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## **ADMINISTRATIVE DECENTRALIZATION AND MUNICIPAL CATEGORIZATION IN COLOMBIA**

## **DESCENTRALIZACIÓN ADMINISTRATIVA Y CATEGORIZACIÓN MUNICIPAL EN COLOMBIA**

Naidú Duque-Cante<sup>1</sup>  
Edgard Moncayo-Jiménez<sup>2</sup>

### **Abstract**

This article addresses the importance of territorial categorization as an instrument that would allow the deepening of administrative decentralization in Colombia, since it seeks that the differences of the municipalities in economic, social and environmental terms be recognized and reflected in the normative design that governs them. Given that the regulations that have been issued on this matter have not been able to respond to these challenges, this article proposed to advance in the extension of this analysis regarding the functional design. For this purpose, based on an extensive normative review, the first part of the document shows a classification of municipal functions within low and high complexity options. The former being those that can be carried out through the management of local officials and the latter those that require a significant investment of resources. In the second part, the categorization of the municipalities was carried out taking into account nine (9) variables related, on the one hand, to the criteria established in article 320 of the 1991 Constitution for the municipal categorization, and secondly to the functions of high complexity referred to previously, since they are the ones that in practice can significantly pressure the response capacity of the local administrations. As a result, four (4) clusters were obtained that grouped 403, 156, 378 and 164 municipalities with clearly differentiable characteristics in social, economic and environmental terms that served to describe the different functions that could correspond to them in a possible definition of differentiated regimes.

**Keywords:** Administrative decentralization; municipal categorization; Colombia.

### **Resumen**

Este artículo aborda la importancia de la categorización territorial como un instrumento que permitiría la profundización de la descentralización administrativa en Colombia, ya que busca que las diferencias de los municipios en términos económicos, sociales y ambientales sean reconocidas y reflejadas en el diseño normativo que los rige. Dado que las normas que se han expedido sobre esta materia no han logrado responder a estos retos, este artículo se propuso avanzar en la ampliación de

<sup>1</sup> Master in Public Administration from the Higher School of Public Administration. Professor at the Grancolombiano Polytechnic University Institution, Bogotá - Cundinamarca, Colombia. E-mail: naidu.duque@gmail.com

<sup>2</sup> Doctor in Economic Sciences from the National University of Colombia. Professor at the University of Bogotá Jorge Tadeo Lozano, Bogotá, Colombia. E-mail: edgardmoncayo@yahoo.com

este análisis en lo que respecta al diseño funcional. Para ello, a partir de una amplia revisión normativa, la primera parte del documento presenta una clasificación de las funciones municipales dentro de opciones de baja y de alta complejidad. Siendo las primeras aquellas que se pueden llevar a cabo mediante la gestión de los funcionarios locales y las segundas las que requieren de una importante inversión de recursos. En la segunda parte, se realizó la categorización de los municipios tomando en cuenta nueve (9) variables referidas, por un lado, a los criterios establecidos en el artículo 320 de la Constitución de 1991 para la categorización municipal, y en segundo lugar a las funciones de alta complejidad referidas anteriormente, por ser las que en la práctica pueden presionar de manera significativa la capacidad de respuesta de las administraciones locales. Como resultado se obtuvieron cuatro (4) clústeres que agruparon 403, 156, 378 y 164 municipios con características claramente diferenciables en términos sociales, económicos y ambientales que sirvieron para describir las distintas funciones que les podrían corresponder en una posible definición de regímenes diferenciados.

**Palabras clave:** Descentralización administrativa; categorización municipal; Colombia.

## Introduction

Although more than three decades have passed since the process of territorial decentralization started in Colombia without it having been possible to overcome many of the defects inherent in the centralism that preceded it and without the assumptions that drove it having been fully achieved, the intention to change the model or to return to the previous one does not seem to be a viable option. In all cases, the reform efforts have been oriented towards increasing or improving the decentralized approach, in order to guarantee the realization of its proposed virtues (OECD, 2019).

But despite this, repeated efforts to maintain and improve it have overlooked the fact that decentralization in Colombia is still an incomplete process and that this is one of the factors that is restricting its scope. Indeed, although there is a wide diversity of regulations that have sought to develop each of the dimensions that make it up, they have done so uniformly for all three levels of the State. This means that currently the territorial entities have the authorities, resources and functions that correspond to them as a legal person, but that they are not necessarily those that fit their territorial reality. In this case, local entities that are legally denominated municipalities are governed by the same regulations regardless of whether they are small towns or large cities.

This irregularity, on the other hand, was foreseen by the same Constitution of 1991, in article 320 with the so-called municipal categorization, through which it was proposed the need to classify the municipalities based on population, tax revenues, economic importance and geographical location. In addition, the classification of the municipalities into groups or categories of municipalities should be made with the purpose of establishing a regime for each one that is proper and different from that of the others in terms of organization, government and administration. However, although three consecutive laws have been issued on this subject until now (Laws 136, 617 and 1551), none has considered all the categorization criteria established by the constitutional charter or established the differentiated regimes. The predominant classification criteria in all these regulations has been the entity's own resources, and since the second step was not completed, the current categorization is only intended to group the municipalities by degree of wealth.

