

Do fragile and conflict-affected countries prioritise core government functions?

Stocktaking public expenditures on public sector
institutions to deliver on 2030 Agenda

2 | Colombia's transition out of a protracted conflict

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Preface

This research explores the relationship between ‘core government functions’ (CGF) and transitions in fragile and conflict-affected situations (FCAS), using the context of five countries including Colombia, Myanmar, Pakistan, Sierra Leone and South Sudan as case studies. The report is part of a multi-country research project commissioned by UNDP that seeks to understand whether (and how) prioritising public spending on CGF can lead to more successful transitions towards peace in fragile and conflict-affected countries. It aims to do this by comparing the experience of different FCAS countries and assessing the extent to which these transitions have been facilitated (or not) by increased investment to rebuild CGF.

CGF are described as those functions that ‘are required to make and implement policy’ (UN-World Bank, 2017) and are defined as:

- **Executive coordination at the centre of government:** the ability of the core executive to effectively integrate central government policies across the public sector and act as the final arbiters between different elements of the government apparatus.
- **Public revenue and expenditure management:** the ability of the government to raise adequate levels of revenue and to spend it effectively, in order to meet the basic service delivery needs of the general population.
- **Government employment and public administration:** the ability of the government to establish basic capacity for defining and administering policies, regulations and programmes, in order to provide public services in a professional and transparent manner.
- **Local governance:** the extent to which the government has been able to establish political and institutional structures and processes at the subnational level, which are responsive to the specific needs of diverse local populations.
- **Security sector:** the ability of the government to restore order and provide basic security for the population, consistent with a political settlement that enables the economic and social functions of society and local communities to resume.
- **Aid management:** the ability of the government to establish developmental partnerships and effectively manage external resources by directing them towards strategic priorities in line with national development plans.

Rebuilding CGF which are responsive and legitimate are viewed as critical undertakings for countries transitioning out of conflict. However, evidence of the connection between public spending and institutional restoration and resilience is sparse. While there are a number of studies which link public spending with improvements in institutional capacity to deliver necessary services, such evidence is largely absent from contexts of conflict and fragility. This research aims to begin addressing this gap.

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The synthesis report was written by Yadaira Orsini and Jo Robinson from the Conflict, Security and Violence Team at Oxford Policy Management, with substantive inputs from Jairo Acuña-Alfaro, from UNDP.

Several authors contributed to the writing of the respective case studies as follows: Colombia by Yadaira Orsini and Dayna Conolly; Myanmar by Nick Travis and Thet Aung Lynn; Pakistan by Kiran Tariq; Sierra Leone by João Morgado and Jo Robinson and South Sudan by Florian Krätke and Manisha Marulasiddappa.

The authors would like to thank everyone who contributed to this research, including respondents from the five country governments, think tanks, donor agencies, NGOs and independent researchers, who took time to meet and share their knowledge and experience. Their insights have proved invaluable.

This research was produced in consultation with members of the UN Interagency Platform on Core Government Functions in Countries Impacted by Fragility and Conflict (IPCGF). The Interagency Platform is co-chaired by the United Nations Development Programme (UNDP) and the United Nations Department of Political and Peacebuilding Affairs (DPPA) and comprises of the UN Secretariat and UN agencies, funds, and programmes mandated to and involved in supporting the strengthening of CGFs in fragile and conflict-affected settings.

The research would not have been possible without contributions from the research team; Dayna Connolly, Alistair Grattidge, Florian Krätke, Thet Aung Lynn, Manisha Marulasiddappa, João Morgado, Kiran Tariq and Nick Travis, who variously supported the design of data collection tools, conducted field visits and undertook quantitative and qualitative data analysis. The authors are extremely grateful for all their hard work and critical insight. Particular thanks goes to Henlo Van Nieuwenhuyzen for his insightful and valuable comments on the draft of this report.

Any faults with the substance or analysis within the report rest solely with the authors.

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Executive Summary

Re-building Core Government Functions (CGFs) which are responsive and legitimate is a critical process in a country transitioning out of conflict. Although there is much evidence to support the need for effective government institutions to sustain transitions away from conflict, understanding what is required to successfully develop institutional capacity within core government apparatus in fragile and conflict affected situations (FCAS) is a largely neglected area. Indeed, evidence of the connection between public spending, institutional restoration/reform and resilience is sparse in FCAS. Addressing this gap in understanding is increasingly important in light of the continuing trend towards the concentration of poverty in FCAS.

With its ambition to leave no one behind, the 2030 Agenda poses great demands on governments core functions and institutions to provide integrated and multidimensional responses to development challenges. This is particularly relevant to countries affected by fragility and conflict, as the public administration becomes the chief provider of social protection and public goods while co-existing among formal and informal ineffective political power arrangements. These arrangements are products from protracted struggles between the various powers competing for control over resources.

The public administration of any country, developed, developing, or fragile, embodies a large and complex set of issues, procedures and structures related to the management of personnel, institutions and relationships. These issues are exacerbated in developing and fragile settings given their nascent institutions and the pressures deriving from the dependency of socioeconomically disadvantaged groups on the public sector.

The challenges associated with conditions of fragility and violent conflict are daunting and multidimensional. The strengthening of public institutions is at the heart of Sustainable Development Goal 16, as it aims to enable core functions of government as an essential strategy to promote just, peaceful and inclusive societies. It encompasses both technical and political aspects associated with the functioning of the government apparatus and the delivery of public services and goods.

By testing the hypothesis that - *Fragile and conflict-affected governments that prioritise restoring core government functionality in their national budgets are more successful in their transitions towards peace and development* – this study aims to assess whether countries that prioritised CGFs had better peacebuilding and state-building outcomes and to better understand whether, and how, prioritising spending on CGFs can lead to more successful transitions towards peace in FCAS. Quantitative and qualitative data has been collected across five case study countries: South Sudan, Myanmar, Colombia, Pakistan, and Sierra Leone.

In order to test this hypothesis, the research asked four key questions for each of case study countries. The questions and our findings are presented below.

1. What areas are prioritised in government expenditures in FCAS?

- Quantitative analysis of CGF spending over the full period of transition in each country demonstrates the primacy of the security sector in each case, and equally the lack of prioritisation given to the public administration sector.
- The type of transition influences the space for, nature and timing of specific reform, but restoration is never truly ‘starting from scratch’ and destruction through conflict will not necessarily erase the challenges which existed in previous institutions.
- What is common to all the case studies is the strength of the executive and the centralisation of political power, in opposition to devolution and effective local governance.
- Technocratic reforms such as in public revenue and expenditure management, and to a lesser extent public administration, tend to be more resilient even in complex political contexts, ongoing fragility and protracted crises.
- Successful reform is possible when there are reform-minded officials; ‘champions’ within ministries - even where the political leadership is not prioritising a particular reform agenda.
- Similarly, technocratic leadership has supported some of the most successful reform processes.

2. Do spending priorities change before, during and after a violent conflict? Does priority national budget spending shift in particular areas and timeframes during a transition?

- Timing and sequencing of reforms across the core government functions remains a challenging process to unpick.
- For countries facing protracted crisis, notable escalations of violence triggered a prioritisation of the security sector across the transition timeline.
- Commitments resulting from peace agreements or political settlements have considerably influenced spending patterns and government priorities.
- Security sector reform emerges as one of the most urgent priorities in many contexts, but is often highly politicised and requires government and donor alignment for meaningful and more transformative reform to take place.
- Expenditure is not the only indicator of prioritisation, or of improved functionality.

3. Are public expenditures and donor commitments on core government functions conducive and aligned to their restoration needs in fragile and conflict-affected settings?

- Donor commitments in protracted crises face challenges in the context of multiple transitions and cyclical phases of violence.
- Donor priorities have also shifted within particular functions over the course of transitions in protracted crises.
- In some cases, donor prioritisation of CGFs seems to wane after a certain period of time from the formal end to the conflict, or a key moment of transition (even where underlying fragility remains), and in situations of protracted crisis

- There does not appear to be a quantitative relationship between government and donor spending on core government functions over the transition periods we have investigated.
- The extent to which reforms can be donor-driven is closely linked to the financial influence of donors.
- Successful reforms have often come about when donor and domestic priorities align, and the best examples of success occur when there is sustained national ownership and leadership.

4. What implications does this have on the risk of relapse into conflict?

- Quantitative analysis shows little connection between government effectiveness and fragility.
- Lack of reforms or incomplete reforms are more connected to risks of conflict relapse than (increasing or decreasing) levels of expenditure.
- Similarly, and particularly in contexts of protracted crises, reform processes which are not inclusive or only provide benefits to a particular group (unless such efforts are intended as a protection measure) are un conducive to supporting peaceful transitions.

Conclusions

Our findings indicate that the research hypothesis does hold when three key conditions are true:

1. **When CGFs are prioritised by both governments and donors, and there is continued national ownership and leadership** for expenditure in particular areas to support meaningful reform.
2. **When CGFs are prioritised before the formal end of a conflict, and continue to be over a sustained period of time, even in protracted crises to deliver ‘complete’ reform**, rather than initial prioritisation and then a gradually declining interest by both governments and donors.
3. **When expenditure results in reforms which are genuine and equitable, benefitting society at large** rather than only a particular group or set of groups within it, or when expenditure on a function is being instrumentalised by the government for its own political agenda.

Since levels of expenditure and increased functionality are difficult to trace, the question of what success looks like remains open. For the purposes of this study, an indicator of success is a reduction in the risk of relapse into conflict. Success in CGF spending also encompasses other aspects such as service delivery, which points to a need to further unpack this idea and adapt it to what it looks like in each country.

Recommendations

In light of these findings, the research puts forward six key recommendations for the donor community:

1. Understand expenditure within the broader political economy to unpack the incentive structure behind potential government support (or not) for specific reforms, and drivers of particular prioritisation.

2. Engage consistently and continuously, even in the most challenging situations.
3. Tackle the challenging reforms early on, not only the short-term fixes.
4. (Re)Conceptualise transitions to develop a more nuanced understanding of the type of transition - or multiple transitions - a country is undergoing.
5. Raise the profile of the debate around CGFs, and promote the framework.
6. Understand what the picture of CGF expenditure and reform looks like in more FCAS contexts.

Colombia's

*transition out of
a protracted conflict*

List of abbreviations

ACCI	Colombian Agency for International Cooperation
ANIM	National Infrastructure Agency
APC	Presidential Agency for Cooperation
ARN	National Reincorporation Agency
AUC	United Self Defences of Colombia
CGF	Core Government Functions
DAFP	Administrative Department of Public Service
DAPRE	Administrative Department of the Presidency of the Republic
DAS	Administrative Department for Security
DCAF	Geneva Centre for the Democratic Control of the Armed Forces
DDR	Demobilisation, Disarmament and Reintegration
DIAN	Tax and Customs Directorate
DNP	National Planning Department
ESAP	School of Public Service
EU	European Union
FARC-EP	Revolutionary Armed Forces of Colombia
FCAS	Fragile and Conflict Affected States
FIP	Investment for Peace Fund
GBN	General Budget of the Nation
GDP	Gross Domestic Product
GoC	Government of Colombia
JEP	Special Peace Justice
MIIG	Integrated Model for Planning and Management
MTEF	Medium Term Expenditure Framework
OECD	Organisation for Economic Cooperation and Development
PDET	Development Programmes with a Territorial Approach
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PMI	Framework Implementation Plan
RSS	Social Solidarity Network
SIIF	Integrated System for Financial Information
SIGEP	Public Employment Information and Management System
SIGEPRE	System for Integrated Management of the Presidency of the Republic
SGR	General System for Royalties
SMSCE	Monitoring, Control and Evaluation System
SGP	General System of Participations
SUIIP	Central Information System for Staff
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States of America

5 Introduction

Colombia, with its recent peace deal and ongoing implementation, presents a case of a State that has developed and evolved amidst decades of armed violence and contestation. In fact, the country has experienced major transformations in the past 30 years, which saw State systems and functions modernise despite the armed conflict. All CGFs have experienced considerable reforms at different moments in the transition timeline and the country as a whole has improved.

As Colombia's transition is ongoing, it will be a few years before we fully appreciate some of the impacts of public spending and reforms taking place now. **What this case study can offer is an insight into how decisions have been prioritised, negotiated, and how this is passed through (or not) into public spending and institutional reforms.**

In analysing this case, we have interrogated UNDP's research hypothesis that: *'Fragile and conflict-affected governments that prioritise restoring core government functionality in their national budgets, as well as their spending of humanitarian and development aid, are more successful in their transitions towards peace and development'*. The study has used a mixed methods approach combining qualitative key informant interviews with quantitative expenditure trend analysis²¹ across each of the CGFs. A certain number of methodological assumptions have been made to inform the latter, which are explained in detail in Annex B.

²¹A trend analysis of public spending on core government functions (CGF), using two processes. Firstly, an overview of the composition of expenditure and revenue as well as the sustainability of public finances (e.g. fiscal balance) throughout the transition processes to understand whether variations in CGF-related expenditures were part of broader structural changes or isolated events surrounding transition points. Secondly, an in-depth analysis of CGF-related spending within the 16 year time-span surrounding the identified transition milestones, to explore whether these changes in public spending were motivated by the prioritization of certain policies/functions or by the availability (or lack thereof) of public resources.

6 Colombia as an example of transition out of protracted conflict

Once regarded as “the longest running conflict in the world”, the conflict in Colombia has evolved from its origins in rural and political exclusion to become a complex web of elite capture, economic and social inequalities, and organised crime. Now, as the country embarks on its path to peace, the progress it has achieved is beyond dispute. In fact, according to the Fragile States Index, from 2008 to 2018 Colombia has shown ‘significant improvement’ (-12.4) in reducing its levels of fragility (see Figure 1).

While the origins of the Colombian conflict can be traced back to the 1960s, this paper will focus on its recent history, particularly from the mid-1990s onwards. During this time, the conflict itself transformed and reached its tipping point, affording opportunities for the process of transition that we know today.

For the purposes of analysis in this paper, the first milestone we have selected in Colombia’s transition out of conflict is the start of Plan Colombia in 2000. Throughout the 1990s, Colombia was considered a ‘narcostate’, a country at the brink of becoming a failed state. However, the arrival of Plan Colombia represented an “inflection point” in the modern Colombian conflict (Caballero and Pizano, 2014). Even though the objective of reducing the production and trafficking of illegal drugs was not consistently met²², Plan Colombia gave way to important institutional reforms, particularly in the aid coordination, local governance and security and justice functions. The strengthening and modernization of the military apparatus led to a change in the correlation of forces between the armed forces and FARC, ultimately leading

Figure 1 Fragile States Index Colombia



Source: Fund for Peace

²²As Mejia points out, despite “enormous investments and costs, Colombia continues to be a key producer and trafficker of illicit drugs” with production levels fluctuating from 60 to 80 per cent of global production since the end of Plan Colombia.

to a military stalemate. By the end of Plan Colombia, parties had realised that a military victory or the idea of taking over the State, was not possible.

The second milestone of our analysis is the signature of the General Agreement for the Termination of the Conflict and Construction of a Stable and Lasting Peace in 2016. Such an event was however, marred by the rejection of the Agreement in a plebiscite, which took place on 2th October. Promptly after, President Santos invited leaders of the "No" campaign to discuss the contentious points of the document, looking to reach an agreeable solution that could lead to an amended peace accord.

A new Peace Agreement adopting various opposition proposals was signed between the GoC and the FARC on 24th November 2016. The revised Agreement, which did not have the support of the opposition, was approved by the Senate on 29th November and by the House of Representatives on the 30th. For the purposes of this research, this moment marked the beginning of the post conflict in Colombia.

6.1 The evolution of conflict in Colombia

Following a failed peace process between the Government of Colombia and FARC-EP during the mid-1990s, the dynamics of the conflict began to change. In response to the rapid deterioration of the security situation and the increase in drug production, in 1999 the GoC announced its Plan Colombia. This joint US-Colombia strategy reflected the main priorities of the moment: combatting drug trafficking and regaining control of the territory controlled by armed groups.

