerto Tejada and Belalcazar that show very low retention levels. See Villa (1995c) and Palencia (1995a) respectively.
16 Pensilvania built 15 acueductos in rural areas that now have 75 percent coverage. Belalcazar built six new rural acueductos, and rural areas have now 90 percent coverage of water. Valledupar constructed acueductos in 12 out of its 17 corregimientos. In
Piedecuesta coverage of water systems in rural areas increased from 23 percent in 1990 to 48 percent in 1994.

This appears to be the case of Piedecuesta rural areas increased from 23 percent in 1990 to 48 percent in 1994.

See Annex 6 for details.

However, opinion surveys among the four largest municipios show that only in Valledupar there is a generalized perception that the municipal government makes efforts to do projects at the least possible cost.

See Cárdenas (1994c). This program is discussed in some more detail in Chapter 2.

For example, in La Mesa, municipal road projects cost only 70 percent of those done by the Department.

Financial indicators for the water sector (see Annex 4) show a less than satisfactory picture. With few exceptions municipal companies experience large operative deficits, probably as a result of low tariffs. For those cases in which information is available, unaccounted for water is acceptable compared to Colombian standards. Collection rates are good or acceptable in six cases and low in the rest. Important efforts were identified recently in this area: San Juan Nepomuceno increased collection rates from 20% to 70% and Valledupar from 50% to 94%.

This can be seen in Annex 5, which indicates a high correlation between scores for allocative and production efficiency.

For example, tax revenues vary by a factor of two between Zipaquirá and Ipiales, and in San Juan Nepomuceno tax revenues are one third of those in Pensilvania.

Current revenues in Table 1.1 exclude those of municipal enterprises. Thus, dependency from national transfers in municipios that have such enterprises tends to be overestimated relative to the rest. For example, in 1994 transfers represented 27.8 percent of current revenues in Manizales. If one were to include municipal enterprises, transfers would represent only 13.3 percent.
Chapter 2

Leadership and participation: the emergence of local capacity

In our view, the emergence of local capacity is closely associated with the new environment under which municipios operate. Recent revivals of the political and governance aspects of Colombian institutions—exemplified by the popular election of mayors, the 1991 Constitution and changes in electoral rules—have created a new system of incentives and have heightened competition for better performance in local government.

A reduction in clientelism and more transparent and fair electoral practices, have conferred more legitimacy to the leadership role of mayors in the public's eye and made the position more attractive and competitive. An important result has been a renovation in municipal leadership. A majority of the mayors that were in office in the sixteen municipios at the time of our visits, could be considered 'political outsiders', with backgrounds in the private sector or coming to the public sector as professionals or through civic movements independent of traditional parties. With decentralization municipal political life has become clearly more local in nature increasing demands on new leaders to respond to their communities.

The experience of the cases reviewed for this study indicates that competition for political office has, in many cases, opened the doors to responsible and innovative local leadership, and this, in turn, became the driving force behind capacity building efforts. More widespread community participation and growing civic involvement have expanded the range of possibilities open to municipios and provided the basis to sustain local government capacity over time. Leadership and participation have, thus, consolidated corporate strength in local governments. Once the overall institutional framework was in place, actors external to the municipio played an assisting role but, in most cases, following local initiatives.

The links between leadership and participation, on the one hand, and the development of local capacity on the other, constitute the theme of this chapter, which reflects the lessons derived from the experience of the sixteen municipios reviewed for this report.

Local leadership

The case studies found again and again that local leadership—most notably by mayors, but also by community leaders, private sector individuals acting in the public interest, or political movements (see Box 2.4)—emerged as a key part of the explanation of local capacity. Few if any municipalities showed much capacity without strong leadership. For most, leadership was a sine qua non in the launching, sustaining, of capacity building.

The role played by responsible and innovative leaders in strengthening the capacity of local governments is complex. In the first place, a mayor (or the head of a municipal department) is in a unique position to motivate the local administration to improve its performance and, as a result, generate the demand for capacity enhancing activities. Second, as a manager he/she becomes a key element of municipal capacity. This is particularly true in smaller municipios where the mayor is often the only full-time professional working for the government. Thus, when reviewing the evidence, one needs to consider the several ways in which mayors (or other leaders) contribute to capacity building.

This leadership function has a double facet. First, reforming the municipal administration into more effective and customer-oriented institution involves a leadership role internal to the organization. Second, achieving trust,
A 1989 decree by the national government mandated that all municipios create a Community Participation Committee (CPC) for each health facility, which include representatives of community organizations, the local government and the municipal council. Under the leadership of the local hospital director, the CPC of Versalles became the main source of local innovation and change, replacing an ineffective municipal administration. The CPC mobilized the community and launched several effective and low-cost programs to address issues of malnutrition and family welfare.

The relationship with the mayor has not always been easy. The 1990-92 administration provided strong financial support to the CPC programs and promoted it at the departmental and national level as a model of community participation. This support disappeared during the following administration, as the mayor was convinced the CPC diminished his power. While morale among municipal workers was very low due to a lack of leadership, the CPC provided the space for effective participation by community members. Thus, many of those individuals that have become active and motivated participants in CPC programs.

mobilizing community resources and sustaining those reforms efforts involve a leadership role external to the organization. Thus, as the experience of these municipios illustrates, successful leadership involves both managerial and political skills. In many cases, the tension between the two facets was found to be very strong.

The rest of this section describes some of the key aspects in which successful leadership was found to have a positive impact on local capacity. These aspects describe the diverse challenges faced by mayors and other local leaders.

Breaking the inertia. In an initial phase of the capacity building process, the main challenge for the local government is to make effective use of the under-utilized capabilities existing within the administration. In many cases, it is possible to increase government performance without major new investments, simply by making more effective use of latent capacity. This phase, in all cases, was associated with strong leadership by the mayor.

The case studies show examples of how mayors with an entrepreneurial spirit were able to unlock latent capacity in the local administration. For example, municipal staff in Valledupar reported the motivational boost generated by a mayor that starts work at 6:30 a.m. every day of the week. Similarly, the first elected mayor in Ipiales discovered, to his amusement, that while his office was practically non-existent, the municipality was renting out—at a notional price—a perfectly adequate building as a hotel. Simply by ending the lease and moving the municipal administration he was able to improve working conditions and staff performance. On the other hand, in those cases where the mayor himself is not sufficiently motivated, those latent resources remain under-utilized.  

Expanding horizons. The most obvious way in which a new mayor can expand the capacity of the local government is by providing essential skills not previously available. In small municipios the mayor is very often the only full-time professional working in the administration. As some of the cases in the study clearly illustrate, the effectiveness and capacity of local governments in this group, is closely associated with that of the mayor.  

But, there is latent capacity outside the public sector too. Expanding government capacity by drawing upon resources outside the public sector is possible only when the administration achieves trust and support within the community. In almost every case, this was associated with new leadership making use of its recently acquired legitimacy. It implies bringing new—well qualified—people to work in the local administration, and drawing upon the community, as
Box 2.2: Violence, decentralization and local capacity

In some regions of Colombia where the presence of guerrilla groups cannot be disregarded, violence limits the capacity of local governments. Decentralization, and the initiative of new local leaders, allowed some communities to work with authorities and rebel groups, minimizing the impact of violence on local capacity and performance. For example,

In Zapatoca, the armed conflict reached its highest point with the assassination of the second elected mayor. The third election in 1992 implied a change in leadership. The new mayor organized town meetings in the rural areas, and invited the communities. On some occasions armed groups participated establishing an open dialogue on the municipal government program. Today, people and merchandise circulate freely in rural areas, and municipal programs are implemented without major derailments.

In Valledupar, the presence of armed groups has been strong and permanent in some rural areas, displacing the local and national governments. The popular election of Inspectores de Policía (see Box 2.3) changed that. The strong link inspectores have to their communities allowed to solve problems in a more expeditious way, sometimes without having to resort to local or national authorities. PNR has played an important role facilitating communications between rural communities and the local government. The result has been a reduction in violence levels and an increase in the capacity of the local administration to implement much needed development programs in the rural areas of Valledupar.

well as the private sector, to perform some activities. In Manizales, for example, a new municipal administration was able to acquire a high level of legitimacy through the completion of a long delayed project (see Box 1.3) benefiting all of the different aspects of its government program.

Managing complex organizations. In larger and/or more advanced municipios, a key challenge is to adapt the municipal organization to more complex and diverse tasks. This requires a clear definition of responsibilities and the delegation of authority, among other steps. The mayor becomes a manager and the leadership function is distributed among several individuals. This proved to be a difficult step for some municipios as it requires a change in leadership style (see chapter 3). In that sense, it could be argued that leadership plays a key but different role at various stages of the capacity development process: launching it requires, mostly, drive and clarity of objectives; while consolidation and institutionalization require managerial skills. The case studies provide some empirical support to this hypothesis. Further and more detailed analysis of this pattern could help understanding the changing role played by mayors.

Managing conflict. This is an area in which leadership by the mayor can have a significant impact. In several municipios capacity building efforts have lost effectiveness as they are rejected or, worse, battled by other powers in the local political scene. The best example is the poor relationship between mayors and municipal councils found in most cases. Few mayors have been able to develop a working relationship with the council, but in many other cases conflicts and obstructionism have weakened local government capacity. In the typical municipio council members have very few operational responsibilities, which are concentrated on the executive branch. As a result, council members tend to exercise power in a negative way by imposing clientelistic practices in hiring (cuota burocrática) on the administration.

The ability to manage this type of conflict becomes a key role for the mayor. The case studies show a variety of experiences. In some cases, the conflict between the mayor and the council practically impeded any progress in the process of capacity development. In most places, however, a certain modus vivendi develops under which change
continues but, probably, conditioned and limited. Valledupar presents an interesting experience of integration between the two branches of municipal government. The council was part of the effort to modernize the municipio as council-members were involved in the process of strategic situational planning (presented in some detail in chapter 3) that transformed municipal institutions.

Community participation

Participation by the community—individually or collectively, through formal and informal channels—voicing demands, making choices, and being involved in projects proved to be as important in sustaining capacity as leadership was in launching it. The presence of an active community increased demands for effective local governments, generating the incentives for capacity building. In other words, community participation forced government accountability. At the same time it broadened the resources on which the municipal administration could draw upon to improve its capacity.

The evidence from the case studies indicates, however, that the extent to which community participation became part of the process of capacity enhancement depended critically on the inclination, and to a certain extent boldness, of local administrations. Recent legal and political reforms have multiplied options through which the participatory tendencies of Colombian society can be expressed. The challenge for local governments has been to open their administration and encourage community participation.

To different degrees, and through alternative means, the municipios in our sample have followed this path. In some cases, this approach to public policy has been followed across the board as in Valledupar (see Box 2.3), in others mostly in one sector as in the case of education in La Mesa, or independently of the municipal administration as in Versalles. Finally, some local governments have shown lack of interest and/or mistrust toward the possibility of opening participatory spaces.

Although no simple correlation can be established between the strength of community participation and government performance,

Box 2.3: Innovations in community participation: the experience of Valledupar

Community participation has become a centerpiece of Valledupar’s development. In the municipal offices, staff wear identification badges which say: “We govern with your Participation”. The local government has actively promoted community participation. The Mayor established a Press and Information Office that disseminates government programs through, for example, a 30 minute daily radio program. The community is involved in several areas. A few of the most notable examples are:

Starting in 1992, the Mayor named Inspectores de Policia in the 14 corregimientos based on the results of popular elections. This has been an unique event in Colombia since the law grants mayors the rights to designate them without any consultations. As a result, the profile of the Inspectores has changed from a political appointee responsive only to the mayor, to one of a community representative acting as a liaison with the administration.

The Pavement by Self-Management program has the objective of improving access roads in the barrios. Interested communities contribute with materials and labor. The municipality provides technical assistance and the necessary equipment, and is responsible for the street lighting and trees. Participants get a rebate on their property taxes.