In order to try to fill this gap, as far as administrative differentiation is concerned, in this article we first carried out an exhaustive review of the municipal functions established in the regulatory framework. This review allowed the classification of functions into those considered of low complexity as they can be carried out directly by municipal administration officials and those considered of high complexity for representing investment expenditures at different levels of complexity. Subsequently, a classification exercise of the municipalities was carried out, seeking to respond, as far as possible, to the criteria established in the Constitution of 1991, through the identification of variables that would allow the representation of the reality of local entities in social, economic and environmental matters. The categorization, carried out using the Principal Component Analysis technique and statistical software R, allowed the municipalities to be grouped into four clusters for which it was possible to propose a general description of possible functions that should be emphasized for each group. The description of functions in this case is included within the set of those that were previously classified as highly complex functions.

## Theoretical framework

Territorial categorization is understood in this analysis as a phenomenon inherent to territorial decentralization which should serve to complete and deepen it. Decentralization in turn is considered a phenomenon of an administrative nature, a process that, together with deconcentration and delegation, seeks to guarantee a better functioning of public administration for the provision of services, the decongestion of public offices and in general, the fulfilment of the purposes of the State (HERNANDEZ, 1999). The origin of this proposal can theoretically be found in Fiscal Federalism, which proposes that the allocation of spending powers among state levels should be done through an optimal combination of centralization and decentralization, taking into account the advantages of each level in order to achieve greater efficiency and equity in the provision of public goods and services (DÍAZ, 2002). In this regard, the national government must assume the functions related to the redistribution of wealth, the stabilization of the economy and the allocation of public goods and services that have national scope and can only be decentralized for those goods whose impact is located in a portion of the territory (MUSGRAVE R.; MUSGRAVE P., 1992).

The main reason why goods with a localized scope are assigned to territorial entities is based on the assumption that their authorities will be able to make decisions that are more in line with reality and social preferences because they are closer to the citizens, in contrast to the decisions of the national government whose tendency shall be to homogenize the provision of goods and services by generating social welfare costs (STIGLITZ; ROSENGARD, 2016). This theory, which has had an important influence on decentralist reforms in Colombia since the second half of the 20th century, suggests that goods such as defense and justice be provided from the nation and others such as social housing, drinking water, sewage, public works, sanitation and public utilities, among others, should be guaranteed from the municipalities (FRANCO; CRISTANCHO, 2012).

Additionally, Fiscal Federalism proposes that in order to achieve an adequate combination of resource allocation and functions between the different levels of government, a point of equilibrium is necessary between two opposite situations such as the principle of fiscal correlation and the principle of collection efficiency. The first one proposes that each level of the State should have sufficient revenue powers to cover its spending powers, and the second one claims that the most dynamic taxes (income, VAT, among others) should be the responsibility of the central government in order to guarantee the highest possible level of collection (DIAZ, 2002). Therefore, the central levels will collect more resources due to their greater capacity to collect compared to the territorial entities, and at the horizontal level the great differences in development will determine important differences in tax capacity and dependence on resources collected from the center (FUNDACIÓN NORTE Y SUR, 2009).

The existence of interregional imbalances is a limitation to decentralization since any action aimed at deepening the latter could worsen the manifestation and effects of the former (PORTO, 2008). According to Wiesner (2002) a real decentralization process is one where tax revenues at the local level are greater than the nation's tax revenues. But since in practice the national level concentrates the greatest amount of resources, the territories end up being subject to the implementation of national policies in the territories and to the control that the nation exercises over the amount of resources that are allocated to such purposes (RAMÍREZ, 2015).

Given this income structure, which is typical of developing countries such as ours, the best alternative is to adopt *asymmetric decentralization*. In addition, as proposed by Litvack, Ahmad and Bird (1998), the economic, demographic and social diversity of territories can be reflected in a multitude of government structures and levels of provision. Since a country may have different territorial levels and different characteristics within a territorial level, it is not appropriate to treat them equally from the regulations. Different approaches may be required to achieve similar or acceptable results, i.e. asymmetric central policies may be required, which treat the various territorial units differently in order to achieve similar results.

Likewise, in cases where there are differences in institutional capacity, the option could be to decentralize responsibilities only to those territories that show capacity to manage such services. This decision would be conditional on the fulfillment of certain requirements in order to pressure the action of the authorities towards its full or increasing recognition as a decentralized entity (LITVACK; AHMAD; BIRD, 1998). According to the OECD (2019) for the local level, *asymmetric decentralization* should result in different sets of responsibilities for different municipalities depending on their capacities, and classifications of municipalities should be based on differentiation criteria such as population, access to public utilities, budget and performance.

## Municipal functions in the regulatory design

The recent process of administrative design at the territorial level in Colombia started with Law 12 of 1986. Through this law, functions of local scope that were in the hands of the nation were transferred to the municipalities, and it is one of the laws that made up the regulatory package that gave way to territorial decentralization at the end of the 20th century. Although this law was of a fiscal nature, since it was issued to regulate the increase of the municipalities' participation in the resources coming from the VAT, in the process it also established the different sectors to which they should be allocated. Therefore, it is a regulation that mutated from having a great fiscal preponderance to filling a gap due to the absence of clear regulations in administrative matters, and, furthermore, it marked the beginning of the uniform design for the municipalities in Colombia (GAITAN; MORENO, 1992).

Although this regulation had a short validity, due to the fact that it was repealed with the issuance of the Political Constitution of 1991, the latter maintained its emphasis on decentralization to the municipalities and its subsequent developments have not managed to break the sectoral bias and lack of categorization that identified the former (SOTO, 2003). The extensive regulatory deployment after 1991 replaced the definition of functions and sectors of municipal intervention established by a single standard. Instead, administrative decentralization has enjoyed a generous development both in terms of sectors and the amount of regulations governing them.