Contrary to what many may think, the considerable investments made to the security sector during Plan Colombia were largely a nationally resourced endeavour. U.S. funding for the military component of Plan Colombia was on average US\$540 million per year from 2000 to 2008 while the Colombian government invested approximately US\$812 million per year on its fight against drugs and organised crime. Both of these expenditures together equate to approximately 1.2 per cent of Colombia's average annual GDP between 2000 and 2008 (Mejia, 2016). Such a figure was a clear indication of where government priorities stood. By way of comparison, public expenditures in the largest cash transfer programme to alleviate extreme poverty (Familias en Acción) accounted only for 0.37 per cent of Colombia's GDP (Mejia, 2016).

The consequences of Plan Colombia did not wait, giving way to what experts have called the "re-accommodation period". Between Pastrana's government (1998-2002) and Uribe's first administration (2002-2006), there was a clear change in the correlation of forces between the military and the insurgency (Granada et al, 2009). As the armed forces were better prepared to respond, an escalation of the conflict started to unfold. With the arrival of President Alvaro Uribe in 2002, the rhetoric also escalated and became more polarised, with all sides hardening their positions, and no one "backing down" (Albert, 2004).

The Historic Commission for the Conflict and its Victims identified the 1996-2002 period as the most violent in the history of the armed conflict (**Comisión Histórica del Conflicto y sus Víctimas**, 2015). This coincides with the creation of paramilitary groups in the mid-1990s as a response to the State's inability to protect citizens from FARC attacks. The main group, the United Self Defence of Colombia (AUC), was responsible for hundreds of violent actions (particularly massacres), which ultimately led to an escalation of war.

Box 1: How will the post conflict be financed?

In 2016, the Planning Department and Ministry of Finance undertook the task of calculating the cost of the post conflict. The amount was set at 129.5 billion Colombian pesos in constant prices for the next 15 years, representing 0.7 per cent of the GDP on average each year. The distribution was agreed as follows: 85.4 per cent will be invested in a comprehensive rural reform; 3.3 per cent will go to political participation; 1.5 per cent for the termination of the conflict; 6.4 per cent towards the problem of illicit drugs, and 3.3 per cent for the attention of victims of conflict. It is worth noting that the 129.5 billion pesos covers only the 170 municipalities most affected by the armed conflict, and that have consequently been prioritised by the government. The next step, once an amount was agreed, was to identify from where in the budget those costs could be covered. The Government identified six sources:

1. General Budget of the Nation (GBN)

According to the Minister of Finance, the GBN will be the main source of funding for the implementation of the peace agreement, providing 36 per cent of total resources needed, with a total of 46.7 billion pesos for the 15 years of implementation.²³

This is divided into two sources of funds: the first one constitutes new resources channelled through the Government's Peace Fund, which became available after the 2016 tax reform. The Peace Fund has supported activities such as the FARC concentration areas, payment of stipends to ex-combatants, Special Justice for Peace (JEP), truth commission, illicit crops substitution, and development programmes at the subnational level. The second source comes from the re-focalization of expenditures. According to staff from the Ministry of Finance, this has been somewhat challenging as the different sectors are struggling to support the priorities set out by the Government (for instance, redirecting expenditure to the 170 prioritised municipalities -or PDETs- has proven harder than originally thought). Information also comes into play as entities are expected to identify their own "peace expenditures" but information systems have not been habilitated for this purpose just yet.

²³El Nuevo Siglo, "¿Al posconflicto le alcanzan \$2.6 billones?", October 9, 2018. In: <https://www.elnuevosiglo.com.co/index.php/articulos/10-2018-al-posconflicto-le-alcanzan-26-billones>

2. General System of Participations (SGP)

The SGP allows the national government to transfer resources to subnational governments, which are destined to cover education, health, water and sanitation and their overall functioning costs. Such resources are redirected to the 170 PDETs in order to cover such services. Education has been the most prominent area.

3. General System for Royalties

The fast track mechanism adopted by the Congress to expedite reforms allowed unlocking existing resources that were “trapped” in the budget and could not –or were not- being used by subnational entities. This is the case, for example, of science and technology budgets (predefined in the Royalty System) from subnational entities, which were not being executed.

4. Subnational entities' resources

Either through tax collection or their own resources, subnational entities are expected to “share the load” in paying for the post conflict. Many of them have already been supporting peace activities throughout the years so it is a matter of ensuring such resources are prioritising the PDETs.

5. International aid

Donors have been instrumental in supporting expenditures that did not exist as an “expense title” in the budget (i.e. the preparation phase of the implementation of agreements, logistical costs during peace negotiations and for the areas where FARC was concentrated in, among others). As such, donors have been able to support expenses that the government was unable to provide or unlock as reforms were taking place. Nonetheless, the Colombian post conflict process is largely also a nationally funded endeavour, in a clear sign of national ownership. According to UNDP Colombia, the Government is currently funding 90 per cent of peace expenditure while donors cover the remaining 10 per cent. Furthermore, the value of the various peace funds is not especially high in comparison with other processes (around \$90 million USD).

6. Private sector

The national government has come up with a number of offers for the private sector (i.e. supporting the socioeconomic reintegration of ex-combatants, supporting local development programmes, or the government's “taxes for infrastructure” programme). However, according to a representative in the Ministry of Finance, this has been the least explored avenue and something the government will have to focus on to a greater extent in the future.

In order to guarantee the sustainability of investments and minimise the effects of external shocks to public finances, the costs estimated in the post conflict budget are consistent with macroeconomic and fiscal projections foreseen in the medium term fiscal framework and the fiscal rule adopted in 2011. This will provide the certainty needed to achieve the commitments and targets set out in the Implementation Plan.

However, in 2003 President Uribe announced the demobilisation of the AUC. **From this period on, the country begins a de-escalation of the conflict that would extend until 2010.** Despite having fully professional and equipped forces and a new combat strategy, it was clear that a military victory was not possible for either side in the short or medium term. These two reasons help explain why a peace agreement with FARC suddenly appeared to be a real possibility (Gonzalez, 2015).

After four years of intense negotiations, the General Agreement for the Termination of the Conflict and Construction of a Stable and Lasting Peace was signed in 2016. The State now faced the challenge of ensuring the GoC could keep its end of the deal while juggling a number of other pressing priorities (i.e. responding to the humanitarian crisis in Venezuela). However, given the historical importance of such an event, the GoC ramped up its efforts to prepare for the post conflict needs.

What followed was the identification of priority intervention municipalities (PDETs), costing out and budgeting (see Box 1), and the development of a Framework Implementation Plan (PMI). When deciding which areas to prioritise, the Government agreed on a set of criteria to guide such process. It was also clear that a number of reforms needed to take place for the implementation to be viable, hence the fast track mechanism. Santos put before the Constitutional Court a fast track mechanism to speed up the approval of reforms needed for the implementation of the peace deal. In one weekend alone, President Santos signed 20 decrees on issues related to the implementation of the peace deal, one of which grants powers (“faculties”) to the Constitutional Court to prioritise the review of initiatives related to the peace deal.²⁴ The intention was to lay the ground for the newly elected Duque administration to continue - without losing momentum - with the commitments made in the Implementation Plan.

6.2 The Evolution of Public Expenditure in Colombia

Public expenditure in Colombia consists of two headings: investment and current expenditure. These represent 11 per cent and 89 per cent of the total expenditure, respectively. While current expenditure has increased since 2013, this is mainly due to the inclusion of new transfers to health and education entities, which used to be funded by taxes but were recently moved to the national budget.

The public expenditure patterns over the last two decades (2000-2017) reveal the relevance of defence spending throughout the transition process. According to reports from the Ministry of Finance (Hacienda y Credito Publico), the security sector accounted for an average of 20 per cent of public expenditure during this period – the largest area following the main social sectors. **However, the security sector is currently the third largest area of public expenditure following Health and Education, which have gained more prominence in the budget in recent years.** The increase in expenditure in such sectors was consistent with President Santos’ National Development Plan pillars: peace, equity and education.

²⁴El Tiempo, “Las claves de los decretos para acelerar la paz”, May 30, 2017. In: <https://www.eltiempo.com/archivo/documento/CMS-15440599>

Additionally, the evolution of public expenditure on the recently created ‘Social Inclusion and Reconciliation’ sector was also noteworthy. Even though it remains small in comparison to other sectors (6 per cent of total expenditure in 2017), it has increased two-fold since 2000 in connection to the DDR program and the peace process.

Overall, in Colombia public expenditure has evolved concurrently with the development of institutions responsible for core government functions. As this report will show, CGF reforms have been driven by external and internal factors alike. This research identified four main drivers of reforms for the transition timeline: the first one is the 1999 financial crisis, which ushered in important reforms in the PFM and local governance functions. The second driver is undoubtedly Plan Colombia as it targeted reforms in the security and justice sector, local governance and aid coordination. On the latter, it could be argued that reforms were an unintended consequence as Plan Colombia did not target aid coordination but did require changes in it to allow better use of funds. The third driver of reforms, particularly in the PFM and local governance functions, is Colombia's entry to the OECD, for which the country began preparing in 2013. The last driver of reforms is of course the signing of the peace deal, which as will be seen, is having significant impacts on most of the CGFs.

Box 2: The impact of oil prices on CGF expenditure

A closer look at the evolution of public expenditure reveals how deeply connected it is to the economic cycle. For instance, from 2010 to 2013 when oil prices soared, public expenditure increased close to 1.6 per cent, going from 17.6 per cent to 19.2 per cent of the GDP. However, as oil prices fell drastically and the economy began a process of deceleration, public expenditure was not adjusted in the same proportion, remaining close to 19 per cent of the GDP (Asobancaria, 2017).

The oil shock created a considerable imbalance in the fiscal accounts: in 2013, oil income reached 3.3 per cent of the GDP but in 2015, such income completely disappeared. At the same time, the depreciation of the exchange rate brought about by the oil price drop increased the value of external debt and interests, creating additional pressures to public expenditure.

One of the most affected CGFs was government employment. In an attempt to counter such a fall in income, the Government cut back on expenditure by freezing staff costs, reducing by 15 per cent all general costs and cutting the investment expenditures by 13 per cent. Despite such measures, and due to the highly inflexible nature of some budget components, public expenditures as a percentage of the GDP only decreased by 0.3 points (Asobancaria, 2017).

This section presents the main findings of the expenditure trends analysis. This is complemented by an analysis of key institutional reforms undertaken, including any underlying political economy considerations, for each core government function. Where available, information on outcomes of expenditures and reforms is presented.

7.1 Executive Coordination at the Centre of Government

In Colombia, executive coordination follows the traditional structure of offices under the Executive branch (Ben-Gera, 2009), whereby political leadership is, first and foremost, held by the President of the Republic, supported by the Ministerial Council, and with a special role awarded to the Ministry of Interior, who is responsible for ensuring policy consistency across the Government. In terms of a “head of centre of government”, this role is split across a number of departments, offices, high commissions, and ascribed entities. The main departments are the Administrative Department (DAPRE) in charge of providing logistical and administrative support to the Presidency, and the National Planning Department (DNP), responsible for planning and monitoring. As part of DAPRE, there is also the Office of Political Affairs as well as high commissions for communications, peace, regions, strategic areas, post conflict, among others.

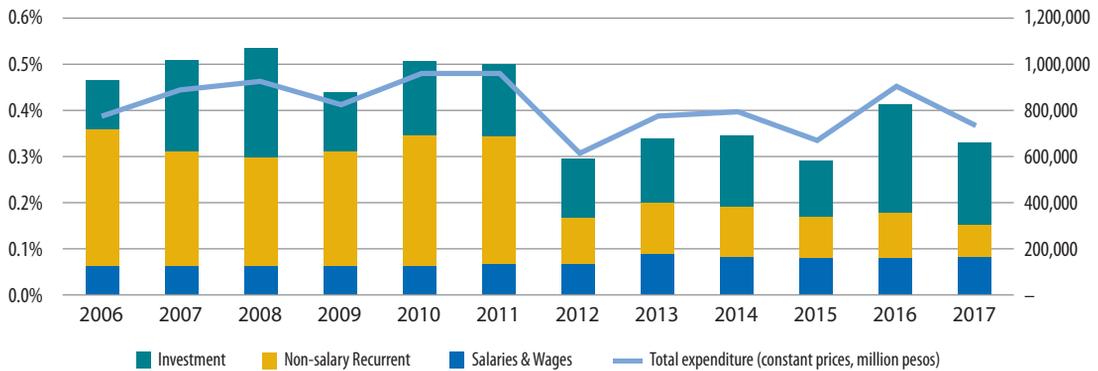
Historically, Colombia has been characterised as having a strong centre of government through a highly presidentialist regime, whereby the President of the Republic enjoys ample constitutional and emergency powers regardless of whether or not they lead a party or coalition (Mainwaring, 2002). As such, presidents in Colombia are able to issue decree-laws on practically any policy area as well as veto proposed bills. While the Congress provides a degree of checks and balances, the fact remains that given to the concentration of power in the executive, the Congress's ability to modify any bills proposed by the President is largely limited (Mainwaring, 2002).

This is particularly the case when it comes to the national budget, whereby Colombian presidents have strong veto powers over it but less so over other legislative matters (no other president, at least in Latin America, has this). In fact, the Congress' authority to increase or make changes to the budget is also largely limited. Though not the norm, this is also encountered in other presidentialist regimes in Latin America such as Brazil, Chile and Peru (Mainwaring, 2002).

7.1.1 Domestic Expenditure Analysis

In terms of spending, it is worth noting that total government expenditure on executive coordination arises in the President's office and the Ministry of Interior. This is consistent with key reforms undertaken in 2010 when a “presidential sector” was created (see section 3.1.2).

Across the period, domestic expenditure on executive coordination constitutes an average of 0.3 per cent of total government expenditure. The drop in 2012 (Figure 2) corresponds to the wind down of the “Peace and ex combatants” heading transfer in the President's Office as well as the “People's protection” transfer in the Ministry of Interior.

Figure 2 Executive Coordination by Component (% of Total Dom. Expenditure)

Source: SIF – Ministry of Finance

It is also worth noting that 2012 was officially the last year of Plan Colombia, which also helps explain the drop from that year onwards. There has been considerable support to executive coordination from Plan Colombia: in 2010 alone, it accounted for 1.5 per cent of total government expenditure.

7.1.2 Key reforms during the transition period

Wild and Denny (2011) suggest a sequenced support for reform in executive coordination and the centre of government in fragile and conflict affected settings. The initial focus should be on establishing the foundations for key centre of government functions and operations (including establishing the physical infrastructure of the office(s) and initial support systems such as information and communication technologies), and developing regulatory and policy frameworks for reform and building trust between key officials and donor staff or implementers of support. The authors then suggest broadening support to strengthen policy coordination functions, policy and analytical support functions, strategic communication functions, and systems for monitoring key priorities, as well as support for linkages with other levels of government.

Given the history of strong executive coordination in Colombia, and the fact that the armed conflict never really affected the foundations for centre of government functions (at least not like in other Sub-Saharan Africa contexts), reforms today seem to fit with the authors' suggested "second wave" of reforms.

In light of the above, and for the purposes of this research, two key institutional reforms to this CGF took place: the first was in 2010 when a "Presidential Sector" was created. The 3443 Decree creates the Administrative Sector of the Presidency of the Republic, which brings together the Administrative Department of the Presidency (DAPRE), responsible for supporting the President in its legal and constitutional attributions and lending all administrative and budget support for such ends, and four ascribed entities: the National Reincorporation Agency (ARN), the

Presidential Cooperation Agency (APC), the National Unit of Risk and Disaster Management, and the Virgilio Barco National Infrastructure Agency (ANIM).

