

MUNICIPAL PERFORMANCE: DOES MAYORAL QUALITY MATTER?

A Dissertation

by

CLAUDIA NANCY AVELLANEDA BECERRA

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

December 2007

Major Subject: Political Science

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ABSTRACT

Municipal Performance: Does Mayoral Quality Matter? (December 2007)

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This research addresses the question of what explains municipal performance in terms of delivering social services and fiscal performance. While the existing literature explains governmental performance with political, institutional and socio-demographic factors, I suggest that the greatest influence on municipal performance comes from having qualified managers.

Specifically, I argue that that mayoral qualifications influence municipal performance. By qualifications I mean mayors' human capital, that is, their educational and job-related experience. The rationale for my proposition rests on the fact that in developing municipalities the mayor is not just the elected leader but also the public manager, as s/he performs not just political but also administrative functions. Under certain circumstances, however, mayoral qualifications may not have the same influential power on municipal performance. Therefore, I also argue that in unfavorable municipal contexts, the potential influence of mayoral qualifications on performance decreases.

I use both statistical and survey-experimental methodologies to test the hypotheses derived from the proposed "mayoral quality theory." I collected six years of

data for the statistical analyses by doing field research across the 40 municipalities that comprise the Colombian Department of Norte of Santander. For the survey-experimental analysis, I gathered data from interviews and surveys with 120 mayors from 12 Latin American countries, who participated in the *II Latin American Congress of Cities and Local Governments* held in Cali, Colombia, on July 26-29, 2006.

The statistical findings reveal that mayoral qualifications—education and job-related experience—positively influence municipal performance with respect to education enrollment, tax property collection, and social program investment. However, the positive impact that mayoral qualifications have on such performance indicators decreases under external constraints, such as the presence of illegal armed groups.

From the survey-experimental study, findings show that issue salience (or nature of municipal need) moderates the impact that mayoral qualifications have on mayors' decision-making. In education issues, for example, qualified mayors are more likely to perform better, while in infrastructure issues they are less likely to do so.

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return to them all that they have done for me. To my Colombian fellows—including friends, custodians, security guards, local officials, mayors and ex-mayors, staff and chiefs of state departments, and staff and directors of national entities—I owe them for their unconditional help during my field research: They have my deepest appreciation. I hope my continuous research contributes somehow to improve their living conditions.

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CHAPTER I

INTRODUCTION

A crisis of confidence in government has encouraged the search for solutions that both recover citizens' support and improve governmental performance. Worldwide during the last two decades, scholars and practitioners have suggested and adopted decentralization as a means of achieving these twin goals. With the adoption of decentralization, a great deal of responsibility has shifted from central to local governments, which are expected to have better information on their citizens' needs. Based on this local advantage, decentralization is expected to improve governmental efficiency, effectiveness, and responsiveness. With decentralization, local governments also become responsible for planning, funding, and delivering social programs, making long-term development a function of municipal performance.

The generalized increased in municipal responsibilities, however, does not guarantee a homogenous and local positive response. Municipal action indeed varies considerably across localities. As Lynn (1980, 98) points out, "... similar families in similar circumstances can receive very different treatment depending solely on their place of residence." Or as Jones et al. (1978, 339) note across localities, "social services are virtually never distributed equally." This suggests that some municipalities exceed others in terms of fiscal and policy performance. While some localities collect more taxes and report greater equity in health and education coverage, others hardly perform

This dissertation follows the style of the *American Political Science Review*.

while others fall very well behind. This variance in response leads us to question *what determines municipal performance*.

My dissertation tries to explain why some municipalities in developing countries perform better than others in terms of delivering services and fiscal performance. I argue that mayoral qualifications significantly influence municipal performance. To perform well, a municipality needs to be led by an educated and experienced mayor. The greatest influence on municipal performance does not come from outside of the administrative structure of the organization, such as political, socio-economic and institutional factors. I argue that these are contributing factors, but not the most influential. The greatest municipal influence, I argue, comes from having a qualified mayor who is able to overcome obstacles that impede the accomplishment of objectives. If unqualified mayors lead municipalities, success is unlikely no matter how suitable the political, socio-economic, and institutional climate because these mayors may not adequately exploit such a favorable climate. By focusing on mayors, I bring a new context to public administration, one that blends politics (an elected mayor as manager) with public management.

I have three aims in this dissertation. The first is to assess the effect of mayoral qualifications on municipal performance. The second is to test the mayoral qualifications hypothesis against competing explanations. By doing this, I will identify what drive(s) municipal performance. The third goal is to identify under what circumstances the mayoral qualifications strongly influences municipal performance. To achieve my aims,

I collected a unique data set to analyze and test the range of competing explanations to understand municipal performance.

My intention is not to undermine the explanatory power of other political, socio-economic, and institutional factors. What this dissertation does is to evaluate the impact of mayoral qualifications on several indicators of municipal performance to demonstrate how much influence the mayor can have after taking into account other factors. I do this with three comparative analyses employing data from Latin American municipalities.

Besides identifying the determinants of municipal performance, my dissertation also contributes to explaining the results of decentralization by looking at the subnational level. Moreover, by focusing on the policy implementer (the mayor), I move the analysis from the macro (institutional) to the micro (individual) level. Finally, in identifying what improves municipal performance in terms of social policies, I also contribute to the study of poverty alleviation. Poverty reduction concerns almost 53% of the world population, attracts policy maker's attention, and increases the chances for consolidating democracy.

The rest of this chapter is divided into five sections. The first section reviews existing explanations for understanding municipal performance. The next section introduces what is missing in explaining municipal performance by summarizes the main argument—mayoral qualifications influence municipal performance—and the rationale for it. The third section brings the municipal context as moderating factor, which is hypothesized to condition the influence of mayoral qualifications on municipal

performance. The fourth section introduces the research design to test the competing explanations, and the final section offers an overview of the dissertation.

Current Explanations for Municipal Performance

Existing literature offers several theories to explain governmental performance. It is important to mention that these theories are not specific to the municipal level of government, and they have emerged from the United States context. However, they should be applicable both to the municipal level and in developing settings. Given their potential explanatory power, I test these competing explanations against the mayoral qualifications thesis. Thus, this dissertation also tests the generalizability of theories developed in the United States for developing world. These explanations can be grouped into three categories: institutional, political, and demographic and socio-economic factors.

Institutional Explanations

One vein of scholarship suggests that governmental performance is a function of the institutional contexts in which the entity operates. Several explanations fit within the institutional category. The first institutional explanation is the “party ideology thesis” which centers on left-right ideological spectrum (Downs 1957). This debate centers on whether parties of the left spend more money in service delivery than parties of the right (Blais *et al.*, 1993, Cameron 1978, Castle 1982, Solano 1983, and Swank 2002). Once in government, parties on the left are expected to spend more; consequently, leftist parties should perform better. However, it is arguable, as more money not always leads to better performance.

The second institutional explanation is the “party alternation thesis.” The idea is that the governmental performance in the current year is a function of the party in government’s action in the previous year because “the policies of party X ‘live on’ during party Y’s early years of office (Sharpe and Newton 1884, 198). Other scholars, however, have a different rationale to the party alternation thesis. According to Calcagno and Escaleras (2007) and Rumi (2003), change of party in government creates instability and overspending, thus affecting negatively performance.

Other scholars see governmental performance as a function of the type of government. Under divided—as opposed to unified—government, for example, it is more difficult to build consensus around the executive’s proposals, which leads to suboptimal outcomes (Alt and Lowry 1994, Amorim-Neto 1998, Clingermayer and Wood 1995). Under other types of governments—such as minimal winning coalition, single party minority government, and multi party minority government—it may be also difficult to gather consensus for the executive’s proposals, obstructing the adoption and implementation of policies and programs that will otherwise improve governmental performance (Woldendorp et al. 1993).

Another view explains governmental performance with the “electoral competitiveness hypothesis” (Key 1949, Dye 1966, Holbrook and Van Dunk 1993). This proposition suggests that the tighter the competition, the better the performance. However, other scholars, such as Boyne (1998) and Sharpe and Newton (1984), suggest that the closeness of competition may also be a reflection of the number of parties involved in the contest. In this case the type of political system—multiparty, two-party,

or single-party—may also explain governmental performance. According to this view, the greater the number of veto players, the greater the transaction costs because of the common pool problem (Weingast et al. 1981). This, in turn, affects performance.

The sixth institutional explanation points to the “electoral cycle.” Performance, according to this proposition, varies across years because during election years politicians adopt either expansionary or tax reduction policies to gain voters. (Buchanan and Tullock 1962, Nordhaus 1975). Consequently, the reduction of resources influences negatively performance. Finally, other scholars contend that the existence of oversight agencies may improve performance, as they promote accountability (Blair 2000, Van Waarden 1999)

Another vein of scholarship explains performance with the “bureaucratic decision rule hypothesis.” While some advocate for the benign nature of bureaucracy (Jones *et al.* 1978; Nivola 1978; Mladenka 1980, 1981) others express their skepticism (Barton 1980, Downs 1967, Niskanen 1971, Caiden 1991), and others point at its discriminative performance (Lipsky 1980, Sjoberg, Brymer and Farris 1966). Because of the lack of reliable measurements for bureaucratic decision rule, its assessment in most of the cases is limited to the null hypothesis: The absence of statistical significance of any of the competing explanations may suggest the influence of bureaucratic decision rules (the excluded explanation).

While the above literature focuses on mechanisms at the implementation phase, Linder and Peters (1988, 739) contend that the crucial point for performance is the policy/program design, that is whether it is coherent and tractable, as well as whether it

specifies sanctions. They assume that policy makers adopt policies/programs they think are more likely to be endorsed by street level bureaucrats. This suggests an endogenous relationship because programs in place determine the ones to be adopted. Besides the institutional factors, another group of explanations deals with political support.

Political Explanations

This set of explanations for governmental performance centers on the influence of managers' political support on performance. The idea is that without political support, public managers are unlikely to perform well. In no other sector, as the public one is, leaders' political support is expected to determine their power and effectiveness (Meier 2000; Fernández 2005; Rainey 1997). Political support, in addition, can be related to intergovernmental networks, which is another determinant of performance (Agranoff and McGuire 1998; O'Toole and Meier 2004). In sum, leaders' political support is expected to contribute positively to performance, allowing them to adopt their programs. Political support, however, may derive from different levels: above (high ranking officials), intermediate (legislative support), and below (electoral support). Complementing the institutional and political explanations, another view focuses on demographic and socio-economic factors to explain performance.

Demographic and Socio-Economic Explanations

Durant and Legge (1993), Lewis-Beck and Alford (1980), and Mazmanian and Sabatier 1989) offer another explanation for governmental performance. According to them, the success or failure of any policy/program is a function of the size and nature of the target. The idea is that the smaller and more homogeneous the target group, the

more successful the policy implementation, and therefore, greater outputs. Lineberry's (1976) "underclass hypothesis"—in which due to class bias, governments perform better in upper or middle than in poor-class areas—also fits within this category.

Besides the above factors, most of the studies on performance also include economic explanations such as growth rate, recessions, productivity, and budgetary resources. On budgeting, some scholars also focus on budgetary institutions such as balance restrictions, budget procedures, and tax and expenditure limitations to explain performance. Despite all the variety of explanations, literature has underscored one: *the managerial quality thesis*.

What Is Missing

While all the above explanations focus on factors external to the organizations, I argue that the greatest influence on municipal performance derives from a factor within the organization: who manages the mayoralty—*the mayor*. But which of the mayor's characteristics matters for performance? I suggest that mayoral qualifications influence municipal performance. By qualifications I mean mayors' human capital, that is, their educational and job-related experience. Qualified mayors, I argue, take advantage of the institutional, political, demographic and socio-economic factors of the municipality. All of these factors can be favorable to performance, but if the mayor is incapable of exploiting them, they will be just unrealized opportunities.

The Main Argument

In developing settings, the perception that government is incompetent is common. There most citizens are unsatisfied with the performance of public institutions,

and this discontent extends to local governments. This negative perception of governing institutions, in turn, obstructs the consolidation of democracy, as citizens may resort to undemocratic alternatives in search of change. However, some governmental institutions perform relatively well at the local level. This considerable variance in performance suggests the existence of factors contributing to performance.

In explaining this variance, I argue that mayoral qualifications influence municipal performance. Educated and experienced mayors are expected to produce better results, thus improving municipal performance. Although governmental performance is a function of collective action, a great deal of it is also a function of the actions of individual, qualified managers (Cohen 1988, Cohen and Eimicke 1995, Haass 1994, Lynn 1987, Meier 1991). In the end, who the municipal manager is matters. By emphasizing mayoral qualifications, I hope to show that managerial quality is likely to exert more influence than other external organizational factors.

The rationale for my proposition rests on the fact that in developing municipalities the mayor is not just the elected leader but also the public manager, as s/he performs not just political but also administrative functions. Indeed in developing settings, the figure of the city manager is absent because of either constitutional mandate and/or financial constraint. This leaves the mayor with the responsibility for leading and directing municipal administration as well as implementing and proposing public policies. With this, the elected mayor becomes the municipal manager, too.

In the changing and complex world, public managers always face challenges. Although challenges increase, “most of the public managers are ill-equipped to deliver

quality leadership” (Cohen and Eimicke 1995, XVI). Indeed, it is assumed that anyone can manage and that no qualifications are needed when the opposite is true: public management needs qualified public managers. A qualified mayor, for example, knows whom to hire or to retain to improve municipal performance. Even under circumstances in which mayors have to work with the existing staff, they can resort to other strategies to improve performance. In addition, qualified mayors are more likely to command confidence, appropriately structure organizational subunits, and communicate both clear assignments and operation proceedings to achieve effectiveness.

Although the mayoral qualifications thesis may seem obvious and simplistic, there have no been empirical test of it. Indeed, its simplicity makes it worthwhile to test in developing settings because proof of its validity will offer a simple, practical and achievable solution contributing to governmental performance. This solution points to simply electing qualified mayors—which is different to oligarchic mayors. Indeed, many developing municipalities are still led by unqualified mayors who waste time, opportunities, human and financial resources, mistakes that local governments ought not to pay for.

The Moderating Effect

Under certain circumstances, however, mayoral qualifications may not have the same influential effect on municipal performance. That is the case when the municipal context impedes the mayor’s ability to maneuver to improve performance. The unfavorable context may range from natural disasters—earthquakes, flooding, volcanos, etc.—to stressful situations—terrorist acts, guerrilla actions, etc. In these contexts,

factors outside of the municipal administration may condition the influence that mayoral qualifications may have on municipal performance. Accordingly, I also argue that under unfavorable municipal circumstances, the influence of managerial quality on performance decreases.

Research Design

In this dissertation, I test the mayoral qualifications thesis against the existing institutional, political, demographic and socio-economic explanations. In two statistical analyses, I assess the impact of these competing explanations on several municipal indicators: education coverage, coverage in identifying the beneficiaries of social programs, expenditures, social investment, and tax property collection. To do that, I analyze a data set comprising the 40 municipalities that constitute the Colombian department of Norte de Santander over a six-year period (2000-2005). Data collection was the result of four-months of field research.

I selected the Colombian municipalities because of the country's relatively long experience with fiscal (since 1982), political (since 1988) and administrative decentralization (since 1989). Moreover, I selected the municipalities of a single department for the following reasons. First, they vary in terms of development, performance, and mayoral qualifications. Second, their average number (40) allowed me to undertake the project given the financial constraints. Third, by focusing on a single department (state), I control for variables specific to it, such as governor's performance and departmental control agencies' actions. The period under study covered from 2000 to 2005, years in which the municipalities are expected to have adjusted to the new

responsibilities transferred during the earlier period. The result is a unique pool time series data set to test my propositions.

This dissertation also presents a third empirical study, which is a survey-experimental analysis. In it, I explore whether the nature (or type) of the program and the municipal context moderate the influence that mayoral qualifications have on municipal performance. Experimental analyses allow me to manipulate both the nature of the municipal need or problem (education or infrastructure) and the municipal context (stressful or distressful context). I employ data from interviews with 120 Latin American mayors (acting as such as of July 2006), who were participants of the 2nd *Latin American Congress of Cities and Local Governments* held in Cali, Colombia on July 26-29, 2006. I analyze these data using factor and logic analyses. With this cross-cultural comparison, I seek to formulate more reliable generalization about the mayoral quality thesis.

Overview of the Dissertation

The next six chapters examine the determinants of municipal performance. Chapter II describes the existing theories that explain municipal performance. It also develops the mayoral qualifications thesis, its rationale, and derives the hypotheses to be tested in the dissertation. Moreover, it presents the conditioning factor, which is hypothesized to moderate the influence of mayoral qualifications on municipal performance. Since two out of the three empirical chapters test the competing propositions with data from the Colombian municipalities, chapter III provides a

description of their administrative structure, responsibilities, administrative tools, finances, auditing and evaluation mechanisms, and corruption practices.

Chapter IV offers the first statistical test on the impact of the competing explanations on two indicators of municipal performance: education coverage and coverage in identifying the beneficiaries of social programs (SISBEN). As expected, mayoral qualifications—educational background and job-related experience—have the greater positive influence on education coverage. However, under unfavorable circumstances, such as the presence of illegal armed groups (guerrillas and paramilitary), the positive impact that mayoral qualifications have on education coverage decreases. Contrary to expectations, mayoral qualifications have no statistically significant influence on improving the identification of the beneficiaries of social programs (SISBEN). Newspapers sources, however, suggest that the nature of the SISBEN program makes it susceptible to corruption, as mayors employ this program to return political favors.

Chapter V poses the question what are the determinants of fiscal performance? I answer this by assessing the competing explanations on three municipal fiscal indicators: tax collection/capita, social investment/capita and expenditures/capita. Findings reveal that mayoral qualifications have the greatest positive influence on both tax collection per capita and social investment per capita, but not on expenditures per capita.