However, the uniform design is not exclusive to Colombia, since it is typical of unitary countries, where responsibilities at the subnational level are assigned by national laws. These regulations may indicate whether it is an exclusive function or whether it is shared with another level of government; or whether the function is mandatory or optional (OECD; UCLG, 2019). But in general terms, decentralization has meant transferring responsibility for a large number of the most important social goods and services to municipal governments, due to the role they have been assigned in improving collective well-being and social and political participation (NOÉ; MARTÍNEZ, 2011).

In general, the regulatory designs of the Latin American region have led to the local level being able to assume practically any service, as long as it has not been assigned to another level of government. Therefore, services such as access to water, sewage, garbage collection, electricity, roads and housing, among others, are the responsibility of the municipalities. Although these kind of services are essential for the communities, the regulatory developments have been characterized by a high sectorial orientation and also by the absence of intersectoriality and/or multisectoriality, which has introduced limits to the action of the administration in the effective satisfaction of the needs (ANTUNEZ; GALILEA, 2003). Although the level of obligation that municipalities have when assuming these services may be different between countries, in Colombia we have a design in which all functions are unavoidable.

Furthermore, although the 2019 report by the OECD and UCLG found that Colombia, together with Peru and Bolivia, have levels of subnational public spending (between 8 and 15% of GDP) that exceed the vast majority of the region's countries (less than 8% of GDP), in practice there are significant differences in the income capacity of the different territorial entities. These income differences lead to different levels of municipal response capacity to the functions assigned to them.

### Functions of the municipalities after the 1991 Political Constitution

Functions assigned to the municipal level can be classified into two large groups depending on the purpose. On the one hand, there are those that could be considered missionary functions and that refer to the essential purposes of the State, which have been discussed so far in this document, and, on the other hand, there are the functions related to public management, whose purpose is to guarantee the fulfillment of the first ones. The latter group includes planning functions in all areas; those related to fiscal, budgetary and tax management; land use planning, internal control, personnel management, quality management, public procurement, etc. Although both the functions of the first group and those of the second have been assigned in a generalized way to the municipalities, the interest of this analysis is found in the missionary functions.

The regulatory review of this functional dimension carried out on 86 laws made it possible to identify the existence of at least 26 sectors of intervention. This large number of laws has assigned about 340 responsibilities to the municipality of which it is possible to identify, in turn, low complexity functions and high complexity functions. In general terms, functions of high complexity were those that mainly imply an economic effort by the territorial entity because they require the allocation of resources, or the construction of specific infrastructures and that would be considered

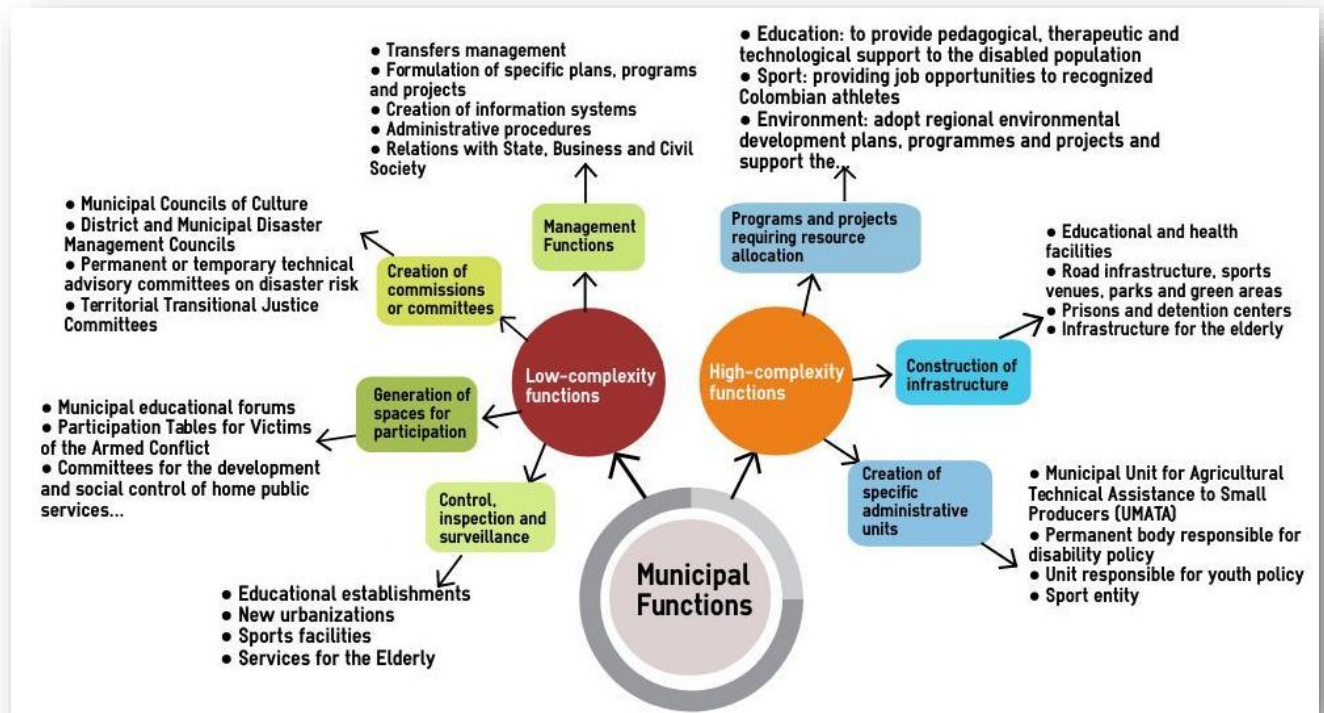
as investment expenses. Meanwhile, functions of low complexity were considered those that can be performed directly by municipal administration officials and that are financed with operating expenses, because they involve the development of administrative activities or those of evaluation, control, inspection or surveillance. This distinction was considered necessary as it makes a difference in terms of municipal capacities. Thus, it could be said that low complexity functions can be assumed by all municipalities without distinction to a greater or lesser extent, unlike more complex functions, due to the pressure they exert on collection capacity.