The alcalditos program has the objective of instilling civic conscience and nurture a participatory spirit among young citizens. Each school goes through an electoral process to elect an alcaldito that represents the school for one year. Elected candidates must formulate a government program. The Secretariat of Education organizes periodical meetings with the mayor and the alcalditos to discuss their programs and agree on ways the government could support them.
the experience of those municipios that have followed a more open and inclusive approach to public policy indicates they have benefited in terms of enhancing their capacity, positioning themselves to achieve better outcomes. To their experience we turn now our attention.

Voice. The consistent expression of community demands and preferences—voice—is an important factor explaining the development of local government capacity. Voice has made local authorities more accountable to citizens increasing the political costs of inefficient and inadequate public decisions. As a result, it made local governments more interested in changing their administrations and personnel to make them more effective. In several cases, protests and civic mobilizations led to local government action in the three sectors.13 Voice has also increased local government capacity by facilitating the task of ranking priorities and identifying problems of implementation. The process by which the community expresses its voice in larger municipios is, in some ways, more complex than in the rest. It requires outreach efforts on the part of the administration. The electoral process also acquires a more central role in this area as it may replace more informal channels of expression. Valledupar offers good examples such as the regular use of radio programs to communicate with the population and the introduction of the popular election of inspectores de policía.

Table 2.1 presents some of the most notable examples of how community voice has per-

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<tr>
<th>Survey</th>
<th>Consultation</th>
<th>Empowerment</th>
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<tr>
<td>Local government actively seeks information on community needs, problems and ways of addressing them.</td>
<td>Local government involves community/citizens in decision making through formal channels. Committee for sectoral evaluation in La Mesa and Valledupar. Special purpose commissions in La Mesa (for tariffs) and in Valledupar (for gasoline surcharge). Sectoral plans for education with community participation in Zipaquirá, Ipiales, Manizales, Valledupar and La Mesa. Comité Municipal de Rehabilitación (PNR) determines chronogram of road work in rural Valledupar, San Juan Nepomuceno and Puerto Tejada. Annual investment plan in consultation with Junta de Acción Comunal in Puerto Tejada and with Curacas in Puerto Nariño.</td>
<td>Local government promotes stronger community groups by delegating responsibilities and accepting community initiatives: Active Community Participation Committees (CPC) in the health sector in Versalles, La Mesa, Ipiales and Zipaquirá. Comité Autogestión de Vivienda in Zipaquirá. Unidades Básicas de Servicios and Ciudad Educadora in Piedecuesta. Empresa Comunitaria La Unión involved in multiple projects with municipal recognition in Piedecuesta. Municipio pays for a private firm to organize and coordinate community involvement in rural water system in Jamundi. Cooperativa vial-rural in Valledupar.</td>
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| Bi-annual surveys of needs of all households in Pensilvania (see Box 2.4). Annual consultation on education needs in La Mesa. Water company regularly surveys customer views in Manizales. Mayor holds regular cabinet meetings with neighborhoods groups to discuss needs and problems in Ipiales. Periodic follow up with community groups of status of projects identified by citizens as priorities in Piedecuesta. | | |
Box 2.4: The community influences government programs: the experience of Pennsylvania

At the beginning of the first elected mayor’s term a survey was conducted to see whether the government’s program addressed the community’s priorities and needs. The survey identified serious differences between the program and the community’s expectations leading the mayor to change his program. Due to the success of the survey, the Movimiento Civico (the civic movement in office) adopted it as a useful tool to help it define its political program for the upcoming election. Since then, the Movimiento has systematically applied the survey and used it to reshape its political program.

The survey is carried out on a bi-annual basis and is divided into two big sections. In the first section the community evaluates the current administration’s performance with special emphasis on works done during the current period. The second section addresses future projects. It asks the community to list and rank works and programs that the next administration should undertake.

For mayoral elections, all the Movimiento Civico pre-candidates elaborate their programs based on the Movimiento’s program (nurtured by the surveys), addressing similar issues with different emphasis. The mayors usually developed a strong managerial leadership but the political leadership remains within the movement. For the community the survey represents a strong commitment of the Movimiento to fulfill, to the extent possible, their demands.

formed as a way to enhance local government capacity. These experiences, which range from the relatively informal to the very sophisticated, give a sense of the possibilities available to local administrations that are open to community participation. The first column shows examples of instances in which local governments have established channels through which the community is able to express in a systematic way its needs and problems. These have become key tools for the local administrations that are using them. The second column shows the multiple ways in which the community is becoming involved in decision making at the local level. Finally, the third column presents a few examples of programs run by the community that have either been promoted or supported by the local government. In addition to addressing concrete needs—such as health or education—these programs have become a very powerful source of community organization with an impact well beyond their field of operation.

In several municipios PNR played an important positive role in fostering participation particularly in rural areas and among poor communities, organizing formerly disenfranchised groups and helping them voice demands and acquire a space in the local political debate. PNR’s experience is very relevant as it is the only national program for which the case studies found a generalized recognition among local communities of a positive role in fostering capacity.

Involvement. Direct community involvement—in construction and maintenance projects as well as operating services—was a strong factor behind the success stories in these municipios. The practice of communities contributing labor and materials for public projects increased not only the available resources but also cost-effectiveness and user satisfaction. Betterment levies and other types of cash contributions had a similar impact in larger municipios. More generally, the practice of working with the community was itself a learning process through which municipal staff acquired new skills and motivation.

The experience with involvement is ample and, as in the case of voice, varies according to size. Some of the examples we reviewed were based on practices that predated decentralization. For example, the current use of Mingas in Ipiales (see Box 2.5) is based on ancient indigenous traditions. However, even in those cases, strong commitment by the new administrations gave them new life and
mainstreamed them by making them part of the local government's programs.

In smaller municipios and in rural areas, the practice of communities sharing the cost of projects through labor or materials is almost a rule. However, some larger municipios like Ipiales and Valledupar have maintained the practices of community work (see Boxes 2.3 and 2.5). This type of involvement is observed more frequently in the road and water sectors, although there are several examples of community involvement in school construction. In larger municipios labor contributions tend to be replaced by cash contributions. La Mesa, Valledupar, Manizales, Jamundi and Piedecuesta use betterment levies and other means of beneficiary contributions to construction and maintenance projects, that generate citizen ownership and responsibility. Service administration and operation by communities is frequent only for rural water systems.

Sustainable capacity development

The success stories in these municipios are associated with the emergence of a virtuous cycle that could be critical for the sustainability of the process of local capacity development. Responsible leadership and community participation lead to an increase in demands for better governments and, consequently, for capacity enhancement. More capable governments tend to attract more qualified and better motivated leaders and staff. Similarly, stronger and more open administrations are likely to promote and advance interaction with citizens. Furthermore, the evidence suggests that leadership and participation tend to reinforce each other.

The sustainability of reforms at the local level is sometimes affected by the dynamics of the political process. Mayors are elected for three-year-periods and cannot be re-elected for two consecutive terms. In some cases, local government capacity has suffered as a result of changes in municipal administrations. Important initiatives may get discarded as they are associated with opposite political groups.

The quality of local leaders, as well as the speed of reform, will naturally vary over time. People and styles change. The key to sustainability, as illustrated in several municipios, resides in the degree to which local authorities involve citizens and open their administrations to the community. In the words of the Mayor of Valledupar: 'community ownership of programs and ideas is one of the few, and most important, conditions for continuity of the process of local capacity development'.

Box 2.5: The mingas in Ipiales

The mingas constitute an important part of social and community life in Ipiales. They originated in the pre-colonial period and are most present in the southern part of Colombia, where the Indian heritage has endured. Citizens join with local authorities in carrying out a specific task that will be of general benefit to a neighborhood or the community. These tasks often comprise the construction and maintenance of schools, roads, water and electrification systems. Usually the government provides the technical support and construction materials, and the community contributes labor force and materials. It also provides food and beverage to minga participants. Participation is so strongly embedded in the community that it is not unusual to have several senior officials in a minga shoveling debris and pouring cement.

An innovative form of minga has developed, in which neighboring municipios coordinate their efforts for relatively big projects. This practice, which has contributed to strengthen ties among members of the municipal association, was initiated by the first popularly elected Mayor of Ipiales.

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1 In the 1988 and 1990 municipal elections the two major political parties obtained approximately 80 and 90 percent of the vote respectively, and controlled almost 90 percent of all municipios (see Gaitán and
Moreno (1992)). In the 1992 elections, traditional parties obtained only 65 percent of the vote with candidates from non-traditional parties gaining control of approximately 300 of the 1,000 municipalities.

A majority of individuals surveyed in Manizales, Valledupar, Ipiales and Zipaquirá indicated that their choices for mayors do not follow party lines and are not necessarily consistent, in party terms, with their choices at the national level. Only a minority (between one fourth and one third of those surveyed) believes that one should vote for mayors and president from the same party.


We estimate that municipios with population of less than 10,000 have, on average, two professionals in the municipal administration. See Annex 8.

See, for example, the contrasting views of Versalles and Zapatoca (municipios of similar size) in Villa (1995d) and Cárdenas (1994d).

The Mayor of Jamundi, for example, involved several new professionals in the administration, through his personal contacts in the private sector.

Jamundi and Piedecuesta present interesting cases in which the mayor was able to involve developers in local issues through complex negotiations. See Villa (1995b) and Cárdenas (1994a) respectively.

See Palencia (1995b) for details.

Conflicts between levels of government are discussed in more detail in Chapter 3.

According to Cárdenas (1994b) this was the case with the 1990-92 municipal administration in San Juan Nepomuceno.

See Villa (1995d) for a more complete discussion of the experience of the CPC in Versalles.

This was, for example, the case in La Mesa, Zipaquirá and Puerto Tejada.

For example in Cucunubá and in rural Valledupar.
Chapter 3

Capacity building: local initiatives, innovations and tribulations

Capacity enhancement requires local governments to undertake reforms in the way they conduct their operations, to make investments in human resources and equipment, to adopt new work practices. In our view, innovative and responsible leadership and community participation provide the required motivation and the cardinal elements for those efforts to occur. Nevertheless, in order to materialize, capacity building will involve specific interventions, reforms and investments.

Do motivated local governments have the means and the ingenuity needed to develop their capacity? The evidence collected through the case studies suggests most of them do. A majority of the local governments reviewed for this study enhanced their capabilities, over this period, by giving attention to areas such as staff skills and professionalization (labor), equipment, materials and buildings (capital), organization and the administration’s planning and execution functions (technology). However, even the most motivated municipios are facing obstacles—local and external—in the process of developing their capabilities, and important efforts are still required in a majority of places.

This chapter reviews the most significant initiatives undertaken by municipios in order to enhance their capacity, as they were identified by the case studies. In doing so, it considers some notable innovations that are being introduced at the local level, as well as the obstacles facing local governments in their capacity strengthening efforts.

The human factor: skills and professionalization

A key dimension of local government capacity is the quality of its staff, which we view as a function of their skills and knowledge as well as of the way such skills are utilized within the local bureaucratic structure. While in many cases inadequate or insufficient skills can explain weak capacity, in others the limiting factor is their ineffective use.

The case studies show that most local governments upgraded the quality of their workforce, increasing the number of professionals in their staff considerably (see Table 3.1). A municipio like Ipiales, for example, increased the number of professionals from only three in 1988 to thirty in 1994. La Mesa, which had one professional in the administration before 1988, has now eight.

Box 3.1: The dimensions of capacity

Capacity should be understood as an enabling factor: the tools that make possible for the local government to perform in an effective way. We categorize those tools as: (1) Labor: the quality of its staff, which depends on both their skills and the way they are utilized within the bureaucratic structure; (2) Capital: the equipment, materials and buildings required in public sector activities, without which quality labor could become ineffective; (3) Technology: the government’s internal organization and management style, planning and execution functions.

We say there is a capacity problem when a municipality is unable to achieve its performance goals even though it has access to the necessary financial resources. Such inability will be associated with weaknesses along one or more dimensions.

