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Abstract

Using a novel database of historical series of revenues and expenses of different levels of government between 1923 and 2020, in this paper we describe the evolution of the vertical and horizontal imbalances between central government, states, and municipalities in Colombia. The analysis highlights four big moments of subnational public finances in Colombia. The decades of 1910 and 1920 represent an initial moment that was characterized by the strengthening of local fiscal autonomy. Subsequently, a second period started with the Liberal Republic in 1930 and was driven by centralized reforms that aimed at increasing the revenues of the central government, and to a lower extent of subnational governments. In the lapse 1960-1990, changes focused on correcting the existing fiscal imbalances through the increase in transfers, the creation of decentralized institutes and territorial funds, and the introduction of changes to the territorial tax system. Finally, the last period began with the Political Constitution of 1991, which gave a final boost to decentralization and opened the way to the reforms that built the actual regulatory framework of territorial public finances in Colombia.