From chapter IV we learned that mayoral qualifications influence municipal education coverage, but not the SISBEN program. This suggests that the nature of the program may condition the influence of mayoral quality on performance. To test this,

Chapter VI presents a survey-experimental analysis, which was conducted using 120 mayors from 12 Latin American countries. The experiment allows manipulating the nature of the program as well as the municipal context to provide an additional test of their conditioning effect upon mayoral qualifications. In the survey-experiment, mayors were asked to choose an administrative decision—out of two alternatives—when exposed to two different municipal problems: one in the educational sector and the other in the infrastructure sector. One of the two administrative decisions is assumed to be the right one, as it is expected to improve performance of the specific municipal problem. The data, which include the qualifications of the interviewed mayors, were analyzed with factor and logic analyses, revealing that the nature of the program does moderate the influence of mayoral qualifications on performance. With educational problems—but not with infrastructure—better qualified mayors were more likely to adopt the assumed right administrative decisions. The logic analysis reveals that the nature of the program and the context of the municipality condition the influence that mayoral qualifications have on the administrative decision.

Finally, the concluding chapter summarizes the main argument and the results from the three empirical chapters. It also presents the implications and contributions of the dissertation as well as outlining future research.

CHAPTER II

LITERATURE REVIEW, THEORY AND HYPOTHESES

Introduction

The literature on performance has presented political, economic, and socio-demographic factors to explain variation in organizational performance. These factors, however, are external to the organization. Existing literature, for example, fails to consider the potential influence of one internal organizational factor: the manager. The goal of this chapter is to build a theory of municipal performance that focuses on the qualifications of the mayor, who is the political and administrative manager in developing settings. I argue that two mayoral qualifications—educational background and job-related experience—have the greatest influence on municipal performance. I also argue that the potential influence of mayoral qualification on performance may be conditioned on the external environment of the municipality.

The first part of the chapter lays out the links between public management and organizational performance. The second part outlines the expected relationship between managerial quality and organizational performance. Then, I derive a theory of municipal performance and explain why and how mayoral quality is critical to municipal performance. The third part introduces the proposition that the municipal context moderates the influence of managerial quality on performance. Each section presents the applicable testable hypotheses, which will then be tested in chapters IV through VII.

The adoption of decentralization is expected to improve local governmental efficiency responsiveness, and effectiveness. Some studies seem to support this view. Fiszbein (1997), for example, states: “[it] was the combination of the added responsibilities [administrative decentralization], more resources [fiscal decentralization] and political reforms [election of mayors] that created the environment conducive to the emergence of effective local governments” (1032). In fact, through it, local governments may improve delivery of programs, municipal characteristics, and managerial skills. But decentralization also facilitates variation in local governments because it, by itself, does not guarantee effective local government. Therefore, “[d]ecentralization is neither good nor bad” (Kiggundu 1989: 255) because it is only a means (Peterson 1997) to improve local performance. This suggests that in order to understand municipal performance, we need to look at other explanations.

Explanations for understanding organizational performance can be grouped into political, economic, and socio-demographic factors. Among the political influences, scholars refer to government ideology (Swank 2002), partisan support (Doig and Hargrove 1990), legislative oversight (Santiso and Belgrano 2004), divided government (Clingermayer and Wood 1995), citizens’ participation (Blair 2000), politicians’ motivation (Anderson 2003, Gibson and Lehoucq 2003), and electoral competitiveness (Holbrook and Van Dunk 1993). As economic determinants, studies include budgets, inequality, gross domestic production (GDP), and level of development. Finally, as a socio-demographic explanation, scholars point to the size and nature of the target (Durant and Legge 1993). Although all these explanations are possible influences,

research on local governmental performance has neglected the potential effect that public management may have on organizational performance.

Public Management and Performance

Scholars and practitioners in the public sector widely accept the principle that what makes the difference between the success and failure of a government program is public management (Boyne 2003; Lynn 1984, 1987; Meier and O'Toole 2002; O'Toole and Meier 1999). Management "may be defined as the exercise of judgment or discretion by actors in managerial roles" (Lynn 2000: 15). Ordinarily understood, management theory "... ha[s] to do with the study and description of directing ongoing routine activities in purposeful organizations" (Frederickson and Smith 2003, 97). "Properly understood, public management is structure, craft, and institution: 'management', 'manager', and 'responsible practice'" (Lynn (2003, 2). That is, public management operates under a legal structure of governance, which delegates, constrains, and oversees managers' authority.

The core of public management is administration. By focusing on public management, our attention switches from bureaucratic to managerial administration (Bresser Pereira and Spink 1999). In other words, we switch from controlling the bureaucracy to managing the bureaucracy. And managing is a process based on performance. Therefore, unlike bureaucratic administration, which focuses on what should be done, managerial administration focuses on how to achieve and improve the results. The switch in focus happens because bureaucratic administration protects the

state while managerial administration protects the user, the citizen (Bresser Pereira and Spink 1999).

With the intention of protecting customers, under managerial administration managers adopt economic and administrative reforms. According to Bresser Pereira and Spink (1999), one economic change is cutting the price of services, as managers seek to produce the most with the least. Administratively, managers implement process and assessment techniques to improve delivery and quality of services (Bresser Pereira and Spink 1999). To do this, managerial administration needs to be flexible to allow managers to try different actions to finally decide which ones improve performance. With this flexibility, managerial administration deviates from the rigid nature of bureaucratic administration.

The switch to managerial administration is by no means confined to developed settings. In fact, “[e]ffective management is becoming a universal ambition” (Jreisat 2002, 22). Jreisat (2002), Jaeger and Kanungo (1990), Kubr and Wallace (1984), for instance, recognize the increasing importance of public management in developing settings. Kubr and Wallace (1984, 10) note that growing interdependence in trade, technology, and foreign investment has promoted the development of management. This managerial development has been evident through eight strategic choices: the role assigned to public management, the role assigned to private management and entrepreneurship, the role of technical cooperation, the priority given to modern economic sectors; the interaction of public and private management, the strategy for localizing management (replacing foreign managerial manpower by nationals), the

transfer of management expertise from industrialized countries, and the building of professional institutions to instruct in management (Kubr and Wallace 1984, 10).

Despite the promotion of management, in many developing countries both public and private organizations are targets of criticism for their low levels of productivity and poor management practices (Mendonca and Kanungo 1990). This is due to their configuration, as “[p]lanning is non-existent or based simply on precedence, organizational structures are very rigid, hierarchical, and status oriented, decisions are made on ‘non-rational’ criteria, and rewards are based not on performance but on other criteria” (Jaeger 1990, 143 see also Lane and DiStefano 1988). Consequently, scholars refer to the ‘management gap,’ and “[t]he term implies that Third World countries, on the whole, manage less effectively, even if they already have individuals and organizations whose performance is high by any standard” (Kubr and Wallace 1984, 4). In sum, the management gap has obstructed organizational effectiveness and performance in developing settings.

In any setting, management is expected to contribute to performance through the different functions that it involves. Jaeger and Kunungu (1990: 289) stress three of them: 1) to ensure the carrying out of the organization’s core tasks, 2) to keep track of the organization’s environment to face it effectively, and 3) to protect and buffer the organization from environmental influence to avoid disruptions. Similarly, O’Toole and Meier (1999) emphasize four functions: exploitation of the environment, maintenance of a stable system, establishing structural forms, and buffering of the organization. Other scholars offer more specific functions of management. Hellriegel and Slocum (1986), for

example, underline leading, planning, organizing, and controlling while Gregory Streib (1992) centers on strategic decision-making. Streib, however, notes that to apply strategic decision-making, management has to integrate three of its functions: leadership, external support, and human resources.

The integration of management functions also receives attention from Roberts (2000), who sees the organization as whole rather than separate subsystems. Similarly, Ingraham and Kneedler (2000, 236) propose to integrate management of capital finances, information, and human resources because the integration of them is what leads public organizations to improve performance. O'Toole and Meier (1999) also emphasize integration of functions when they stress motivation and coordination as efforts to bring together actors and resources to attain the goals.

As it permits the attainment of goals, Ingraham and Kneedler (2000: 241) contend that "...management matters in the overall performance of government." In fact, "...[a] multitude of prescriptions for performance enhancement in both the private and public sectors depend on this assumption" (Ingraham and Kneedler 2000: 241). Kettle and Milward (1996, 1) also share this notion by stating that "...[p]ublic management matters, and it matters because the quality of public management shapes the performance of public programs." Kubr and Wallace (1984, 1) also stress the importance of management on performance, as they agree "...that the quality of management largely determines what is achieved." They even note that, "...[i]mproperly managed, even massive injections of finance and material resources, as well as superhuman efforts, produce only fleeting improvements" (Kubr and Wallace 1984, 1).

Despite this generalized notion, “...[n]o doubt the importance of public management has been overlooked” (Ingraham and Kneedler (2000, 239). For instance, literature on implementation—specifically principal-agent models—has ignored the impact of government management on policy performance (Ingraham and Kneedler 2000, 239). In correcting this, Ingraham and Kneedler “...speculate not only that organizational arrangements and factors are significant but the nature of public management contributes powerfully to the effectiveness with which public agents are able to translate principal’s intents into outcomes.” They even argue that management should be the “intervening variable in the policy/performance equation” (2000, 239). Therefore, this dissertation’s thesis is that: *Management quality improves municipal performance.*

Since Lynn (1984), an increasing number of studies suggest that performance is a function of management quality (Boyne 2004; Boyne and Walker 2006; Doig and Hargrove 1990; Meier and O’ Toole 2002; O’Toole and Meier 1999). The ‘management-quality’ hypothesis suggests that qualified management contributes to performance and program success. Support for this proposition comes from cases studies in the USA (Ban 1995; Behn, 1991; Cohen and Eimicke 1995; Doing and Hargrove 1987; Hargrove and Glidewell 1990; and Riccucci 1995). Systematic studies also provide empirical evidence for the management quality thesis (Andrews et al. 2006; Brewer and Selden 2000; Fernández 2005; Meier and O’ Toole 2003; Nicholson-Crotty and O’Toole 2004; O’Toole and Meier 2004).

But what quality in management means seems to be vague because managerial influence works through different causal pathways (Meier and O'Toole 2002). As the above studies reveal, the causal mechanisms through which management improves performance are complex and numerous. Hence, the lack of concreteness of the term might be due to "...the absence of a framework for understanding and measuring management effectiveness" (Ingraham and Kneedler 2000: 240). In this dissertation, therefore, I attempt to reduce this vagueness by proposing that from all of management's potential mechanisms for influencing performance, one seems to have the greater impact: the quality of the manager.

Identifying the Workings of Public Management Quality on Performance

As already cited, management includes many variables— resources, regulation (Ashworth et al. 2002, Boyne et al. 2002, Hood et al. 1998), market competition (Boyne 1998), representation (Pitts 2005), workforce stability (O'Toole and Meier 2003), workforce diversity (Meier, O'Toole, and Goerdel 2006), and leadership (Fernández 2005, and Meier and O'Toole 2002). Most of these studies explore the impact of a single management variable on performance. Ingraham and Kneedler (2000, 236), on the contrary, argue that to link management quality to overall performance, a model that integrates several management subsystems, such as capital management, financial management, human resources management, and information technology management, is needed.

Although a performance model may include as many management subsystems as possible, what leads to overall performance is the integration of these subsystems. And

the key management variable for integrating them is *leadership*. As (Ingraham and Kneedler (2000, 242) posit, “... leadership contributes to each of the management subsystems, but it is most significant in its alignment of these systems within a coherent and cohesive administrative framework.” Ingraham and Kneedler then assume that sound leadership has a positive influence on effective management and thus on performance, and this link “...operates through formal, systematic performance-based activities” (2000, 242).

Through the integration function, research on the management quality-performance relationship converges with scholarship on leadership. As Meier and O’Toole (2002, 630) state, “[a] consideration of management’s hypothesized effect on program performance, for instance, must incorporate some attention to the notion of leadership.”

Managerial Leadership and Performance

For some, management is subordinated to leadership. Under this view, the functions of leadership include motivation, direction, setting values and goals, and management—such as controlling budgeting and getting things done (Rainey 1991). For others, leadership is subsumed by management. That is, besides planning, organizing, directing, staffing, coordinating, and budgeting—PODSCORB—(Gulick 1937), management also implies leadership—directing and encouraging people to act in ways that allow the achievement of goals (Rainey 1991, 157-8).¹ Finally, others, such as

¹ To see more on the functions of managerial roles and skills see in Allison (1983): The Functions of General Management; in Mintzberg (1972): The Executive Roles; in Cameron and Whetten (1983): Management Skill Topic, and in McCauley, Lombardo, and Usher (1989); The Benchmarks Scales.

Bennis and Nanus (1985), distinguish between leadership and management arguing that the former implies “doing things right” (1985, 21) while the latter consists of “doing the right thing” (1985: 21). Despite different views, generic theories on leadership are applicable to private and public sectors. And although there is leadership research specific to public organizations (for review, see Rainey 1991), “...researchers in the management field have treated leadership and management in the public sector as essentially the same as in other settings” (Rainey (1991, 172). Accordingly, in either sector, private or public, management is related to leadership.

Given the management-leadership interdependence, it seems safe to argue for the centrality of the individual leader/manager on performance. Indeed, although no single management variable explains performance (Boyne et al. 2005; Forbes and Lynn 2005; Lynn et al. 2000), I argue that the manager is the most important dynamic of management. In Boyne et al.’s (2005, 634) terms, “it is increasingly clear that managers can improve program effectiveness, sometimes in substantial ways.” Or, as O’Toole and Meier (1999, 524) state, “management is a function performed via a single actor or office.”

The centrality of the manager in public management has, however, been questioned. Maynard-Moody and Leland (2000), for instance, raise the issue of whether public management researchers should focus on the street-level frontline workers rather than on the manager.² I, however, contend that by focusing on the manager, we learn more about organizational performance because managers seek to accomplish the

² Scholars from business administration, sociology and psychology who study management and organizations often study frontline workers.

established goals by obtaining the most not only from the material, but also from the human resources—including the frontline workers. The manager, for example, selects the strategy that better fits both the activities of the agency and the capabilities of the workers. In the end, as Gibson and Lehoucq (2003, 35) state, “[n]o matter how well designed the technical aspects of [a] decentralized policy may be, local-level politicians will influence which policies receive attention and which ones languish.”

In the next section, I address Brudney et al.’ (2000, 1) question, “How much of the performance delivered by important public programs can be attributed to the efforts of public managers, those who organize people and resources to get the job done?”

The Role of the Mayor in Municipal Performance

In responding Brudney et al.’s (2000) question, previous efforts have identified a single factor. Lynn’s (1987, 103), for example, suggests, “...the activity of government agencies is the product of the behavior of identifiable individuals who occupy responsible positions.” Along Lynn’s lines, Meier et al. (1991, 158) posit, “[i]t is at the higher levels of the bureaucracy and among the elected officials, for example, that important decisions on what services to deliver or how to deliver them are made that limit a street-level bureaucrat’s ability to affect service distributions.” Therefore, while some government outputs are the product of collective action, it is safe to say that some public policies are implemented, or shaped, through the actions of a single-actor. And in developing municipal settings, the identifiable individual, the elected official, and the single actor is *the mayor*.

Some scholars clearly illustrate the role of the mayor in developing settings. Fiszbein (1997) does it for the Colombian case by stating that “[i]n the very small *municipios* (for example, those with a population of less than 10, 000) the mayor becomes an *hombre orquesta* (a one-man-band), being in charge of most activities that require a certain degree of qualification” (Fiszbein 1997, 1037). In fact, in developing settings, workers’ poor on-job training makes the mayor’s action more crucial.³ From the group of municipalities studied, Fiszbein (1997, 1034) asserts that “the effectiveness and capacity of local government in this group, is closely associated with that of the mayor.” This is supported by “Cárdenas’ (1994d) and Villa’s (1995) studies, which contrast two Colombian municipal administrations—Zapatoca and Versalles, municipalities of similar size—associating their sharp differences with their mayors.

Scholarship also documents support for mayoral influence on program performance. For instance, Gibson and Lehoucq (2003) state that the concepts of decentralized programs “...fail to acknowledge that the success of decentralization hinges on the behavior of the local politicians”(32). The mayor, for example, can bring new well-qualified employees to the administration to improve results. Where it is not possible, mayors may resort to public bidding to delegate to a private agency the delivery of some services. And where none of the previous options exists, the mayor can opt for personally training the staff in the most needed skills. The mayor can also reduce administrative costs by sharing professional services with other municipalities. Through

³ A World Bank’s study (1995) reports that developing municipalities with populations of less than 10, 000 have, on average, two professionals in the administration.

associations of municipalities, for example, administrations can share advisors, lawyers, and accountants to improve their performance.

The mayoral influence is also underlined in the Bolivian and Mexican contexts. After conducting a survey in eleven Bolivian and seven Mexican municipalities, Rowland (2001) contends that the “...increasing variation among local governments can be expected to continue precisely because of the rising importance of mayors and other local actors in municipal life” (1384). Indeed, in developing settings mayoral leadership is so important that it transcends the organization. That is, besides encouraging customer-oriented performance through his/her managerial skills, the mayor also mobilizes community and economic support through his/her political skills (Fiszbein 1997).