Capacity does not need to reside in the public sector to contribute to the achievement of a high performing local government. Indeed, an effective local government should be able to use the capacity that exists outside the public sector—in the private sector, among NGOs, and within the community at large.
Table 3.1: Professionals in the municipal administration

<table>
<thead>
<tr>
<th>Municipio</th>
<th>Number of Professionals</th>
<th>Employees/Professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manizales</td>
<td>86</td>
<td>148</td>
</tr>
<tr>
<td>Valledupar</td>
<td>29</td>
<td>118</td>
</tr>
<tr>
<td>Ipiales</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Zipaquirá</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Piedecuesta</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Jamundí</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Libano</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Puerto Tejada</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Pensilvania</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>San Juan Nepomuceno</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>La Mesa</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Belalcazar</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Versalles</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Zapatoca</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Cucunubá</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: The source of this information are the decrees establishing positions (acuerdos civiles) in each municipio for 1988 and 1994. Detailed information for each municipio is presented in Ballesteros (1995). Employees working under contracts are excluded. The information for Manizales, Valledupar, Ipiales and Pensilvania excludes personnel working for the municipal enterprises. For comparability reasons, teachers have been excluded even when they are permanent employees of the municipio, as in the cases of Jamundí, Piedecuesta, Puerto Tejada and San Juan Nepomuceno. In Ipiales, it was not possible to identify the number of teachers in the municipal staff. As a result, the employee/professionals ratio consistent with that of the other municipios is likely to be lower than the one indicated in the table. For Manizales and Pensilvania, the values for the earlier period correspond to 1989.

Even more remarkable is the change in the skill composition of the municipal labor force which has professionalized very sharply. As shown in Table 3.1, the ratio of employees to professionals fell in every case and quite substantially. In Ipiales, for example, this ratio was reduced by a factor of eight. In municipios like Valledupar or Pensilvania the ratio of employees to professionals is similar to the one found in a country like Chile generally cited as an example of municipal strengthening in the region.2

This was done through new hirings and training and, particularly among the larger municipios, by adapting personnel policies and reward systems. Depending on the case, these changes took place in the municipal administration, the water or public service company, and/or the municipal departments of education and public works.

Scale and isolation. Small municipios, particularly remote ones, experience particular difficulties in upgrading the quality of their workforce. In the first place, scale imposes a natural or structural limit on the number of professionals working for the municipal administration. A majority of Colombian municipios simply cannot afford the expenses of a cadre of adequately remunerated professionals in the different areas of government
responsibility. Secondly, the cost of hiring even a few well qualified professionals might be too high for many small municipios that would have to attract them from other—sometimes distant—places.

To a certain degree, a majority of the municipios in our study fall in this category: nine out of the sixteen have populations of less than 35,000. In many cases they have developed alternative strategies that allow them to deal with the scale problem, although not without certain drawbacks:

- In the very small municipios (for example, with populations of less than 10,000) the mayor becomes an hombre orquesta (a one-man-band), being in charge of most activities that require a certain degree of qualification. In this case, leadership becomes the central variable imposing certain fragility for the sustainability of the capacity development process.

- Sharing professionals with other municipios is another strategy followed by some. All those cases involved some formal ties between neighboring municipios, such as those existing among members of a municipal association (more on this below). For example, the municipio of Cucunubá (with population of approximately 7,000) shares with the other members of its municipal association the salary of a lawyer that functions as a multi-purpose advisor. Similarly, ASOBANDO (the association centered around Ipiales) provides the support of its professionals for project preparation and other technical tasks to the smaller municipios members.

- The temporary use of professionals is an alternative used by Zapatoca, (a municipio with a population of approximately 10,000) that had to eliminate professional requirements for heads of departments due to its inability to attract full-time candidates. In response, Zapatoca introduced the figure of project managers (gerentes de proyecto) in charge of specific construction projects—a road, the extension of the water system—that report to the mayor.

- Some of the intermediate size municipios have been able to attract out-of-town professionals to work for the local administration on a long term basis (one to two years). La Mesa, for example, has taken advantage of its proximity to Bogotá and hired well-qualified professionals to work as advisors to the mayor in areas such as housing, internal control, fiscal affairs, contracts and water. Similarly, Pensilvania has benefited from a strong and committed community residing in other areas of the country. Many young Pensilvanians return to work for the local administration after a few years of on-the-job training in companies owned by former residents. Although many of them eventually leave town, the arrangement has provided a steady flow of human resources since the beginning of decentralization.

**Employment practices.** Developing adequate personnel policies—recruitment, promotion rules, staff motivation, pay scales—and formal training programs constitutes the main challenge for larger municipios attempting to improve the quality of their staff. This challenge can be rather complex as it involves politically charged decisions such as the level and composition of public employment. This is particularly clear in the education sector. Several municipios face a capacity problem because the Estatuto Docente limits their flexibility to change employment practices given its rules on selection and management of teachers.

Personnel policies were found to be an important issue among the larger municipios in our sample, all of which have started to implement their civil service regimes. To different degrees, municipios like Manizales, Valledupar or Ipiales have developed a sophisticated municipal administration with
Box 3.2: The ICAM of Manizales
The Municipal Training Institute of Manizales (ICAM) started operating in 1994 with support from the French Cooperation Agency. The ICAM was conceived as part of a broad strategy to solve technical and behavioral constraints of staff. ICAM has practically no permanent personnel.

ICAM organizes training courses, workshops and seminars covering topics such as public administration, strategic planning, data systems, computer programming, legal issues and organizational management. ICAM’s training activities have benefited over 2,000 people. It provides financial assistance to 200 public servants pursuing high school, undergraduate and graduate degrees, and provided computer training for another 150 staff. Its receives one percent of the municipal budget.

well qualified and motivated professional staff. This, however, was not done overnight:

- Manizales has a long tradition of professionalization, which has been reinforced over several years by conscious efforts to increase the ratio of professionals to unskilled workers through personnel attrition. Those efforts are complemented by its staff development and training policies (see Box 3.2).
- Valledupar has, since the popular election of mayors, professionalized its administration. The cabinet is composed of mostly young professionals (many with graduate studies) with experience in the public and private sectors. The public works department that traditionally experienced redundant unskilled labor, was profoundly reformed. Workers received official support to form a cooperative enterprise (with financial support from UNDP), now maintaining rural roads in a very effective way. As a result the department has a small cadre of professionals, and a better performance record.
- Ipiales established, since 1988, a rotation system among municipal employees that has worked as a de-facto training program. Today, most of the department heads and managers in the service companies and decentralized offices have been formed in what they proudly call the municipal school. The mayor himself is an example of this model: he participated in the administrative reorganization during the 1988-90 period, headed the team that liquidated the departmental water company, and was in charge of the new company that was formed. Also, Ipiales pays up to half the cost of training courses municipal employees take in local and regional higher education institutions.

Capital: the physical factor

Most public sector activities require the use of capital in addition to labor. High quality labor becomes ineffective when, for example, working in run-down buildings or without access to necessary equipment. The evidence in this area is very clear. Municipios do not find serious difficulties in establishing a reasonable level of capacity in terms of equipment and buildings.

Compared to the other two dimensions, capital does not involve particular difficulties. This could be related to two factors. First, once a municipio has the financial resources, access to equipment and materials is relatively easy as there exist well developed markets. Second, strengthening this dimension of capacity is less controversial as it does not involve sensitive issues of personnel and organizational practices.

A somewhat controversial aspect relates to policies followed regarding the equipment for construction and maintenance projects. Several municipios have established fondos rotatorios de maquinarias: they own the equipment in partnership with a municipal association (as in the case of Cucunubá, La Mesa and Ipiales) or by itself (as in Zapatoca). In most cases, the municipio facilitates the equipment for community use, through different arrangements. In Zapatoca the
equipment is rented while in La Mesa it is loaned based on an agreement that the borrowers will contribute specific inputs to the construction projects. In Ipiales, a yearly schedule for use is agreed among the members of the municipal association that owns the equipment.

This practice—which does not exist in large municipalities like Manizales and Valledupar that contract out to the private sector—is typically justified on the grounds that it is less expensive than hiring private contractors. The evidence on the cost-effectiveness of these arrangements, however, is inconclusive. It is likely that fondos de maquinarias are a sensible idea for small and remote municipios, but not necessarily for all.

Technologies: improving the management process

Good people working for a badly organized municipal administration, or without the necessary management tools, will not go too far in terms of effectiveness. This principle is recognized—although not always in an explicit manner—by a majority of the local governments we reviewed. The case studies show efforts to improve the functioning of municipal organizations, the use of planning and the execution of municipal projects. Those efforts are found throughout the size range, and seem to be commensurate with the municipio’s size.

Support from agents external to the municipio—for example, from the German Cooperation (GTZ), the PDI, UNDP, or the Universidad Pedagógica—in this area has been for specific projects and following local requests. For example, the case studies identified several instances in which an external agency provided technical assistance in the preparation of development plans in response to a municipal request.

Reforming the municipal organization.

New responsibilities make it imperative for many municipios to undertake some type of administrative reforms: changing the structure of the municipal organization, creating new departments, establishing the corresponding division of responsibilities and channels of communication. To be fully effective, reforms must be done in a way that contributes to staff morale. Several municipios have shown initiative and drive in implementing these reforms. Others, however, appear to be facing performance problems as a result of their failure in this area.

Organizational reform did not appear to be a matter of concern for the smaller municipios, which require very simple organizations based, to a large extent, on the mayor. The case studies suggest the issue gains importance in municipios of approximately 40,000 inhabitants and above.

The larger municipios in our sample were able to develop sophisticated and effective organizations:

- They have reorganized the structure of their administration in a way that allows for decisions to be made in a fast and effective manner. Valledupar, for example, introduced a small technical unit in the mayor’s office to give due process to problems and needs identified by lower levels as well as by citizens. Together with a planning unit, it has allowed top management to deal effectively with a larger number of problems and issues.
- They have developed some modern and sophisticated organizations such as the Empresas Públicas de Manizales (created in 1962 before the beginning of the decentralization process), characterized by the stability of its management and independence from political influence. Highly qualified personnel, good managers, excellent equipment together with an administrative organization that has adapted through time explain its excellent performance record.
- They have been able to implement administrative and motivational reforms in the municipal administration with great...
success. For example, in Ipiales a new corporate culture has developed in the local government, that follows a very flexible and decentralized work style in an environment of high staff motivation.

A second group of municipios\(^{10}\)—large enough to face problems of organizational complexity, but smaller than the ones discussed above—experienced difficulties in implementing reforms to adapt their municipal organization. Most of them have made progress in establishing their water companies or creating their secretariats of education. However, they have not been able to integrate the different parts of the municipal administration in an harmonic fashion. As a result, government effectiveness depends on the specific arrangements in the sector and large differences emerge within the local government.

Piedecuesta, for example, has a well organized and functioning secretariat of education that helps explaining its remarkable record in the sector. On the other hand, the department in charge of the road sector is notoriously weak and responsibility for the water system had to be transferred to the city of Bucaramanga. This pattern is in part the result of a highly centralized organization in which most decisions must still go through the mayor although the complexity of problems is such that no single person is capable of processing the solutions. Similar trends are found in other municipios in this group. In many cases, the sustainability of reform efforts could be jeopardized due to insufficiently developed municipal organizations.\(^{11}\)

**Planning as a tool.** The sharp increase in resources being managed by local governments and the variety of sectors in which they now have responsibilities, imply the need to upgrade their capacity to plan—that is, to establish goals and the means to achieve them. In addition to satisfying technical criteria, planning under the system of decentralized governance must also reflect the needs, preferences and priorities of recently enfranchised citizens. Thus, local governments must combine their efforts to develop conventional planning skills with new methods to elucidate community demands.