From this classification it was found that the low complexity functions weigh, in number, almost double (64%) if they are compared with the more complex ones (36%) however, the municipal administrations still face a quite demanding challenge since the latter are quite expensive. According to the National Planning Department (DNP) (2018) more than 90% of the municipalities are located in categories 5 and 6, which also means that their own resources are mainly used to bear operating costs and therefore to carry out organizational and sector management functions of low complexity. According to Law 617 of 2000, municipalities in the 4th, 5th and 6th categories can allocate up to 80% of their Unconditional Investment Current Incomes to finance their operating costs, which to a certain extent guarantees the fulfilment of these functions. As a result, only 20% of the own resources of these local authorities are available for the most complex functions. But as mentioned above, municipalities have many functions that have been assigned to them from the regulations and for whose compliance no distinctions or exceptions are generally established. These functions were classified as shown below.

**Table 1:** Number of municipal functions by level of complexity

No	SECTORS	Complexity		Laws
		LOW	HIGH	
1	Education	22	24	1874 of 2017, 1775 of 2016, 1651 of 2015, 1650 of 2015, 1546 of 2012, 1503 of 2011, 1297 of 2009, 1269 of 2008, 1064 of 2006, 1029 of 2006, 962 of 2005, 715 of 2001, 397 of 1997, 115 of 1993.
2	Sports and recreation	14	4	1445 of 2011, 1389 of 2010, 715 of 2001, 582 of 2000, 494 of 1999, 344 of 1996, 181 of 1995.
3	Environment	12	6	99 of 1993, 1861 of 2017, Decree Law 870 of 2017, 1444 of 2011, 1333 of 2009, 1263 of 2008, 1150 of 2007, 617 of 2000, 715 of 2001
4	Infrastructure and transport	2	9	1682 of 2013, 787 of 2002, 715 of 2001, 383 of 1997, 388 of 1997, 276 of 1996, 105 of 1993.
5	Culture	7	5	Law 1675 of 2013, Law 1379 of 2010, Law 1185 of 2008, 715 of 2001, 397 of 1997.
6	Public utilities	17	6	1341 of 2009, 1215 of 2008, 1176 of 2007, 1117 of 2006, 732 of 2002, 689 of 2001, 715 of 2001, 632 of 2000, 143 of 1994, 142 of 1994.
7	Housing	11	6	Decree Law 890 of 2017, and Laws 1796 of 2016, 1537 of 2012, 1229 of 2008, 546 of 1999, 400 of 1997, 388 of 1997, 715 of 2001, 9 of 1989.
8	Disasters	7	6	1523 of 2012, 715 of 2001
9	Economic development	1	4	1014 of 2004, 905 of 2004, 715 of 2001, 590 of 2000,
10	Agricultural development	5	6	1876 of 2017, 811 of 2003, 160 of 1994, 101 of 1993
11	Tourism	4	3	1558 of 2012, 300 of 1993,
12	Elderly	20	11	1850 of 2017, 1276 of 2009, 1315 of 2009, 1251 of 2008, 687 of 2001.
14	Health	19	4	715 of 2001, 100 of 1993
15	Detention Centers	1	5	1709 of 2014, 1361 of 2009, 1257 of 2008, 715 of 2001
16	Gender	3	0	1257 of 2008
17	Displacement	6	3	1448 of 2011, 387 of 1997
18	Childhood and Adolescence	3	3	1622 of 2013, 1098 of 2006
19	Disability	7	3	1618 of 2013, 1346 of 2009, 1145 of 2007, 715 of 2001
21	Public order, security, citizen coexistence	2	1	418 of 1997, 715 of 2001, 4 of 1991
22	School Restaurants	0	1	715 of 2001
23	Employment	0	1	715 of 2001
24	Family welfare	1	0	1361 of 2009
25	Justice	0	1	715 of 2001
26	Youth	14	7	1622 of 2013
TOTAL		178	119	

Source: Own elaboration

**Figure 1: Municipal functions legally assigned after the 1991 Constitution**

Source: Own elaboration

### Classification of Colombian municipalities according to their economic, social and environmental characteristics

Given that in practice it is the highly complex functions that put pressure on the response capacity of the municipalities and therefore determine the differences between them, the categorization exercise that was carried out with this research was intended to identify the sectors or themes on which the functions should be assigned to each of the municipal categories, or on which emphasis should be placed in terms of management and investment of resources. The purpose of this is to determine, in a general way, the criteria for defining the regimes that should correspond in terms of administration to each of the resulting categories. This means, in the first place, that this categorization exercise is only intended to establish differences in terms of administration, considering what is established in the Constitution (Article 320), thus leaving aside aspects related to authorities and organization. And secondly, the description in administrative matters, which refers to municipal functions, will only consider some of the activities considered here as highly complex.