Mayoral leadership might not be seen as significant in the United States, as it is in developing settings. Unlike in Latin American countries, where the most common governmental form features a strong elected mayor, who is overseen by an elected council; in the USA exists two forms of local governments (and additional variants within each one). The existence of two forms of local government explains why U.S. studies on the relationship between mayors and local performance have been confined to whether or not city-manager cities (reformed) are more efficient than mayor-council cities (unreformed) (Booms 1966; Anderson 1979; Deno and Mehay 1987; Hayes and Chang 1990; Morgan and Watson 1995; Jung 2006). The expectation is that because mayors function in a politicized environment, they are prone to spend more to satisfy electoral coalitions (Lineberry and Fowler 1967) while council-mangers emphasize bureaucratic

professionalism, thus, removing interest group pressures. To search for the answer, studies have used as indicators labor costs, wage increases, fringe benefits and costs of service provision. Yet, and despite the variety of research, results are still inconclusive. Anderson (1979), Booms (1966), and Stumm and Corrigan (1998), for example, find that city-manager cities tend to have smaller annual wage increases and to reduce the cost of producing municipal services than mayor-council cities do. However, Ehrenberg (1973), Deno and Mehay (1987), Hayes and Chang (1990), Morgan and Watson (1995), and Jung (2006)⁴ find that there is no difference in the level of local expenditures between the two forms of local government. Finally, Ehrenberg (1973), Nunn (1996) and French (2004) find that reformed cities spend more than unreformed cities.

However, in the in the USA the most used governmental structure, in cities with a population over 10,000, is the council-manager model. Under this model, most of the powers of the city rest in a popularly elected council—and not in a mayor—which appoints a professional manager who is responsible to and removable by the council. Although the *Model City Charter, 8th (2003)* includes significant changes to the role of the mayor—specifically in the alternative mayor-council form of government—the charter strongly endorses the council-manager structure of municipal government.⁵ The endorsement of the council-manager model, however, comes from almost a century ago.

⁴ Jung, however, finds that on specific functions such as the police function, per capita spending may be lower in the city manager form.

⁵ Since 1915, the National Municipal League (now the National Civic League) has proposed the council-manager structure as the model form. For a fuller treatment of changes in the Model City Charter over time, see H. George Frederickson et al., 2001. “How American City Governments Have Changed: The Evolution of the Model City Charter,” *National Civic Review*, Vol. 90, No. 1, pp. 3–18).

Indeed, *The Model City Charter*, 6th edition (1964) stipulated that "...[t]he mayor shall preside at meetings of the council, shall be recognized as head of the city government for all ceremonial purposes and by the governor for purposes of military law but shall have no administrative duties" (6).

Due to the charter's forceful advocacy of the council-manager plan, arguably scholars in the USA have portrayed a restrictive and insignificant role for the mayor. As Adrian and Press (1968: 204-205) note, "[t]he mayor...performs only ceremonial functions and presides over the council. He has no administrative powers, except in the case of an emergency, and no vote" (1968: 204-205). Or, as Lineberry and Sharkansky (1974: 110) assert, "[t]here is often... a mayor, who performs ceremonial functions as head of the local government. He may preside at meetings of the council, represent the city on public occasions and sign legal documents for the city."

Deviating from what the city charter dictates and from what scholars portray, Wikstrom (1979) argues for a more significant role of the mayor. He does so by positing that even under the council-manager model, the "mayor's role in any community is the product of demographic, institutional or structural, political and personal factors" (1979: 271) and not the result of what the charter stipulates. After studying the Virginia cities, Wikstrom (1979) finds that mayors play more than ceremonial roles, as they perform an active policy role. Wikstrom (1979) blames the charter's advocacy for the council-manager model and lack of interest for this figure as the reasons for the unrecognized mayoral role. He also suggests that "[a]ssertive mayoral leadership may serve to correct the perceived imbalance of executive-legislative relations ... with the mayor serving as a

countervailing force to the manager in the policy processes” (1971, 275). Wikstrom’s view of a more active mayoral role also receives support from Boynton and Wright (1971) who claim that “[t]he behavior of the mayors as governmental leaders...varies considerably from the model and from legal prescriptions” (1971: 29), specially because big city mayors have different governmental structures.

Besides the controversy on the importance of their role, mayors’ administrative performance also receives criticism. Rainey (1991, 178), for example, says “...that public managers show too little attention to long-range objectives and to internal development of the organization and human resources.” Lynn (1981) also notes the executives’ tend to emphasize political showmanship over substantive management. Similarly, Mintzberg (1972), and Kurke and Aldrich (1983) underscore mayors’ administrative performance, arguing that mayors spend more time in formally scheduled meetings than the private-sector managers do. Evidence from Ammons and Newell (1989), however, show that when compared with private managers, mayors dedicate the same time to protocol meetings than private managers do.

After depicting their strengths and weakness, these studies do support the notion that mayors, as public manager, matter. Now, the question becomes, which mayoral characteristic(s) is/are most likely to influence organizational performance? Some scholars argue that municipal performance depends on mayoral motivation and commitment. Anderson (2003), Gibson and Lehoucq (2003), for instance, contend that while municipal performance depends on the institutional capacity, it also depends on the local politician’s motivation. In developing settings, public officials are often

criticized on the grounds of dishonesty. For instance, in Krannich's (1980) study of Thailand mayors-clerks relationship, clerks report that although "[m]ayors are nice and well-meaning officials who, in a personal level, get along with most people; they also interfere in the clerk's work. And this interference arises from "mayors' dishonesty by looking for personal gains, mayors' injustice by dividing officials into competitive groups, and mayors' response to constituents and assemblymen's demands" (1980, 336).

The importance of public managers' commitment to program performance receives also attention from Marmor and Fellman (1986). They classify public managers into one of four categories based on their commitment to the programs. Administrative survivors exhibit low commitment while program zealots show high programmatic commitment, but weak managerial skills. Generalist managers have high managerial skills, but exhibit low commitment to program goals. Finally, program loyalists are highly skilled managers with strong programmatic commitment (Marmor and Fellman 1986). Without denying the potential impact that managers' motivation and commitment may have on performance, I also recognize the difficulties in measuring it. Research on performance, therefore, needs to identify more concrete measures of the manager's skills and traits that are expected to contribute to performance.

The need for further research on leader's traits, is noted by Yukl (1981, 8-9), "...situational research and theory has focused narrowly on the way the situation enhances or nullifies the effects of some leader traits...The trait research has shown little concern for direct measurement of either leader behavior or influence" (see also Kerr 1984 chapter 10). Kerr (1984) and Schriesheim and Kerr (1977) also note the general

incomparability of results on leader traits, arguing that it is largely due to incompatible definitions and operationalization of the leader qualities. These assessments suggest that although rich and detailed, the leadership literature is complex and inconclusive, mainly, because at the theoretical level, no single leadership quality has received undeniable confirmation.⁶ This calls for further research on which of the leader/manager's qualities influence(s) performance. In this dissertation, I contribute to this debate by operationalizing leaders' qualities with their human capital: education and job-related experience and by assessing their influence on organizational performance.

Mayoral Qualifications as Managerial Quality

Beyond identifying the mayor as the key local decision maker in developing settings, it is necessary to identify which of the mayor's qualifications influence performance. Lynn (1981) mentions some of them: "[w]ith wit, skill, and insight, qualified men and women can perform effectively in directing and overseeing government organizations" (Lynn 1981, X). Lynn's statement suggests the influence of managerial quality on performance.

The performance-manager's qualifications relationship has received some attention. Anderson, Newland, and Stillma's (1983) study, for example, lists the manager's skills likely to contribute to performance given the characteristics of the cities. In growth communities, the need is for a chief executive with people and technical skills. In caretaker communities, the need is for an administrative caretaker with caring skills. In politically divided communities, the need is for a community leader

⁶ For a complete review of the literature on leadership, see Rainey (1997) and Northouse (2004), and for critics, see Yukl (1981) and Schriesheim and Kerr (1977).

with arbitrating and mediating skills. Finally, in public service consumption communities, the need is for an innovative administrator with technical skills.⁷

The significance of managers' skills has even been suggested to differentiate developed from developing societies. As Esman (1991) states, "[w]hat most distinguishes advanced societies and their governments is not their 'culture,' nor their natural endowments, nor the availability of capital, nor the rationality of public policies, but precisely the capacities of their institutions and the *skills of individuals, including those of management*" (1991, 20, emphasis added). Similarly, Fiszben (1997) and Tendler (1997) find that what has the most impact on a particular municipality's fate—even more than does any aspect of the policies themselves—are the personal characteristics of the local decision-makers. Therefore, my dissertation's main proposition suggests: *mayoral qualifications explain local governmental performance*.

Although the above studies recognize the relevance of the manager's skills, there is not agreement on a single set of qualifications which influence performance. And, although demands for manager's skills may vary across cities, certain attributes/skills should contribute to performance across agencies—specially when there is not much variation across them. This dissertation contributes to our knowledge by exploring the influence on municipal performance of the mayor's human capital: specifically the impact of the *mayor's educational background and job-related experience*.

⁷ The latter may be the case of the Colombian municipalities—the units under study in this dissertation.

Mayor's Human Capital as Proxy of Managerial Quality

“Good public management”—to follow Lynn (1981, X)—“is not what it is often thought to be: a matter of applying the latest techniques of administration to government, such as Management by Objectives or Zero Base Budgeting. Good executive management occurs when capable executives recognize the unique combination of demands.” In the Nicaraguan and Bolivian contexts, Larson (2002) and Kaimowitz et al. (1998) also emphasize the importance of human capabilities. After studying twenty-one Nicaraguan municipalities, Larson (2002) finds that besides interest and motivation, management of natural resources is explained by local officials’ technical and human capabilities. Likewise, Kaimowitz et al.’s (1998) study of nine Bolivian municipalities also find that successful management of forests is explained by local capabilities such as financial resources and technical qualified human capital. These studies suggest the influence of human capital on organizational performance.

According to Abowd et al.(2002), “[t]he impact of human capital may occur in two ways: the specific knowledge of workers at businesses may directly increase business performance, or a skilled workforce may also indirectly act as a complement to improved technologies, business models or organizational practices” (2000, 2). That is, the contributions of human capital to performance can be direct and indirect (Abowd et al. 2002). Directly, then, mayors’ human capital allows them to deal with the technical parts of both the programs to be implemented and their budget making. Indirectly, mayors’ human capital complements organizational practices by introducing

administrative and managerial arrangements that favor the attainment of programmed objectives.

The contributions of human capital to performance are well-known. On reduction of inequality, for instance, Londoño de la Cuesta (1996) notes that although several factors — economic growth, structural changes of the economy, the convergence of regional per capita income—have contributed to lower Latin America's inequality, “...the slow expansion of human capital development has counteracted those factors to give the region a statistically stagnant level of high inequality” (1996, 1). This suggests the supremacy of human capital over material resources in reducing socio-economic inequality. Latin American countries, therefore, should consider the improvement of human capital as a prescriptive policy in order to reduce high levels of inequality (The United Nations 2005 Development Programme Report, 270).

The mayor's human capital can also contribute to overcome the organizational deficiency in human resources. The better qualified a mayor is in terms of human capital, the more likely s/he will recognize the benefits of training and educating workers. Through these improvements, workers augment their technical and cognitive capabilities, making them more competent to perform their jobs. As Jaeger and Kanungu (1990: 290) posit, “How does one overcome the deficiency in human resources? Knowledge deficiencies can be overcome by education and training.” Jreisat (2002) also reinforces this view stating that “[g]ood governance in developing countries is associated with factors such as building institutional capacities, activating citizen's participation in making policies, and improving education and training” (2002, 11).

Accordingly, the manager's human capital is expected to contribute to the development of the organization's human resources.

The development of human resources has been triggered by globalization, which creates demands for more competent and knowledgeable leaders. Due to globalization, new needs are imposed on the management of public organizations. Globalization has also encouraged abandoning the, previously mentioned, traditional bureaucratic organization—with its rigid, hierarchical, command-and-control model—to adopt a new managerial model that values performance (Jreisat 2002, 9). In addition, the concentration on the managerial model has also “refocused on the role of leadership. Given that today's leaders operate in a complex and more competitive global environment, an emphasis on skills, attitudes and knowledge has become more apparent” (Jreisat 2002: 10). Therefore—and as the report of the 15th Meeting of Experts on the United Nations Programme in Public Administration and Finance posits—“...the critical dimension in the governments' response to globalization lies in building the capacity of their human resources” (UN/IASIA Initiative 2002, 2 original emphasis).

The United Nations' group of experts also claims interdependence between human capital development and institution building. Therefore, the experts prescribe human development of public service employees, mainly the managers because besides “...the lack of commitment to reform, a major cause of the weakness of the governments of developing countries and countries in transition is the scarcity of effective public managers.” (UN/IASIA Initiative 2002, 3 original emphasis). In sum, skilled and knowledgeable managers are necessary for the implementation of the Millennium

Declaration, which calls for economic development and the eradication of poverty (UN/IASIA Initiative 2002).

Grindle (1997) also emphasizes the benefits derived from human capital. For her, “...getting good government means, besides other things, reforming institutions, strengthening organizations and developing human resources” (Grindle 1997, 8). For governments it is important because, “[i]nitiatives to develop human resources generally seek to increase the capacity of individuals to carry out their professional and technical responsibilities” (Grindle 1997, 13). The improvement of human capital allows organizations altering the institutional context within which individuals function to result in better performance (Grindle 1997, 5).

Despite the recognized relevance of human capital, “the measurement of intangibles and human capital... has always been a difficult challenge for the statistical system. Finding new measures of human capital, and quantifying them in such a manner that they can be introduced into a production function and produced on a scale that provides sufficient sample size for use in official economic statistics is a formidable challenge” Abowd et al (2002, 4). Although “...it is very difficult to measure human capital directly, the standard approach is to take advantage of the ‘usual suspects,’ for example, education and experience, and to build proxies for human capital using such measures” (Abowd et al 2002, 4). In this dissertation, therefore, the proxy for managerial quality is the mayor’s human capital, which embraces his/her educational background and job-related expertise. This measure has strengths and weaknesses. The greatest strengths is its applicability to any context. Managers’ education and experience

should contribute to performance at the local, state, national and international level as well as in the private and public sector. Moreover, education and expertise is quantifiable and observable homogenously across contexts. Having either primary, secondary or university education in Colombia should mean the same in any other country. However, I recognize that in developing contexts, it is possible to find insufficient variation in education and experience for standard statistical tests. This is one of the weaknesses of this measure, as is the non-availability and difficulty in obtaining these data, too.

On Mayors' Educational Background

“Cognitive resource theory assumes that more intelligent and knowledgeable leaders make better plans and decisions than do those with less ability and knowledge” (Fiedler 1986, 533). Kotter and Lawrence (1974), specifically, center on the mayor’ cognitive characteristics, arguing that they are the tools for mayors to extract information from all the contextual components of the city they manage.

Knowledgeable leaders are expected to contribute to organizational performance in different ways. They, for instance, are expected to be more explicit in communicating plans, decisions and strategies. In municipal settings where there is not a professional administrator, the mayor will dictate rules, decisions, and strategies for implementing programs. In Latin American countries, for example, the mayor carries out the political and administrative factors of every program. If mayors’ ability to perform is, in part, a function of their educational background, then we would expect, for example, that the more qualified—in terms of educational background—a mayor is, the more competent

his/her decisions will be. Educational background may also help mayors to anticipate the consequences of both their actions and omissions for program performance. As a result, municipal performance should be highly influenced by the mayors' education.

Education also generates confidence in decision-making, and this confidence is expected to be noticed by subalterns, who recognize their manager's abilities. Besides providing credibility among subalterns, education also gives the mayor self-confidence to establish effective communication with higher-level officials when looking for additional resources. In fact, under circumstances of resource scarcity—the common pattern in developing settings—the acquisition of extra funds demands great diligence and influence on the part of the mayor. Education, indeed, grants the mayor with the autonomy and legitimacy to bargain for extra resources. Consequently, we would expect the better the mayor's educational background, the higher the municipality's performance.

Few studies, however, assess the influence of manager's education and experience on performance. One of the exceptions, Meier and O'Toole (2002) employ—among other factors—superintendents' professional experience and education to determine their salary, which becomes the measure of managerial quality. This managerial quality measurement turns out to be statistically significant in explaining 10 out of 11 indicators of school district performance. Another exception is Gibson and Lehoucq's (2003) study of Guatemalan municipalities, which finds that the personal characteristics of the mayor—such as educational background—help to explain municipal performance on the management of forests. Specifically, they find that mayors

with higher educational background (completed years of education) tend to hire more staff to monitor forest conditions.⁸ Therefore,

H1: The higher the mayor's educational background, the higher local governmental performance, all other things being equal.

On Mayors' Job-related Experience

Knowledge is, by no means, the only cognitive resource expected to influence leaders' performance. In addition to the codified, scientific, and technocratic knowledge, managers' un-codified, intuitive, and artistic knowledge also influence performance (Lynn 1996, 112-3). While scientific knowledge is acquired at the university and/or workshop level, the intuitive knowledge is learned through mentorship and job experience (Lynn 1996). Thus, the mayor's skills gained from experience and technical competences are expected to add to municipal performance.

Fiedler (1987) depicts three mechanisms through which job-relevant experience contributes to leader/manager performance: 1) by providing managers useful and job-related knowledge, 2) by enhancing manager's ability to cope with stressful conditions, and 3) by engendering a feeling of greater self-confidence and control of the leadership situation (1987: 32). According to these mechanisms, experience helps mayors anticipate technical and administrative obstacles by allowing them to dictate the strategies to overcome them. In addition, experience generates self-confidence in mayors to deal with difficult tasks.

⁸ However, the impact of personal characteristics on forest protection also lines up with post-materialist explanations for environmental policies.

Unfortunately, in developing settings, training and experience in public management has been scarce. In fact, the training in Public Administration and Management—PAMT program—of middle-and upper-level personnel in government has been limited (Paul 1983). Different factors, such as weak training institutions, failure to match trainers with resources, and insignificant utilization and effectiveness, have hampered training of public officials (Paul 1983).