Few municipios have fully developed these capabilities. But, when the evidence collected in the case studies is reviewed critically and with due consideration to differences in size, a more encouraging picture emerges. While small municipios do not have full-fledged development plans, most have a listing of investment priorities, the source of funds for each of them and an execution plan—probably the right tool given their scale. Among the larger municipalities, most have both municipal development and sectoral plans which, in effect, have become operating tools in the day to day operations.\(^{12}\)

An interesting aspect of many of these "plans" is their impact on generating organizational and community spirit. Several municipios have systematically involved the community in the preparation of plans. For example, La Mesa for its education sector plan, and Pensilvania by regularly consulting

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**Box 3.3: The administration in Ipiales**

The municipal administration in Ipiales is an open and flexible organization. Since 1988, and before the enactment of the civil service law, Ipiales established the practice of rotating staff among departments, as part of a broad strategy aimed at transforming the government into an entity driven by a spirit of efficiency and service. Ipiales has highly motivated and well prepared personnel. There are no administrative walls. Interaction between staff is direct and work is carried out under a team structure. Senior officials participate at all levels. In the Department of Public Works professionals answer their own phones and handle their mail. People work hard and long hours without over-time payments. A simple example of work habits prevailing in the administration is the absence of the "coffee-clerk". This working style has increased staff moral and strengthened ties with the community.
Box 3.4: Innovative planning in Valledupar

As in many other places, municipal development plans were prepared in Valledupar by external agents (universities, consultants and national entities) with little or no participation of local staff. The result was low ownership and little impact. This changed when, in 1993, the administration implemented an instrument known as Strategic Situational Planning (SSP) to help develop and execute the municipal development plan.

Under SSP an action plan, which lists strategic activities and identifies the entities responsible for their implementation, is prepared collectively. Based on it, the administration developed the 1993-94 government plan which identified 18 specific problems, responsibilities, human and financial resources and specific actions. In addition, SSP helps to establish a system to monitor progress on various tasks or projects. Every month the mayor meets with the teams responsible for implementing different components of the action plan to evaluate progress on the various activities according to previously established indicators.

To guarantee the operational process of the SSP process, a Central Planning Unit (CPU) and a Techno-Political Unit (TPU) were established. The CPU is responsible for guaranteeing the processing of the problems identified in the action plan and implement the SSP process in all departments. The TPU provides technical support and filters the political decisions and problems that reach the mayor.

citizens on sectoral priorities (see Box 2.4). In some cases, plans—documents—have the benefit of acting as ‘certificates of continuity’, particularly through changes in administration, as well as a technocratic device.

In many cases, municipios rely on some type of support—from consultants, universities and technical groups, or in a few cases from private firms—to develop these plans. Although the cases reviewed show their share of plans that fall within the category of ‘thick and useless volumes’, it appears that in most opportunities local governments are receiving adequate support, when effective demand exists. External help, however, cannot provide the motivation to initiate such exercises nor the commitment to internalize them.

Project execution. It is at the level of implementing investment projects that many municipios face capacity limitations. The evidence shows a mixed record. While interviews with local residents and key informants indicate the existence of problems such as slow execution, the case studies encountered many examples of effective implementation. Capacity in this area seems to be closely associated with various other dimensions such as strong leadership, community involvement in projects, clear priorities, and an effective municipal organization.

A pattern appears among those cases of successful execution, linked to the criteria of selectivity and specialization. Selectivity implies that municipios improve project execution by concentrating on relatively few priorities. Typically, the mayors in the reviewed cases tend to concentrate their resources and political capital on a limited number of projects—a particular road, bringing water to town or cleaning the river.

Specialization implies that the local government does not attempt to do everything by itself. Successful implementation was always associated with the involvement of someone outside the local administration: the community (as described in Chapter 2), an NGO (for example FUNDAGUA in Valledupar or Fe y Alegría in Manizales), the private sector or a neighboring municipio.

The challenge of putting it all together

The evidence presented in this chapter illustrates the extent to which local governments have strengthened their capacity, and the significant ingenuity and degree of innovation that exists among municipios. Table 3.2 summarizes some of the notable examples of capacity development found in the case studies.
Table 3.2: A sample of local capacity enhancing initiatives

<table>
<thead>
<tr>
<th>Labor</th>
<th>Capital</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff quality, which depends on both skills and the way they are utilized within the bureaucratic structure.</td>
<td>The equipment, materials and buildings required in public sector activities.</td>
<td>The government's internal organization and management style, planning and execution functions.</td>
</tr>
<tr>
<td>• Municipal training institute (ICAM) in Manizales.</td>
<td>• Privatization of all road maintenance in Manizales and rural road maintenance in Valledupar increased available capital to the sector.</td>
<td>• Strategic situational planning in Valledupar.</td>
</tr>
<tr>
<td>• Gerentes de proyectos in Zapatoca and long term advisors in La Mesa.</td>
<td>• Introduction of computers and systems in the water and sanitation enterprise in San Juan Nepomuceno.</td>
<td>• Methodology of investment planning and monitoring by projects in San Juan Nepomuceno.</td>
</tr>
<tr>
<td>• Advisor shared by members of municipal association in Cucunubá.</td>
<td>• In Pensilvania, the public hospital, the water company and the UMATA have computerized their systems.</td>
<td>• Administrative reforms in Pensilvania (creation of public enterprise, UMATA, etc.).</td>
</tr>
<tr>
<td>• Municipio pays 50% of training cost in qualified institutions for staff in Ipiales.</td>
<td>• Private developers in charge of urban road construction in Piedecuesta.</td>
<td>• Administrative reform and development plan for education in Piedecuesta.</td>
</tr>
<tr>
<td>• Bilingual teacher training in Puerto Nariño.</td>
<td>• Sharing equipment between members of municipal association in Ipiales, La Mesa and Cucunubá.</td>
<td>• Systematic use of sectoral plans in La Mesa.</td>
</tr>
<tr>
<td>• Professionalization of management in all municipal departments in Pensilvania, with repatriates.</td>
<td>• Fondos rotatorios de maquinarias in Zapatoca.</td>
<td>• Special secretariat in charge of mega-projects in Manizales.</td>
</tr>
<tr>
<td>• Rotation system as training program for municipal staff in Ipiales.</td>
<td></td>
<td>• Decentralization of municipal administration in Ipiales gives spending authority to department heads.</td>
</tr>
<tr>
<td>• Introduction of a system of competitive personnel hiring in Puerto Tejada.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The process of building a modern and effective local government is, however, immensely complex. Municipios not only must face the political and technical challenges involved in the process of reforming their administrations, upgrading the quality of their staff and adopting new systems and methods. They must also learn how to operate in an institutional and legal environment that continues to change at a fast pace.

A stifling environment. A successful effort to build local capacity requires municipios to have the autonomy and security needed to make long term commitments. In that sense, clear and stable rules of the game are a key contributing factor. In spite of repeated efforts by the different levels of government, most municipios still find the legal and regulatory framework which governs them complex and confusing. Frequent changes and additions imply further complications.

In many cases well intentioned local authorities have unknowingly broken rules due to lack of information. This has not contributed to generate a sense of trust between the different actors involved in the process of decentralization. Most of the local authorities interviewed for this study complain about what they perceive to be undue persecution by the center. On the other hand, national level agencies—particularly those with control responsibilities—are naturally concerned about the lack of compliance with legal norms. Insufficient channels of communication between levels of government make it difficult to reverse this environment, which is clearly not conducive to development of effective municipios.
A factor further hampering the ability of some local governments to consolidate their capacity building efforts is the barrage of national programs for institutional development that operate in an uncoordinated manner. The paradoxical result is that these programs—meant to support local governments—end up forcing on them an inefficient use of their time and human resources, overwhelming—rather than strengthening—their capacity.

**Municipios and departments.** The decentralization framework being implemented in Colombia requires, in different ways, that municipios work together with their departments. In some sectors, such as education, local and regional governments share responsibilities. Departments have, according to law, a coordinating, monitoring and assisting role to play with respect to municipios.15

However, the case studies indicate there is currently a significant gap between this proposed role and the observed reality. Among the sixteen municipios covered in this study only two—those in Valle del Cauca—showed a departmental presence conducive to a system of effective governments. That is, one in which departmental institutions—such as ACUAVALLE or the secretariat of education—coordinate and assist municipios in a non-intrusive and effective manner.

Among the rest, a majority of municipios have either confrontational or distant relationships with the departmental government. In a few cases, close political links with the governor’s office was helpful in obtaining financial resources. However, little was observed in terms of a long-term commitment to strengthen local institutions or working together in important areas such as planning. To a certain extent, the larger municipios in our sample may be institutionally stronger than the department and less in need of assistance.16

This state of affairs is probably the result of a combination of factors. First, the newness of these arrangements and the ambiguity over the implementation of the division of labor between departments and municipios is a contributing factor. Second, the institutional weaknesses of many departments does not position them adequately to play the role of partners and enablers of the efforts conducted at the local level.

**Coordination issues.** The process of local capacity development could be suffering in many circumstances due to insufficient inter-municipal coordination. Such issues were identified in two main areas:

- The difficulty of learning about the lessons and experience of others. Self starter municipios must necessarily be innovators and, to a certain extent, risk takers. However, dissemination of their experience with capacity enhancing activities, should make it easier for others to follow. Information about successful interventions should also make other governments less anxious about the social and political costs of reforms. Spontaneous dissemination, which might be taking place, is taking too long and does not reach everywhere.17 There is currently no institution in Colombia (public or civic) that is assuming this dissemination role. Thus, when dealing with capacity development, most of the municipios covered in the study were in the awkward position of ‘reinventing the wheel’.

- Scattered evidence indicates that one of the institutional development schemes most frequently used at the local level is the association of two or more municipalities with a view to take advantage of economies of scale in management and administration and/or to facilitate horizontal transfer of management technologies. Often these associations stimulate expansion and innovation in local services. Five of the municipios in our sample are members of a municipal associa-
tion. The legal framework is permissive and does not constitute a significant obstacle to either the creation of new associations or their involvement in local capacity development efforts. There is not, however, sufficient awareness among municipios of the advantages of this type of associational arrangements. Furthermore, without financial and technical assistance, the process of constituting a new association may be too costly for most small municipios.

**Involving the private sector.** An important aspect of capacity development is for local governments to learn how to work with new partners that can significantly expand their capacity to perform their responsibilities and provide services to their population. One surprising finding coming from the case studies is the limited role the private sector seems to be playing in the process of strengthening local governments. And the type of synergetic association conventionally associated with the case of Cali does not seem to be easily replicated in other parts of the country.

Practically all municipios have private contractors execute part of their construction projects, particularly in roads and water. Beyond that, the evidence on collaboration between the public and private sectors at the local level is scarce. Furthermore, smaller municipios find it difficult to involve private contractors for municipal projects unless they are of a certain magnitude as, in most cases, those contractors operate out of larger cities two to three hours away. Jamundi and Piedecuesta, both part of expanding metropolitan areas, have established some type of cooperative relationship with developers that has payoffs to the municipio but is not conducive to establishing sustainable capacity within the local administration.

Privatization of services does not appear prominently in the agenda of most local governments. Valledupar and Manizales show some interesting experiences and are more likely to move in this direction than smaller municipios. The evidence reviewed suggests there is ample room to advance local capacity by involving the private sector.

**Local capacity development**

As our review indicates, capacity building involves efforts in several dimensions, with the total being larger than the sum of parts. Putting it all together—the ultimate challenge for a reformist local government—is not easy. The experience of these municipios strongly indicates that leadership and community participation are the fundamental factors that bring these efforts together into a consistent whole. It also indicates there are no simple recipes that all municipios can follow. The right model for institutional development must follow local perceptions of needs and preferences regarding the means to satisfy them. There is no feasible substitute to an approach in which local governments, with the active participation of their communities, take the initiative and responsibility for the actions conducive to their institutional development.

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1. See Annex 3 for a more complete presentation of the conceptual framework used to analyze capacity in the case studies.

2. See Campbell and others (1991). It should be noted that the professionalization in Chile took place over a period of fifteen years, while the changes we observe in these municipios took place in only six years.