The latter because for this analysis we proceeded to identify the variables for which information is available in the DNP database (2019) and which, in addition, are related to the classification criteria set out in Article 320 of the 1991 Constitution. According to this article, municipalities should be classified based on fiscal resources, population, economic importance and geographical location. For this purpose, and unlike the traditional categorizations, in this analysis the fiscal resources were not taken as the amount of the entity's Unrestricted Allocation Current Incomes, but were included, as the percentage of the municipality's current incomes that corresponds to own resources and also that corresponding to transfers. Regarding population, information was taken on the Multidimensional Poverty Index (IPM), percentage of water and sewerage coverage, percentage of ethnic population and percentage of urban population. The objective of this is to have an approach not only quantitative but mainly qualitative on this factor that has been traditionally considered a numerical data in the municipal categorizations. Regarding the economic importance, data were taken on the participation of economic activities, on the one hand, relating to agriculture, livestock, hunting, forestry and fishing and, on the other hand, those corresponding to manufacturing industry, trade and services. Finally, the percentage of strategic

ecosystems present in the territory was considered, as this data can be significant regarding the environmental importance of each municipality.

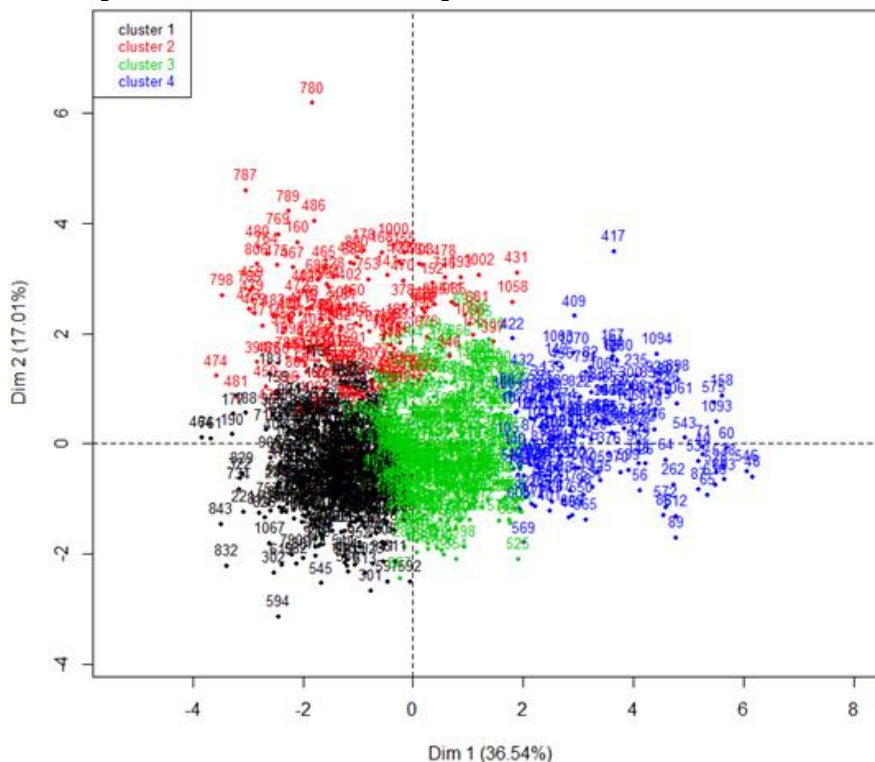
- ICRP: Percentage of current incomes corresponding to own resources
- ICTR: Percentage of current incomes corresponding to transfers
- IPM: Multidimensional Poverty Index. In Colombia, the MPI consists of five dimensions: (i) educational conditions, (ii) children and youth conditions, (iii) health, (iv) employment and (v) housing and public utilities conditions (DNP, 2011)
- CAA: Percentage of water and sewerage coverage
- PE: Percentage of Ethnic Population
- PU: Percentage of Urban Population
- AGCSP: Percentage of economic activities related to agriculture, livestock, hunting, forestry and fishing
- ICYS: Percentage of economic activities related to Manufacturing, trade and services.
- EE: Percentage of Strategic Ecosystems

To classify or group the municipalities, the Principal Component Analysis (PCA) technique was used through the statistical software R. This technique allows the organization of a determined set of data described from different analysis variables, which are transformed into new variables or uncorrelated components. In this case the data described corresponds to the 1101 municipalities which are described through the 9 variables described above. Once this methodology was applied it was possible to obtain 4 clusters or clearly differentiable sets of municipalities.

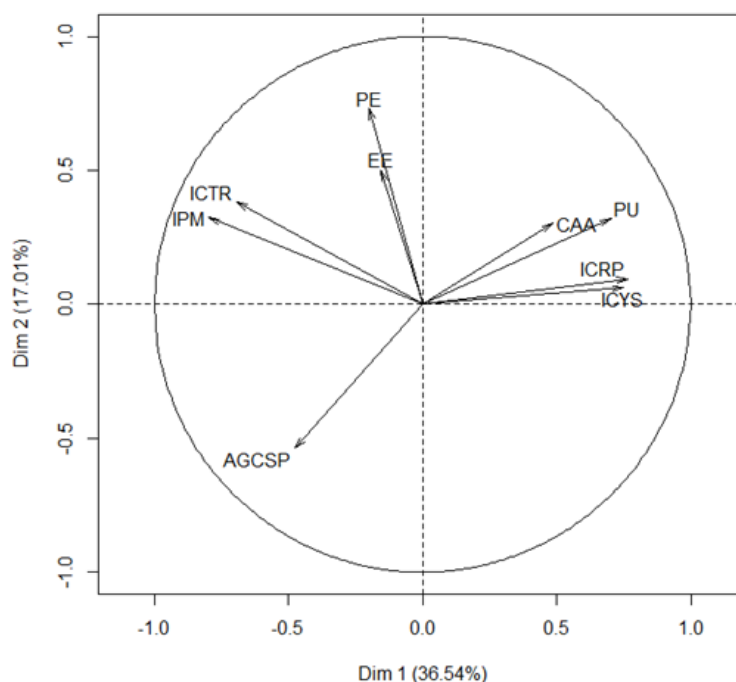
**Table 2:** Grouping of Colombian municipalities through Principal Component Analysis (PCA)