Despite the expected positive impact of experience on performance, surprisingly, most of the studies conclude that there is “no consistent relationship between experience, or job tenure and leadership performance” (Fiedler 1987: 41).⁹ Even studies such as Gordon and Fitzgibbons (1982) that differentiated between relevant and irrelevant experience find that the correlation between relevant previous experience and performance is only 0.26 and 0.22 respectively. In a systematic study of school districts in Texas, Fernández (2005) also finds no support for the influence of superintendents’ total years of experience on performance. O’Toole and Meier (2003) employ an organizational variable called *managerial stability*, which takes into account the experience of superintendents in school districts. In this case, however, O’Toole and Meier find that managerial stability positively influences the performance of disadvantaged students.¹⁰

⁹ See Fiedler 1987, chapter 3 for a complete list of studies.

¹⁰ Frederickson and Smith’s (2003) proposed questions on the doctrines of public management, might explain the inconclusive relationship between experience and performance: “Under what circumstances are neutral competence and professional expertise more important than political responsiveness? What are the circumstances under which political responsiveness is more important than neutral competence and professional expertise? (2003, 113). These are inquiries that deserve more consideration; unfortunately, they are beyond this dissertation’s scope.

Qualitative studies, on the contrary, do show more support for the experience-performance relationship. Riccucci (1995), for instance, contends that in political settings, leaders' experience positively affects their effectiveness. Doing and Hargrove's (1990) study of successful leaders also finds that many of them possessed extensive governmental experience. Accordingly,

H2: Municipalities whose mayors have had job-related experience perform higher than those whose mayors have not.

Municipal Performance Conditioned on Other Factors

Although management is crucial, it also seems to be contingent on other factors (O'Toole and Meier 1999: 523). Studies report that the impact of any management variable on performance is conditioned by the following factors: organizational structure (O'Toole and Meier 1999), organizational culture (Khademian 2000), managerial strategy (Meier and O'Toole 2001, Meier, O'Toole, Boyne and Walker 2006), nature of the sector (Rainey 1991), organizational changes (McGregor (2000), and organizational context (O'Toole 2000). The conditioning of the management variables suggests that there may be no direct linear relationship between management and performance (O'Toole and Meier 1999). For that reason, we should use programs rather than agencies as the unit of analysis because it allows us to interact the management variable of interest with its specific conditioning factor.

According to O'Toole and Meier (1999), management is conditioned on the organizational structure, that is, on how hierarchical or horizontal the agency is. Thus, O'Toole and Meier (1999) create a performance model that allows interacting management with the organizational structure. Their results reveal that "management is

more crucial in networks than in more hierarchical structures” (450). However, the organizational structural of municipalities—this dissertation’s focus—shows little variance across units. In fact, although some mayors may favor more hierarchical arrangements than others, the organizational structure of the municipalities tends to be homogenous across them.¹¹ This leads me to discard its conditional effect on management quality.

Management quality may also be conditioned on organizational culture. This conditional effect is supported by Khademian’s (2000) study. In it, she focus on the significant impact of inward management and on the difficulty of reshaping the organizational culture. For the latter, Khademian claims that the ability of the manager to manipulate or shape organizational culture has been overestimated because although qualified managers try to alter the existing organizational culture, factors—such as organizational structure and environment—impede embracing a public management culture. The non-inclusion of culture, as moderator, may explain why theories developed in the western world are not applicable in developing settings (Jaeger and Kanungo 1990). Therefore, the inclusion of culture should account for the differences between developed and developing countries. As this dissertation’s analysis focuses on developing settings; there is no variance in culture across the municipalities. Therefore, I do not test this conditional effect.

The impact on performance of any management variable can also be conditioned by the management strategies. That is, whether the mayor adopts productivity

¹¹ I recognize that some mayors may use hierarchical distribution of tasks while others not. This variation, however, is beyond this dissertation’s scope.

measurements (Hatry 1972), management by objectives, MBO, (White 1982), strategic management (Streib 1992, Poister and Streib 2005), total quality management, TQM, and/or network interactions (West et al., 1993) conditions the impact of any management variable on performance. In a study of school district in Texas, Meier and O'Toole (2001) exemplify this conditional effect. In it, they find that network interactions positively influence superintendents' performance. In addition, they also find that network communications interact, in a non-linear way, with other factors, such as resources—another management variable—to generate more efficient outputs, that is better performance.¹²

The influence of managerial quality on performance might be also contingent on the nature of the organizational sector: public and private. Although in my dissertation I only include public managers, I consider it important to mention the public-private debate. Political scientists have tried to demonstrate that public differs from private management because the political process and governmental institutions in which managers work make public organizations very different from business (Boyne 1998, 2002b, Rainey 1991). While this argument has little empirical evidence, existing support comes from executives who served in both business and government and wrote about the differences (Allison 1983, Blumenthal 1983; Cervantes 1983; and Chase and Reveal 1983). These executives "... agree that the constraints, controls, and processes bore heavily on their managerial behaviors" (Rainey 1991, 173). Among the factors that make the public sector different from the private, these executives cite the following: the

¹² As much as I would like to test this conditional effect, a lack of data availability prevents it.

influence of press, demands for accountability by legislatures, low influence over careerists due to short tenure, limitation on their authority imposed by legislative and interest groups, and finally, the absence of clear and accepted measures of performance (Rainey 1991, 173-174). As municipalities are solely in the public sector, this dissertation also excludes this conditional effect.

The literature suggests another conditional effect for the influences of management quality on performance: organizational changes. These changes refer to the “introduction of new and better ways of making decisions, organizing actions, and designing processes that lead to improved organizational performance” (McGregor 2000, 133; see also Behn 1997, 7-9). McGregor (2000) lists the many faces of the “R” changes—reform, reinvention, restructuring, right-sizing, redesign, remaking, renewing, reconfiguration, realignment, reengineering, etc.¹³ Theoretically, change is expected to add value to production relative to the costs of the resource—or any other management variable: That is, to produce more, or better product quality, given the same inputs (McGregor 2000, 136).¹⁴

Finally, the influence of management quality on performance is also conditioned on the organization’s context. O’Toole (2000), for example, addresses the impact of structural context on the management of public organizations, referring to managers’ reaction to it as outward management. For O’Toole (2000) the organizational context clusters partnership, networks, and the interrelations with other public, private and non-

¹³ In the department of defense, Green et al., (2000) show how the reinvention of laboratories, with the National Performance Review (NPR), lowered costs, improved customer service, and enhanced performance. See also Romzek and Johnson (2000) for a review of the impact of contracting out on the performance of social service provision, such as Medicaid.

¹⁴ Due to data availability, I cannot test this conditional effect.

profit sectors. Besides recognizing the potential influence of context on public management, O'Toole also doubts the ability to measure, test, and predict its effects. The structural context of the Colombian municipalities is relatively homogenous. Therefore, I hold it constant to justify case selection. Thus while several elements of the environmental context may condition management, we need a more encompassing measure for the organizational context.

Municipal Context as Moderating Factor

Although Lynn, Heinrich and Hill (1999, 27-28) and O'Toole and Meier (1999, 514) employ a more encompassing definition of environment, O'Toole and Meier include more elements to it. For Lynn et al., (1999), it refers to the environmental forces while for O' Toole and Meier, it consists of clientele factor (target population) besides the environmental shocks. For Hammond and Knott (2000), environmental context refers to the constraints it imposes on managers. In fact, Hammond and Knott (2000) present a formal model depicting how political executives interact strategically with the environment—rather than with the internal organization—by applying their leadership despite the environmental constrains.

A more encompassing definition of environment seems more appropriate to capture the varying constraints and opportunities across developed and developing countries. Jaeger and Kanungo's (1990), hence, advocate for theories and techniques that consider environmental and cultural differences across the developed and developing world because "... the challenge facing the manager in a developing country is qualitatively very different from that facing his or her counterpart in the developed

world. Hence, managing organizations in a developing country requires some very different approaches and skills in order to be successful” (Jaeger and Kanungo 1990, 9). Doig and Hargrove (1987) also claim the role of context, as they argue that external conditions set the stage for leader’s activities. The unpredictability in the environment, for example, generates “lack of trust in the system,” leaving managers with no long term perspective, no time management, no risk taking, and no entrepreneurship behavior (Jaeger and Kanungo 1990: 9).

Therefore, by modeling performance as function of management quality plus the moderating influence of the organizational context, we take into count the contextual barriers, such as stressful environments.

On Stressful Environment

Under turbulent environments, the mayor’s education and experience might not influence performance. Cognitive resource theory suggests that under stressful situations, “...leaders’ cognitive abilities will be uncorrelated with leadership or group performance” (Fiedler 1986, 533). The theory, specifically, holds that leader’s intelligence and competence is conditioned on three factors: the nature of the task, support from the group, as well as on the stress level. If the leader is free of stress, the task requires cognitive abilities, and the employees support the leader; leader’s intelligence strongly predicts performance. On the contrary, if the task and group’s support conditions remain the same, but the leader is under stress, “then the leader’s intelligence has little or no effect on performance” (Rainey 1991, 164-5).

Leaders' performance declines because "[s]tress-generating conditions make it difficult for the leader to focus on the task and to contribute intellectually to the group's performance" (Fiedler 1987, 107). Lazarus (1966) and Sarason (1980) explain that stress narrows an individual's focus, as it diverts attention to concerns about one's own adequacy and self-worth. In addition, under stress, leaders get distracted from the task, leading them to develop poor plans and strategies. Due to that, leaders let the group drift without providing guidance (Fiedler 1987: 107). Fiedler (1966, 1967), Fiedler et al.'s (1979) and Potter and Fiedler's (1981) studies report evidence for the proposition that the effect of leader abilities on performance decreases under conditions of high stress.

The proposed influence of external factors on performance (Lynn et al., 2000 and Forbes and Lynn 2004) should also be applicable to the local level. In municipalities, for example, stress-generating factors might constrain mayoral performance. Under tense situations, mayors' education and experience might not add to performance because mayors may divert their attention from their routine activities to focus on matters unrelated to their tasks. Even if the stressful situation is job-related, managers will spend more time and effort in overcoming the situation, time and effort that otherwise could have been spent in other endeavors. Stress-generating factors, therefore, are likely to decrease the mayor's performance. Therefore,

H3: The influence of mayor's educational background and job-related experience on performance will decrease under stressful situations.

In this dissertation then I assess the interactive effect between quality management and environmental context. I propose that performance is conditioned on the municipality's environmental context. Thus, an appropriate model specification of

local performance requires the use of an interaction term between management quality and environmental context because neither external environment alone, nor quality management itself, nor their summed impacts explain performance. That is, although local managerial quality is important, it is contingent on municipal context.

In two chapters of my dissertation, I test these hypotheses by using data from the 40 municipalities of the Colombian department (state) of Norte Santander. In the next chapter, therefore, I depict their context, finances, responsibilities, governmental structure, means for citizens' participation, and mayors' legal authority and responsibilities.

Conclusions

This chapter has laid out the logic of the mayoral qualifications theory of municipal performance. It argued that the qualifications of the manager are critical for organizational performance. At the municipal level, this translates into saying that mayoral qualifications influence municipal performance. By qualifications, I mean the human capital of the mayor, that is, educational background and job-related experience. I provide two justifications for my proposition. First, in developing settings, the elected mayor performs not only the political but also the administrative functions. Second, the absence of city manager makes the mayor the political leader and the public manager. This dissertation, therefore, combines politics with public management.

I also argued that the municipal context moderates the influence that mayoral qualifications may have on municipal performance. This chapter also presented my hypotheses, which will be tested in chapters IV through VII. Two of the three empirical

chapters use data from 40 Colombian municipalities. The next chapter, therefore, presents a detailed description on the workings, structure, and contexts of the Colombian municipalities.

CHAPTER III

THE COLOMBIAN MUNICIPALITIES

Introduction

As already stated, I will test this dissertation's main propositions in three empirical chapters. Data for two of them come from the 40 municipalities that constitute the Colombian Department (state) of Norte de Santander. Although Latin American local governments have received some attention (Cannon et al. 1973; Valenzuela 1977; Nickson 1995), the 1,098 local Colombian governments are systematically understudied. I selected Colombian local governments because of their long experience with political and fiscal decentralization—since 1988 and 1983 respectively. This selection criterion guarantees that the period under study (2000-2005) lies in the post-adjustment phase of decentralization, in which municipalities have already learned how to deal with their new responsibilities. Prior to presenting the empirical tests, this chapter presents descriptive information about the national context in which the Colombian municipalities operate, their structure, responsibilities, finances, and controlling mechanisms, as well as, their specifics within the context of the department of Norte de Santander. The goal of this chapter is to set the dissertation in its political context.

Municipalities under Unitary Regime

Before addressing municipal details, it is worth mentioning the general context in which the Colombian municipalities operated and operate. They, for example, form part of a unitary republic. Under this unitary regime, and prior to the 1991 Constitutional

reform, central institutions had ultimate political and legal authority within the territory.¹⁵ In this context, municipalities were subordinate to the central authority, as the president could overrule or override mayors' actions (Gaviria 1989, 35). This permitted Colombian mayors to have administrative, but not political autonomy.

However, within any unitary system, there are forces that call for regionalism or decentralization. Indeed, Colombia experienced these forces, which advocated three types of decentralization. That is how in 1983, Colombia undertook fiscal decentralization, complementing it in 1986 with political decentralization, which culminated in 1988 with the first popular elections of mayors.¹⁶ Later on, Colombia consolidated the power of its municipalities by embarking on administrative decentralization through several decisions. The main ones were 1) Constitutional Amendment (A.L. 2/1987), which granted the municipalities power to manage their own assets and revenues; 2) Law 9/ 1989 on urban reform; 3) Law 29/1989 on “*municipalización*” of education (Castro 1989, 54), and 4) Law 60/1993—reformed with Law 715/2001—on distribution of responsibilities across levels of government. The fiscal, political, and administrative decentralization, in turn, were consolidated with the 1991 Constitutional reform, which gave local autonomy to the current 1,098 Colombian municipalities. Consequently, with the 1991 Constitution, the municipality became the “living cell of democracy” (Pérez Gutiérrez 2003, I; author’s translation).

¹⁵ As opposed to a federal system, which has several political and legal institutions at different levels, each one with defined and independent spheres of authority (Eleazar 1968, Riker 1964).

¹⁶ Before 1988, the governors, who were selected by the president, chose the mayors. However, during the Betancur administration (1986-1990) and through the Legislative Act 1/ 1986 and the Law 11/1986, political decentralization was adopted, stimulating local participation, as citizens directly elect their mayors.

With decentralization, the central government sought substantial economic development. Support for decentralization, however, varied across political parties. Scholars, however, disagree on the Colombian traditional parties' support for decentralization. Castro (1989, 53), for example, argues that some Liberals and Conservatives—the traditional political groups—lacked support and willingness, showing no commitment to decentralization. On the contrary, in an intracountry systematic analysis, Escobar-Lemmon (2003, 695) found that in Colombia, “the push to decentralize was led in part by the second largest party (large enough to be a serious block in congress ..., but not large enough to hope to rule unilaterally).” According to O'Neill (2003) and Escobar-Lemmon (2003), congressmen from the Conservative party—and not from small parties—supported decentralization in hopes of winning subnational offices. O'Neill (2003) argues that the Conservative Party, indeed, benefited the most from decentralization because it had regional strongholds. Willis, Garman, and Haggard (1999) also focus on the impact of nature of party system on support for decentralization. Their intercountry study (Argentina, Brazil, Mexico, and Colombia) reports that congressmen from strong, state-level parties are more likely to support decentralization than congressmen from national-level parties.

In Colombia, the party system is not the sole explanation for decentralization. Indeed, it interacts with citizens' level of trust in government (Escobar-Lemmon 2003). Specifically, the less trust in government in a district, the more likely its congressmen will support decentralization (Escobar-Lemmon 2003). This finding is in line with

Grindle's (2000) study, which reveals that the loss of government legitimacy, in the cases of Argentina, Bolivia, and Venezuela, facilitated the adoption of decentralization.

Besides party system and citizens' trust, other variables seem to explain adoption of decentralization. O'Neill, (1999, 2003), for example, focuses on parties' future strategic electoral calculations while Rosenfeld (1995) centers on international factors such as pressure from the World Bank. Others became more specific in explaining support for specific types of decentralization: fiscal, political and administrative. On this, Faletti (2005), in a comparison of Argentina, Brazil, Mexico and Colombia, demonstrates that the support for a type of decentralization is the result of both the evolution—or sequence—of the governmental reforms and the type of the actors (338). According to Faletti, when the executive initiated the reform, the first type of decentralization adopted is administrative. However, when it is started by the congress, the first type to be adopted tends to be fiscal. Escobar-Lemmon's study of the Colombian decentralizations fits within Faletti's (2005) assumption, as Escobar-Lemmon (2006, 245) finds that "differences across branches are more significant than differences across political parties." Indeed, the Colombian executive emphasized administrative forms of decentralization while the legislature focused on the political form of decentralization. Some have also studied the determinants of fiscal decentralization across Latin American countries (Escobar-Lemmon 2001, Garman et al. 2001). On this, Escobar-Lemmon (2001) reports that presidential power, structural adjustment policies, level of development and country size, as well as, federalism determine the degree of fiscal decentralization.

Despite the controversy surrounding the determinants of decentralization, there has been some agreement on the benefits resulting from decentralization. According to Ruiz (1989), the popular election of mayors, for example, diminished the tensions between levels of government, as the mayors gained autonomy. In fact, the mayors that participated in the first forum to evaluate political decentralization reported they had gained more political and administrative autonomy. The conclusions from the forum also revealed that mayors had become independent from both regional clientelistic networks and governors—who previously appointed them (Ruiz 1989, 59). But political decentralization not only gave municipalities autonomy, it also made “mayors the target of responsibility and criticism” (Gaviria 1989, 27). Hence, as Ruiz (1989, 59) posits “decentralization depends on the performance of the mayor.”