3. Among the sixteen cases reviewed for this study, Puerto Nariño exemplifies the extreme difficulties of an isolated “micromunicipio”. See Palencia (1995d).

4. The cases of Zapatoca and Belalcazar are good examples. The very different leadership style of their mayors had a fundamental impact on local government capacity. See Cárdenas (1994d) and Palencia (1995a).

5. Although it is a larger municipality, Piedecuesta has similarly benefited from its
proximity to Bucaramanga as many of the professionals working in the local administration live there.

6 It is too early to assess the full impact the carrera administrativa might have on municipal capacity. Nevertheless, some evidence is slowly emerging. Hiring standards are unlikely to experience significant changes: the carrera administrativa does not appear to be neither a necessary nor sufficient condition to hire qualified staff. Its impact may be higher in terms of lowering staff turnover. However, as a large number of professionals will not be covered by the carrera administrativa the final effect on capacity is unclear.

7 See Cárdenas (1994c) and paragraph 1.18.

8 Decree 77 of 1987 mandated that the departmental water companies (EMPOS) be transferred to local authorities. Given the lack of interest on the part of the Department of Nariño, Ipiales took the initiative to liquidate EMPONARIÑO. The Mayor of Ipiales at the time of our visit, had been in charge of the liquidation. He manifested this was a very important learning experience on administrative, legal and political matters (dealing with the department, the union, bureaucrats).

9 Interesting cases of inter-municipal cooperation were identified in this area. The Empresas Públicas de Manizales received technical support from the municipal company from Medellín. ISERVI, the municipal company in charge of waste management, street lighting and other services in Ipiales, received support from their counterparts in Medellín and Cali.

10 This group includes Zipaquirá, Piedecuesta, Jamundi, El Líbano and Puerto Tejada.

11 See, for example, Villa (1995b) for an example of this view in reference to Jamundi.

12 In some cases, there appears to be a lack of integration between the sectoral plans and the municipal plan. This is particularly true when capacity varies significantly between sectors. In those cases the municipal plan might be unbalanced.

13 It is not unusual for different national agencies to have conflicting interpretations of the rules to which local governments must conform. Considering the large number of rules affecting municipios, the national government issued, on November of 1994, Decree 2626 which compiles the constitutional and legal rules affecting the organization and functioning of municipalities. The decree has 686 articles and 61 pages.

14 For example, Law 136 (which regulates municipal operations) was approved on June 1994 and modified by Law 177 on December of the same year.

15 Law 60 established that departments must provide the technical, administrative and financial assistance to municipios required for the adequate provision of services.

16 For example, officials in the Department of Nariño indicated that, given their relative strength, Ipiales could be offering them assistance rather than the opposite.

17 In preparation for this study, a workshop was organized and the mayors of the sixteen municipios were invited. The discussions and reactions to the exchange of information indicated both the inadequate flow of information on best practices and its potential impact on local capacity.

18 Ipiales presents a special case. Its approach—summarized in the slogan Municipio-Empresa Año 2000—views the municipal government as a self-sufficient enterprise that commands the resources needed to provide essential services to its citizens. In the sense that they have consciously tried to develop in-house capacity to avoid depending on private contractors. A sense of regional isolation might be contributing to this approach.
Chapter 4

Addressing the challenge of local capacity development

The chief findings of this study—the importance of leadership, of community participation and of political reform, as well as the tremendous potential for innovation at the local level—lead us to propose an approach to capacity strengthening of local governments that implies the involvement of a variety of actors—public and civic, central, regional and local—and tools that go beyond traditional technical assistance programs.

But while signs of reform and innovation are beginning to appear in many municipios, this process may be impeded by doubt, uncertainty, and even strained relations among levels of government. A legacy of antagonism may be affecting the spread of self-starting action by some municipios. After years of tight control, local governments are now flooded with sudden reforms. These carry mixed messages of freedom floating in an atmosphere of doubt, new obligations, and restrictive controls. To some extent, the innovations and initiatives taken by local governments may be seen as a reaction to excessive constraints of the past. And, some of the ill-feeling will pass as institutions become more familiar with their new roles.

It would be wasteful not to capitalize on the new, innovative energies depicted in this study. We think that with dedicated efforts to improve intergovernmental relations, the new civic spirit is sufficiently robust to support a new approach to institutional strengthening. Beyond technical assistance means tapping into the vibrancy of local initiatives produced by political and social reforms.

The proposed strategy

Our proposal is based on three basic premises arising from the study:

a) Sustainable development of capacity at the local level is possible only when there is effective demand by local administrations and communities. The interventions needed to increase demand for capacity development must go beyond technical assistance and work, indirectly, by promoting innovative and responsible leadership and community participation.

b) Technical assistance should follow local demand, be tailored to local needs, and be provided in a decentralized manner. The challenge is to create the environment conducive to the emergence and consolidation of a system in which multiple agents are positioned to offer support to local governments.

c) The diffusion of institutional change throughout the country will depend on the speed and extent to which information—on best practices and available solutions for local governments—flows between municipios. Such dissemination can be considered a public good that is currently being under-supplied.

Promoting leadership and community participation. The study found again and again that local leadership and community participation emerged as key parts to the explanation of local capacity. We conclude that the political and social system is now opening opportunities for competition in the selection of local leadership and for civil society’s involvement in local public life. A new strategy will have to rely more heavily on incentives operating on local ‘civic and political markets’.

Efforts should be made to foster and develop these fundamental qualities of civic life. Stimulating development of local leadership and fostering civic involvement would have the double effect of increasing demand for capacity development and increasing capacity itself in the form of better mayors and council members and local participants. The
promotion of leadership and community participation, should thus become an integral part of any effort directed toward local government strengthening. This view is in consonance with the approach proposed by the Government of Colombia in its new development plan, *El Salto Social*, that calls for public policies and actions conducive to more participation and supportive of the development of participatory organizations.¹

This strategic component should incorporate programs along the following lines:

- Public affairs campaigns to educate and inform the public about the responsibilities of local governments—mayors and council members—and the rights of citizens should contribute to generate more awareness, promote accountability of local officials and motivate citizen involvement. The national government² can initiate some of these campaigns, but in order to be effective and sustainable they will require the involvement and initiative from the departments and the NGO community. Professional and business associations can also be invited to support these campaigns.

- Innovative and responsible leadership should be rewarded. Potential ideas might include prizes, national service awards, scholarships and fellowships, internships and national notoriety for innovations (for example in community and private sector participation) in good governance, and other key categories. The national government, through its sectoral ministries, can establish the practice of publicly recognizing local leaders that excel in their performance in areas such as education or health promotion. The *Federación Colombiana de Municipios* and the Confederation of NGOs should play an active role in coordinating these prizes and recognition programs.

- The collection and publication of information on the programs and performance of local governments can be another powerful tool to improve accountability and promote more responsible leadership. This will require a systematic effort to monitor events at the local level, that can involve both the national (probably through DNP) and departmental levels. The *Sistema Nacional de Evaluación de Resultados* could offer a reference to these efforts.

- The promotion of community participation must be an important part of this strategic component. Social marketing interventions (for example, calling for more community involvement through media programs as was done in municipios like Valledupar, and through newsletters) must be combined with the empowerment of community based groups. The experience of PNR has proved to be very positive and their efforts should be continued. The cofinancing funds can also play a role by opening their operations to, and promoting proposals, from community groups. The many innovative forms of participation already seen suggest that grants to community groups to foster innovative modes of participation in local issues should be explored.³

- The latter is an area, however, in which local governments and NGOs have a comparative advantage over national programs. Local leaders, independently or in cooperation with NGOs, can have a significant impact in mobilizing their communities to participate voicing demands, making choices and being involved in projects. In the last analysis, the sustainability of reform efforts will depend on whether they generate a real sense of ownership among citizens.

**Decentralized and demand-driven support.**

The case studies indicate that local capacity strengthening is seldom the result of supply-driven and centrally provided technical assistance. This leads us to suggest that, in order to be effective, technical assistance should:

(i) tend to follow local demand rather than
central mandates; (ii) be tailored to local needs recognizing the heterogeneity of Colombian municipios; and (iii) be provided in a decentralized manner.

The challenge, in our view, is to create an environment conducive to the emergence and consolidation of a system in which multiple agents—public, private and non-profit; local, regional and national—are positioned to offer the type of technical support local governments may require. A strategy for local capacity development should not rely exclusively on vertical relationships (nation, department, municipality). In our view, horizontal relationships—that is links among municipalities and between local governments and private entities—should play a more central role in local capacity strengthening efforts.

The goal should be the active involvement of the many institutions with expertise in capacity strengthening—universities, NGOs, professional associations, private firms, departments and municipalities—to provide technical support to local governments. A network of those institutions—organized at the regional and national level—would provide a forum for the exchange of ideas and experiences. It would also promote high professional standards—through formal and informal means—in what must be an essentially competitive setting.

The evidence indicates that the number of organizations involved in the provision of technical support to municipios is growing rapidly. The legal and regulatory framework allows local administrations to contract private sector firms, universities, non-profit organizations and professional associations for management and support tasks.

The national and departmental governments could contribute to this process by:

- Helping initiate and coordinate, at least in its formation period, the institutional development network.
- Offering financial incentives for new, and potentially effective, suppliers of technical support to get involved in the institutional development network. Examples include: (i) a sister cities program in which successful municipios receive grants to support weaker ones; (ii) government aid to regional schools for municipal management that adhere to national professional standards and include municipal representation in their boards, (iii) fellowships to former mayors and community leaders recognized for their performance and innovation, that would allow them to advise other municipios.

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**Box 4.1: Working with NGOs**

Colombia has a very large and active network of Non-governmental organizations (NGOs) ranging from sophisticated national organizations to local, community-based ones. Their contribution to the development of local capacity involves the direct provision of services to communities (reducing demand on public services) and work organizing communities (helping local governments to establish communication channels and identifying community preferences).

Several NGOs are contributing more directly to strengthening the capacity of local administrations through their assistance in the preparation of municipal development plans and staff training. Experience indicates that those NGOs that are involved in the promotion of community participation also participate in the formulation of municipal development plans and the provision of training to local government officials.

The national constitution provides the legal framework conducive to a formal participation by NGOs in local programs. The legislation implementing the relevant articles of the Constitution was enacted in late 1994 through Decree 2626, removing the last legal barriers to this important type of partnership. However, achieving the full potential in this area will take time as local governments, communities and NGOs become familiar with the new framework.

The establishment of a national registry of NGOs and several other initiatives included in the national government’s development plan should contribute to consolidating the role NGOs play at the local level.
Disseminating information. Access to information about innovations and best practices taking place in sister institutions across the country and available sources of support is an extremely powerful tool for a local government motivated to strengthen its capacity. Spontaneous dissemination, which might be taking place, is taking too long and does not reach everywhere. The experience of the municipios reviewed for this study testifies in that regard. The lack of an institution—public, private or both—that performs this dissemination role is making the task of enhancing capacity an even more difficult one.

In our view, the dissemination of experiences and information on capacity development will require an active role by one or more national institutions, although not necessarily governmental. A reformed and more effective Federación Colombiana de Municipios could play a leading role in this area. However, even if it takes on that responsibility, it should coordinate with and involve other institutions that in their day-to-day operations interact with local governments, such as the DNP, the Ministries of Education, Health, Government and Development, DRI, Finde-ter, FIS, departments, regional development institutes such as IDEA, ESAP, as well as a diverse group of NGOs. Examples of potential programs include: (i) a database and library on best practices and municipal innovations; (ii) a program of telephone consultations for mayors, council members and citizens; (iii) study tours to places of outstanding practice; and (iv) advisory services on how to recruit and sign contracts with NGOs, universities, cooperation agencies, and the like.

The environment of local institutional change. Overall, the legal and political reforms that have shaped the new system of decentralized governance are propitious to the development of local capacity. However, uncertainty about the meaning of reforms, coupled with a legacy of strained relations, may present serious obstacles to further taking of initiatives by local governments.