With this reform, the Presidential Sector and Executive Branch have brought together a combination of administrative and political staff. The 2010 reform put in place what the World Bank refers to as the ‘buckles’ that link “the permanent, career public service or the administration, and the partisan political institutions charged with making policy decisions” (World Bank, 2001). In fact, in Colombia this reform seems to have gone a step further in linking the political with the technical. Such is the case of institutions like the ARN and DNP, both of which have been traditionally known as highly technical entities.

While most interviewees considered the creation of the presidential sector as a welcomed reform, some noted how dissimilar the entities constituting it were. This was attributed to administrative decisions but also to the need of “protecting” certain institutions from becoming too politicised. By being under direct control of the President, the more technically oriented entities, such as the National Reincorporation Agency (ARN), “were allowed to do their job”.

The second and most recent reform took place in 2017 with the adoption of the Integrated Model for Planning and Management (MIPG) through the 1499 Decree of 2017. The MIPG builds on a 2015 reform, which created the System for Integrated Management of the Presidency of the Republic (SIGEPRE). This system seeks to promote a more efficient, effective, and transparent management of the President’s Office through the harmonisation of processes within DAPRE. The System targets the strengthening and coordination of processes, the administrative capacity, the entity’s performance and the optimization of resources. It is also expected to promote greater citizen accountability and participation in the planning, management and evaluation of public institutions while simplifying and speeding up institutions’ capacity to deliver goods and services in response to citizens’ needs. This is one of the outstanding recommendations made by the World Bank in its 2015 PEFA.

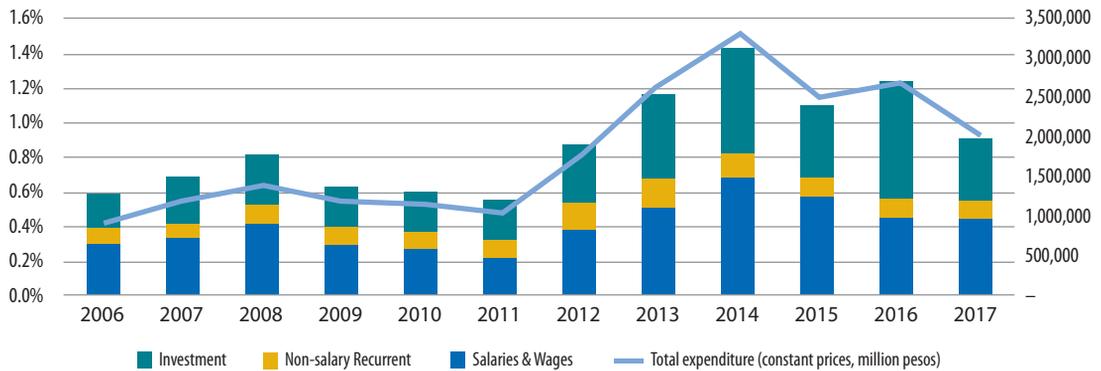
In recent months, the President’s Office published a manual for all civil servants on rolling out the SIGEPRE, with training exercises expected to take place early this year.

7.2 Public Financial Management

Colombia has a robust PFM system, in particular at the Central Government level. According to the last PEFA assessment conducted in the country in 2015, Colombia performs considerably well in indicators related to the PFM government function. Overall, Colombia registered the best scores in areas related to budget reliability, asset management and policy-based fiscal strategy and budgeting (PEFA, 2015).

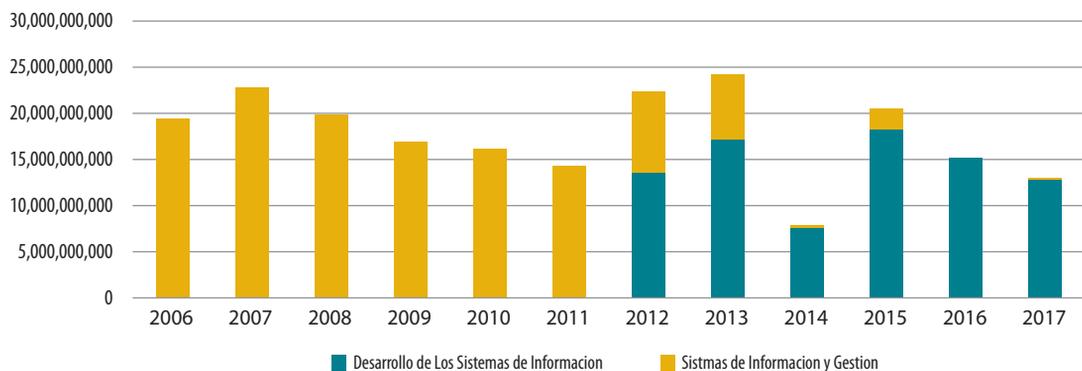
7.2.1 Domestic Expenditure Analysis

Across the period, domestic expenditure on PFM constitutes an average of 0.9 per cent of total government expenditure. Between 2006 and 2011, PFM expenditure constituted a lower percentage of total expenditure averaging around 0.7 per cent, before increasing to 1.1 per cent between 2012 and 2017.

Figure 3 Public Finances by Component (% Total Dom. Expenditure)

Source: SIF – Ministry of Finance

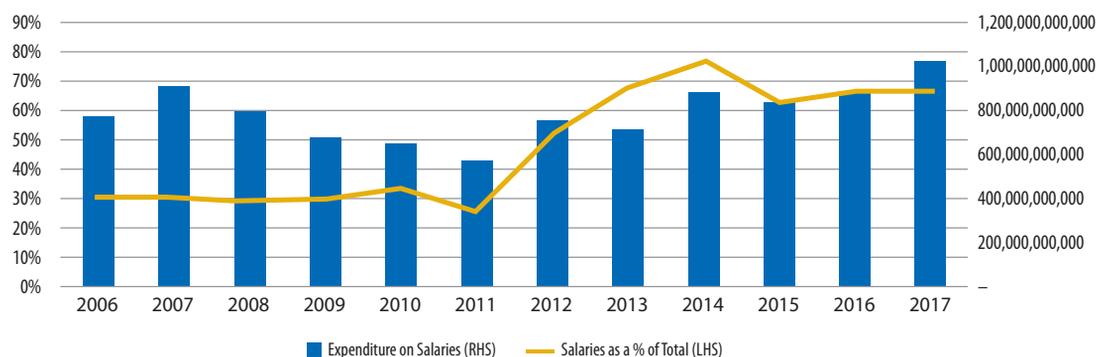
It is also worth noting that within this period the composition of expenditure has varied, shifting away from salaries and wages towards investment. The graph below shows MOF investment in IT systems, which is consistent with the Government's dedicated efforts in the last years to improve its information systems. In fact, the Government has put in place management and information systems for all CGFs.

Figure 4 Ministry of Finance investment expenditure on IT systems (constant prices)

Source: SIF – Ministry of Finance

Notes: Blue stands for Development of Information Systems; Red stands for Management and Information System

On the other hand, the customs authority (DIAN) spends the largest proportion of PFM expenditure due to the large staffing requirement and the investment in a comprehensive anti-tax evasion plan. From 2012, the DIAN spent a significantly increasing proportion of expenditure on staff, contributing towards the uptick.

Figure 5 DIAN Expenditure on Salaries and Wages

Source: SIF – Ministry of Finance

7.2.2 Key reforms during the transition period

Through our selected transition period, Colombia's PFM system underwent a major transformation thanks to a number of key reforms. These have created the conditions for fiscal discipline that the country enjoys today.

Following the financial crisis of 1999, the PFM system underwent reforms aimed at stabilising the country's finances and deficit, the most important of which was adopted in 2003 through the "Fiscal Responsibility Law". This law created a medium-term fiscal framework, which required the Government to put in place a financial plan, a multi-year macroeconomic programme and a set of indicators to measure budget management performance.

Despite such progress, in 2005 the World Bank conducted a public expenditure review (PER) which concluded that public financial management could be strengthened through the consolidation of the current and investment budgets at the Ministry of Finance, the consolidation of funds on the single treasury account and further implementation of the Medium Term Expenditure Framework (MTEF). Moreover, it noted that additional efforts to 'rationalize public sector wages' were necessary to ensure convergence towards market levels. As expected, defence expenditures already ranked amongst the highest in Latin America in 2005 (second after Ecuador), reflecting the needs of an escalated war. On local governance, the PER concluded that despite the progress of the decentralisation process - from 1967 to 2002 the transfers to taxes ratio increased five-fold - significant challenges remained. In particular, local governments lacked discretion over the allocation of funds and remained highly dependent on transfers from central government.

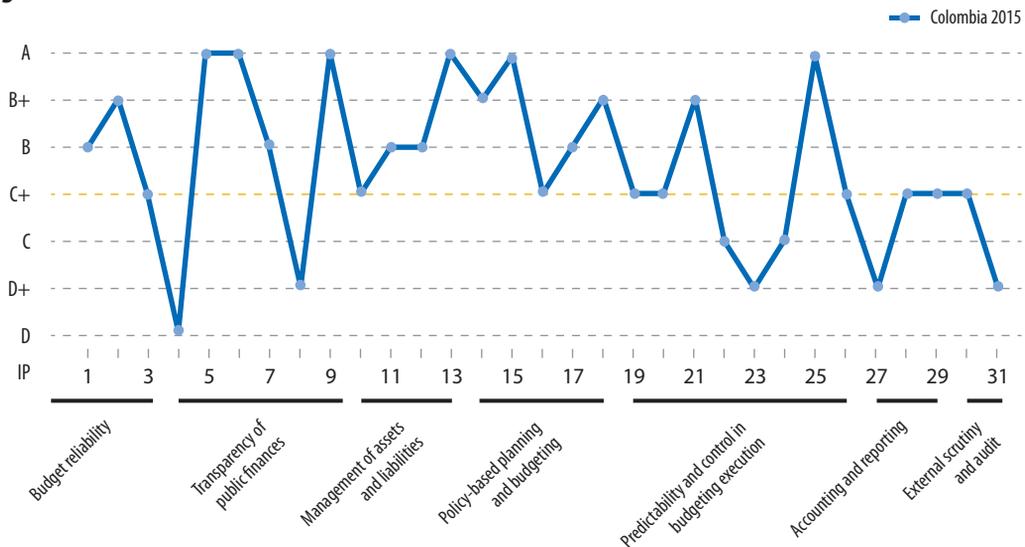
Another significant set of reforms took place in 2011 when the principle of fiscal sustainability was introduced in the Constitution. What followed was the adoption of the 'fiscal rule', considered "one of the most important advances in the strengthening of the fiscal institutionalisation in the country" (Asobancaria, 2017). The fiscal rule brought about much-

needed fiscal discipline through the establishment of targets over the balance of the budget so that whatever the Nation spends is in concordance with its structural income. That same year, a new General System for Royalties (SGR) was also created, along with its Monitoring, Control and Evaluation System (SMSCE).

7.2.3 Outcomes

The PEFA evaluation conducted in 2015 provided an update on the development of the PFM function ten years onwards (see Figure 6). According to this report, the government performed considerably well in linking its strategic priorities to the budgeting process and in ensuring that the budget is executed as planned. In addition, the evaluation noted relevant reform efforts in areas such as fiscal transparency and performance-based budgeting. On the other hand, some weaknesses were identified in core areas including the government's capacity to administer and control payroll, deliver public services and in external scrutiny and audit from oversight agencies.

Figure 6 Results PEFA 2015



Source: World Bank (2015)

While these have been key developments, there are still pending reforms to Colombia's public expenditure and PFM system. Many call for a comprehensive review of public expenditure to bring about more strategic prioritization and efficient execution (Asobancaria, 2017). In terms of greater efficiency of expenditure, there is still a need to reform the General System of Participations (SGP) in order to curb the transfers to subnational governments: currently, SGP transfers represent close to 20 per cent of total expenditure, which makes their allocation a key requirement for fiscal sustainability. Similar efficiencies should also be sought through a structural

reform to the pensions system, which currently represents 18.3 per cent of total domestic expenditures (Asobancaria, 2017).

Additional improvements to the SGP and PFM at the subnational level should include simplifying the criteria for assigning and distributing transfers and establishing targets for assigning resources in accordance with quality in service delivery (as opposed to indicators on coverage only). Finally, it is necessary to strengthen the management capacity of regional governments in order to improve their spending capacity.

In fact, the OECD suggests the creation of performance-based indicators at the regional level that would incentivise subnational governments to design and implement strategies for optimization of public expenditure, without neglecting their regional obligations or principles of equity.

7.3 Government Employment and Public Administration

This core government function is led by the Administrative Department of Public Service (DAFP), in charge of formulating the general policies of public administration, especially in matters relating to civil service, management, internal control and streamlined procedures of the Executive Branch of Colombia. The DAFP also operates the School of Public Service, ESAP, responsible for educating and preparing the new generations of public servants in Colombia.

In addition to the DAFP, government employment also relies on the National Civil Service Commission, which is in charge of the selection of candidates for the administrative and public servants' office career. The Commission is an autonomous and independent entity that is not part of any of the branches of public power.

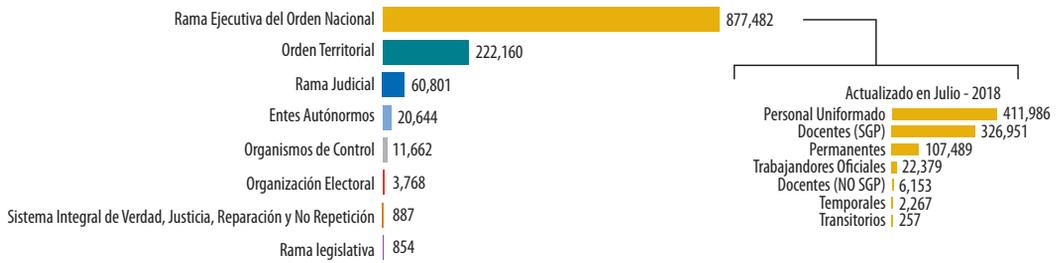
In terms of the size and composition of the civil service in Colombia, the DAFP currently registers 1,198,238 public servants, out of which 27% are teachers and 34% belong to members of the military and police.²⁵ This figure has been growing at least since 2014 alongside increases in the budget. In 2018 alone, the budget for government employment grew 30.4 per cent with respect to 2017, reaching a sizeable 553 billion pesos.²⁶ Distribution of public sector employment shows that most civil servants are concentrated in the executive branch-*Rama Ejecutiva del Orden Nacional* (877,482), at the subnational level-*Orden Territorial* (222,160), and the judicial branch-*Rama Judicial* (60,801) (see Figure 7).

Evolution of public employment in the executive branch shows a relatively stable number of teachers-*Docentes* and *Docentes Sistema General de Participaciones* (including those financed through the SGP) and general staff-*Servidores Rama Ejecutiva*, and a slightly more varied picture for members of the armed forces and police-*Personal Uniformado* (see Figure 8). Most notably, there was a drop in number of personnel levels in 2015, which have remained more or less even since then.

²⁵In: <http://www.funcionpublica.gov.co/entidades-del-estado-y-sus-principales-caracteristicas>.