Given their autonomy and responsibility, the first elected mayors promoted the creation of a national organization to represent them. In 1989, their efforts materialized in the creation of the Colombian Federation of Municipalities (FCM). All the Colombian municipalities, districts, and municipal, regional associations belong to this association, which publishes the journal *Municipalities*, four times a year. As of June 2007, there are 44 active, municipal-regional associations from which 14 (the greatest number) are in the department of Antioquia and three are in Norte de Santander—the department under study.¹⁷ In sum, it is under this context of a unitary system with fiscal, political, and administrative decentralization and strong mayoral autonomy that municipalities in

¹⁷ I thank Carolina Ureña, at the Colombian Federation of Municipalities, for providing me with this information.

Colombia operate. I now turn to the structure of the Colombian municipalities in the next section.

The Administrative Structure of Colombian Local Governments

Charter III of the 1991 Constitution stipulates the functions, structure, and finances of the municipal regime. However, in 1994, the Colombian Congress issued Law 136, which dictates norms to modernize the functioning and organization of the municipalities. According to this law, the municipality is the fundamental political-administrative entity of the Colombian state with fiscal, political, and administrative autonomy whose main responsibility is the welfare and improvement of its inhabitants. This law also classifies municipalities into seven categories, depending on their population sizes and fiscal revenues (see Table 3.1). Failure to collect its mandated revenues causes a municipality to drop to the next inferior category while over performance causes it move up one category.

Table 3.1 Municipal Categorization

Municipal Category	Population	Annual Fiscal Revenues (Tax Collection in Monthly Minimum Salary)
Special	>500,001	>400,000
First	100,001 - 500,000	100,000 - 400,000
Second	50,001-100,000	50,000 - 100,000
Third	30,001-50,000	30,000 - 50,000
Fourth	15,001-30,000	15,000 - 30,000
Fifth	7,001-15,000	5,000 - 15,000
Sixth	<7,000	< 5,000

Source: The Colombian Law 136/1994.

The Municipal Authorities

The Law 136/1994 establishes that in each municipality there will be a municipal council, a mayor, and an ombudsman. These are the three municipal administrative figures as dictated by the article 91 of the Constitution. Mayors have the autonomy to determine the administrative structure of their mayoralty, as long as they comply with the legal restriction of not exceeding mandated operational costs. The municipal operational costs (Law 617/2000) vary with the municipal category, and their limits are in proportion to the municipal revenues (see Table 3.2).

Table 3.2 Allowed Municipal Operational Costs

Municipal Category	Allowed-Operational Costs as Proportion of the Municipal Revenues
Special	50%
First	65%
Second and Third	70%
Fourth, Fifth, and Sixth	80%

Given mayors' freedom to determine the municipal administrative structure, we see little homogeneity in the administrative structure across localities. In my personal visits to the 40 mayoralties of Norte de Santander, for example, I found municipalities with department heads for each administrative sector (education, health, public works, etc.), while others have only the head of the planning department. Consequently, the following description focuses on the three mandated municipal authorities: the municipal council, the mayor, and the ombudsman.

The Municipal Council

Article 312 of the constitution establishes that in each municipality there will be an administrative corporation, popularly elected for a four-year period, and called the Municipal Council.¹⁸ There are no education or experience requirements to be a councilmen, except for being Colombian citizen, eighteen years old, as well as, being born, or having lived at least six months prior to registration of candidacy, in the specific municipality. The current members can be immediately re-elected, and their number varies with population size, but neither fewer than seven nor greater than 21 members can compose the municipal council. Table 3.3 specifies the number of councilmen per population size. Although councilmen are considered public servants, they are not public employees because they receive payment for each attended session (Laws 136/1994 and 617/2000), but not a formal salary.¹⁹

In special, first, and second municipal categories, the councilmen can hold a maximum of one session per day during six months per year. In the other municipal categories, they can hold one session per day during four months per year. In the rest of the months, however, the mayor can summon the council to extraordinary sessions to address specific issues. From each session, the councilmen will issue a transcript of the session, which will appear in the official publication: *Gaceta del Concejo* (Council Gazette). The secretary of the municipal council is responsible for the transcript; it is

¹⁸ The Legislative Act 02/ 2002 modified Constitutional article 312, increasing the administrative period for governors, departmental deputies, mayors, and councilmen from three to four years, but with a different four-year cycle from the president and congressmen.

¹⁹ The payment varies across municipal categories and counts neither toward social benefits nor for retirement. Article 66 of the Law 136/1994 stipulates a salary per session of 100% of the mayoral daily salary for councilmen in municipalities of special, first and second categories, decreasing to 75% in fourth and third categories and to 50% in the second and first categories.

mandatory and available to the public, as are the council sessions, too. I personally attended, along with other seven people, one session in the municipality of the Los Patios. In this particular case, the space limits attendance to 15 people (besides the councilmen and the secretary).

Table 3.3 Number of Councilmen per Municipal Population

Number of Councilmen	Population	Number of Municipalities in Norte de Santander ²⁰
21	>1,000,001	0
19	250,000 - 1,000,000	1
17	100,001 - 250,000	1
15	50,001 - 100,000	3
13	20,001 - 50,000	7
11	10,001 - 20,000	12
9	5,0001 - 10,000	11
7	>5,000	5

Among its functions, the municipal council introduces bills, controls the municipal administration, and calls any local employee to render account of dealings. It also dictates taxes, appoints the ombudsman, approves the municipal budget, and can override the mayor's decisions. Moreover, it can divide the municipality into *comunas* (precincts in the urban sector) and *corregimientos* (villages in the rural sector) to improve provision of services and local administration. Each *comuna* or *corregimiento*, in turn, can elect a local administrative board (JAL); they, however, have not been promoted, mainly because the councilmen see them as power rivals (Dugas, Ocampo and Ruiz 1992, 111).

²⁰ Department (state) under study in this dissertation.

The councilmen's role is frequently criticized, mainly by the mayors. In fact, from the First Forum of Elected Mayors, one of the conclusions revealed, "The municipal councils are slow and unproductive for the mayors to carry out their function" (Ruiz 1989, 65). In my interviews with mayors and ex-mayors, many of them also expressed a negative opinion about the councilmen. Several ex-mayors, for example, revealed that during their administrations they saw irregularities in the process of appointing the ombudsman—who is chosen by the municipal council from a pool of nominees.²¹ According to the mayors' versions, the selected nominee was the one who offered or committed the most cash-reward, out of his/her monthly salary, to the councilmen.²² It is important to mention that the mayoral allegations may just reflect normal legislature-executive tensions.

To verify the above arguments, I also had the opportunity to interview 12 councilmen, in the municipalities of Ocaña, Los Patios, Durania, and Ragonvalia. Surprisingly, all of them admitted a mayor- councilmen conspiracy in explaining the irregularities in municipal contracting, fictitious spending, and overspending. One councilman, for example, described to me, step by step the process of generating private benefits without being caught. He recognized that before becoming councilman, he was unaware about these procedures; however, once he was inside, he had to join the group; otherwise, he would be out of the group and have made enemies. Not all, however, seem to commit irregularities. Other councilmen have adopted a tough position against those committing irregularities. This opposition, however, has been punished with

²¹ See this section on ombudsmen for more details on their role and appointment.

²² Three ex-mayors mentioned irregularities in the selection process of the ombudsman..

personal threatens; some of them coming from illegal armed groups. The true link between illegal armed groups and municipal officers is, however, unknown. It is speculated that some of municipal officers employ their personal links with illegal armed groups (paramilitary or guerrillas) to carry out threats. For example, on June 15/2007, the mayor of Cúcuta, capital of the department under study, presented himself in front of a court hearing to respond to the accusations of having links with the United Self-Defenses of Colombia (AUC) and having ordered through them some assassinations. The accusations against the mayor come from three ex-paramilitary leaders (“Alcalde de Cúcuta” 2007)²³. In Colombia between 2000-2006, illegal armed groups, such as the Revolutionary Armed Forces of Colombia (FARC), have killed 251 councilmen. Based on the number of assassinated councilmen, Norte de Santander ranks eighth in the number of at the national level (ACNUR. n.d).

Whatever the circumstances, the role of the councilmen is key in promoting, tolerating, or rejecting municipal irregularities. To dignify their key role, in 1993, one thousand two hundred councilmen met to create a national organization to represent their interests before the Congress. The result was the National Federation of Councilmen, FENACON. Initially, only five municipal councils joined it; as of May 2007, 632 municipal councils, out of 1098, form FENACON, 23 of which are from the department of Norte de Santander.²⁴

²³ In September 2007, however, the mayor of Cúcuta was arrested on charges of homicide.

²⁴ FENACON issues the *Journal of Municipal Councils in Contact* (*Revista Concejos en Contacto*), publishing its first edition in May 2003 for a current number of 13 editions (FENACON, n.d.).

The Mayor

Before 1986, the Constitution established that in all municipalities there would be a mayor to carry out the functions of a governor's agent (Article 200, 1886 Constitution). As the governor's agent, his or her political function was to implement the government policies as dictated by the governor's orders. This mayor was also the chief of the municipal public administration and implementer of the council's decisions (Article 200, 1986 Constitution). There were two requirements to be a mayor: being older than 18 years and being Colombian, either native or with adopted nationality—but no residency nor literacy requirements.

The Legislative Act 1/1986 (Constitutional Amendment) introduced some changes in the role of the mayor. Legislative Act 1/1986, for example, created the direct election of mayors. The main modification states that the mayor is no longer the governor's agent: that is the governor no longer appoints him. Instead, the mayor is elected directly by the citizens through majority vote in concurrent elections with the governors, councilmen and departmental deputies. The mayor, however, cannot run for immediate reelection, as s/he has to wait at least one period to rerun in the municipal elections (Legislative Act 1/1986). Efforts to allow for reelection have been unsuccessful, leading some to judge it as an unjust disadvantage for municipalities after the approval in 2005 of presidential reelection (Archila Peñalosa 2005). Initially, the mayor was elected for a two-year period, later increased to three-year period, and in 2002 it was reformed to allow for a four-year term, which applied to the 2003 elections or the administrative period from January 2004 to January 2008 (Legislative Act

2/2002).²⁵ In sum, with his/her popular election, the mayor passed from being the agent of the governor to being “the first defender of the citizen” (Pérez Gutiérrez 2003, I).

The Colombian Constitution of 1991, and its subsequent modifications, also introduced some changes related to the mayor. For example, Article 314 of the 1991 Constitution, modified with Legislative Act 02/2002 and Laws 136/1994 and 617/2001, specifically determines the qualities, functions, salary, social benefits, regime of inabilities and incompatibilities of the mayor. The new law defines the mayor as the legal representative of the municipality, superior chief of the police department, the one who implements all the decisions of the council, and leads and coordinates public administration. The mayor occupies the highest position in the municipal hierarchy, next to the municipal council, and like any public employee, is subject to administrative, fiscal, and judicial controls. The law (136/1994) also adds new requirements to be mayor: being literate, not having committed a crime and being a native, or having lived at least one year before registering his/her candidacy, or three uninterrupted years in any period, in the respective municipality.

Although the law requires the mayor to be literate, it does not require a specific level of education, which is the reason we see variance in mayoral educational background: some with only a primary degree, others with a high school degree, others with intermediate education (technical degree), and others a with university degree. Unlike the U.S. city managers who are professional public administrators with extensive training in public policy (Fieock and Stream 1998), Colombian mayors come with

²⁵ The same four-year period and administrative cycle applies to councilmen, governors and departmental deputies.

different professional backgrounds, if any, and receive barely one-week of training in public administration. The central government provides a short training (a week), with which it seeks to complement the mayors' educational background and experience, which, often, are unrelated to the mayoral job. Mayoral educational background does not affect his salary. On the contrary, a mayor's salary varies depending on the category of the municipality (see Table 3.4).

When a mayor has been either accused, sentenced, or imprisoned by solicitude of the Procuratorship General or the Comptroller General (due to disciplinary reasons, Article 105 of the Law 136/1994), the governor carries out his/her dismissal. Citizens also can revoke his/her mandate.²⁶ The mayor, however, cannot be impeached by the municipal council.

Table 3.4 Mayors' Salary per Municipal Category

Municipal Category	Salary of the Mayor
Special	Between 20-25 minimum salaries ²⁷
First	15-20
Second	12-15
Third	10-12
Fourth	8-10
Fifth	6-8
Sixth	3-6

The mayor has administrative and political functions. Politically, s/he interprets the national and departmental policies and implements them, obeying and following the

²⁶ See forward section on municipal planning for specifics on revocation of mandate.

²⁷ The 2007 Colombian minimum salary is \$484,500 (roughly \$242 with an exchange rate of 2,000 pesos per dollar). According to the Ministry of Social Protection, the Colombian minimum salary ranks third in the region (Ministry of Social Protection 2006).

norms. The mayor also submits proposals, approves or vetoes municipal council proposals, summons the municipal council to extraordinary sessions, provides credentials to the councilmen, and is the voice and leader of the community. In addition, the mayor performs police functions to preserve order and welfare of the citizens. The police functions can be administrative (issuing licenses of constructions, street nomenclature, demolition orders, and maintaining public space), judicial (carrying out of the judicial orders, such as registration of people, issuing warrants, etc.) and civil (invasion of lands, trials, etc) (Restrepo and D'Antonio, 1990). To perform these administrative functions, the mayor must plan, organize, lead, implement, and supervise the administrative functions (Domínguez Giraldo 2003 and DNP, CAF, DDTS 2005). Given all his/her functions, the Colombian mayoral system may be equated to the traditional strong mayor form of local government in the United States because in the strong mayor form, the mayor performs the functions that the city manager does under the council-manager form.²⁸ Likewise, the figure of the city manager is absent in the Colombian municipal context.

The mayors must plan, create, design, and manage their organizations and are expected to spend certain percentages of the budget in sectors such as health, education, transportation, etc. Despite their lack of autonomy in distributing the money across sectors, mayors do have freedom in deciding how to spend money within each sector. That is, mayors are told “where to spend” the money but “not how to do it.” Although it gives the impression that mayors have little discretion over budgets, mayors indeed have

²⁸ Even if there is a Chief Administrative Officer (CAO), he or she is appointed and removed by the mayor alone (National Municipal League 2003).

and resort to authentic strategies in order to accomplish the municipal objectives. Here is where mayoral qualifications play a critical role because based on their knowledge and experience, some mayors become more resourceful in improving municipal performance. Hence, while some of the mayors spend their budget on traditional items; others are more innovative by taking advantage of extraresources and implementing extra programs. Some of these extra programs indeed demand managerial skills rather than monetary resources.

A mayor is expected to know his/her municipality well in order to perform his/her functions. To guarantee this, the writers of the Constitution added the mayoral requirement of being an inhabitant, for at least one year, of the specific municipality. Garay Carrillo (2003), for instance, suggests that to be a good mayor, s/he needs to be a good candidate, and for Garay that means to know as much as the candidate can about the municipality. That is, knowing its rural and urban composition, its human capital in the administration, its culture, its budget, the number of NGOs in its jurisdiction, and mainly whether there is civil society, as this is the main way to achieve local development. Garay (2003) illustrates his argument by citing the most common response candidates gave when asked how many public schools there are in your municipality, “I do not know exactly, but there is a need for more”(15 author’s translation). To avoid this, Garay adds, the mayor must interact with people because from them they learn about the needs of the municipality.

The writers of the 1991 Constitution also included provisions with the end of moving from a bipartisan to a multipartisan system, even at the mayoral election. The

idea was to integrate unrepresented political forces, those different from conservatives and liberals. It is safe to say that the bipartisan hegemony in the municipalities has faded with the entrance of new political forces (Moreno 2005).²⁹ García Sánchez (2000), however, contends that the mere presence of third parties does not translate into a reconfiguration of the political system, mainly because these new parties are too incoherent and immature to become a solid alternative to the traditional parties. García Sánchez (2000) supports his argument with the results from five municipal elections (1998, 1990, 1992, 1994, 1997), pointing out that in only 18 Colombian municipalities (out of roughly 1,050), a third party has won the election between 2-4 times. Yet recent events generate more optimism for the third parties. In 2003, for example, a third party won the mayoralty of the Colombian capital, Bogotá.

The Municipal Ombudsman

The municipal ombudsman promotes human rights, protects the public interest and oversees the municipal administration and public employees' conduct. According to article 168 of law 136/1994, the ombudsman has its own administrative and budgetary autonomy. The ombudsman's tasks derive from the Procuratorship General of the Nation, which is his/her supreme authority. Usually, the ombudsman and a secretary compose this municipal entity. The ombudsman is elected by the municipal council from a pool of nominees, also proposed by the councilmen, within the first 10 days of the administrative period. To be ombudsman, the law requires one to be a lawyer and a

²⁹ At the legislature level, electoral and registration reforms have led to decline of bipartidism and have led to the increased share of seats won by new actors (Moreno 2005). The new electoral rules, for example, have created a proliferation of lists, which, in turn, has generated an entrepreneurial behavioral in congressman, making elections more personalized (Escobar-Lemmon and Moreno 2004).

native Colombian. This implies that in some instances the ombudsman is better educated than the mayor, which may create professional tensions. However, according to Dr. Marlene Cecilia Duque, ombudsman of the municipality of Cécota, in most the municipalities, tensions between the mayor and the ombudsman arise from the ombudsman's oversight power over the mayor³⁰. Despite their possible imbalances in education the ombudsman and the mayor earn the same salary, which is the case in the special, first and second municipal categories. In the other categories, the ombudsman's salary is only 70 percent of the mayor's. The potential disparity in terms of education between these two main municipal figures is another powerful reason to expect that when the mayor is less educated than the ombudsman, there is a greater chance that s/he will spend part of the administration justifying his/her actions and defending his/her status. That is especially true in the Colombian context whose society is highly stratified, and whose societal relations are based on educational and social-economic status (Kline and Gray 2007).