A dissemination effort to improve local understanding of legal and regulatory reforms in the country—such as the laws dealing with procurement and planning, rules of cofinancing institutions, to name a few—is a very important part of laying the foundation for local institutional strengthening. A national education campaign followed by the introduction of a system of legal information to which local governments have readily access should be considered by the national government, probably in coordination with the Federación Colombiana de Municipios. These efforts would respond to the uncertainties faced by local governments and contribute to create a more favorable setting for the implementation of the proposed strategy.

Implementing the strategy

The proposed approach falls in line with reforms of the state being implemented in Colombia and other countries in the region: the central government’s functions in institutional strengthening shrink back, and those of subnational governments and the civil and private sectors expand, more in proportion to the respectful areas of comparative advantage.

The role of the center. In accordance with the strategic components we are proposing, the role of the center would be much more sharply focused on developing ways to leverage incentives already being created in civil society. National authorities would thus become enablers of possibilities, rather than direct builders of municipal institutional strength. This will involve interventions such as public affairs campaigns and the collection and dissemination of information on local government performance suggested in this chapter. In doing this, national authorities will need to clarify the specific responsibilities of the different organisms currently involved in these areas.
Whenever circumstances justify it—for example, in terms of public information about the legal framework—the center should intervene to remove obstacles in the way of local governments. Several examples were identified in this chapter. The relatively high costs of capacity enhancing programs faced by small and weak municipios may justify some type of subsidy, probably in the form of a matching grant (see Box 4.2). The national government could make funds available to qualifying municipios that present a capacity development plan or programs that establish competitive criteria for entry and promotion of municipal staff.

Departments. In many cases departments themselves are in need of capacity strengthening. Ideally, they should become partners and enablers of the efforts conducted at the local level. In several cases—such as Antioquia and Valle—they are already fulfilling that role. But, according to the evidence collected, they are exceptions rather than the rule. This suggests the need to consider ways in which departments may consolidate their relationship with municipal governments, emphasizing voluntary cooperation between them.

**Municipal associations.** Cooperative forms of associations between municipalities can play an important role in this approach, particularly for small municipios experiencing capacity limitations due to insufficient scale. Several of those associations are already making important contributions to their members. An important element of the strategy we are proposing consists of financial incentives—such as grants to pay for start up costs—and conscious efforts to multiply these and other links between municipalities. The Federación Colombiana de Municipios could play a very important role, but it needs to regain its legitimacy among members and

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**Box 4.2: A new approach to technical assistance**

Under a demand-driven approach to technical assistance, a variety of sources—sectoral ministries, bilateral cooperation agencies, multilateral institutions, private sector organizations—make financial resources available to local or regional governments pursuing programs of institutional strengthening. Each source could establish the possible uses, eligibility criteria and matching rates for their funds.

Information on funds can be centralized in one national agency which would identify and advise governments on possible sources consistent with their needs, and their conditions. In order for funding to be approved, the applicant needs to show a clear indication that the proposal has local support. This would involve, for example, a pacto de compromiso with local business and community organizations.

The recipient has the freedom to select the providers of support and other contractors. Funding imposes the requirement to present a partial and final report relating the use of the funds and their impact. This report must be discussed locally with the signers of the pacto de compromiso and a copy remitted to the relevant source of funds. On an annual basis, the program would contract out evaluations of a selected group of experiences.

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**Box 4.3: The role of municipal associations**

Both from a theoretical and practical point of view, municipal associations are potentially well equipped to contribute to local capacity development by: (a) supporting projects with externalities benefiting two or more municipalities; (b) promoting projects with economies of scale, particularly visible in sharing personnel, equipment, infrastructure and regional expertise; (c) preparing regional development plans or strengthening local institutions by way of collectively training local managers and streamlining local administrations; (d) exchanging information and developing common information systems for economic and social policies for the subregion; (e) strengthening the bargaining power of municipalities, particularly small ones, for co-financing and other negotiating schemes with central and regional government; (f) reaching municipalities in subregions that the intermediate levels find hard to reach.
build up its own capacity and human resources.

**Local level actors.** In this approach, the many civil society actors—public and private, national, regional and local—become the agents of change. The heart of the strategy proposed here is to enhance the incentives for local governments to find and adapt innovations they need, to improve the information officials and voters alike need to make informed decisions, and to let voter taxpayers at the polls, as well as through other modes of participation, voice their approval or disapproval for local performance. Such participatory forms of local governance constitute one of the key conditions for the sustainability of local capacity development efforts. Municipal watchdog groups—local or regional NGOs or national organizations—could be mobilized to develop performance indicators, spotlight and reward outstanding performance, and publish results nationally and locally. National authorities would move into action as a last resort sanction against the most egregious malfeasance.

**Concluding remarks**

The study shows that capacity can be home grown without outside help, in both small places and large. Though the country has more than a 1000 municipalities, the small sample reviewed in this study suggests that size is not necessarily a predictor of capacity. We see skillful innovations in the very small and serious shortcomings in the very large. The important factor is determination at the local level, and recent reforms appear to be effective in building political will. Nevertheless, economies of thresholds, if not of scale, need to be taken into account when considering the specifics of a capacity development program.

This approach to capacity development is sketched out as a concept, not a blueprint. Further detail, delivery mechanisms, and program components still need to be developed. Furthermore, this approach may not work everywhere in the country and will not address some of the formalized needs for local management, such as regulatory frameworks and development of career schemes for professionals. We offer these concepts and ideas as an input for discussion and consideration by all the relevant parties to this enterprise. The World Bank is ready to support them.

1. Three areas are emphasized in the proposal: (i) development of civil society, (ii) consolidation of the institutional structure of civil society, and (iii) political participation. See Presidencia de la República and DNP (1994), pp. 208-211.

2. The office of the vice-president can play an important role initiating these campaigns.

3. *El Salto Social* proposes to implement the *Fondo de Participación Ciudadana*, that would cofinance research and action projects related to participation by universities, NGOs and private organizations.


5. *El Salto Social* proposes to establish incentives to stimulate the consolidation of NGOs operating in rural areas. This proposal is consistent with the proposed approach.

6. Many of these ideas are already in practice in Colombia but with limited coverage. For example, IDEA has a toll-free telephone consultation service for mayors in Antioquia. PROCOMUN has been developing a data bank on best practices. PDI provided advisory services on recruitment and contracts.

7. Among others, DNP, several sectoral ministries, the soon to be created Ministry of the Interior and the office of the vice-president.

Annex 1: The municipios studied

The sixteen municipios for the study were selected based on the criteria that they had interesting experiences on performance and strengthening of the management capacity within the decentralization process. By this, it was understood that efforts were made to: (a) improve performance in terms of goods and services provided to the community; and (b) increase institutional capacity to comply with the new responsibilities. It was understood that those experiences would involve both successful and failed efforts.

Additionally, it was considered necessary to observe municipios with different population sizes and from diverse regions of the country, with the assumption that these variables might affect performance and institutional capacity. It was decided to cover a group of 16 municipios distributed as follows:

<table>
<thead>
<tr>
<th>POPULATION</th>
<th>MUNICIPIOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 100,000</td>
<td>2</td>
</tr>
<tr>
<td>but less than 400,000</td>
<td>2</td>
</tr>
<tr>
<td>From 50,000 to 100,000</td>
<td>2</td>
</tr>
<tr>
<td>From 20,000 to 50,000</td>
<td>6</td>
</tr>
<tr>
<td>Less than 20,000</td>
<td>6</td>
</tr>
</tbody>
</table>

The in-depth case studies do not pretend to be statistically representative. In that sense, the results obtained refer exclusively to the municipios studied. However, these results provide indicators of general situations.

Since there is no information or statistics that allow a classification of municipios as successful or failures in terms of capacity development, it was decided to use the knowledge of experts linked to the field of local development to identify interesting cases.

After a first round of consultations with the experts, a set of municipalities that were mentioned in several occasions was identified. To increase the number of municipios with a population of less than 50,000, a second round of consultations took place focusing on the departments to which the original municipalities belonged to.

After the second round of consultations with the experts and according with the frequency with which they were mentioned, 50 municipalities were identified. Finally, from the latter group and taking into account repeated references by the experts and an adequate regional distribution, the final 16 municipios were selected. The following table provides some basic information on them.
<table>
<thead>
<tr>
<th>Municipio</th>
<th>Department</th>
<th>Population in 1993*</th>
<th>% Rural in 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Puerto Nariño</td>
<td>Amazonas</td>
<td>2,904</td>
<td>62.3</td>
</tr>
<tr>
<td>Cucunubá</td>
<td>Cundinamarca</td>
<td>7,715</td>
<td>87.5</td>
</tr>
<tr>
<td>Zapatoca</td>
<td>Santander</td>
<td>10,263</td>
<td>40.8</td>
</tr>
<tr>
<td>Belalcazar</td>
<td>Caldas</td>
<td>13,543</td>
<td>59.2</td>
</tr>
<tr>
<td>Versalles</td>
<td>Valle</td>
<td>11,028</td>
<td>59.6</td>
</tr>
<tr>
<td>La Mesa</td>
<td>Cundinamarca</td>
<td>19,132</td>
<td>56.6</td>
</tr>
<tr>
<td>San Juan Nepomuceno</td>
<td>Bolivar</td>
<td>30,514</td>
<td>41.8</td>
</tr>
<tr>
<td>Pensilvania</td>
<td>Caldas</td>
<td>21,176</td>
<td>59.3</td>
</tr>
<tr>
<td>Libano</td>
<td>Tolima</td>
<td>34,813</td>
<td>30.1</td>
</tr>
<tr>
<td>Puerto Tejada</td>
<td>Cauca</td>
<td>35,371</td>
<td>85.1</td>
</tr>
<tr>
<td>Jamundi</td>
<td>Valle</td>
<td>42,836</td>
<td>30.6</td>
</tr>
<tr>
<td>Piedecuesta</td>
<td>Santander</td>
<td>60,351</td>
<td>17.3</td>
</tr>
<tr>
<td>Zipaquirá</td>
<td>Cundinamarca</td>
<td>70,620</td>
<td>12.0</td>
</tr>
<tr>
<td>Ipiales</td>
<td>Nariño</td>
<td>70,965</td>
<td>12.5</td>
</tr>
<tr>
<td>Valledupar</td>
<td>Cesar</td>
<td>235,993</td>
<td>11.3</td>
</tr>
<tr>
<td>Manizales</td>
<td>Caldas</td>
<td>367,635</td>
<td>7.2</td>
</tr>
</tbody>
</table>

*These correspond to preliminary information from the 1993 census, which is likely to change. Several municipios have challenged the results from the census. For example Pensilvania, where projected population figures differ from census data by approximately 10,000 inhabitants.
Annex 2: The basic norms ruling decentralization

Political issues

Legislative Act No. 1 of 1986 - Establishes the popular election of mayors.

Law 11 of 1986: Basic Statute of the Municipal Administration - To modernize local administration and promote community participation in management of local affairs.


Law 131 of 1994 - Bylaws for the programmatic vote.


Fiscal issues

Law 14 of 1983 - Strengthens the fiscal units of territorial entities.

Law 12 of 1986 - Increases national transfers from VAT to municipalities.

Law 60 of 1993 - Defines competencies and responsibilities among central, departmental and local governments, especially on social and fiscal aspects. It also establishes the share of national current revenues to be transferred to municipalities.

Law 141 of 1994 - Rules the distribution of oil royalties among levels of government.

Administrative issues

Decree 1222 of 1986 - Issues the Departmental Regime Code.

Decree 1333 of 1986 - Issues the Municipal Regime Code.

Law 3 of 1986 - Establishes functions to modernize departmental administration.

Decree 77 of 1987: Basic Statute of Decentralization - Allocates functional responsibilities among government levels, principally in water, health and education.

Law 42 of 1993 - Establishes rules for fiscal control of public administrations at all levels of government.

Law 80 of 1993 - Establishes rules for public sector’s contracting procedures.