Cluster	No of entities
1	403
2	156
3	378
4	164
Total	1101

**Figure 2:** Graphical representation of the municipal clusters



**Figure 3:** Graphical relationship of the analyzed variables

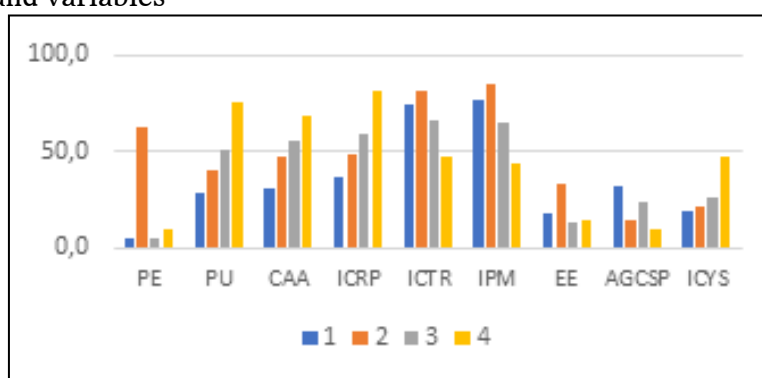


As shown in Figure 2, components 1 and 2 collect 53.5% of the information contained in the data, which means that they are representative for describing the existing relationships. Furthermore, the extension of the vectors of each variable in figure 3 shows that the information of the different variables is significant to describe them. The description of the clusters shall consider the overlapping of these two graphs in order to find the relationship between the groups and the variables used for their analysis. Additionally, and given that the volume of information used is quite broad since it involves 1101 municipalities and 9 variables, below we include only the averages that were obtained for each of these variables and the resulting clusters, which helps to contextualize the overlap of the two graphs. This information, together with the previous graphs, was useful for describing the four groups of municipalities obtained.

**Table 3:** Municipal clusters and average information for each of the variables analyzed

CLUSTER	No of municipalities	PE	PU	CAA	ICRP	ICTR	MPI	EE	AGCSP	ICYS
1	403	5,0	28,8	31,6	36,5	74,8	76,3	18,0	32,0	19,0
2	156	62,5	40,5	48,0	49,1	81,7	85,4	33,6	15,0	21,6
3	378	5,6	50,7	56,1	58,8	66,2	65,2	13,3	24,0	26,4
4	164	9,6	75,4	68,8	81,4	47,4	43,6	15,2	9,4	47,0

**Figure 4:** Clusters and variables



**Description of the municipal clusters obtained**



**Cluster No1:** This group of territorial entities, which is the most numerous of the groups obtained, corresponds to municipalities that are located throughout the national territory and are characterized because they have a high predominance of economic activities oriented towards agriculture, forestry, hunting and fishing, with an average participation of 32% of their economy. This also indicates that the participation of economic activities related to industry, trade and services has a low percentage, which on average represents 19%. This is consistent with a predominance of rural population that exceeds 60% for 80% of the cases.

Similarly, it is possible to observe a relationship between the predominance of this type of economy with a high IPM, which places more than 95% of these entities above 60%. These relationships coincide in turn with a high level of dependence on transfers within their overall current incomes, meaning that for 70% of these municipalities, transfers represent more than 70% of their incomes.

These figures demonstrate that these are municipalities that require a high level of attention from the state as their functions should be aimed at strengthening the economy of the rural sector and ensure its improvement, and where possible, also encourage the development of other types of activities, which depending on the case could represent some potential in terms of industry, trade or services. In addition, considering the high levels of IPM, it is necessary that the functions of these municipalities be directed mainly towards solving problems related to children and adolescents in their territory. In addition, they must also address the conditions of the population in terms of access to and conditions of housing, especially since most of these houses may be located in the rural sector. This also implies that mechanisms must be provided for the provision of the public utilities required by this sector, whose intervention is different and of varying complexity compared to their provision in urban areas.

These responsibilities are a major challenge for public finances, especially with regard to the construction of different types of infrastructure given that they are municipalities with a low level of own resource income, which is evident from the fact that their dependence on transfers is quite high. While the transfers are designed to ensure the access of their populations to health and education, the other aspects of the IPM are practically subject to the resources that can be collected by the territorial entity. Therefore, this is a very important number of entities that require special attention from the other territorial levels. This should lead to a more active role for both the department and the nation in activities of complementarity, concurrence and subsidiarity that will complete their purpose, in the first place, for these functions described, which implies the need for a more precise focus of national and departmental policies and programs on these territories.

**Cluster No 2:** Unlike the group of municipalities in the first cluster, which are present throughout the national territory, this group of municipalities is located mainly in the peripheral departments, including several on the Atlantic and Pacific coasts, and in the south and east, with special participation of municipalities from the former national territories. The predominant features of these entities are related to a high composition of the ethnic population, which may include indigenous, black, mulatto and Afro-Colombian people, which is over 40% for 75% of these municipalities.