The role of the ombudsman is crucial in promoting citizen participation. In doing so, the ombudsman encourages civic, youth, charitable, communitarian, professional, and non-governmental associations. In addition, the ombudsman legally registers and promotes the creation of civic oversight agencies.³¹ In personal interviews with some of the municipal ombudsmen, they complain about citizens' lack of interest in public affairs. The ombudsman of the municipality of Chitagá, Dr. Gabriel M. Portillo, for instance, reports that despite his constant encouragement, it is quite difficult to make

³⁰ Interview by the author, Cécota, N. de Santander, Colombia, November 27, 2006.

³¹ See more on this, in the section on control, verification and evaluation.

people participate, mainly because “people associate participation with being a tattler”.³² Among the main reasons for this apathy, Dr. Portillo cites is dread of reprisals, lack of time due to economic concerns, mayors’ disinterest in promoting participation, and clear disconnection from public affairs. Likewise, Dr. Marlene Cecilia Duque, ombudsman of the municipality of Cécota, notices that in the urban sector, civic participation is almost null. She has resorted to the communal radio station to call for people’s attention, achieving some results in the rural sector. Dr. Duque thinks “civic participation declines even more in municipalities with a guerrilla presence.” Finally, Dr. Elder de Jesús Jaime, ombudsman of the municipality of La Playa, also mentions citizens’ apathy and local authorities’ dislike for civic oversight agencies, as the roots of the lack of civic participation.³³

In sum, the municipal council, the mayor, and the ombudsman constitute the basic administrative structure of the local government.

Other Administrative Authorities

Depending on its population size and mayors’ decisions, municipal administration will count with other authorities such as the department heads and other public employees.

A. Department Heads

Not all the Colombian municipalities possess the same number of department heads. In fact, there are municipalities with department heads for health, education, culture, planning, public works, etc., while others barely have a department head for

³² Interview by the author, Chitagá, N. de Santander, Colombia, November 28, 2006.

³³ Interview by the author, La Playa, N. de Santander, Colombia, November 8, 2006.

planning: this figure, indeed, is present in all the localities (Law 3/1988). The head of Internal Control is the other figure that is present in all the municipalities (Law 87/93). In 2006, according to Law 10, the figure of the head of the Family Commissary was included in the local administrative structure which entered in practice in June 2007. The variation in the number of department heads derives from the fact it is up to the mayor to determine what positions to create, to fuse, to maintain, or to eliminate.³⁴ And although the existence or not of these department heads is also determined by the population size, the final decision comes from the mayor. In most of the cases, however, there is correlation between municipal population and the number of department heads, as bigger municipalities have more department heads.

B. Public Employees

The remaining local public employees fall into two categories. First, jobs of free-appointment and removal and who carry out functions of directing, or jobs that require confidence. The classic example is the position of mayor's private secretary. Second, jobs under administrative career (or tenure) which are selected thorough merit service or merit-competition (DNP, CAF, DDTS 2005). In addition to them, the mayor can also create temporary jobs for the following reasons: a) to perform functions that are not done by existing personal, b) perform projects of limited duration, c) perform needed overload work, d) perform institutional advising (no longer than 12 months). In creating them, the mayor must use the available budget to pay for their salaries and social benefits. Finally,

³⁴ In creating positions, however, the mayor has to keep the operational costs within the limitations imposed by the law (Law 136/1994).

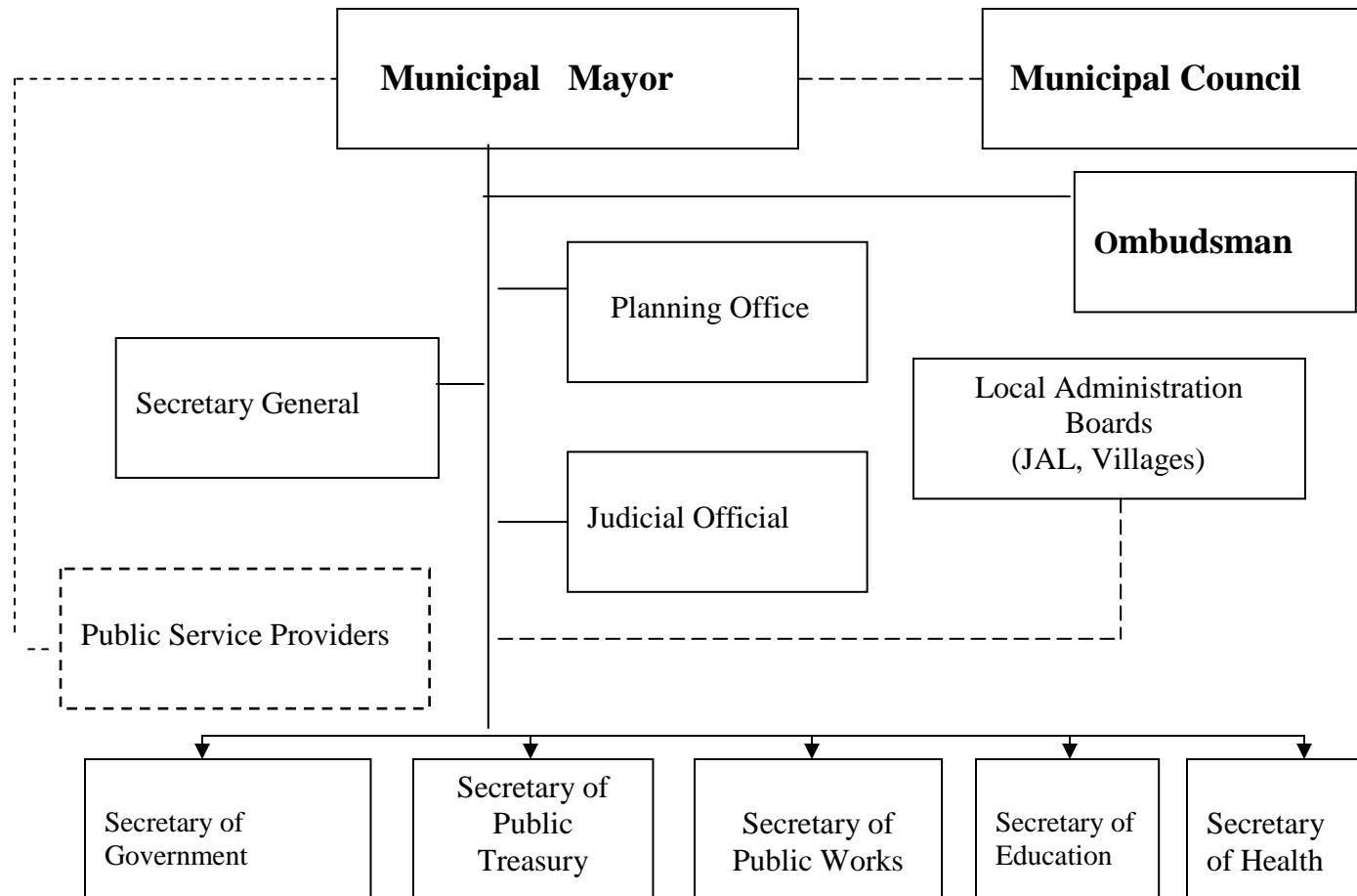
a few municipalities also have official employees who perform activities of construction or maintenance of public works. They are appointed through contracts, which stipulate the duration, activity and salary. However, they are not subject to competition nor can they be considered administrative career employees (DNP, CAF, DDTS 2005).

Finally, the municipal administrative structure also includes a judicial office, made up of a judge and a secretary. The judicial office, however, depends on the ministry of justice and not the municipality. Unlike the mayor's police role, the judge legally imposes sanctions, issues citations, and judges citizens' allegations. Figure 3.1 depicts one possible version of the administrative structure of the municipality. The figure portrays the three main administrative figures: mayor, ombudsman, and municipal council, as well as five department heads. However, recall that not all of the municipalities have the same number of department heads, as it varies with population and mayoral decision. In a single year, even, it is possible to see the mayor appointing a department head, for a short period, for then dismissing him/her.

Municipal Responsibilities

With fiscal, political, and administrative decentralization, the traditional view of the municipality as just a strip of land shifted to a new view in which the municipality is the free association of people. Given this shift, the state needed to focus its attention on

Figure 3.1 Municipal Administrative Structure



people rather than on the land (Domínguez Giraldo 2003). This brought up the concept of municipal management because the public administration extended beyond managing financial resources to developing the human resource of the municipality. In doing that, “the obligation of the mayor is to design social, political, and economic programs” (Dominguez Giraldo 2003, 13). These programs then became the core of the municipal responsibilities. Domínguez Giraldo (2003) frames all the municipal responsibilities into five categories: social, political, and economic development, resource management, and defense of citizens’ rights. See Figure 3.2 for a complete description of the municipal functions by sectors, their specific programs, and the local, departmental and national entities involved in each program.

According to article 311 of the 1991 Colombian Constitution, and article 3 of Law 136/1994, the municipal functions can be summarized as:

1. To administer the municipal matters and to provide the public services according to the law such as gas, sewage, electricity, telephone, and cleaning; and to develop the national and regional policies in the sectors of health education, tourism, public services, housing programs, infrastructure, transportation, sport and recreation, and attention to vulnerable groups.
2. To organize the territorial development and to build infrastructure for municipal progress to promote civic participation, social and cultural improvement of its population.
3. To plan social, economic, and environmental development of the territory, according to the law and in coordination with other entities.

Figure 3.2 Municipal Functions by Sectors

Municipal Functions	Programs	Involved Entities
Political Development	Civic Organization Norms and Principles Conflict Resolution and Reconciliation Promotion and Civic Formation Rehabilitation and Reinsertion Civic Participation and Assembly	Ecclesiastic Authority Ministry of Transportation Ministry of Government Ministry of Justice Secretary of Transit Secretary of Government Secretary of Community Development Governmental Organizations National Police
Defense of Civic Rights	Justice Territorial Control Guns Control Specific Actions against Diverse Felonies Coordination of Armed Institutions	Fire Department Police, Military, DAS Ministry of Defense Ministry of Justice Attorney Office
Compliance with Citizens' Duties	Customer Service Deconcentration of Services Simplification of Requisites Communication with Citizens	Treasury, Revenue Office Planning Office Secretary General Administrative Service

Source: Adapted and modified from Domínguez Giraldo 2003

Figure 3.2 Continued

Municipal Functions	Programs	Involved Entities
Social Development	Food Provision	Local Social Welfare ICBF, IDEMA, NGOs
	Housing	Municipal Housing Physical Planning, Planning and Prevention Committees, INURBE, SENA, NGOs Ministry of Environment
	Health and Environment	Secretary of Health, NGOs, Public Services Enterprises Local Environmental Office, Ministries of Environment and Health
	Cleanliness and Embellishment	Local Cleanliness office and Committees, NGOs
		Local Planning and NGOs
	Education and Culture	Secretary and Ministry of Education, Colcultura Private Cultural Entities
	Sport and Recreation	Parks, Coldeportes, Metroparks, Compensation Banks
	Communications and Transportation	Transit, Public Works, Valorization, Terminals, Transportation Enterprises
	Energy and Telecommunications	Telecom, Ministries of Energy and Communications, and Public Enterprises
	Child, Young Student, Elderly, Women, Family	ICBF, NGOs, Ministry of Social Security.

Source: Adopted and modified from Domínguez Giraldo 2003

Figure 3.2 Continued

Municipal Functions	Programs	Involved Entities
Economic Development	Generation and Formation of Employment	Sena Incomex Bancoldex Association of Cooperatives Universities
	Technologic Development	Chamber of Commerce Economic Corporations Ministry of Agriculture
Resource Management	Infrastructure 1.Labor Sector 2.Informal Sector 3.Cattle Sector 4.Industrial Sector 5.Commercial Sector 6.Service and Tourism	IFI Umatas Ministry of Economic Development Ministry of Exterior Commerce
	Development of Human Capital	Secretary of Human Development
Resource Management	Physical Resources and Infrastructure	Secretary General
	Financial Resources	Treasury Ministry of Finance
	Productivity	Secretary of Administrative Services
Resource Management	Corruption and Immorality	

Source: Adopted and modified from Domínguez Giraldo (2003)

4. To solve the unsatisfied needs in health, education, environmental sanitation, drinking water, housing, public services, sports and entertainments with special emphasis on children, women, elderly and disable groups as defined by the law
5. To adequately manage environmental resources, following the law.
6. To promote the social and economic improvement of its inhabitants.
7. To achieve all the above goals by its own means or by working in conjugation with other territorial entities (Gutiérrez Giraldo 2003, 14-17 and DNP, CAF, DDTS 2005, 21-22).

The above functions are the general responsibilities of the municipalities, which are to be financed with national transfers and own revenues. However, Law 715/2001—which reformed the Law 60/1993 and, as to June 22, 2007, is scheduled for a hearing in the congress to reform it—details the municipal functions by sector: education, health, housing, environment, sport and entertainment, community development, etc. Below, I list some of the municipal responsibilities by sector, as stipulated by the Law 715/2001.

In the Education Sector

1. To pay salaries to the faculty and administrative staff of the public educative institutions.
2. To pay for education infrastructure, its maintenance, and its public services.
3. To provide education equipment.
4. To promote evaluation and quality of the education services.
5. To pay school transportation where geographic conditions require it.

6. To report annual statistics and financial details on spending by the deadlines established by the Ministry of Education. Failure to report this information leads mayors into disciplinary fault and will be subject to the sanctions dictated by the Unique Disciplinary Code (Código Disciplinario Único, according to Law 734/2002, which modified Law 190/1995), which may lead to the mayor's dismissal. With no annual reports, the current municipal conditions will not be updated; therefore, the locality loses the potential transfers that annually are granted based on population updates (Law 715/2001).

In the Health Sector

1. To formulate, implement, and evaluate health programs in line with the national policies.
2. To manage and oversee the access to service delivery.
3. To identify the poor and vulnerable population and to select the beneficiaries of the Subsidized Regime.
4. To finance and co-finance the affiliation of the poor and vulnerable population to the Subsidized Regime and to efficiently spend the resources earmarked to it.
5. To contract with entities for the health insurances of those in the Subsidized Regime and evaluate the provision of the services.
6. To encourage the affiliation to the Contributive Regime of Social Security among those with the capacity to afford it to avoid evasion of fees.
7. On public health, to evaluate and supervise the quality, production, commercialization and distribution of product for the human consumption.

8. To determine the environmental conditions that affect the municipal population.
9. To evaluate the quality of water for the human consumption.
10. To formulate and implement the actions to promote, prevent and control of mosquitoes.
11. To report annual statistics and financial details on spending by the deadlines established by the Ministry of Health. Failure to report this information leads mayors into disciplinary fault and will be subject to the sanctions dictated by the Disciplinary Regimen (Régimen Disciplinario Único), which may lead to mayoral dismissal. With no annual reports, the current municipal conditions will not be updated; therefore, the locality loses the potential transfers that annually are granted based on population updates (Law 715/2001 and Ríncon 2002).

In Other Sectors

1. Deliver directly or through other entities public services, widen their coverage, and improvement of their infrastructure.
2. To sponsor social housing programs by granting subsidies based on need.
3. To offer technical assistance in the cattle-land sector.
4. To promote association among the small and medium producers.
5. To construct and maintain the vial infrastructure in the rural and urban sectors, including maritime, land and aerial ports.
6. To promote the institutional capability and infrastructure (Law 715/2001).

In addition to the above functions, Law of Municipal Modernization (136/1994) also binds the municipality to actualize its administrative procedures to achieve efficacy,

efficiency, and effectiveness. To actualize them, the municipalities have legal tools, described in the following section.

How to Perform the Municipal Responsibilities

The municipal tools, oriented to achieve efficacy, efficiency and effectiveness, vary along the administrative phases. That is, the municipality has specific tools for the planning, implementation and evaluation phases. Municipal planning “is the process through which we rationally determine where and how to reach a certain point” (DNP, CAF, DDTS 2005, 37). “By planning, the manager seeks solutions to needs and problems by directing actions toward the achievement of goals and objectives” (DNP, CAF, DDTS 2005, 37). It is considered the key phase in municipal administration because from it flows the implementation and evaluation phases. For planning to be successful, the following criteria must be taken into consideration: information, strategic vision, integration of all sectors, effective participation, efficient management of resources, association with other municipalities, adjustability and evaluation (DNP, CAF, DDTS 2005, 38). The mayor with his/her respective department head of planning does this planning.

Municipal Planning

Within the planning phase, the municipalities have three tools. The first planning tool is the Plan of Territorial Arrangement, a long-term tool of nine or 10 years. This tool allows the municipality to physically rearrange its territory according to its potential

social, economic, and environmental development.³⁵ The second tool is the government plan, which is designed by all the mayoral candidates when registering their candidacy. This plan becomes the contract that the candidate signs with the community.³⁶ Indeed, citizens can revoke his/her mandate when the mayor deviates from the plan de government (Wilches 2003)³⁷. In personal interview with Fernando Enciso Herrera, Management Advisor for the Colombian Federation of Municipalities, he argues that during the last administration (2004-2008), citizens have filed roughly 50 revocations of mayoral mandate. However, no revocation has been successful in the referendum for the “yes” or “no” to the revocation.³⁸

The third planning tool is the development plan, which is elaborated annually by each municipality and submitted to the Departmental Planning Office. In it, the municipality defines the goals, policies, objectives, strategies, programs, and projects for the coming administrative year. The development plan must be specific in including the

³⁵ The deadline to submit the first Plan of Territorial Arrangement to the specific Regional Autonomous Corporation (such as CORPONOR in Norte de Santander, the department under study) was 2002. However, given some environmental issues with some areas, 77 municipalities failed to do so (I am grateful to Fernando Enciso, Municipal Advisor at the Colombian Federation of Municipalities, for providing me this information). Each plan is to be submitted every ten years and failure to do so leads the mayor to incur into disciplinary faults whose sanctions are dictated by the Unique Disciplinary Code (Law 734/2002).