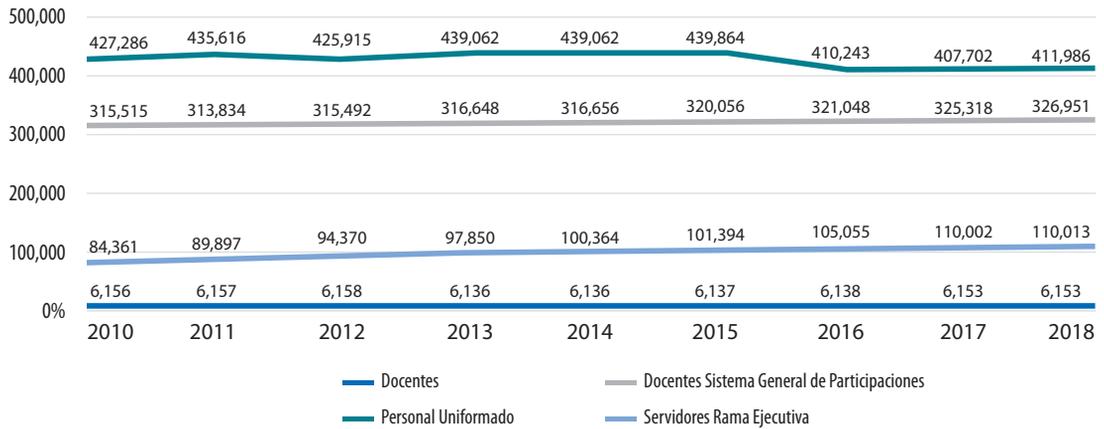
²⁶In: <https://www.eltiempo.com/economia/sectores/presupuesto-general-de-colombia-para-2018-114224>

Figure 7 Distribution of public sector employment



Source: DAFP

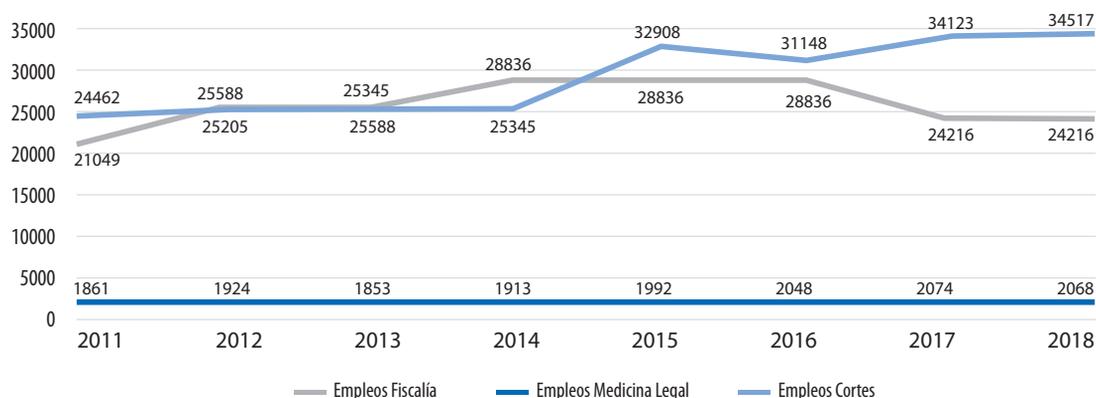
Figure 8 Evolution of public employment in the executive branch



Source: DAFP

Evolution of public employment in the judicial branch, on the other hand, evidences a considerable rise of jobs in the courts system-Empleos Cortes since 2014 (see Figure 9). A similar trajectory is observed for employment in the Attorney's Office-Empleos Fiscalía, although these present a decreasing trend from 2016. The number of jobs in the forensics office-Empleos Medicina Legal has remained stable since 2011.

Figure 9 Evolution of public employment in the judicial branch



Source: DAFP

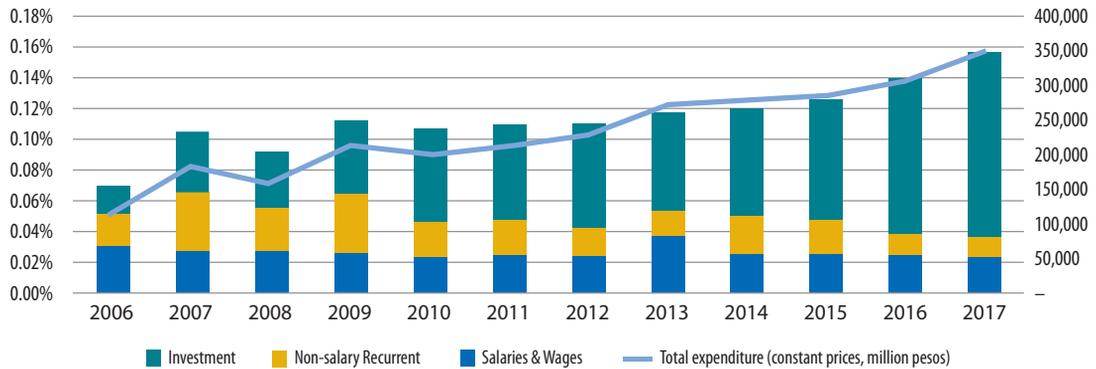
As was the case in other transitions (i.e. Sierra Leone or Liberia), the nature of the conflict did not significantly impact the Colombian public administration systems or availability of staff. Nonetheless, this has been a largely neglected function by governments, at least until recently.

7.3.1 Domestic Expenditure Analysis

Across the period, domestic expenditure on Government Employment and Public Administration has constituted a small proportion of total government spending, averaging 0.11 per cent of total government expenditure.

Although small, this figure has grown from 0.07 per cent of government expenditure in 2006 to 0.16 per cent of expenditure in 2017, a 125 per cent increase as a percentage of total expenditure. In constant prices, expenditure has more than doubled.

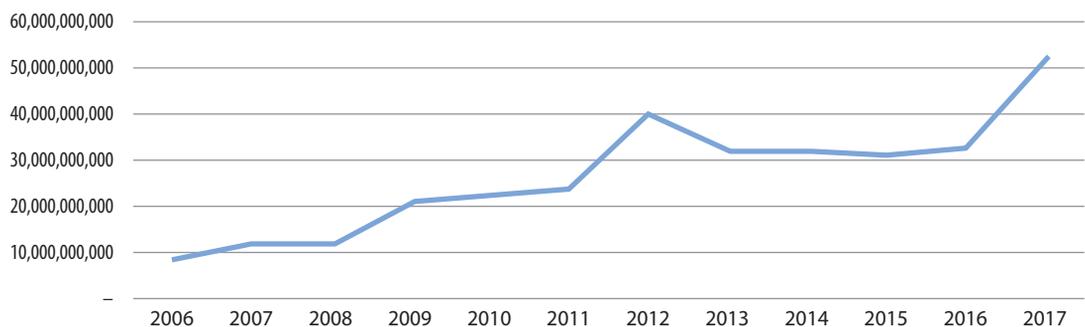
As shown in Figure 10, the increase takes place in the area of investment, accounting for 75 per cent of all expenditure on Government Employment and Public administration in 2017. The ESAP is the main agency which channels expenditure towards this area - a large proportion of investment expenditure has gone towards a programme called Government Efficiency (see Figure 11).

Figure 10 Government employment by Component (% Total Dom. Expenditure)

Source: SIF – Ministry of Finance

This is also explained by the fact that the 1499 Decree, which created the Integrated Model for Planning and Management (MIPG), gives ESAP the mandate to design and offer training and skills development to public servants as part of its rollout and implementation. This is particularly helpful if one seeks to understand the spike from 2016 to 2017.

The increase in domestic expenditure in this core government function contrasts starkly with the perceptions of all interviewees. Without exception, all respondents agreed that this was the most neglected core government function by governments across the transition period.

Figure 11 ESAP investment expenditure on Government Efficiency programme (constant prices)

Source: SIF – Ministry of Finance

7.3.2 Key reforms during the transition period

As seen in the expenditure analysis, only until recently has this core government function started to receive more government attention and as a result the main reforms to this CGF are also recent. A key moment came in the year 2000 at the start of our timeline, with the 617 Law aimed at strengthening decentralisation and introducing controls to public expenditure. The law has been key in controlling staff costs as it establishes that these cannot grow more than inflation.

Another key reform is the introduction of a merit-based system. Despite meritocracy existing since the 1991 Constitution as the principle through which public servants would be selected, not much had happened in terms of institutionalising this approach.

This, however, began to change with the Santos administration, particularly during his second term. The National Development Plan 2014-2018 gave way to an institutional push towards meritocracy. Between 2014 and beginning of 2018, the National Civil Service Commission has trained over 145 entities, undertaken 202 calls and awarded 67,616 merit-based positions.²⁷ There are a few institutions where the rollout of merit-based contests has already taken place, such as the Attorney General's Office. Other institutions such as the ARN are currently going through the process. This process is consistent with the principles of the MIIPG and it is expected that an integrated management and performance model will support the move to a merit-based system.

The other noteworthy reform of this CGF is the creation of the Public Employment Information and Management System (SIGEP) in 2010. Prior to the SIGEP, there was the Central Information System for Staff (SUIP), which centralised all public servant CVs. With SIGEP, the scope was broadened to include both staff and institutional information at the national and subnational levels regarding type of entity, sector, staff, number of employees, operating manuals, salaries, and benefits.

7.3.3 Outcomes

In 2015, DAPF commissioned an evaluation of the Government's public employment system. Some of the main findings are presented below²⁸:

- 31 per cent of public servants think the competitive process is not transparent. Three out of ten government employees consider meritocracy has not improved performance of their respective entities;
- There is no formal feedback mechanism for public servants. While in theory there is an assessment of work performance, the evaluation found this is only a formality;
- Staff offices spend the majority of their time on operational issues such as holiday approvals, payments, sick leaves, with limited opportunities to provide input into plans and strategies. As a result, public servants have no sense of career progression and lack motivation, and the ability to retain talent is virtually nonexistent. In contrast, it is extremely challenging to remove low performing public servants;

²⁷In: <http://www.funcionpublica.gov.co/empleo-publico/descripcion>.

²⁸El Tiempo, "La meritocracia en Colombia se quedó en veremos", March 21, 2015. In: <https://www.eltiempo.com/archivo/documento/CMS-15440599>.

- The National Civil Service Committee also faces significant capacity constraints. At the time of the evaluation, the Commission only had 56 permanent staff and 140 contractors. The evaluation found that as a result, public entities ended up hiring contractors directly, which explains why Colombia's public service appears as the second smallest in Latin America, only after Chile;
- Hiring contractors directly helped entities in the short term, yet also afforded opportunities for public employment to be used for political or electoral purposes.

These findings were corroborated by the majority of interviewees three years on. In particular, senior government representatives expressed frustration over how certain meritocracy mechanisms have actually caused key staff with institutional memory and know-how to lose out to others 'with one or two more years in their CVs', which under the competitive mechanism is enough to make them lose. Entities like the ARN have been considerably affected by this, which begs the question of timing. As one ARN representative stated, it is not clear why the Government wanted to start this process in two of the institutions with key responsibilities in the post conflict situation (the Attorney's Office and the ARN).

7.4 Security Sector

The security sector in Colombia is led by the Ministry of Defence, ensuring that control and oversight is under the management of civilian authorities. In contrast to the practice in most countries, Colombia's police force is still part of the Ministry of Defence, as opposed to the Ministry of Interior. The National Police currently consists of 176,429 personnel²⁹.

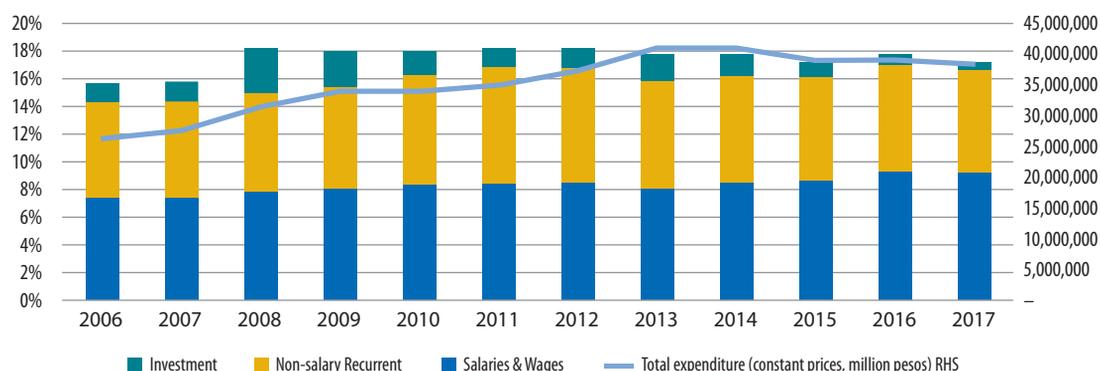
On the other hand, the General Command of the Military Forces is the entity responsible for planning and providing strategic direction of military institutions in the country, which consist of the army, the navy and the air force. The armed forces currently consist of 272,000 personnel (DCAF, 2018).

In terms of the justice sector, Colombia has a centralised judicial system led by the Office of the Attorney General. There is also a military justice system which takes on cases regarding military personnel who committed crimes while in the line of duty, and an Inspector General's Office, which is responsible for the investigation and discipline of government personnel.

7.4.1 Domestic Expenditure Analysis

Between 2000 and 2017, the security sector was consistently the third largest area of public expenditure followed by Health and Education (in recent years), representing on average 20 per cent of total expenditure. Between 2006 and 2017 alone, expenditure on the security sector increased by 48 per cent in constant prices, and at the same time increased as a proportion of total government spending from 15.7 per cent to 17.3 per cent. In terms of composition, expenditure on non-salary recurrent costs has remained a consistent proportion of the budget while investment has decreased, making room for salaries and wages as the number of members in the sector continued to grow across our timeline.

²⁹<https://www.policia.gov.co/talento-humano/estadistica-personal/cifras>.

Figure 12 Security Expenditure by Component (% Total Dom. Expenditure)

Source: SIF – Ministry of Finance

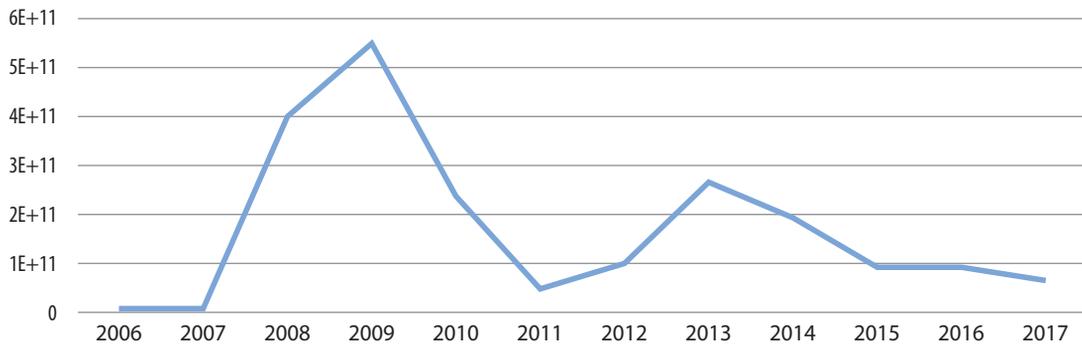
Undoubtedly, increased spending began with Plan Colombia but was intensified during Uribe's administration and his Democratic Security and Defence Policy (*Política de Seguridad Democrática*). The Policy targeted three main objectives: improving intelligence capacities of the Armed Forces, strengthening cooperation between different branches of Military, Police and the Intelligence Agency (DAS), and effectively allocating resources within the military budget (DCAF, 2018).

During his second administration (2006-2010), the policy scope broadened to better reflect the changing landscape of the sector. It was now called the Policy for the Consolidation of the Democratic Security, with the rationale being that once the State has achieved territorial control, the next step is to consolidate the presence of State institutions. However, for former Plan Colombia staff and subject matter experts this was not achieved and the main presence in the territories continued to be the army and police. This is consistent with spending patterns as there was a major push for spending between 2007 and 2010 under the Democratic Security Consolidation Policy (see Figure 13). These resources were spent on acquisition of equipment, maintenance and reconstruction. These levels of expenditures have not been seen since. The remainder of non-salary recurrent expenditure is mainly goods and some provisions for severance.

Expenditure peaked in 2008 as a percentage of total expenditure, reaching 18.3 per cent. This was largely the result of investment in the Consolidation Policy heading from both the police and defense sector, constituting 10 per cent of total security expenditure and 55 per cent of total investment in the security sector in 2008 alone.