Likewise, the participation of Strategic Ecosystems in these entities is significant, as it exceeds 20% in 60% of the cases. As stated by Márquez (2003), Strategic Ecosystems may include certain páramos, forests, savannas or watersheds, which are "fundamental for sustaining natural social, economic, ecological or other processes; for example, water or food sources" (p. 1). The author also points out that these are not only areas of natural importance or for biodiversity, but also fulfil other types of important functions for society, through the provision of fundamental ecological goods and services, such as

the regulation of climate and humidity, the provision of water for the population's supply, energy generation or irrigation, the maintenance of climates and soils suitable for the production of food and raw materials, or the maintenance of the natural disaster prevention or pest control system (p. 2).

However, despite the importance these municipalities may represent for society in general, the other variables analysed reflect the low level of attention they have received from the State. On the first place, these entities have an IPM that places them in 90% of the cases above 70% and that on average (85%) exceed significantly the first cluster. These are also much poorer municipalities, since 81% depend on transfers and in 100% of the cases the resources they receive from transfers exceed 70% of their current incomes. However, unlike the first group, there is a greater presence of

urban population in these entities, which is above 40%, also coinciding with a greater participation of economic activities related to ICYS (21.5%) compared to AGCSP activities (15%).

For these territories, the priorities in terms of functions should be those related to reducing the IPM, which should take into consideration those related to children and adolescents, and housing at both the urban and rural levels in the same conditions, which also includes solving the needs for water and sewerage coverage demanded by them. However, these aspects should be addressed with special attention to their ethnic populations, which also requires consideration of the cultural environment conditions that characterize these municipalities and the regulatory framework that has been designed for the communities that inhabit them. In addition, as mentioned for the first group, although health and education services may be guaranteed by the effects of transfers from the nation, it would be advisable for the central State to be more focused on implementing these resources.

Additionally, it is clear that these municipalities must prioritize within their functions the environmental issue, but given their limited level of capacity, it is necessary to involve the other two state levels by reorienting their policies and programs with priority on the problems and needs of these territories. The fulfilment of these functions also requires articulation with other fronts such as those related to housing, especially for populations located in rural areas, and the social and cultural empowerment of these populations with their natural environment. Such empowerment should also be considered in activities that promote the local economy within a framework of sustainability, protection and recovery, and in the use of potentialities present in the field of tourism. Beyond the case of the first group, in this group of entities, due to their levels of poverty and underdevelopment, the intervention of the nation and the department is urgent, both with public resources and with their mediation to also achieve the participation of the education sector, the productive sector and international financing.

**Cluster No 3:** This set of municipalities is located in a significant number in quadrants one and four of Figure No 2 and to a lesser extent in the second and third quadrants. This implies that they are municipalities where the level of urban population is higher than that of the previous groups, which on average is 50.7%. They also have a greater participation of economic activities related to ICYS (26.4%), whose importance is slightly above those related to AGCSP (24%). Unlike Cluster no 2, these municipalities do not have a significant presence of PE or EE and their MPI is, on average, 20 points lower, which coincides with higher levels of water and sewerage coverage than the previous groups. It is also possible to observe higher levels of participation in their own resources and a lower dependence on transfers (66%).

According to this information these municipalities should orient the development of their functions to pay attention to the promotion of the economic activities of their territory related to Industry, Trade and Services in a similar proportion to the promotion of the own activities of the rural sector. The second measure would be those functions derived from their IPM, so they should be focused on functions related to children and adolescents, health, education, housing and water and sewerage coverage.

However, since the urgency of these functions is lower compared to previous clusters and the level of resources is higher, these are entities that are likely to require less support from the other levels of the State. On the other hand, since there is a greater presence of urban population, these entities should also be concerned with functions such as those related to road infrastructure and urban equipment. Finally, given their level of economic capacity, they would be good candidates for forming territorial association schemes to improve their response capacity to these and other functions assigned to the municipalities in Colombia.

**Cluster No 4:** The municipalities in this set are predominantly located in the third quadrant of Figure No 2 and in the fourth quadrant and are far from the center. This implies that they are the entities of local level that present better results in the different indicators analyzed in this study, so in this group are located, among others, the most important intermediate and big cities, as it is the case of the department capitals. In the first place, these are municipalities and districts where there is a greater predominance of urban population, whose most outstanding economic activities are those related to ICYS (47%), which places them well above the other three groups. Even for 70% of these entities, these activities exceed 40% of their participation in the economy. Furthermore, the participation of AGCSP activities is the lowest (9.4%) and for only 11% it exceeds 20% of participation.

As these are predominantly urban territories, their MPI is the lowest of all groups, exceeding the previous group by 22 points, which is consistent with water and sewerage coverage levels that exceed those of the previous group by 12% and the first cluster by 37%. However, it is important to note that the participation of PE and EE is higher on average than for Cluster No 3, so they will have to pay more attention to these issues. Taking into consideration that the attention to ethnic populations will probably have to respond to a more urban than rural context. Finally, these are territories where dependence on transfers is the lowest of all (47%), and which therefore have a fairly high level of own resources (81.4%), exceeding the first cluster by 46%, the second by 40% and the third by 23%.

This group of entities offers the best conditions and opportunities for the operation of the public sector, given their levels of economic and social development. In general terms these are territories where ICYS economic activities can continue to be stimulated but which could offer more stimuli for those related to AGCSP. However, it is probable that these are municipalities where the provision of raw materials and food generated by rural areas are being supplied by other more rural municipalities. Likewise, given the very dynamics of the economy, these are territories where the economy probably does not require a major stimulus from the State.

On the other hand, due to urban dynamics, these municipalities may require greater state intervention in environmental matters, but as the data show, it is also necessary for them to participate in the preservation and recovery of the EE present in the rural areas of their territory. Similarly, urban predominance requires greater attention to resource investment in road infrastructure and urban equipment. And although for these entities the functions of housing and water and sewerage coverage may not be a priority, so in this context they may become the least urgent, they should also be part of the governors' agendas for urban renewal processes.