³⁶ In elaborating their government plan, most of the interviewed mayors reported having contracted the services of someone else to elaborate the plan—a person that although knowledgeable of the requirements, might not know details of the municipality. Indeed, one individual elaborated the government plans for five mayoral candidates from different localities.

³⁷ However, citizens lack information of government plans. In three localities, I asked some dwellers (10 in total) about the content of their mayor’s government plan, but they failed to respond.

³⁸ One of the most recent failed revocations was against the mayor of Cali, Apolinar Salcedo. In March, 2006, citizens of Cali collected 118,00 signatures (surpassing the needed 40% of the obtained votes in his election, which was 180,736) (Alvarez 2006). In the Cali case, there was not citizen consultation because the *Registraduría Nacional* (Register Office) verified that only 38,000 (and not the originally collected 118,000) were valid (“No prosperó 2006). However, in the other failed revocations, municipalities have indeed held citizen consultation; however, none has been successful. These attempts demonstrate that Colombian citizens indeed use this democratic mechanism. This is a topic that deserves more attention; unfortunately, it is out of this dissertation’s scope.

projects that will take place, the direct and indirect beneficiaries, as well as the indicators that permit evaluating the achievement of the goals.

The development plan is one of the key tools in the local administration, and mayors are taking it more seriously. In fact, municipal efficacy is measured in terms of how many of the goals outlined in the development plan were accomplished. That is why it is important to know the precise socioeconomic description of the population in order to set up the municipal goals. Indeed, municipalities possess a valuable means to acquire this precise information, the SISBEN Index. The SISBEN Index is an indicator to identify and classify the potential beneficiaries of the social programs. It reports a value between 0 –100 per family. A family is poorer the closer its value is to 0, and richer the closer its value is to 100. Employees in the municipal planning office receive training on how to collect this information and on the standards to classify families, from 0 to 100, based on their responses. An accurate assessment of the number of poor families should be included in the development plan in order to target social spending toward them. Although all levels of governments participate in it, it is the municipality, which implements SISBEN identification. The SISBEN Index is useful because it allows the municipalities to 1) identify and classify the population with less economic resources, then to prepare the development plan taking them into account; 2) improve the design and strategy of the programs and projects of social development; 3) select faster and more efficiently the beneficiaries of the programs; 4) have a permanent base of data, and 5) facilitate the evaluation of targeting (DNP, CAF, DDTS 2005, 44-45).

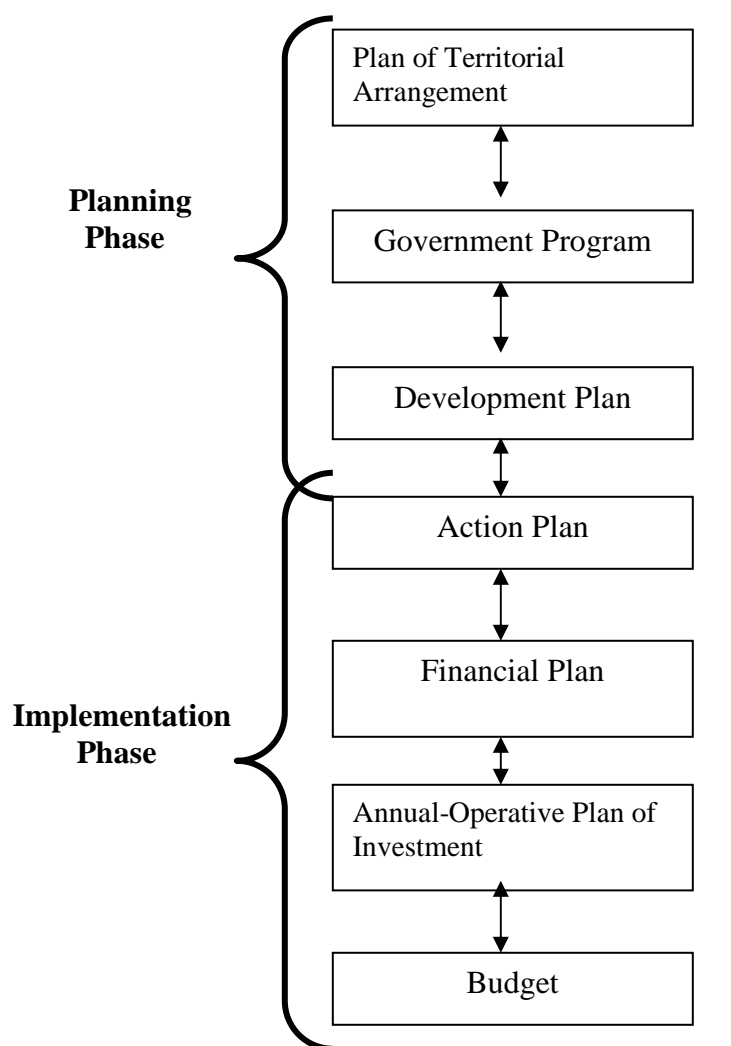
If the mayor fails to submit the Development Plan during the first four months of the administration, this leads to penalizing faults, and according to the Unique Disciplinary Code (Law 734/2002), the mayor can be sanctioned with dismissal or suspended for certain period of time. In addition, without a development plan, there are no indicators to evaluate the municipal administration—recall that it is done based on the goals established in the development plan. And the lack of performance indicators leads to loss of national transfers, which are partly dictated based on the municipal, administrative efficiency.

In sum, municipalities achieve efficacy by having good planning, which is achieved with three tools: territorial, government, and development plans. Besides efficacy, municipalities also have to achieve efficiency during the implementation phase.

Municipal Implementation

While efficacy is related to the planning phase, efficiency occurs in the implementation phase. After designing its planning phase, the locality enters into the implementation phase to execute what was outlined in the development plan. To implement its objectives, the municipality has five legal tools. Figure 3.3 depicts the legal tools for municipal planning and implementation. The first implementing tool is the action plan. With it, the department heads and/or mayoral dependencies annually detail the actions and projects to achieve the goals established in the development plan. According to Covo (2000), the action plan must derive from the exchange of ideas between the mayor and his/her closest collaborators to integrate everyone's knowledge

Figure 3.3 Legal Tools for Municipal Planning and Implementation



Source: Adopted and modified from DNP, CAF, DDTS (2005, 39).

and expertise, as well as, to commit all of them to the projects. The second tool is the financial plan to establish the goals in revenues, spending, and investments. The third planning tool is the annual-operative plan of investment, which schedules the annual investment, relating the projects by sectors and programs; it must be in tune with the objectives of the plan of development. The fourth tool is the bank of projects, which

compiles all the programs, by sector, to be implemented. Failure to submit information on these plans to the Departmental Controller leads to disciplinary sanctions for the mayor, ranging from fines, suspension to dismissal (Unique Disciplinary Code Law, 734/2002). The final implementing tool is the budgeting process. The next section, therefore, addresses municipal finances.

Municipal Finances

To accomplish the objectives outlined in the development plan, the municipality has to implement the action plan. In carrying out the action plan, the municipality has several financial resources. First, the municipalities' own resources derive from property tax, industry, and commerce tax. These taxes constitute the key source of municipal finances. Yet in most of the municipalities, "tax collection is so low that it does not justify having the infrastructure and the staff to collect it" (Betancur 1989, 63, author's translation).³⁹ Second, the municipality has resources from royalty privileges (*regalías*); certain municipalities receive this in exchange for exploiting nonrenewable-natural resources. According to article 14 of the Law 756/2002, ninety percent of this money is to finance projects of health, education, drinking water, environmental sanitation, and electrification. Five percent is to finance operational costs generated by these projects, and the remaining 5% is to finance the supervision (or auditing) of these projects. The third municipal financial resource comes from the General System of Participations (SGP)⁴⁰: These are the resources that according to the Law 715 of 2001

³⁹ As mentioned in the first part of this chapter, failure to collect the stipulated amount leads to municipality's loss of its current category, therefore, descending in the category ranking.

⁴⁰ The General System of Participations derives from three sources: the *situado fiscal*, Education Compensation Fund, and participation of the nation's revenues.

are transferred to the municipalities, departments (states), districts, and indigenous territories to finance their development. These resources are stable and permanent by means of monthly transfers. The fourth channel of financial resources is credit, but to apply for credit, the municipality must have the capacity to get indebted, which depends on each municipality's specific situation. Rules also changed, making municipal access to credit tougher. A fifth source of finance is through co-financing with national or departmental governments. These resources, however, are earmarked to finance specific projects. Finally, the municipality may also receive resources from national and/or international donations, which is uncommon (DNP, CAF, DDTS 2005, 48-50).

The municipal spending goes to three areas: to pay both debt and operational costs and to invest (to accomplish the objectives of the development plan). In spending, the municipality must follow the guidelines stipulated by the General System of Participations (SGP). See figure 3.4 for a complete description of the municipal transfers and the proportions of spending assigned to all sectors. To carry out spending, municipalities elaborate their budget based on all the planning and implementing tools. The municipal administration approves the budget, then the municipal council approves it (or objects), and, finally, the mayor approves or rejects it. After this, the mayor may

Figure 3.4 Sector of Destination of the Monies Transferred from the Central to Municipal Governments

General Concept	Beneficiary Sector, Group or Area	Destination
4% Special Targeting	0.52% Indigenous Territories	
	0.08% for municipalities located along the shoreline of the Magdalena River	
	0.5% School Alimentation	
	2.9% FONPET (forced saving for retiring-pension system)	
96% Multiple Purposes	58.5% for Education	Service provision
		Quality: maintenance, construction etc.
	24.5% Health	Subsidies
		For people with no subsidies
		Public Health
	17% General Purpose ⁴¹	28% Free Assignment ⁴²
		Functioning, Investment, Paying Debt
		72% Forced Investment ⁴³
		41% Water
		42% Free Investment
		10% FONPET
		4% Sport
		3% Culture

⁴¹ No all the municipalities receive this 17%. Indeed this 17% derives from 20% basic to all the municipalities, and the remaining 80% derives from 40% according to the unsatisfied basic needs, 40% from urban and rural population, 10% for fiscal efficiency and 10% for administrative efficiency.

⁴² For municipalities of 4, 5, 6 category.

⁴³ For municipalities of 4, 5, 6 category and 100% for the other categories (1, 2, 3, special).

introduce certain modifications: detailing, freezing, reducing, and transferring monies within each program without the municipal council's approval. However, for additions, fusion of programs, and transfers across different programs, the mayor needs the municipal council's approval.⁴⁴

To implement programs and to achieve efficiency, municipalities may use additional tools. One of them is associating with other municipalities to jointly provide public works, or to pay for administrative services, such as advising (Amador et al. 2004). To create an association, the mayor requires authorization of the municipal council, and the municipality cannot belong to a metropolitan area (Law 136/1994). Amador et al. (2004) suggest that by associating, municipalities will retain their autonomy, instead of losing it, as the gains in efficiency increase their legitimacy.

Public Finances in the Colombian Municipalities

Unlike the United States, most of the Colombian municipal spending is financed with the transferences from central government mainly because it has the greater capacity to collect taxes—despite still being incompetent.⁴⁵ The Colombian municipalities earn their financial resources from five sources: royalties, private credit, their own tax collection, moneys derived from the sales of their own assets and/or service provisions, and the transfers from the General Participation System—*Sistema*

⁴⁴ Bird and Fiszbein (1998, 187) contend that Colombian local governments now have more resources than they had before Law 60/1993 (modified with Law 715/2001), but this has been at the expense of freedom in terms of deciding how much should be spent on each sector.

⁴⁵ Colombia should be receiving 23 billion pesos more in taxes (Charry 2006).

General de Participaciones (SGP).⁴⁶ The SGP represents the main source of financing for social service provisions, and it is constituted from resources that the central government transfers to the territorial entities. The transfers are based on the following percentages. Four percent is distributed in the form of special assignments,⁴⁷ and the remaining ninety-six percent is distributed among all the Colombian municipalities (1,098), allocating 24.5 percent for health, 58.5 percent for education, and 17 percent to cover unsatisfied basic needs and for urban and rural infrastructures.

Unlike the earmarked transferences, municipal monies collected from taxes, royalties, and service provisions can be spent in any sector. Based on both their revenue collection power and their population, municipalities are classified into seven categories—especial, 1st, 2nd, 3rd, 4th, 5th, and 6th—this categorization is also the base to for mayors' salary. Tax collection is highly prized in Colombia due to citizens' failure to pay taxes. Mayors must resort to several incentives to promote tax payment and thus to gather the necessary revenues to keep their category; otherwise, they might be required to descend one categorical level.⁴⁸ These reasons make tax collection a good indicator of fiscal performance. Generally, the taxes collected from property represents the main source of municipal revenue.

⁴⁶ It is part of the Colombian Intergovernmental System of Transferences. It transfers to the territorial entities according to the articles 356 and 357 of the 1991 Colombian Constitution—then reformed by the Legislative Act 01/2001 and ruled by the Law 715/2001 (Departamento Nacional de Planeación 2005).

⁴⁷ This four percent, in turn, is distributed into school nutrition (0.55 percent); municipalities that have indigenous territories (0.52 percent); municipalities that are located on the riverside of the Magdalena river (0.08 percent); and the Fund of Territorial Pension (2.9 percent).

⁴⁸ The 2005 Colombian report on the municipal tax collection performance reveals a considerable increase in the municipal revenue (Montenegro 2006).

A municipality covers its operational costs with monies coming from its own revenues, and these costs must not exceed a certain percentage of its total revenues. The restriction makes operational costs an inappropriate indicator of fiscal performance. On the contrary, municipal investment on social programs aptly assesses fiscal performance. Municipalities invest the GSP transfers within the earmarked sectors—health, education, nutrition, infrastructure, and unsatisfied basic needs (sewage and water). Although they are required to invest the money in these specific sectors, they may choose not to spend it all. In addition, if some revenues are left after paying for the mayoral operational costs, municipalities might decide to invest it on any sector: health, recreation, education, nutrition, entertainment, etc.

Concerning municipal deficits, Law 136/94 prohibits mayors from ending the year with a deficit. This ban makes deficits unsuitable as indicator of fiscal performance, as there is little variation across municipalities. With this law, the government sought to cut past serious overspending. According to the Colombian National Department of Planning (Montenegro 2006), the Colombian municipalities closed the 2005 fiscal year with a surplus of 370.000 million pesos (roughly 148 million dollars). Municipalities also have restraints regarding becoming indebted to private banks and/or public financial entities. According to article 364 of the Colombian Constitution, municipalities cannot exceed their capacity of debt. Hence, to become indebted, the law demands an annual percentage of savings greater than the payments of interest in addition to having moneys for investment (see also Laws 358/1997 and 795/2003).

Municipal Auditing, Evaluation, and Verification

After implementing the action plan with its respective bank of projects and programs, the municipality undertakes the control, evolution, and verification phase. Within this phase, the municipality assesses its effectiveness in relation to external and internal customers (Domínguez Giraldo 2003, 159). In determining its effectiveness, the municipality has several tools: internal and external control, external evaluation, and citizens' verification.

A. Internal Control or Self-control

Article 1 of Law 87/1993 stipulates as internal control “the integrated-organizational system and the group of plans, methods, principles, norms, procedures, and mechanisms of verification and evaluation adopted by an entity. They seek to ensure that all the activities of the entity follow the legal and constitutional norms.” According to the National Department of Planning, Andean Corporation of Fostering, and CAF and Direction of Sustainable-Territorial Development (2005) the culture of self-control plays a key role in the functioning of the entity and its efficiency. Indeed, “self-control is a measure of the public manager to guaranteed the achievement of his/her objectives”(DNP, CAF, DDTS 2005, 33). Self-control cannot be performed by external agencies but, as its name implies, by the employees of the entity; however, it can be done in collaboration with a specialized external agency, but the decision must come from the organization, that is the mayor (DNP, CAF, DDTS 2005, 35). This internal auditing is voluntary; however, lack of skilled staff impedes poor municipalities from carrying it out. In addition to self-control, municipalities undergo external controls.

B. External Controls

The mayors must send monthly and annual reports on municipal accounting to the Departmental Comptroller. Mayors also send reports to sectoral entities. For instance, mayors report to the Ministry of Finance information on budgeting and management of the transferred monies, they also report to the Ministry of Education the usage of money transferred for educational purposes; etc. (Peñaranda 2005, 27-28). All these control entities determine whether the municipal administrators fail to comply with the rules and are subject to 1) fiscal responsibility (misuse of public money); 2) disciplinary responsibility (wrong behavior); and 3) penal responsibility (grave conduct or crime). These faults are not exclusionary, for example contracting with someone, who is not allowed, violates penal responsibility and is punished with prison. In addition, “it is a penalizing fault punished with dismissal, and if the contract affected the public money, it is a fiscal responsibility problem which is punished by returning the monies”(Peñaranda 2005, 29; author’s translation). Besides the internal and external mechanisms of control, and in the last three years municipalities have also been subject to evaluation.

C. Municipal Evaluation

Since 2004, the national government, through the National Department of Planning, implemented four indicators to assess municipal public management. Efficacy, for instance, measures how many of the objectives outlined in the plan of development the mayor carried out (this is for all the sectors, roughly 24 competencies). Efficiency, the second indicator, compares the cost of what a mayor did relative to the costs of

performing the same task in other municipalities. In education, for example, the evaluators add all the square meters in physical infrastructure, the money invested in education, and the number of teachers per municipality. Then, evaluators generate the amount spent per student registered—that is, the number of registrations/square meter, per professor, and per invested money (Porrás 2005, 25-26).