Decree 2626 of 1994 - Compiles norms in force related to municipalities.

Law 152 of 1994: Planning - Establishes rules for the constitutional obligation of the central, departmental and local governments to formulate development plans.

Sectoral


Health - Law 10 of 1990; Law 100 of 1993; Decree 1216 of 1989; Decree 1862 of 1990.


Public Services - Law 142 of 1994.

Transport - Laws 105 and 70 of 1993; Decree 80 of 1987; Decree 2444 of 1989.

Annex 3: A conceptual framework to analyze capacity

This annex presents the basic conceptual framework used in the case studies that constitute the basis of this report.

A simple model of the local government

We begin with a simple and informal model of local governments seen as agents responsible for certain activities ("provision of public goods and services") that affect community's welfare. Decisions regarding those activities ("what, how, to whom") are shaped by local and external forces— incentives—and based on available economic, technical and human resources. In this context incentives include all positive and negative rewards and penalties—not just financial—that individuals or governments expect from their actions given the political, physical and social rules under which they operate.

At any point in time, financial resources and local production conditions determine the feasible set of local government output (defined in terms of units of public goods and services such as kilometers of roads, number of people connected to piped water or number of children completing primary school), which we characterize as the production possibility frontier (PPF). As it is conventionally understood, the PPF indicates the trade-off faced by the local government when choosing the combination of public goods and services it will provide. In making these choices, local governments can follow different routes or criteria, which will reflect more or less accurately community preferences.

Local fiscal choice also involves the overall level of public goods and services to be provided. For a given local tax base and the existing inter-governmental assignment of taxing authority and revenue-sharing arrangements, there exists a trade-off between the provision of public and private goods. Communities can choose different combinations of local taxation and public spending. Thus, the actual position of the PPF is also affected by local choices. As a result, two communities with identical endowments and production conditions could face a different PPF depending on their choice of taxation level.

Each municipality will face a different frontier depending on resources—richer municipalities facing a wider set. Depending on factors such as geographic location and population density, they may also face different opportunities. For example, the cost of services is likely to be higher in sparsely populated municipalities that would, as a result, face a different production possibility frontier than more densely populated ones.

Similarly, the type of responsibilities being considered will vary between municipalities—road construction will have a very different meaning in a large urban area than in a small and remote rural municipality. Agricultural extension is unlikely to be an important activity in mostly urban municipalities. In the case studies, we concentrate our attention on three sectors—education, water and roads.

Local government performance

This simple framework supplies the main elements for an assessment of the performance of local governments concerning their role in the provision of public goods and services. In all cases, performance must be considered relative to the municipality's financial resources. In other words, we are interested in determining whether the municipality is doing as well as possible, considering the funds to which it has access and the local production conditions.

Production efficiency requires the government to be located on its PPF and implies that public goods or services are produced and delivered at lowest unit costs. In other words, production efficiency requires that no increase in the output of a specific good or
service be possible without a corresponding reduction in the output of another sector or activity. It also implies that the revenue mobilization effort to finance these activities is effectively done. Production efficiency also requires local governments to adapt to changing circumstances and innovate their practices in order to expand, over time, the range of alternatives open to them.

*Allocative efficiency* requires the mix of public goods and services—and their delivery modes—to be consistent with community preferences. In formal terms, this condition implies that the government maximizes local social welfare—that is, positions itself on the point where the PPF is tangent to the highest achievable social indifference curve. In other words, efficiency implies that no reallocation of resources from one activity to another can improve local social welfare.

This definition of allocative efficiency underscores the importance of the process of local preference formation. In particular, under this approach, achieving poverty alleviation goals requires that the interests and preferences of the poor be adequately represented in public choices. Formally, it implies that the preferences of the poor be given a minimum weight in the social welfare function.

In a multi-tiered system of government—such as Colombia’s—local governments are not fully autonomous and operate under mandates from central authorities. These mandates could imply, for example, the provision of minimum service levels. In principle, and assuming municipalities have access to the required financial resources, local government performance could also be judged on the basis of those mandates.

In some cases the satisfaction of centrally determined minimum standards or the sectoral allocation of resources mandated by the law, could be inconsistent with allocative efficiency (as defined above). For example, it is conceivable that certain communities prefer a combination of lower taxes and less public expenditure and will correspondingly be unwilling to meet the standards determined by the center. In those cases, it is through the use of financial incentives that the center can more effectively affect local choices. For example, the central government’s use of matching grants for specific goods or services provides the incentives for the local government to change the composition of its output in their favor. It is also possible that minimum spending allocation rules be inconsistent with local felt needs.

In the case studies four main criteria of allocative efficiency are considered: (i) the existence of flagrant inter-sectoral distortions in the allocation of public resource, (ii) the consistency of intra-sectoral—for example, primary vs. secondary education—allocation of public funds with local felt needs, (iii) the degree to which the more distant rural communities in the municipality are served by public services compared with more centrally located urban areas, and (iv) the extent to which there is a bias against the poor in the allocation of public resources.

The notion of performance we are proposing has a clear dynamic sense to it: a good performer is one that has made significant progress. Thus the case studies document the recent past as a contextual basis for understanding success and failure from each of the major informants. The purpose of such an exercise is to distinguish institutionally flexible and innovative municipalities from rigid and tradition-bound ones.

**Local government capacity**

Capacity, in this context, should be understood as an enabling factor: the effective existence, at the local level, of the tools that make possible for the local government to perform successfully. We categorize those tools—referred as the dimensions of local capacity—as labor, capital and technology. We say there is a capacity problem when a municipality is unable to achieve its performance goals even though it has access to
the necessary financial resources. Such inability will be associated with weaknesses along one or more dimensions.

In this framework, capacity should be assessed in relation to the goals of production and allocative efficiency:

- **Capacity for production efficiency** is manifested in the presence of a performance-oriented government. It requires that the government have the tools to optimize the use of resources in the production or provision process. In this context, the analysis of local capacity involves the identification of local and external factors that discourage or impede (encourage or facilitate) governments from being positioned on the PPF, and slow down (accelerate) its progress over time. Having the tools to mobilize resources (for example, through a more efficient tax collection system), would result in a wider possibility set. In that sense, one could add to the analysis the concept of 'capacity to mobilize resources'—different to the traditional concepts of fiscal capacity and fiscal effort—referring to the ability to maximize revenue collection for given fiscal parameters.

- **Capacity for allocative efficiency** is manifested in the presence of a customer-oriented government. In this context, local capacity implies the existence and adequate functioning of mechanisms through which the community can voice demands, channels by which authorities can translate those demands into actions and instruments for government accountability. The presumption is that failure in any of these elements would greatly diminish the capacity of local governments to achieve the allocation of public resources that maximizes local welfare.

We analyze local capacity in three main dimensions. Each dimension constitutes a set of tools that positions the government to achieve productive and allocative efficiency. We have labeled them as the conventional factors in a production function—labor, capital and technology. This choice of words is meant to reflect the notion that local capacity is, largely, endogenously determined—the outcome of 'investment' decisions in these dimensions.

**Labor.** A key dimension of local government capacity is the quality of its staff, which we view as a function of their skills and of the way such skills are utilized within the local bureaucratic structure, to which we will refer as staff professionalization. It is the combination of skills and professionalization that determine staff quality. While in many cases inadequate or insufficient skills can explain weak capacity, in other occasions the limiting factor is their ineffective use. Thus, civil service issues—personnel policies and reward systems—are important factors to be considered in any analysis of capacity. Also, skills can be seen as the combination of time and space information—the indigenous, unstructured understanding of local circumstances—and scientific and technical knowledge. A focus on formal training as a determinant of skills would emphasize the second at the expense of the first type of knowledge.

Conventionally, staff quality tends to be associated with capacity for production efficiency—for example, better "technicians" make the local government more capable to expand the provision of public services. However, this dimension of local capacity could also be important for the achievement of allocative efficiency which might require specific skills and different motivations for public sector employees.

**Capital.** Most public sector activities require the use of capital in addition to labor. High quality labor could become ineffective when, for example, working in run-down buildings or without access to the necessary equipment. Similarly, attempts at reaching out to distant communities—an important element for the achievement of allocative efficiency—could be frustrated by lack of transport equipment. While labor should be seen as the
“human dimension” of local capacity, capital can be regarded as the “physical dimension”.

Technology. This dimension of capacity consists of the government's internal organization and management style. It includes aspects related to the: (i) structure and distribution of functions and responsibilities within the organization, (ii) management, planning, decision-making and control and evaluation functions, and (iii) information gathering, processing and distribution.

Along these dimensions, local government capacity for production efficiency is expressed in the existence of an organization in which responsibilities are matched with implementing bodies, tasks and output are clearly defined, management techniques are effective, and information flows as needed. Local government capacity for allocative efficiency requires the development of a diametrically different type of organization to that prevailing under a highly centralized system of governance—one with more horizontal linkages and fewer or different vertical ones. Local capacity, thus, implies the existence of an organization less inward-looking and more open to the outside world, particularly at the local level. In addition, to the extent that individual and group preferences are heterogeneous and conflicting demands exist at the local level, an efficient and fair allocation of public resources requires an organization prepared to mediate conflicts and generate social consensus.

Capacity, measured along the three dimensions, does not need to reside in the public sector to contribute to the achievement of a high performing local government. Indeed, an effective government should be able to use the capacity that exists outside the public sector—in the private sector, among NGOs, and within the community at large. For example, a private truck can be rented to reach a remote community whenever no such equipment is available within the corresponding public agency. The lack of a specific skill within the public sector can be compensated by involving an NGO with the relevant technical expertise. In all cases, however, there is a minimum element of capacity in the public sector that is required—sub-contracting, for example, requires the skills to draft contracts and choose among bidders.

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2. The PPF follows conventional micro-economic concepts. For each good or service the local government faces a production function which indicates output as a function of the resources used, using efficient methods. The government faces a budget constraint which determines the resources available for these activities. In the case of two goods, the PPF is represented as a curve indicating the feasible combination of the two goods the local government can achieve if it is efficient in the use of resources.
3. Another way of formalizing this is by including both public and private goods in the production possibility frontier.
4. The social indifference curve shows the combination of goods and services which generate a certain level of social utility.
5. Formally, a matching grant has both an income and price effect. The grant relaxes the budget constraint (shifting the PPF out). It also lowers the relative cost of the service or good being supported which, under normal demand conditions, should experience an increase in its output levels.
6. The Ley de Competencias y Recursos establishes broad guidelines for the intersectoral allocation of funds originated in transfers. In that sense, in most cases, such allocation will probably not be a good indicator of efficiency. However, significant allocative inefficiencies can be present when the sectoral composition of local public expenditures is notably biased towards activities that do not correspond to felt needs. Only such major biases are likely to be good indicators in the Colombian context.
7. Formally, the introduction of the distinction between skills and their utilization is parallel to that between “labor units” and “effective labor units” as production factors typical of new growth theories.
Annex 4: Performance indicators in the water sector