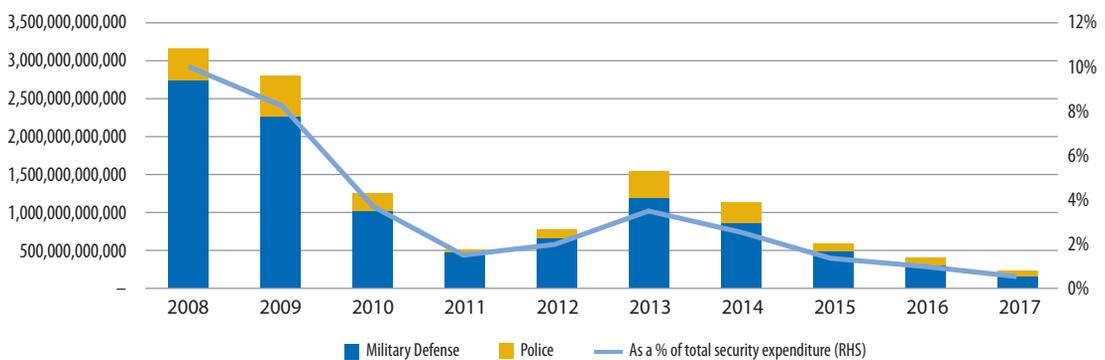
However, in recent years, this expenditure has flattened and it is expected to remain at the same levels as in the final years of the armed conflict (approximately 3.4 per cent of the GDP) given that the State's presence will still need to be consolidated in the areas affected by the armed groups³⁰.

³⁰Revista Semana, "Implementar el acuerdo de paz necesitaría una nueva reforma tributaria: Fedesarrollo", January 23, 2018. In: <https://www.semana.com/economia/articulo/costos-del-proceso-de-paz-y-el-posconflicto/554526>.

Figure 13 Real terms spending of Democratic Security Consolidation Policy

Source: SIF – Ministry of Finance

A staff member from the Presidential Sector offered an additional explanation as to why security sector expenditure would be maintained. A political settlement between the Government and the Military was struck, whereby the security sector budget (and the military in particular) would be maintained (while expenditure was being cut almost everywhere else and deficits rose) in exchange for political support to the peace negotiations. Other sources point to the fear of a possible reduction in the military sector size as additional reasons for the settlement (DCAF, 2018).

Figure 14 Investment expenditure and its composition on the Democratic Security Consolidation Policy (constant prices)

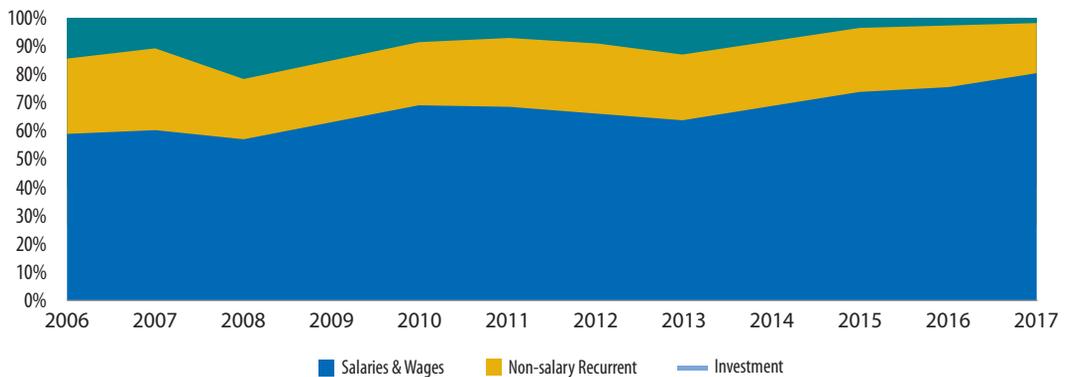
Source: SIF – Ministry of Finance

While the military consistently absorbs the largest share of expenditure from the security sector, across the period a reduction in share is observed (see Figure 14). However, this has not translated into increased spending on the police. In fact, the police have maintained a consistent share of security sector expenditure across the period at around 30 per cent.

A comparative look at the composition of expenditure between army and police (Figures 15 and 16) further reveals the prominence of salaries and wages for both, with similar levels of non-salary recurrent costs. Where differences can be observed is on investment: while currently low, investment in the Army has been considerably--and understandably--larger than in the Police.

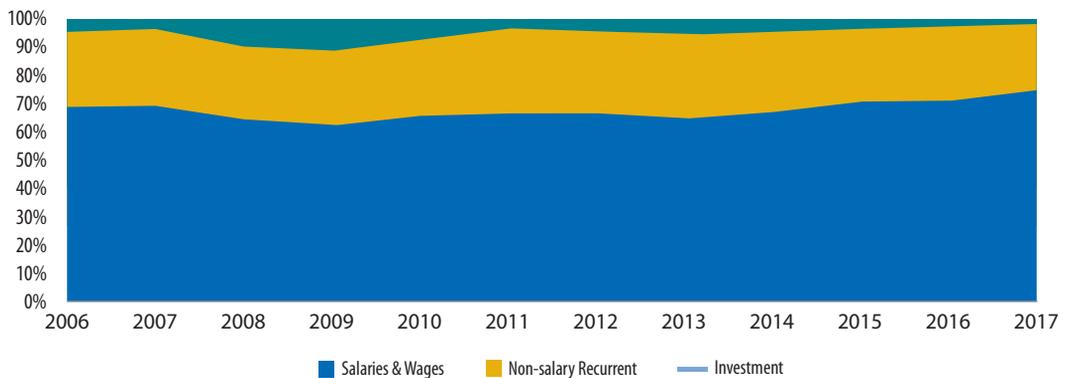
As mentioned, with the reduction in the military share of expenditure, room has been created for spending elsewhere. This has been the case of Courts of Law, which have enjoyed a slow yet steady increase in expenditure (see Figure 17). This increase in prioritisation can be traced back to 2008 with the “False Positive” extrajudicial killings scandal, which led the GoC and the MoD to begin a reform in the military and police forces, including the establishment of the School of

Figure 15 Composition of Domestic Expenditure on the Army: Expenditure Categories



Source: SIF – Ministry of Finance

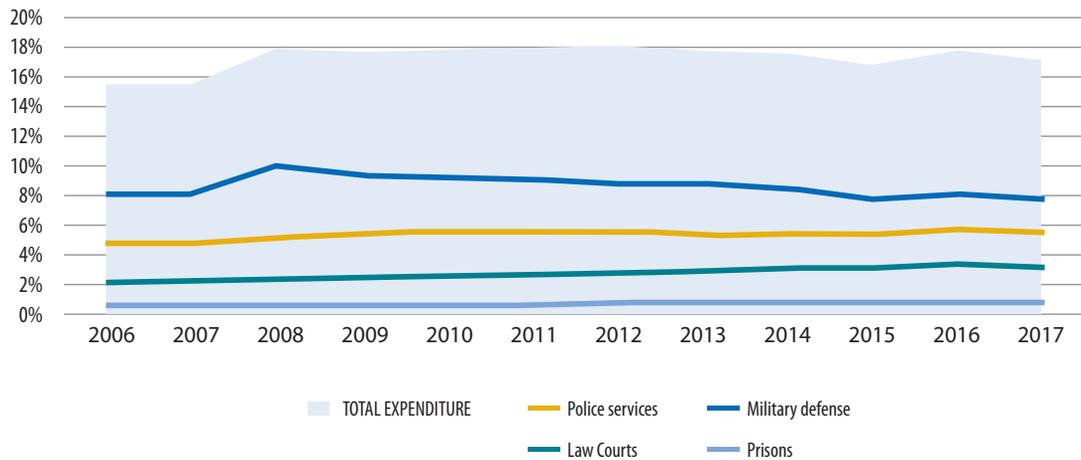
Figure 16 Composition of Domestic Expenditure on the Police: Expenditure Categories



Source: SIF – Ministry of Finance

Human Rights and International Humanitarian Law of the Colombian National Army. Alongside such reforms, in 2011 the GoC undertook actions against impunity for human rights violations to ensure the effective implementation of justice.

Figure 17 Security Sector Expenditure (% of Total Government Expenditure)



Source: SIF – Ministry of Finance

7.4.2 Key reforms during the transition period

As mentioned, the security sector has been the most prioritised core government function in terms of expenditure, and as this section will show, the outcomes are evident. However, this has not been the case in terms of more structural and transformative reforms, at least until very recently. An interviewee from the MoD pointed out that the sector has not truly been reformed since the 1990s. This seems to be particularly the case for reforms aimed at enhancing democratic oversight. As DCAF has stated, “given the state’s long struggle to establish control over its entire territory, reforms to ensure civil and democratic control over the armed forces have largely been set aside during the long period of internal conflict”.

Prior to such reforms, the levels of transparency and accountability in terms of decision making were not a major concern. Orders to the military were given directly from the executive, by-passing Congress and other oversight bodies. While the aim was to ensure a rapid response to urgent issues, this also gave way to limited accountability for human rights violations attributed to the armed forces (DCAF, 2018), just as it happened with the “False Positives” scandal mentioned before.

Such a situation not only created the space for reforms oriented towards more transparency and accountability but also to greater inclusion of the human rights agenda. The US government has been instrumental in putting pressure on the GoC to prioritise such an agenda, particularly since

2015 onwards. Today, there is even an anonymous whistle-blower mechanism to denounce corruption or human rights issues within the armed forces.

Most recently, the Colombia National Army has begun its first organisational reform since 1990, in acknowledgement of “times of change, modernization, developing towards a new country, a country at peace”³¹. The reform package addresses a wide range of issues at the organizational level, for instance, the elimination of the current Special Task Forces, a restructure of six out of eight regional divisions, and a transformation and modernisation of the military branches. One highlight is the increase of women participation in the armed forces and police and the creation of an ‘Army Officer of Gender’. As of late 2016, 3,838 women served in the Colombian Armed Forces: 1,515 female officers in the Army, 780 in the Navy, and 1,038 in the Air Force (DCAF, 2018).

In 2017, additional reforms set the armed forces, and army in particular, towards a definitive peace path. For example, mandatory service was reduced from 24 to 18 months, and for the first time, there is a conscientious objection law. Salaries of soldiers also increased three-fold and they are now allowed to pursue education programmes as part of the State’s Education System (SENA) while on duty, with the aim of providing them with an alternative livelihood should the army reduce in size.

From a financial perspective, the most relevant reform is the elimination of compensation rates which were absorbing most of the resources. There is a fixed tariff but it excludes victims of violence or beneficiaries of subsidies as they receive such resources from other government programmes and sectors.

Reforms in the police have taken a similar path to those in the military as they were geared towards enhancing military capabilities to respond to the armed conflict. The creation of special units to fight drug-related crime and enhancing tactical coordination with the military in counter-insurgency efforts are some of the changes made. A key year was 2017 when a new Police Reform Code was finally approved by Congress, something that had not happened since the 1970s. The new Code brings the police closer to its constitutional role as the post conflict environment takes hold. For example, it foresees increased enforcement for low-level offences and expands the police’s competences to intervene in daily matters (i.e. noise complaints), “aiming to support a peaceful co-existence for all Colombian citizens” (DCAF, 2018).

The judicial sector, however, has gone through a ‘massive judicial overhaul’ since the early 2000s as it moved from the inquisitorial to an accusatory justice system. This reform was part of Plan Colombia and was entirely supported by the U.S. Department of Justice. Another important reform under Plan Colombia sought to enhance the capacity of criminal investigation as a response to increased crime rates.

³⁰El Espectador, “Reformas al Ejército”, junio 17 de 2017. In: <https://www.elespectador.com/opinion/reformas-al-ejercito-columnna-698833>

7.4.3 Outcomes

In addition to the points mentioned in the previous section, expenditure in this CGF led to improvements in the sector's performance and in changing the dynamics of the conflict, constituting a turning point on the transition out of conflict. Military experts point to a number of key achievements at an organizational and tactical level. Rangel (2004) highlights the following: strengthening of technical intelligence; the creation of the Rapid Deployment Force, high mountain battalions, and the River Control Brigade; the establishment of professional career for soldiers (which saw the numbers jump in the first years of Plan Colombia from 20,000 to 60,000); air power of armed forces multiplied by four; the programme for surveillance and protection of roads (highly vulnerable to kidnappings) was established, along with night combat capacity; and the doctrine for joint operations was developed along with the Central for Joint Intelligence.

All of these measures ultimately improved the armed forces' capacity to react, mobilise and respond to the growing needs. In parallel, reforms aimed at introducing respect of human rights and international humanitarian law were partially successful in contributing to a change in mentality of military personnel. Such a process has proved challenging but unfortunate events such as the "False Positives" have harnessed increased public oversight and accountability. These reforms also help explain the dramatic improvement in the general public's view of the Armed Forces, which has continued to improve throughout the selected timeline (see Figure 18), with the result that in past decades the Armed Forces have constituted the Colombian institution that enjoys the most favourable perceptions (Gallup Poll, 2017).

However, these changes came at an extremely high price. As Mejia points out, the cost that Colombia has had to pay in its war against drugs has not only been in financial terms but more importantly, in human lives. The author calculated that at least 25% of total homicides between 1994 and 2008 were drug-related, mostly resulting from confrontations between FARC and the Colombian government (Mejia and Restrepo, 2014). Numerous human rights violations also occurred during this period, at hands of both armed groups and state actors, many of which targeted community leaders, judges, students, union members, and civilian population.

Such a high cost begs the question of what successful reforms or transitions should be defined. When one considers that transitions to peace are not linear and that progress and backsliding are possible, Plan Colombia was both a step forward and backwards in the country's conflict history.

As previously mentioned, reforms aimed at enhancing civilian and democratic oversight have been moderately successful. For example, the defence budget is subject to congressional oversight, and the 2015 Open Budget Survey found that oversight by the Colombian legislature over the executive's budget was adequate (DCAF, 2018). However, challenges remain in terms of oversight of security expenditure, particularly as the military has a special regimen for procurement, which does not subject them to the same level of oversight and control as civilian institutions are.

7.5 Local Governance

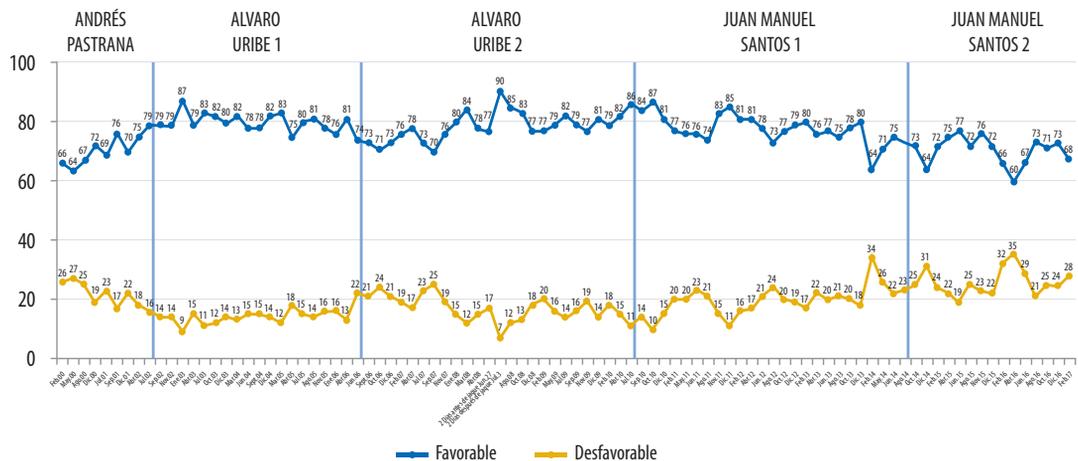
Spending on local government is done through transfers from the Ministry of Finance through the SGP. Subnational entities are responsible for spending their transfers on service delivery of health (24.5 per cent), education (58.5 per cent), water and sanitation (5.4 per cent) and other services (11.6 per cent) (Asobancaria, 2017). Transfers represent 57.2 per cent of total current expenditure and also happen to be where the biggest budget inflexibilities are, especially those related to the SGP and pensions.