Finally, given that these are entities with a significant level of economic capacity, which results in greater administrative and technical capacity, this would be the group of entities for which it may not be necessary to establish a specific set of functions since they would be able to prioritize, within the aggregate of functions assigned to the local level, those in which they would require more effort and resources. Nor are they entities that require greater support from other territorial levels beyond those derived from intergovernmental transfers. However, their urban predominance may indicate the existence of economic, social, environmental, physical and political links with the surrounding territories, which indicates that they are strong candidates for territorial association within the options defined by Law 1454 of 2011.

**Table 4: Functions and Intergovernmental Linkages Derived from each Cluster**

CLUSTER	Functions	Intergovernmental linkages
1	Emphasis on the rural sector: Childhood and Adolescence Housing Water, sewerage Health Education Promotion of agricultural development	Department: focus of policies and plans, and actions of complementarity, concurrence and subsidiarity Nation: focus of policies and plans, and actions of complementarity, concurrence and subsidiarity
2	Urban and rural sector with a cultural approach: Environment Childhood and Adolescence Housing Water, sewerage Health Education Promotion of agricultural and tourism development Promotion of economic development	Department: focus of policies and plans; actions of complementarity, concurrence and subsidiarity; mediation for the participation of the education sector, the productive sector and international financing. Nation: focalization of policies and plans, and actions of complementarity, concurrence and subsidiarity. mediation for the participation of the education sector, the productive sector and international financing.
3	Urban and rural sectors Promotion of economic development Promotion of agricultural development Childhood and Adolescence Housing Water, sewerage Health Education Environment Road Infrastructure Municipal equipment The other functions assigned to the municipalities	Territorial association schemes: Associations of municipalities, Administrative and Planning Provinces, Planning and Management Regions, Associations between Special Districts. Department: focus of policies and plans; actions of complementarity, concurrence and subsidiarity. Nation: focalization of policies and plans, and actions of complementarity, concurrence and subsidiarity.
4	Emphasis on the urban sector: All functions assigned to the local level in Colombia	Territorial association schemes: Metropolitan areas, Associations between Special Districts, Planning and Management Regions, Associations of municipalities, Administrative and Planning Provinces. Department: focus of policies and plans. Nation: focus of policies and plans.

Source: Own elaboration

## Conclusions

The territorial decentralization at municipal level in Colombia has enjoyed significant advances during the last three decades, however, its deepening and improvement depends, among other elements, on the municipal categorization. However, the exercises that have been carried out in this respect from different standards are far from the categorization in the terms established by the 1991 Constitution, since they have not taken into account all the criteria established by the Constitution to carry out the classification, and have not advanced in the definition of differentiated regimes that allow a particular treatment for each of the resulting groups of municipalities. As a result, on the one hand, the regulatory framework governing local authorities is an artifice, while on the other hand it is incapable of reflecting the economic, social and environmental reality that characterizes them.

In order to contribute to the possible routes that could be followed to better understand this phenomenon, this analysis made a classification of the functions that have been assigned to the municipalities through different laws. From these, it was found that there is an important

participation of functions that can be performed through local bureaucracies, but that there are also highly complex functions that can exceed the capacity of many territorial entities, because they require a significant allocation of resources. The classification made was intended to identify the functions of high complexity in which emphasis should be placed on the design of the proper regimes for each municipal category.

Once the Principal Component Analysis was applied, in which nine (9) variables related to these functions were used, it was possible to obtain four (4) clusters or groups of municipalities with important differences between them. The first cluster, which is the largest (403) grouped mainly rural municipalities and with a high IPM, so it was concluded that its functions should focus on the different goods and services that are considered to obtain this indicator such as children and adolescents, housing, water and sewerage, health and education. However, due to their low levels of collection and their high dependence on resources from the nation, these are municipalities that require a strong support from both the department and the nation. The second cluster included municipalities (156) that concentrate a significant proportion of Ethnic Populations and where the largest number of Strategic Ecosystems are located. Additionally, these are municipalities with a higher IPM than the previous cluster, so the functions should focus on services related to this indicator, but within a framework of ethnic environment and environmental importance that also requires the same attention for both the rural and urban sectors. Given the low-income levels of this cluster, permanent support is required from both the nation and the department and its mediation to achieve a greater presence of the private sector, the academy and international support.

The third cluster (378) departs from the previous two as it has a better average IPM and its population is more urban. Therefore, it is a group of municipalities whose functions will have to focus a little more on urban centers for the development of the functions relating to IPM indicators, without leaving the rural sector behind. In addition, they should carry out actions to promote economic development at the urban level and agricultural development in their rural areas. However, since they are territories with higher levels of income, they may require less attention from the other levels and should be encouraged to set up territorial association schemes to support the fulfilment of their functions. Finally, in the last cluster the most urban local entities were located, which includes the medium and large territories of our country (164), as is the case of the department capitals. Given the size and capacity of the majority, these are entities that could assume not only the functions on which this classification was made, but also the entire set of functions that have been assigned to the local level in Colombia. Therefore, the environment, needs and complexity inherent to each entity should influence the prioritization of these functions, which will generally have an urban emphasis. Additionally, for the fulfillment of their obligations, although they would be self-sufficient entities, the conditions of the regional environment could force them to work in articulation with other entities of the same class or with the surrounding entities, through the conformation of schemes of territorial associativity.

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