<table>
<thead>
<tr>
<th>Puerto Nariño</th>
<th>Municipio</th>
<th>Does not satisfy norms</th>
<th>3 hours</th>
<th>n.a.</th>
<th>609%</th>
<th>23%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cucunubá</td>
<td>Municipio</td>
<td>Does not satisfy norms</td>
<td>12-24 hours</td>
<td>n.a.</td>
<td>179%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Zapatoca</td>
<td>Municipio</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>n.a.</td>
<td>108%</td>
<td>96%</td>
</tr>
<tr>
<td>Belalcazar</td>
<td>Departmental enterprise</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>n.a.</td>
<td>128%</td>
<td>81%</td>
</tr>
<tr>
<td>Versalles</td>
<td>Municipio</td>
<td>Does not satisfy norms</td>
<td>2 hours</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>La Mesa</td>
<td>Municipio</td>
<td>Satisfies norms</td>
<td>21-24 hours</td>
<td>28%</td>
<td>65%</td>
<td>91%</td>
</tr>
<tr>
<td>Jamundi</td>
<td>Departmental enterprise</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>32%</td>
<td>60%</td>
<td>97%</td>
</tr>
<tr>
<td>Libano</td>
<td>Municipal enterprise</td>
<td>Satisfies norms</td>
<td>22 hours</td>
<td>n.a.</td>
<td>88%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Pensilvania</td>
<td>Municipal enterprise</td>
<td>Does not satisfy norms</td>
<td>24 hours</td>
<td>n.a.</td>
<td>107%</td>
<td>70%</td>
</tr>
<tr>
<td>San Juan Nepomuceno</td>
<td>Municipal enterprise</td>
<td>Satisfies norms</td>
<td>8-14 hours</td>
<td>25%</td>
<td>189%</td>
<td>69%</td>
</tr>
<tr>
<td>Puerto Tejada</td>
<td>Municipal enterprise</td>
<td>Does not satisfy norms</td>
<td>6 hours</td>
<td>n.a.</td>
<td>n.a.</td>
<td>67%</td>
</tr>
<tr>
<td>Piedecuesta</td>
<td>Bucaramanga's enterprise</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>37%</td>
<td>60%</td>
<td>100%</td>
</tr>
<tr>
<td>Zipaquirá</td>
<td>Municipal enterprise</td>
<td>Satisfies norms</td>
<td>12 hours</td>
<td>n.a.</td>
<td>47%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Ipiales</td>
<td>Municipal enterprise</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>46%</td>
<td>84%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Valledupar</td>
<td>Municipal enterprise</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>44%</td>
<td>38%</td>
<td>94%</td>
</tr>
<tr>
<td>Manizales</td>
<td>Municipal enterprise</td>
<td>Satisfies norms</td>
<td>24 hours</td>
<td>31%</td>
<td>31%</td>
<td>89%</td>
</tr>
</tbody>
</table>

*UFW: Unaccounted for water.

Source: Case studies
Annex 5: Measuring performance

This annex presents the results of a preliminary attempt to develop a simple system by which local government performance is measured. Each *municipio* is given three scores for each sector (i.e. water, education and roads) corresponding to notions of production efficiency, intrasectoral and intersectoral balance and distributive performance. The scores for sectoral balance and distributive performance are averaged to generate one score for allocative efficiency.

*Municipios* were graded on a scale of 0 to 2 (0 meaning no progress since decentralization, 1 some progress, and 2 significant progress). The following table presents the standardized scores measured on a scale of 1 to 100, with municipios grouped by size, and a simple average for the sixteen municipios.

<table>
<thead>
<tr>
<th>Municipios</th>
<th>Population</th>
<th>Allocative Efficiency</th>
<th>Production Efficiency</th>
<th>Sectoral Balance</th>
<th>Distributive Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>0-25,000</td>
<td>75</td>
<td>78</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Medium</td>
<td>25,001-50,000</td>
<td>75</td>
<td>75</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>Large</td>
<td>50,001-100,000</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>65</td>
</tr>
</tbody>
</table>

The first fact to be noticed is that average scores are quite high, indicating there was significant progress according to these criteria. The average performance score was 74.35. This is the equivalent to a raw score of almost nine points (which, for example, would obtain for a municipality that made significant progress in allocative efficiency and some progress in production efficiency in the three sectors).

The average score was higher for allocative than for production efficiency (77.9 and 70.8 respectively). This result confirms conventional perceptions that decentralization is more likely to generate gains in allocation than in production efficiency. However, these results seem to indicate that even the latter are quite large.

Group 1 (municipalities of more than 100,000 inhabitants) shows the highest scores. This is due to the fact that the two largest municipalities in our sample are very high performers. This, however, should not be interpreted as indicating the existence of a positive correlation between size and performance. Once this group is separated from the rest, the apparent correlation disappears as group 4 has higher scores than group 3. In fact, there is a negative correlation between population and performance (correlation coefficient of -4 percent).

Another fact that deserves to be mentioned is the consistency between different dimensions of performance. Those municipalities that score high under production efficiency do so also under allocative efficiency. The correlation between the two measures is 73 percent.

On average, it is not easy to find a sectoral pattern in performance. Indeed, the three sectors show similar scores. However, when the results are analyzed by population group, a pattern emerges. Among smaller municipalities (groups 3 and 4) water and roads tend to show relatively higher scores than education. This is reversed for group 2 (municipalities in the 50-100,000 population range).

One possible interpretation would indicate these results reflect different priorities. The very small municipalities tend to emphasize water which, in most cases, constitutes the main problem they are currently experiencing. This is the first thing elected mayors do. Larger municipalities, already have better coverage in water (and most likely roads) and, as a result, education becomes a focal point for municipal action.

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1 See Acevedo and Fiszbein (1995).
2 The latter is understood as attention given by the local administration to rural areas of the *municipio* and to the poor.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Municipll</th>
<th>Population Class</th>
<th>Number of Cases</th>
<th>Overall Score</th>
<th>Number of Cases</th>
<th>Overall Score</th>
<th>Number of Cases</th>
<th>Overall Score</th>
<th>Number of Cases</th>
<th>Overall Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>82.81</td>
<td>&gt; 400</td>
<td>16</td>
<td>74.33</td>
<td>73.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
</tr>
<tr>
<td>Education</td>
<td>90.64</td>
<td>20-50</td>
<td>6</td>
<td>77.87</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
</tr>
<tr>
<td>Water</td>
<td>101.01</td>
<td>50-100</td>
<td>3</td>
<td>79.24</td>
<td>93.75</td>
<td>93.75</td>
<td>93.75</td>
<td>93.75</td>
<td>93.75</td>
<td>93.75</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
<td>75.00</td>
</tr>
</tbody>
</table>

Performance scores by population group.
Annex 6: Opinion surveys

Opinion surveys were conducted in the four largest municipios in the sample. The surveys used a representative sample of the adult population by socio-economic strata. The sample size was 600 in Manizales, 500 in Valledupar, and 400 in Ipiales and Zipaquirá.

<table>
<thead>
<tr>
<th>Who should be in charge of water?</th>
<th>Manizales</th>
<th>Valledupar</th>
<th>Ipiales</th>
<th>Zipaquirá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipio</td>
<td>62%</td>
<td>58%</td>
<td>41%</td>
<td>47%</td>
</tr>
<tr>
<td>Department</td>
<td>14%</td>
<td>15%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>National government</td>
<td>5%</td>
<td>9%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Private sector</td>
<td>18%</td>
<td>17%</td>
<td>35%</td>
<td>39%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Who should be in charge of education?</th>
<th>Manizales</th>
<th>Valledupar</th>
<th>Ipiales</th>
<th>Zipaquirá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipio</td>
<td>52%</td>
<td>33%</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>Department</td>
<td>21%</td>
<td>20%</td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>National government</td>
<td>16%</td>
<td>34%</td>
<td>36%</td>
<td>19%</td>
</tr>
<tr>
<td>Private sector</td>
<td>11%</td>
<td>11%</td>
<td>15%</td>
<td>17%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Who should be in charge of roads?</th>
<th>Manizales</th>
<th>Valledupar</th>
<th>Ipiales</th>
<th>Zipaquirá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipio</td>
<td>53%</td>
<td>46%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Department</td>
<td>13%</td>
<td>8%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>National government</td>
<td>16%</td>
<td>12%</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>Private sector</td>
<td>18%</td>
<td>33%</td>
<td>24%</td>
<td>34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Who do you trust more?</th>
<th>Manizales</th>
<th>Valledupar</th>
<th>Ipiales</th>
<th>Zipaquirá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipio</td>
<td>92%</td>
<td>94%</td>
<td>73%</td>
<td>57%</td>
</tr>
<tr>
<td>National government</td>
<td>8%</td>
<td>6%</td>
<td>27%</td>
<td>43%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Believes local government makes efforts to do projects at least cost:</th>
<th>Manizales</th>
<th>Valledupar</th>
<th>Ipiales</th>
<th>Zipaquirá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipio completes projects?</td>
<td>55%</td>
<td>71%</td>
<td>39%</td>
<td>44%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is willing to contribute to municipal projects:</th>
<th>Manizales</th>
<th>Valledupar</th>
<th>Ipiales</th>
<th>Zipaquirá</th>
</tr>
</thead>
<tbody>
<tr>
<td>with labor</td>
<td>63%</td>
<td>64%</td>
<td>67%</td>
<td>65%</td>
</tr>
<tr>
<td>through higher taxes</td>
<td>14%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

1 The surveys were conducted during the second half of the month of September of 1994 by Sistemas Especializados de Información, S.A.
Annex 7: A profile of Colombian mayors

The following information describes the characteristics and background of Colombian mayors. The source is a survey conducted by the French Technical Cooperation Agency and the Federación Colombiana de Municipios.¹ Forms were submitted to all municipalities during the first quarter of 1994. Approximately 40 percent of all mayors responded the survey. Whenever possible, we compare this information with the profile of the mayors of the sixteen municipios covered in this study.

The first thing to notice is that most mayors are males: 92 percent of respondents. In that sense, the municipios in our sample were representative: only one of the sixteen mayors (i.e. Puerto Tejada) was female.

In terms of their education level, 87 percent of the mayors in the survey have at least secondary education and 52 percent a university degree. The level of education is lower for mayors in smaller municipalities. For example, 18 percent of mayors in municipalities with population lower than 10,000 have less than secondary education, while no mayor falls in that category in municipalities of more than 50,000.

Smaller municipalities have younger mayors. Average age for mayors of municipalities of less than 10,000 inhabitants is 38, between 20-50,000 is 41, and between 100-500,000 is 42.

More than half (53 percent) the mayors worked in the private sector immediately before taking office. However, more than 80 percent of the mayors had some previous experience in the public sector. One in four mayors hold that office before.

An interesting finding of the survey is the negative correlation between the municipality’s size and the number of trips the mayor makes to Bogotá. Mayors in municipalities of less than 10,000 make an average of 5 trips a year, in those between 20-50,000 3.3 trips, and in those between 50-100,000 1.8 trips. Mayors from the largest municipalities, however, make more trips (those between 100-500,000 make 5.4 trips). This information confirms a finding of the case studies, suggesting the importance of direct lobbying by mayors to obtain resources from national agencies.

Interestingly, only 9 percent of the mayors identified “capacity” as the first obstacle for their administration. The larger the municipality the more important this obstacle was. In municipalities of less than 10,000 only 5 percent of the mayors identified capacity as a problem, while the same percentage was 33 percent among the largest ones.

¹ We wish to thank Silvia Sommaruga for her support in having access to this data and preparing the information for our analysis.
Annex 8: Municipal employment in Colombia

The survey used in Annex 7 also provides information on the level and composition of municipal employment. The following table summarizes some of the key indicators. The size of local administrations decreases with the municipality’s size, providing some empirical support to the view that economies of scale may exist. In that respect, municipios in the third group (population between 20-50,000) seem to have a higher ratio of employees to population. This could be an indicator of possible labor redundancies. In part, this would be consistent with the findings of the case studies, which suggest that municipios in this range seem to experience difficulties in establishing an effective municipal organization. Finally, the ratio of professionals among all municipal employees falls with municipal size. This again, is a reflection of certain economies of scale: there is a minimum number of professionals a municipio needs. That number does not increase proportionally with size.

<table>
<thead>
<tr>
<th>Municipio size</th>
<th>Municipal employees per thousand inhabitants</th>
<th>Employees per each professional</th>
<th>Average Number of professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 10,000</td>
<td>3.0</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>10-20,000</td>
<td>2.7</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>20-50,000</td>
<td>3.1</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>50-100,000</td>
<td>2.4</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>100-500,000</td>
<td>2.3</td>
<td>21</td>
<td>47</td>
</tr>
<tr>
<td>500,000 or more</td>
<td>1.8</td>
<td>24</td>
<td>922</td>
</tr>
<tr>
<td>Average</td>
<td>2.8</td>
<td>16</td>
<td>17</td>
</tr>
</tbody>
</table>
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