Expenditure on pensions constitutes 32 per cent of transfers (18.3 per cent of total current expenditure) and it is one of the most concerning headings in terms of its sustainability. Despite a number of reforms that have yielded partial results, there are components that are still financially unsustainable. This was the case in 2003 when the Social Security Institute's reserves (which covers Colombians' pensions) ran out and the General Budget of the Nation had to cover for this (Asobancaria, 2017).

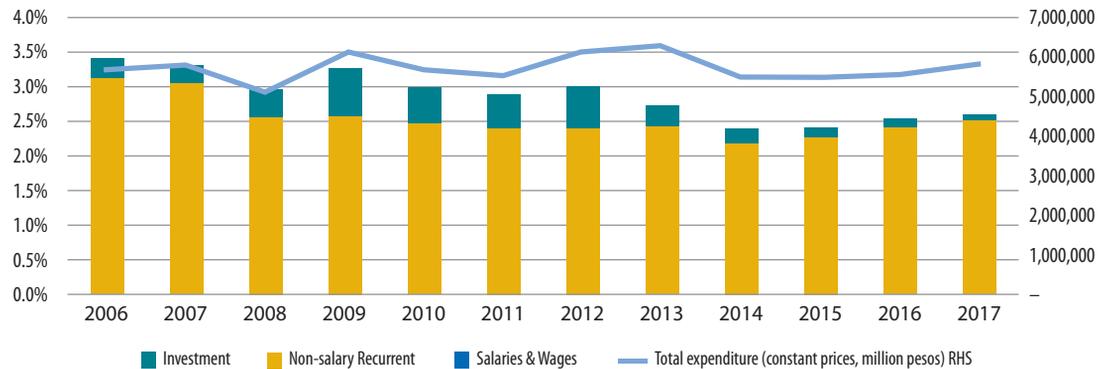
7.5.1 Domestic Expenditure Analysis

Spending has remained flat in constant prices between 2006 and 2017. As a percentage of total government expenditure, expenditure on local government has fallen over the period from 3.4 per cent in 2006 to 2.5 per cent in 2017, illustrating its reduced prioritisation across this period, despite the fact that the actual amount spent remained equal (in constant prices) across this period (see Figure 19).

Figure 18 Favourability of Armed Forces 1998-2017



Note: Blue = Approves; Yellow = Disapproves
Source: Gallup Poll 2017

Figure 19 Local Government expenditure by Component (% of Total Dom. Expenditure)

Source: SIF – Ministry of Finance

7.5.2 Key reforms during the transition period

Local governance in Colombia was transformed in the early 1980s with the implementation of a decentralised system at the administrative and political levels. However, to understand the evolution of this CGF, it is important to understand the consequences of the 1999 financial crisis, which gave way to reforms aimed at stabilising subnational finances and thus deepening the fiscal and administrative decentralisation. By 1999, current costs had considerably surpassed income taxes at the subnational level, creating a deficit situation that could only be financed through debt. As the economy expanded, regional transfers increased, evidencing how the increase in spending was tied to increases in income (as opposed to spending needs). The decentralisation model therefore led to an unsustainable expansion of subnational spending. According to analysis from the Ministry of Finance, while subnational authorities were happy to receive additional resources, these resources were not coupled with the right levels of political and administrative autonomy needed to design and deliver development plans in accordance with their fiscal realities (MinHacienda, 2015).

The crisis gave way in 2000 and 2001, right at the start of our timeline, to a series of reforms aimed at controlling current expenditures and deepening decentralisation. Law 617/2000 established controls to State staff growth while the 01 Legislative Act introduced a stable growth rule for the SGP, tied to inflation and annual growth as a way to promote fiscal stability. The Act also introduced limits to how much current expenditures can grow. In terms of decentralisation, in 2001 the 715 Law further defined competencies between the regions and the Nation, established a formula to assign resources at the subnational level, and introduced incentives for results on coverage and quality of service delivery.

A more recent development concerned the creation of the General System for Royalties (SGR), following a government-led reform in 2010. With 80 per cent of royalties concentrated in

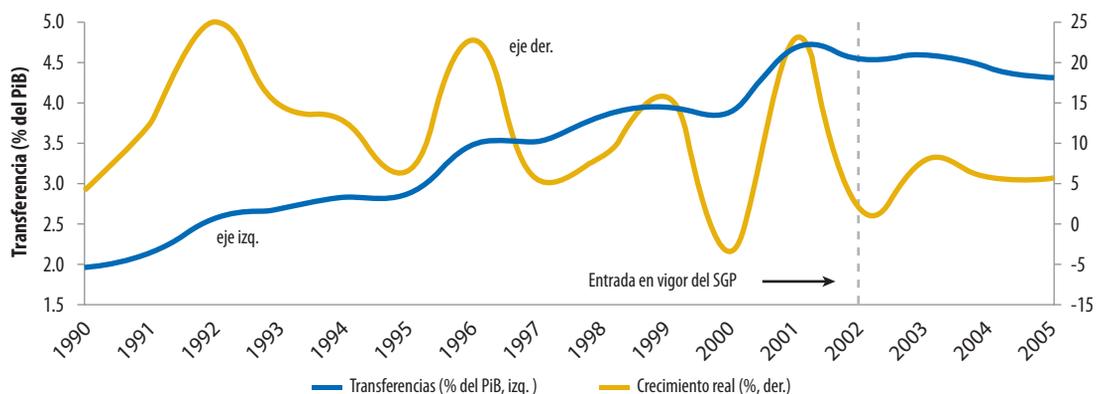
subnational entities that represent 17 per cent of Colombians, and 33 per cent of the country under the line of poverty, the government presented a reform bill to fundamentally readjust the system. The reform was aimed at ensuring regional equity by modifying the distribution of royalties, promoting social equity by privileging the poorest areas, and incentivising savings at a moment of growth led by the extractive industry (Semana, 2010). The reform was also interpreted by many as a response from the centre of government seeking to take back some control over decades of irresponsible management and corruption at the subnational level, in a reaffirmation of just how centralised Colombia still is.

The Government faced a “monumental political challenge” in getting these reforms approved. On one hand, the President did not have Congress majority and was subject to Liberal majority. For example, as a precondition for their support for the SGP reform, the Liberal Party demanded that letters signed by all mayors and governors expressing their support be delivered (something which took the GoC a year to achieve). Unions also opposed ferociously to the package of reforms. However, the leadership of Ministers of Finance and the DNP was instrumental in ensuring that very unpopular reforms were passed without delay (Caballero and Pizano, 2014).

7.5.3 Outcomes

The legal developments aimed at controlling State current expenditures and deepening decentralisation had the ultimate outcome of protecting subnational entities' income against fluctuations in the economy (Caballero and Pizano, 2014). Figure 20 below shows the evolution of transfers from the State to subnational entities before and after the reforms in 2000 and 2011:

Figure 20 Evolution of transfers to subnational entities before and after 2001 reforms



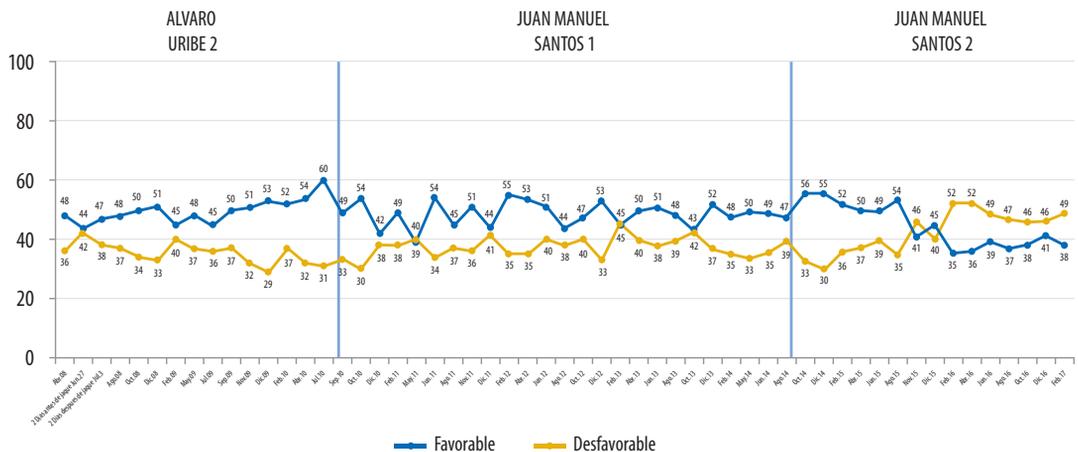
Note: Blue=Transfers (% of GDP); Yellow=Real growth (%)

Source: Caballero and Pizano, 2014

Overall, such measures also led to a situation of macroeconomic stability and a stabilisation of the public debt. In its analysis, the Ministry of Finance also points to an increase in revenue collection, a stabilisation of recurrent costs, an expansion of regional public investments, the identification of reserves to cover pension deficit, and the fact that fiscal deficit was no longer recurrent, as evidence that the measures yielded many of the expected results (MinHacienda, 2015).

One aspect worth mentioning concerns service delivery. As significant progress has been made in terms of fiscal, political and administrative decentralisation, public service delivery continues to be a weakness (PEFA, 2015). Subnational authorities continue to struggle in terms of strategic allocation of resources and transparency in spending, which ultimately impacts their ability to provide services. Accordingly, citizens' perceptions in terms of quality and coverage of public services has remained constantly low across our timeline, and even worsened during the last years (see Figure 21).

Figure 21 Citizens' perceptions on quality and coverage of service delivery



Note: Blue = Approves; Yellow = Disapproves
Source: Gallup Poll 2017

7.6 Aid Coordination

The role of donors, while not as prominent in terms of financial resources if compared to other transitions, has been key in the political space. According to interviewees from the GoC and the donor community, there was agreement that donors were instrumental in supporting what the GoC could not do, or would not want to do. As such, donors' support (particularly the UN and EU) has been aligned to the needs of the transition process. For instance, at the beginning, the UN and EU focussed on supporting and protecting the space of on-going negotiations, helping build confidence among the negotiating parties, and fostering confidence in a peace agreement among the wider population, especially during times of crisis (like in 2015 following an escalation of armed actions by FARC).

As negotiations reached their final stage, donors focussed on creating the environment and enabling conditions in the most conflict-affected areas of Colombia for the forthcoming implementation of the Peace Agreement (this was prior to the creation of the EU Trust Fund). As an agreement was reached, support then moved to provide support for protecting the achievements obtained during the negotiations and sustain the political momentum ignited by the signature of the Peace Agreement. During this time, the EU and UN supported confidence-building measures of a humanitarian nature. As concentration zones for FARC were put in place, support was needed to help create the security and stability conditions near and around the concentration zones and the FARC themselves. Support was also provided to the ongoing bilateral and permanent ceasefire and cessation of hostilities and to the handing-over of arms. As the process consolidated and made progress, donors focussed on providing support for the early implementation of strategic elements of the Peace Agreement.

7.6.1 Domestic Expenditure Analysis

The expenditure analysis of this core government function is unfortunately only available from 2012 onwards, as data was not disaggregated prior to that. However, as pointed out by the OECD, between 2007 and 2016, annual aid flows increased by approximately 50 percent in Colombia. This increase was particularly noticeable on the aid flows to the ‘Government and Civil Society’ sector, which increased from roughly 16 per cent of total flows in 2007 to 33 percent in 2016. This pattern is consistent with the broad support of the international community to the Colombian peace process. A prominent example was the assistance provided by the European Union, which among the European Commission and the individual member states, have supported the process with approximately € 1.5 billion from 2000 to 2017.

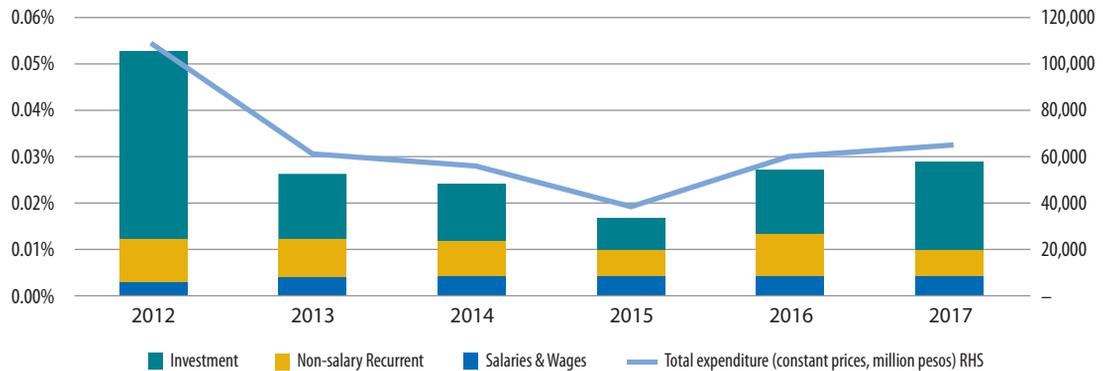
Alongside such an increase, a central aid and cooperation unit was created in 2011. The 4150 Decree creates the Presidential Cooperation Agency (APC), which led to a step forward in the institutional design of this core government function. It also constituted a response to the evolving needs of aid realities and best practice globally, as well as preparation for what was to come with the expected influx of post conflict aid.

The data also shows a clear peak in 2012, showing how the creation of the APC led to a peak in aid management expenditure, particularly in the investment component.

7.6.2 Key reforms during the transition period

Prior to the APC, international aid was managed through the Presidential Agency for Social Action and International Cooperation (Acción Social). This agency had the objective of channelling and administering national and international resources for the delivery of social programmes that depended directly on the President and that worked with vulnerable population affected by poverty, drug trafficking, and violence (largely those forcibly displaced).

Creating Acción Social allowed the Government to bring together the Social Solidarity Network (RSS), the Colombian Agency for International Cooperation (ACCI), and the Investment for Peace Fund (FIP). In particular, the FIP channelled resources from the social component of Plan

Figure 22 Aid Management expenditure by Component (% of Total Dom. Expenditure)

Source: SIF – Ministry of Finance

Colombia, consisting of cash transfer programmes such as Families in Action and Familias Guardabosques, social infrastructure and other productive and alternative livelihood projects. The Government needed to create a coordinated space where the institutions responsible for delivering the social component of Plan Colombia were in the same place. This method would allow for a more coordinated institutional response while allowing the President to closely monitor and oversee the use of such funds. In fact, while aid coordination was again made independent, it was now assigned to the President's Office and not the Ministry of Foreign Affairs, as was the case with the previous ACCI.

The aid coordination function was reformed once again with the 2011 Decree and the creation of the APC as a separate, technical entity with the twofold objective of ensuring a more efficient aid management and delivery as well as “achieve an international projection in the medium and long term (...) as well as [a positive role in] global scenarios. (...) It is necessary to position Colombia as offering international cooperation (...)” (Decree 4152, 2011). With Colombia already in the preparatory stages of joining the OECD, this became a new priority for the Santos administration. So much so that the creation of the APC took place under Santos' extraordinary faculties awarded by Congress in 2011, which allowed the President to create or reform entities in the executive branch.

Needless to say, the evolution of the aid coordination function would also lay the foundations for what was to come with the expected flows of post conflict aid. However, most interviewees agreed that while the APC is regarded as a competent and technical entity, it does not have sufficient “political weight” nor capacity to respond to existing needs. As a new entity, respondents from agencies such as the ARN and DNP thought it needed more time to consolidate.

This could partially help explain why there are currently five multi-donor funds to support Colombia's transition to peace. There is the EU Trust Fund for Colombia (EUR 95m), the UN

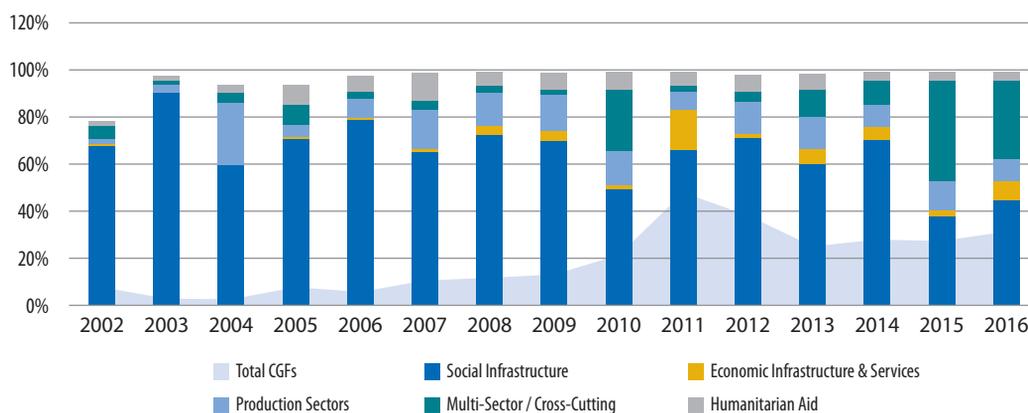
Multi-Partner Trust Fund (USD \$86m), the World Bank Post Conflict Fund, a fund set up by the Inter-American Development Bank (IADB), and the government's own Colombia in Peace Fund, which consists of national and international resources. While each fund has specialised in different areas (i.e. the IADB's fund will focus on environmental issues; the EU's fund focuses on rural development; the UN fund supports the implementation of the peace deal), there is a coordination mechanism led by the Colombian government. Representatives of donor governments and the UN that were interviewed highlighted the Government's consistency and continuity in its participation and considered there was alignment with government priorities. In fact, one interviewee from the DNP stated that the peace funds helped set up structures that were very costly (politically and financially) to the State.

However, the peace funds have faced some difficulties. In April 2018, a few EU governments expressed concerns over the management of the Colombia in Peace Fund. As a result of allegations regarding contracting irregularities, the Fund's managing director was removed from office and a number of transparency initiatives were undertaken, particularly those concerning access to information. As a senior UN officer put it, "it was unfortunate what happened but a lot of pedagogy and information sharing needed to be done. Today, the government publishes all its contracts online and you can monitor spending and contributions through an online platform".

7.6.3 Aid flows

In comparison to other sectors, there is an increased funding to CGF in our selected timeframe since 2002 to 2016, with peaks in 2011 and 2012 due to increased expenditure in legal and judiciary development within the social infrastructure sector (see Figure 23).

Figure 23 Aid flows – selected sectors (% Total Gross Disbursements)



Source: Creditor Reporting System (OECD)

But are donors prioritising core government functions? It does not seem to be the case. With 75 per cent of aid flows going to “other areas”, core government functions (mainly, security sector and executive coordination) only constitute 25 per cent (Figure 24).

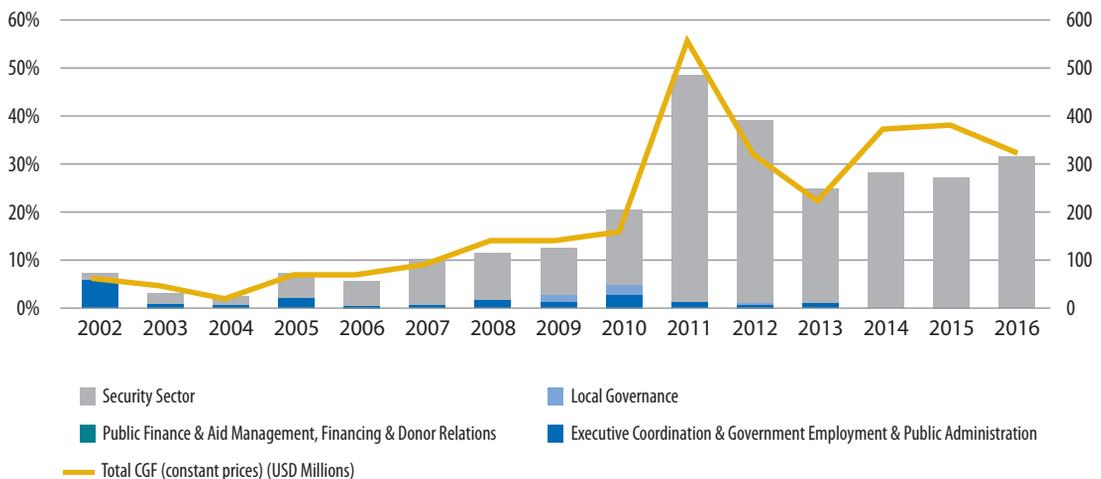
Figure 24 Aid Flows to Core Government Functions vs Other Areas (2006-2017)



Source: Creditor Reporting System (OECD)

What donors have in fact been prioritising is, unsurprisingly, the security sector. Looking specifically at aid flows to CGFs, there is a clear dominance of the security sector, with executive coordination and government employment and public administration and local governance coming in second and third, respectively, but by a long way (Figure 25).

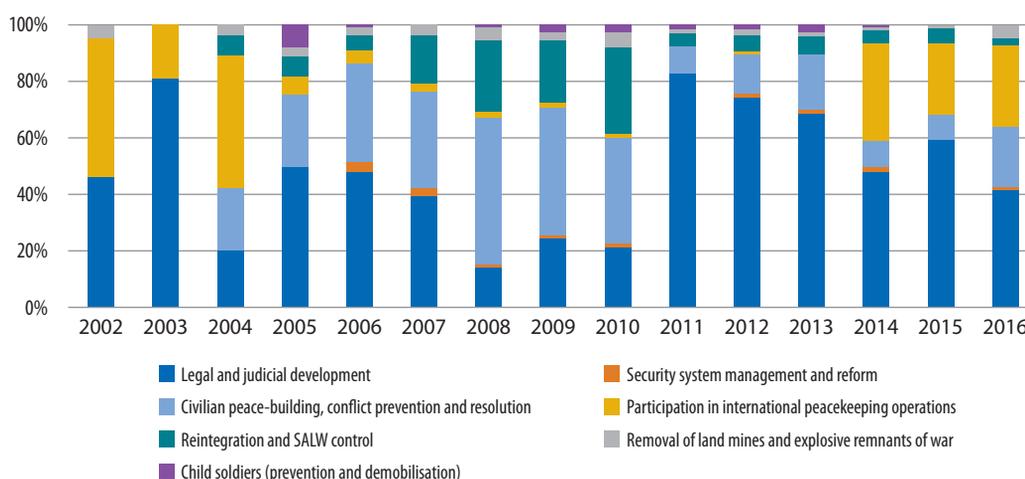
Figure 25 Aid flows to Core Government Functions (% Total Gross Disbursements)



Source: Creditor Reporting System (OECD)

However, it is important to note that the recent increase in aid flows towards the security sector is mainly driven by disbursements towards supporting strengthening of the legal and judiciary systems, which has been a common trend for the studied period (Figure 26). In further analyzing the security sector aid flows, we find that legal development investments are followed by participation in international peacekeeping operations, civilian peace-building, conflict prevention and resolution, and reintegration and SAWL control. The latter increased steadily from 2004 to 2010, underscoring the paramilitary DDR process that took place.

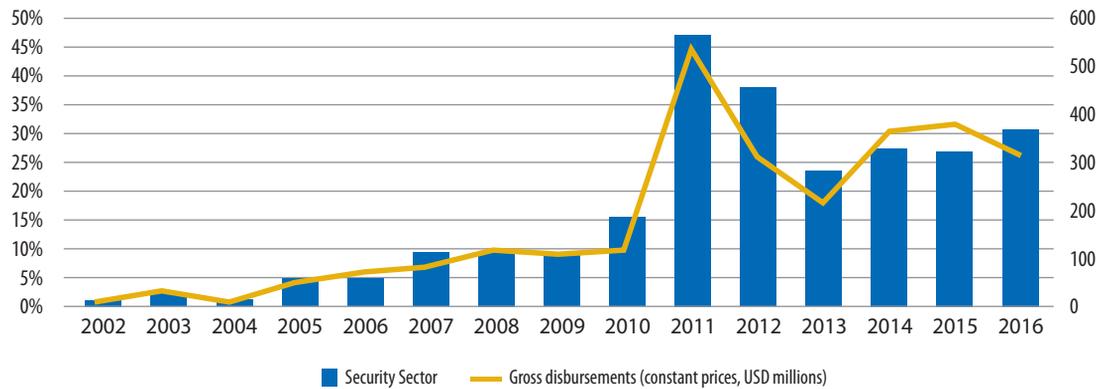
Figure 26 Composition of Security Sector Aid



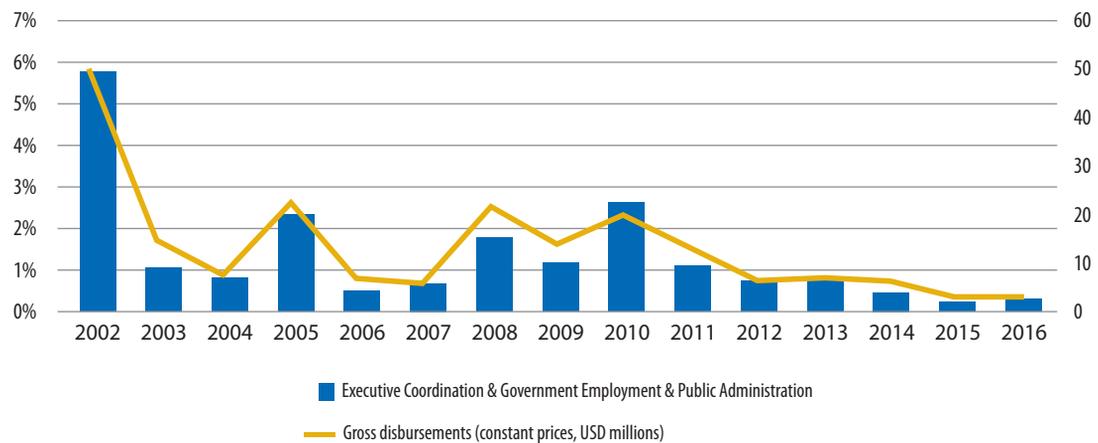
Source: Creditor Reporting System (OECD)

It is also worth noting that, while aid flows to the security sector have been slowly increasing since 2002, they reached a peak in 2011 and have maintained relatively high since then (see Figure 27). The donor community, the US, EU, UK and UN in particular, has prioritised supporting the legal and judicial system throughout Plan Colombia and the recent transition to peace. Important reforms have taken place throughout this period (particularly since 2010), including the transition to an oral accusatory system and the development of a transitional justice system in preparation for the implementation of the peace agreements.

A different picture is shown in aid flows to support executive coordination and government employment and public administration (Figure 28). There is a decrease, particularly from 2010 onwards, which contrasts with the Colombian government's increase in expenditure in both functions (see section 3.3). As seen, these have been processes managed and led closely by the Colombian Government and where donor interest is also limited.

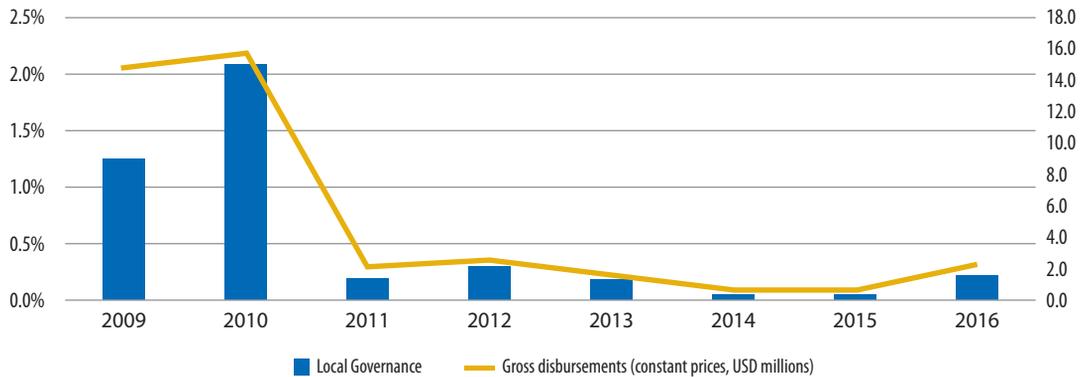
Figure 27 Security Sector (% of Gross Disbursements)

Source: Creditor Reporting System (OECD)

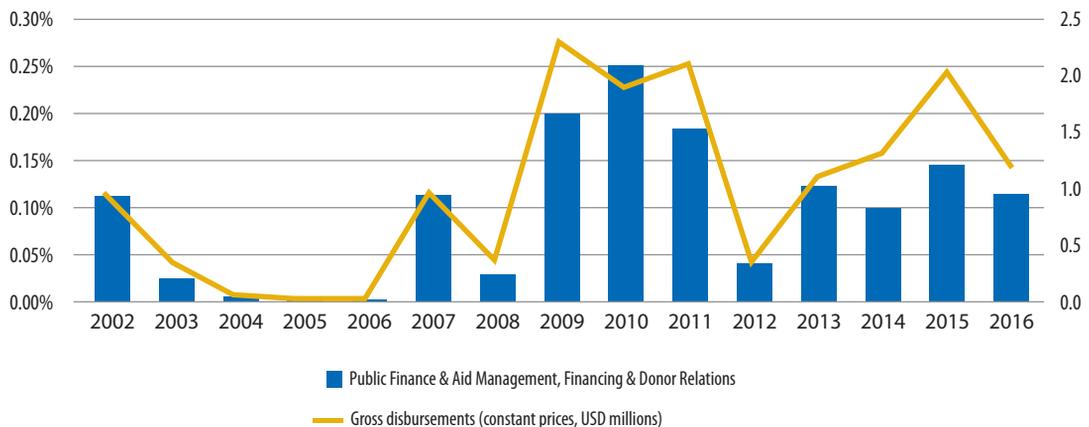
Figure 28 Executive Coord. & Gov. Employment/Pub. Admin. (% Gross Disbursements)

Source: Creditor Reporting System (OECD)

An even less favorable picture of aid flows concerns local governance. From 2010 onwards, aid flows towards local governance have fallen from over 2 per cent of gross disbursements to less than 0.5 per cent in 2016 (Figure 29). There even seems to be a “shift” in donor interest from supporting local governance to legal and judicial reforms, probably reflecting the new priorities associated with the role strengthened judicial systems in addressing the upcoming challenges of the post conflict environment. As for aid flows in PFM and Aid Management, the picture is more mixed (Figure 30). With clear peaks in the 2009-2011 and 2013-2016 periods, it is important to

Figure 29 Local Governance (% of Gross Disbursements)

Source: Creditor Reporting System (OECD)

Figure 30 PFM and Aid Management (% of Gross Disbursements)

Source: Creditor Reporting System (OECD)

consider that during that time the Presidential Agency for Cooperation (APC) was created, pointing to the investment the Government had to make to create and resource the new institution. It is also worth noting that peaks in disbursements coincide with dates of the World Bank PEFA reviews, 2009 and 2015, pointing to support provided to put in place recommendations from both assessments. Additionally, since 2013 Colombia had started to lay the groundwork for its entry to the OECD (which materialised in 2018), which meant a number of reforms needed to be put in place (see section 3.2 on PFM).

8 Conclusions

During the period 2000-2017, Colombia has experienced major transformations in all core government functions. While considerable challenges remain, significant progress has been made in modernising and building a more efficient and transparent State, despite an armed conflict. In fact, Colombia is a case of transition from protracted conflicts where institutional development has taken place amidst the armed violence, making the story of Colombia one of reform rather than restoration. The State has evolved and modernised and the country has become less fragile and on a set path towards sustainable peace with the signing of the peace deal in 2016.

Throughout this period, public expenditure on CGF has been led by the security sector, particularly spending on the military and the justice sector more recently. Plan Colombia was key in injecting resources to modernise the security sector and strengthen executive coordination. While spending on the military has flattened in recent years, it is not expected to decrease dramatically any time soon (despite post conflict expectations that spending on armed forces should decrease). This is due to the ongoing security challenges related to drug trafficking and organised crime as well as the power vacuums left by the demobilisation of FARC in the territories. However, significant reforms to the sector will continue to take place, perhaps not at the speed some may wish, as the sector continues to adapt to the needs of the post conflict environment.

Interestingly, the other CGF that has experienced increased spending throughout our timeline is government employment and public administration. Contrary to statements from all interviewees assuring that this is the least prioritised function, there has been a considerable investment in modernising and qualifying public administration through extensive education and training efforts, particularly during the Santos administrations.

In fact, it is with the Santos administration that changes in spending priorities began to materialise. This was the first time another sector (education) surpassed security spending, a trend that continued until the end of his second term and it is expected to continue with President Duque's budget currently being reviewed by Congress. As seen, security spending is now third after health and education, which is consistent with Santos' national development plan priorities on equity, peace, and education. In fact, the creation of a new sector on Social Inclusion and Reconciliation, tasked with eradicating poverty and laying the grounds for peaceful coexistence, is evidence of the government's evolving prioritisation.

A similar story can be told for donor spending on CGF. With Plan Colombia, donor priorities were set on the security sector, with important distinctions between donors providing military aid and those providing support to the justice sector or to alternative livelihoods development. However, with the signing of the peace deal (and the stages leading up to it), donors have also shifted their funding priorities. The security sector continues to be the main core government priority, with spending presently focussing on justice rather than military sectors. Executive coordination trails a

distant second for our selected period. The majority of the funding has indeed gone to supporting the peace process and creating an enabling environment for negotiations and commitments to be made and implemented. While donors continue to support programmes that target CGF, this does not currently represent the majority of spending.

The foregoing trends also point to what is arguably a more interesting story alongside expenditures, namely, the level of political ownership that the Colombian State has had over its transition period. While Plan Colombia may have been conceived in the U.S., it was certainly paid for by the Colombian government. The same can be said for the current peace deal, with the GoC covering approximately 90 per cent of the peace costs until now, and donors covering the remaining 10 per cent. Executive coordination and the historically strong centre of government have been key factors in driving such processes of reform, often times at the expense of the President of the time's political capital. As we have seen, the leadership exerted by presidents and entities such as the DNP have been crucial.

What next for Colombia?

As the post conflict deepens, certain CGFs will need to be strengthened and perhaps re-prioritised. While there seems to be a consensus that going back to an armed conflict is no longer a possibility, when asked generally about the relationship between CGFs and risks of conflict relapse, a few respondents mentioned the Special Peace Justice (JEP) as the one area raising the biggest concerns. If there is no agreement between the GoC and FARC leaders on the “fine print”, and if FARC leaders fail to meet their end of the deal, this could become a considerable set back to the transition process. However, interviewees agreed that the nature of this risk, at least at this moment in time, was more political and not because of a change in spending.

Another CGF that will prove to be key going forward is local governance. This is not only due to outstanding reforms needed in terms of the ongoing fiscal decentralisation process (i.e. the SGP and pension systems are currently being discussed in Congress as part of a government-led reform) but also because of the role it will have in implementing the peace agreements at the subnational levels. This points to perhaps one of the biggest paradoxes of the peace process so far in the sense that while the government went out of its way to conceptualise and promote the idea of a “territorial peace”, the peace process was very much (and continues to be) a top-down effort. Subnational entities were not sufficiently involved in the design of the peace process and now they have to bear the brunt of implementation on the ground. As a representative from the Comptroller's Office pointed out, local authorities need to be educated on what peace is, how it will affect their programmes and priorities, and how they will meet the requirements from the National Implementation Plan. In this sense, further research will need to address how local governments prioritise their expenditure on core government functions throughout the transition, and whether there is alignment between national and local governance.

The newly elected Government also faces important challenges that will certainly have a bearing on expenditure and prioritisation and the transition to peace. For one, the crisis in Venezuela has become a new government priority both in political and humanitarian terms. The Government also needs to continue implementing the commitments of a peace process it did not negotiate while continuing the fight against FARC dissidences and organised crime, all while trying to bridge the deep polarisation in Colombian society. It will be interesting to see how expenditure on core government functions continues to evolve as the country navigates its complex path to peace.

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Annex C Interviewees

Ministry of Finance

Ministry of Defence

National Planning Department (DNP)

National Comptroller's Office

National Agency for Reincorporation and Normalization (ARN)

UNDP Colombia

Former Director of Consolidation, Plan Colombia

British Embassy in Colombia

EU Delegation in Colombia

Annex D Quantitative Framework and Assumptions

Core Government Functions	COFOG Objective	COFOG Group	COFOG Classes	Appropriate COFOG Descriptors	General Assumptions
Executive Coordination at the Centre of Government	General Public Services	Executive & legislative organs, financial & fiscal affairs, external affairs	Executive & legislative organs	Office of the chief executive at all levels of government - office of the monarch, governor-general, president, prime minister, governor, mayor, etc; administrative and political staffs attached to chief executive offices; physical amenities provided to the chief executive, and their aides; permanent or ad hoc commissions and committees created by or acting on behalf of the chief executive	Excluding chief executives of sub-national government. When delivery units relevant to other Core Functions fall under the chief executive, they are reallocated to the respective spending aggregate.
Public Finance: Revenue & Expenditure Management	General Public Services	Executive & legislative organs, financial & fiscal affairs, external affairs	Financial & fiscal affairs	Administration of financial and fiscal affairs and services; management of public funds and public debt; operation of taxation schemes; operation of the treasury or ministry of finance, the budget office, the inland revenue agency, the customs authorities, the accounting and auditing services; production and dissemination of general information, technical documentation and statistics on financial and fiscal affairs and services. Includes: financial and fiscal affairs and services at all levels of government	Excluding Subnational Levels of Government. Excluding Aid Management Unit/Coordination Mechanism.
	General Public Services	General Services	Overall planning & statistical services	Administration and operation of overall economic and social planning services and of overall statistical services, including formulation, coordination and monitoring of overall economic and social plans and programs and of overall statistical plans and programs. Excludes: economic and social planning services and statistical services connected with a specific function (classified according to function)	Excluding the NSO. Excluding Aid Management Unit/Coordination Mechanism.

Country Specific Assumptions	Aligned MDAs (including expenditure codes)	Aligned OECD-DAC AID Codes	Outcome Indicators	Notes - Internal Expenditure	Notes - Aid
	370101 Ministerio del Interior 020101 Presidencia de la República 410101 Departamento Administrativo para la Prosperidad Social	15110 - Public sector policy and administrative management		<p>Within the ministry of interior, certain large transfers and investments have been removed and not considered CGFs (some moved to security, see below):</p> <p>Transfers excluded:</p> <p>Fondo lucha contra crimen organizado</p> <p>Fondo Nacional de Calamidades</p> <p>Fondo Nacional de Seguridad y Convivencia Ciudadana</p> <p>Investment programmes excluded:</p> <p>Apoyo Al Fortalecimiento de Los Servicios de Justicia A Nivel Nacional</p> <p>Atencion de Emergencias</p> <p>Atencion Humanitaria y Rehabilitacion de Las Zonas Afectadas Por La Ola Invernal</p> <p>Construccion de Carceles E Infraestructura Fisica del Sistema Penitenciario y Carcelario Nacional</p> <p>Infraestructura Fisica del Sistema Penitenciario y Carcelario Nacional</p>	15110 includes i) General Personnel Services and ii) Executive Office.
Transfers from the Ministry of Finance were subtracted from budget totals.	130101 Ministerio de Hacienda (excl. transfers) 130117 Agencia de Tributos, Rentas y Contribuciones Parafiscales - ITRC 130800 Contaduría General 130900 Superintendencia Solidaria 131000 DIAN	15111 - Public Financial Management 15114 - Domestic Revenue Mobilization	<p>CPIA</p> <p>CPIA quality of budgetary and financial management rating</p> <p>PEFA</p> <p>Revenue</p> <p>20. Accounting for revenue</p> <p>3. Revenue outturn</p> <p>Expenditure</p> <p>16. Medium-term perspective in expenditure budgeting</p> <p>17. Budget preparation process</p> <p>11. Public investment management</p> <p>Budget Execution</p> <p>1. Aggregate expenditure outturn</p> <p>23. Payroll controls</p> <p>25. Internal controls on nonsalary expenditure</p> <p>24. Procurement</p> <p>29. Annual financial reports</p> <p>26. Internal audit</p> <p>30. External audit</p>	<p>Within the Ministry of Finance, certain large investments have been removed and not considered CGFs:</p> <p>Investment programmes excluded:</p> <p>Atencion de Emergencias</p> <p>Hospitales</p> <p>Prevencion y Atencion de Desastres</p> <p>Sistemas de Transporte Masivo</p>	15111 - Public Financial Management includes Debt and Aid management
	030101 Departamento Nacional de Planeación				

Annex D Quantitative Framework and Assumptions

Core Government Functions	COFOG Objective	COFOG Group	COFOG Classes	Appropriate COFOG Descriptors	General Assumptions
Government Employment & Public Administration	General Public Services	General services	General personnel services	Administration and operation of general personnel services, including development and implementation of general personnel policies and procedures covering selection, promotion, rating methods, the description, evaluation and classification of jobs, the administration of civil service regulations and similar matters. Excludes: personnel administration and services connected with a specific function (classified according to function).	
Security Sector	Defense	Military defense	Military defense	Administration of military defense affairs and services; operation of land, sea, air and space defense forces; operation of engineering, transport, communication, intelligence, personnel and other non-combat defense forces; operation or support of reserve and auxiliary forces of the defense establishment. Includes: offices of military attachés stationed abroad; field hospitals. Excludes: military aid missions (70230); base hospitals (7073); military schools and colleges where curricula resemble those of civilian institutions even though attendance may be limited to military personnel and their families (7091), (7092), (7093) or (7094); pension schemes for military personnel (7102)	
	Defense	Foreign military aid	Foreign military aid	Administration of military aid and operation of military aid missions accredited to foreign governments or attached to international military organizations or alliances; military aid in the form of grants (in cash or in kind), loans (regardless of interest charged) or loans of equipment; contributions to international peacekeeping forces including the assignment of manpower.	
	Public Order & Safety	Police services	Police services	Administration of police affairs and services, including alien registration, issuing work and travel documents to immigrants, maintenance of arrest records and statistics related to police work, road traffic regulation and control, prevention of smuggling and control of offshore and ocean fishing; operation of regular and auxiliary police forces, of port, border and coast guards, and of other special police forces maintained by public authorities; operation of police laboratories; operation or support of police training programs. Includes: traffic wardens. Excludes: police colleges offering general education in addition to police training (7091), (7092), (7093) or (7094).	

Country Specific Assumptions	Aligned MDAs (including expenditure codes)	Aligned OECD-DAC AID Codes	Outcome Indicators	Notes - Internal Expenditure	Notes - Aid
	050101 Función Pública 050300 ESAP 380100 Comisión Nacional del Servicio Civil	15110 - Public sector policy and administrative management	CCPIA Quality of public administration rating PEFA 23. Payroll controls 23.1 Integration of payroll and personnel records 23.2 Management of payroll changes 23.3 Internal control of payroll 23.4 Payroll audit		15110 includes i) General Personnel Services and ii) Executive Office.
	150101 Ministerio de Defensa 150102 Mindefensa - Comando General 150103 Mindefensa - Ejército 150104 Mindefensa - Armada 150105 Mindefensa - Fuerza Aérea 150111 Mindefensa - Salud 150112 Dimar 150113 Centro de Rehabilitación Inclusiva 150300 Caja de Retiro Militar 150700 Casas Fiscales Ejército 150800 Defensa Civil 151000 Club Militar 151900 Hospital Militar 152000 Agencia Logística de las Fuerzas Militares 060101 DAS 060200 Fondas 420101 Dirección Nacional de Inteligencia	15210 - Security system management and reform 15230 - Participation in international peacekeeping operations 15240 - Reintegration and SALW control 15250: Removal of land mines and explosive remnants of war 15261 - Child soldiers (prevention and demobilisation)	Fragile State Index Security Apparatus External Intervention	Within the ministry of interior, some programmes have been included within security, see below: Transfers Fondo lucha contra crimen organizado Fondo Nacional de Seguridad y Convivencia Ciudadana Investment programmes : Apoyo Al Fortalecimiento de Los Servicios de Justicia A Nivel Nacional Construcción de Carceles E Infraestructura Física del Sistema Penitenciario y Carcelario Nacional Infraestructura Física del Sistema Penitenciario y Carcelario Nacional	
	150110 Comisionado Nacional Policía 151100 Caja de Sueldos Policía 151201 Fondo Policía 160101 Policía Nacional 160102 Policía Nacional - Salud	15130 - Legal and judicial development 15220 - Civilian peace-building, conflict prevention and resolution			

Annex D Quantitative Framework and Assumptions

Core Government Functions	COFOG Objective	COFOG Group	COFOG Classes	Appropriate COFOG Descriptors	General Assumptions
Security Sector cont'd	Public Order & Safety	Prisons	Prisons	Administration, operation or support of prisons and other places for the detention or rehabilitation of criminals such as prison farms, workhouses, reformatories, borstals, asylums for the criminally insane, etc.	
	Public Order & Safety	Law Courts	Law Courts	Administration, operation or support of civil and criminal law courts and the judicial system, including enforcement of fines and legal settlements imposed by the courts and operation of parole and probation systems; legal representation and advice on behalf of government or on behalf of others provided by government in cash or in services. Includes: administrative tribunals, ombudsmen and the like. Excludes: prison administration (70340).	
Local Governance			No corresponding Objective/Group/Class/Descriptor		Spending by MDA responsible for sub-national governments and the subnational governments themselves.
Aid Management, Financing & Donor Relations			No corresponding Objective/Group/Class/Descriptor		Spending by Aid Management Unit/Coordination Mechanism

Country Specific Assumptions	Aligned MDAs (including expenditure codes)	Aligned OECD-DAC AID Codes	Outcome Indicators	Notes - Internal Expenditure	Notes - Aid
	121100 Servicios Penitenciarios y Carcelarios – USPEC				
	290101 Fiscalía General de la Nación 290200 Medicina Legal 290300 Conocimiento e Innovacion para la Justicia (CIJ) 270102 Consejo de Gobierno Judicial 270102 Consejo Superior de la Judicatura 270103 Corte Suprema de Justicia 270104 Consejo de Estado 270105 Corte Constitucional 270108 Tribunales y Juzgados 120101 Ministerio de Justicia y del Derecho 120900 Estupefacientes 121000 Agencia Nacional de Defensa Juridica del Estado				
Includes SGP transfer from Ministry of Finance	032500 Fondo Nacional de Regalias 410102 Direccion de Gestión Territorial 410200 Consolidación Territorial 130101 Ministerio de Hacienda - Sistema General de Participaciones SGP	15112 - Decentralisation and support to subnational government	PEFA 7. Transfers to subnational governments 7.1 System for allocating transfers 7.2 Timeliness of information on transfers		
	020900 Agencia de Cooperación Internacional	15111 - Public Financial Management	PEFA D-1 Predictability of Direct Budget Support (N/A 2018) D-3 Proportion of aid that is managed by use of national procedures (N/A 2018) Aid Composition % of Budget Support over Total Disbursements	Unable to disaggregate expenditure on aid management prior to 2012.	15111 - Public Financial Management includes Debt and Aid management