In addition to the efficacy and efficiency indicators, the evaluators assess whether the mayor spent the mandated proportions of monies in the assigned sectors, that is were monies for education spent on education issues, and so on. From this, they report a value for complying with legal requirements. The fourth indicator is about administrative and fiscal efficiency. Fiscal efficiency means to produce the most with less operational costs. Administrative efficiency assesses the degree of personal stability, guidelines for contracting, professionalization of employees, and the degree of systematization. The evaluators also take into account external variables. Indeed, given the context, municipalities operate in, evaluators control for guerrilla and paramilitary presence, as well as distance from the capital, and transportation access. After controlling for these external factors, the evaluators aggregate all the individual values to construct a synthetic indicator ranging from 0 to 100: the closer to “100” the better and the closer to “0” the worse public management (Porrás 2005, 25-26).⁴⁹ The report of this indicator, however, is unknown by most of the municipal dwellers because there are mayors who are uninterested in keeping their communities informed about municipal

⁴⁹ The DNP also notes that in addition to the contextual factors, other variables seem to matter for public management. Specifically, the DNP refers to the type of relationship between the mayor and both councilmen and the community (DNP, CAF, DDTS 2005, 68). However, the DNP has no data on that.

performance (Porrás 2005). Communities, however, can legally count on several other mechanisms to verify municipal performance.

D. Verification: Municipal Mechanisms for Citizens' Participation

According to Gaviria (1989, 29), “[i]n creating policies and evaluating the local programs, one of the most important roles of the mayor is to achieve participation from the communitarian and private organizations as well as from the different governmental sectors.” In fact, mayors can encourage citizens’ participation through several channels.

- 1) The Territorial Council of Municipal Planning (CTPN): Law 152/94 stipulates that the CTPN participate not only in the elaboration of the development plan, but also in the implementation and evaluation of the plan. Although they do not have administrative, financial or technical autonomy, the National Department of Planning, through the corresponding territorial entity, will provide the administrative and logistic support.
- 2) Boards of Local Action (JAL): these are channels of participation whose purpose is to analyze and solve community problems. A JAL must be comprised of a minimum of 60 (at the urban sector) or 25 (in the rural zone) elected members. Despite their potential, they have not been organized in most of the municipalities, mainly because they tend to overlap in functions with the municipal council. As mentioned earlier, Councilmen do not promote their creation, as they look them as power rivals.
- 3) Public Service Oversight Boards: created by the national government to oversee the provision of public services when they are not administered by decentralized

entities. They report to the mayor, ombudsman, and the municipal council anomalies in the provision of services.

- 4) Civic Oversight Entities (*Veedurias Ciudadanas*): oversee any project or program financed with public resources. Although created with Law 136/94, it was not until 2000 (Law 563/2000) that they become mechanisms to oversee public administration. They perform several functions: auditing public resources, participating during all the public management process, formulating policies, programs, and budget recommendations, overseeing the budget, assessing results, evaluating responsibilities, and even, promoting fiscal investigations of all political, administrative, and judicial entities⁵⁰ (Quintero Torrado 2000). The *veedurías* can even oversee other control entities, such as Comptrollership, Procuratorship and Ombudsmanship. While the control agencies act after the facts, the *veedurías* act both before and after the fact. The nature of *veedurías* is collective or institutional; any two literate people are enough to create one, any non-profit organization can do it after filing an act of creation in the ombudsmanship or chamber of commerce of the respective jurisdiction (Quintero Torrado 2000). Through *veedurías*, citizens concrete their participation, no longer resorting to politicians to mediate between them and authorities because citizens can do it on their own as a “civic overseer” (Quintero Torrado 2000, 1).

Unfortunately, and as mentioned before, citizen are often too discouraged to form

⁵⁰ *Veedurías* can also oversee private entities when they manage public resources (Law 563/2000). Sometimes, they have to sign off on the reports sent to the control entities or for the mayor to get the co-participation transfer from the central government.

veedurias. Dr. Portillo, the ombudsman of the municipality of Chitagá, says that people are more inclined to form *veedurias* to oversee health programs, as they feel that this issue pertains more to them. This is a question that deserves more study to reveal the mechanisms leading to people's engagement in oversight role.

- 5) The Municipal Councils of Rural Development (CMDR) are the biggest group among the local authorities, the rural communities, and the public entities in terms of rural development. They prioritize studying and identify the needs, solutions, and projects in rural communities. They also participate in the formulation of the development plan, the plan of rural development, the cattle and land program, oversee the functioning of the Municipal Units for Technical-Land and Cattle Assistance (UMATAs), and approve the municipal plan of agrarian reform. They also participate in the formulation of the plan of basic health attention, and the municipal plan of health.
- 6) Communitarian Participation Committees, COPACO: they participate in programming, auditing and evaluating health services, as well as in presenting priorities, plans and programs to the Board of Health.
- 7) The Alliances or Associations of Peasant Users: advocate better infrastructure, technical assistance, and oversee the distribution of resources targeted to rural development (DNP, CAF and DDTS 2005).

In sum, citizens have many channels to participate, audit, evaluate and verify public administrations, a topic that, unfortunately, is beyond the scope of this

dissertation. Whether they take advantage of them is another issue, which deserves more study. Indeed, little is known about how their usage varies across municipalities.

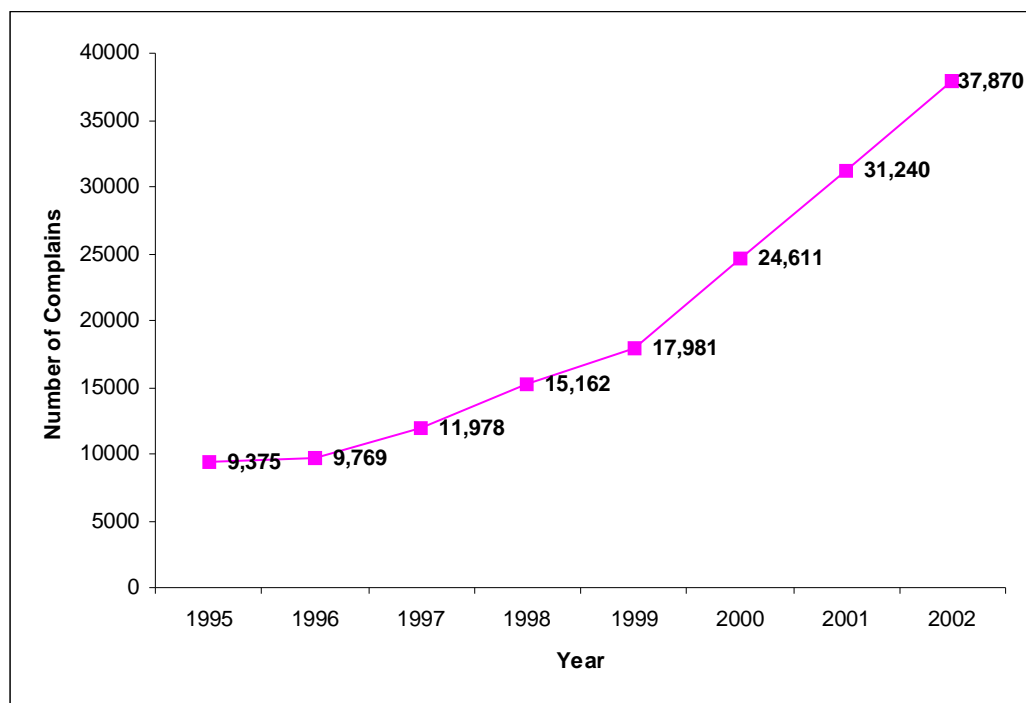
Municipal Corruption or Administrative Ignorance?

The Colombian municipal administration does not escape from corruption charges. In the Procuratorship General, the number of complaints against subnational officers increased from 9,375 in 1995 to 37,870 in 2002 (see Figure 3.5 for a sequential increase of complains at the subnational level). From these numbers, 51% are against municipal officers with mayors and councilmen ranking in first and second place. Indeed, the entity with greater risk is the mayoralty with 42.43% of the total complaints, receiving an annual average of 1, 229 penalties or sentences—considerably greater than 76 for departmental assemblies and 167 for governorships (Peñaranda 2005, 14-17). This is supported by Garay Carrillo's (2003, 42) report outlining that during the administration of the first elected mayors, 373 out of roughly 985 were incarcerated. By department, the number of complaints ranges from a maximum of 602/year in Santander to a minimum of 29 in Guaviare and Norte de Santander—the department under study in this dissertation—with an average of 159 cases. From the 159 cases, the capital, Cúcuta, registers an average of 31 cases per year, ranking 13 at the national level—Bucaramanga tops the list with 93 and Bogotá, the national capital, has 56 (Peñaranda 2005, 14-17).

While some condemn decentralization for increasing fraud, others defend it for reducing corruption. Although Dávila Ladrón (1996) is uncertain about the relation between political decentralization and corruption, he suggests that it may increase corruption for two reasons. First, the difficulty of maintaining power—due to no

reelection—encourages those in power to take the most they can; and second, the open access to other groups, such as the guerrillas, may lead to armed clientelism, which goes in hand with corruption.⁵¹

Figure 3.5 Complaints, Investigations, and Sanctions Against Subnational Public Officers



Source: Peñaranda 2005, 14-17.

Others, however, defend decentralization for reducing corruption. Rojas et al. (1996), for example, contend that decentralization encourages transparency through several mechanisms: participation, assembling, deconcentration, and greater interaction between public and private sectors. Rojas et al. specifically refer to the centers of local, integral attention in Cali, Colombia, emphasizing their key role in deconcentrating

⁵¹ According to Leal and Dávila (1991, 47), clientelism is the use of public resources for political ends while corruption is the illegal appropriation of public resources. Due to this, Dávila Ladrón (1996, 56) affirms, “it is difficult to know when the appropriation is for political ends or not.”

administration and involving the community. Rojas et al. (1996) also list the comparative advantages of the municipalities in terms of preventing corruption. The advantages include receiving direct demands from citizens, better quantification of costs, beneficiaries, and changes in their distribution, greater citizens' identification and more control over new projects and municipal employees. However, given citizens' apathy to participate, these benefits may vary across municipalities. Finally, in municipalities, mayors can easily consolidate cultural identity, integrate municipal associations and mobilize human and institutional resources, which is necessary for medium and long-term sustainability of projects. Like Rojas et al. (1996), Eastman (1996) also defends decentralization as the necessary tool to promote social issues and nationality. According to him, decentralization permits targeting the state's actions toward the poor and generates a sense of belonging, which is scarce in Colombia.

However, not all point to mayors' corruption as the main source of the large number of complains and legal sanctions. The Colombian ex-president Alfonso López Michelsen (2000, VII), for instance, asserts that the main source of mismanagement is not corruption but ignorance. He argues that with "the significant number of mayors in prison and others under legal investigation, it is simple to point at their dishonesty. However, it is not so in all the cases. On the contrary, it is the result of a most common problem: their ignorance, as they know neither the legislation nor the elemental principles of accounting and budgeting" (2000, VII).⁵² Like López Michelsen, the Colombian Federation of Municipalities contends that most of the investigations derive

⁵² See Peñaranda (2005) and Becerra Santamaria (1997) for details about mayors' penalties, inabilities, incompatibilities, prohibitions, sanctions and punishments.

from mayors' and councilmen's ignorance of the legal procedures in terms of public resources, collections, management, and elaboration of contracts and not due to corruption (Peñaranda 2005, 10).⁵³ Peñaranda (2005, 9) also suggests that the increasing number of legal investigations at the municipal level can be due to both corruption and mayoral ignorance of the legal procedures.

The above discussions suggest once more the need to have qualified municipal managers, that is, qualified mayors. By having mayors with both qualified educational background and job-related experience, we should expect a reduction in the number of legal complaints, which would result in more time for mayors to dedicate to administrative tasks. Moreover, knowledge and experience of the mayors would enable them to teach, advise, and direct other municipal officers, who are always in need of training. Indeed, in a survey conducted in 1996 among the 587 mayors that attended a conference of mayors and governors, mayors ranked their top priority needs as follow: 100% the presence of professional and technical staff to train them and local employees, 68.8% to have more budget resources, and 42.2% to have more co-financing (Eastman 1996).

Whatever the cause of complaints against mayors—corruption or ignorance—the national government has taken some measures to guarantee administrative transparency. In doing that, the Colombian Corporation of Transparency implemented the Index of Municipal Transparency (ITM). To create this index, the Corporation gathers information from several sources: 75% comes from municipal reports, and the remaining

⁵³ See Campillo Parra (2004) for a complete guide to how to create and implement state contracts.

25% derives from the departmental comptrollership, the National Department of Planning, the Auditorship General, the Superintendent of Public Services, and the Administrative Department of the Public Function. The ITM aggregates values from three indicators. The institutional factor, the first indicator, measures whether the municipality follows the regulating norms for planning and implementation of projects. The second indicator, accounting and visibility factors, assesses whether the municipality submits clear and timely information on the local accounting to both citizens and auditing entities. The third indicator, citizens' participation factors, evaluates mayors' inclusion of citizens in planning, implementation, and overseeing projects. The index reports five values: high, medium-high, medium, low and very low. For the first ITM, created with the 2004 information—146 municipalities voluntarily participated. From the Department of Norte de Santander—the one under study—only one municipality did so, Los Patios. As of 2007, the Corporation has not reported the second version of the ITM. Of the 146 participating municipalities, the 2004 ITM report gave medium value to 68 municipalities, low value to 61 and very low value to 17 municipalities (ITM 2006).⁵⁴

The descriptive information compiled above applies to all the Colombian municipalities; however, the next section addresses some general indicators of the department of Norte de Santander, given that the two out of the three statistical analysis employ data from its municipalities.

⁵⁴ So far, no study has been reported as to the systematic predictors of ITM, another topic deserving more attention in future research.

Local Government in the Context of Norte de Santander

The 40 municipalities that constitute the department of Norte de Santander are representative of the Colombian municipalities, as they exhibit the description offered above. In this section, however, I will provide some specifics about the department, in relation to the national context. To test this dissertation's propositions, I selected these 40 municipalities for several reasons. First, they show variance in population size and level of development. Second, they also offer variation in guerrilla and paramilitary presence, the illegal armed groups, which Colombia has had to deal with since the 1960s and 1980s respectively. This variation permits me to test the main proposition under variant, violent contexts. Third, the study of a single department permits me to control for variables specific to that department, such as governor's action and other departmental entities' actions. Fourth, the average number of municipalities was reasonable for me to personally visit them given the financial constraints. Finally, they offer considerable variation on my main explanatory variable: mayoral qualifications. See Table 3.5 for a list of indicators.

By right, all these municipalities belong to the Colombian Federation of Municipalities. Their engagement in national and/or international convocations is relatively low. For example, in the 2006 2nd *Latin American Conference on Local Government* held in Cali, Colombia, 12 out of its 40 mayors participated. Within this department, we find five municipal associations: Association of Municipalities of 1) the Province of Ocaña (Convención, Hacarí, La Playa, Teorama, El Carmen, San Calixto, Abrego, Villa Caro, Cáchira, La Esperanza and two municipalities from the Department

of Cesar: Rio de Oro and González); 2) Bordering Area (Pamplona, Pamplonita, Chinácota, Cúcuta, Villa del Rosario, Los Patios, Bochalema, El Zulia); and 3) on riverside of Zulia River (Salazar, Santiago, Cucutilla, Lourdes, and Gramalote). The

Table 3.5 Social and Economic Indicators of Norte de Santander

	Norte de Santander	National
Population	1,228,028	42,090,502
Urban	946,305	31,566,276
Rural	281,723	10,524,226
Men	608,563	20,668,157
Women	619,456	21,422,345
Households (Families)	299,770	10,731,044
Housings	299,925	10,537,735
Economic Units	43,787	1,591,043
Rural Units	49,861	1,742,429
Households with Computer	9%	10.1% Bogotá: 31% Vaupés: 3%
Insatisfied Basic Needs	30.3%	27.6%
Rural	58.2	31.1%
Urban	22.4	16.2%
Inhabitants without School Assistance	----	3,6%
GDP (2005)	1.72%	100%
GDP/Capita ⁵⁵	1,015,927 (≈ \$508)	1,549,242 (≈ \$775)

Source: Departamento Administrativo Nacional de Estadísticas, DANE (n.d.a,b).

municipal disinterest—due to either lack of information or lack of mayor’s dynamism—for international advising is also low. During the 2006 *II Latin American Conference on Local Government*, for example, the United Nation Development Program offered a

⁵⁵ 1994 Constant prices without calculating PPP in dollars.

workshop in order to advise and promote its local development programs.⁵⁶ Roughly 40 mayors, from different countries, were present in this workshop, but not one from Norte de Santander, except for the director of the Association of Municipalities of the Province of Ocaña, Emiro Cañizares.⁵⁷ With greater mayoral commitment, municipalities may take advantage of the available alternatives.

This chapter offered descriptive information on the Colombian municipalities, as they generate the data to test this dissertation's proposition. The following chapter presents the first empirical analysis on the effect of mayoral qualifications on municipal performance.

⁵⁶ See P.N.U.D. (n.d.) at www.pnud.org.com for complete information about the programs that the United Nations Development Program has in Colombia.

⁵⁷ I acknowledge, however, that 40 is a low number given that the *II Latin American Conference on Local Government* gathered roughly 750 mayors.

CHAPTER IV

MUNICIPAL PERFORMANCE IN SERVICE DELIVERY: THE ROLE OF THE MAYOR

Introduction

This chapter presents the first empirical test of this dissertation's thesis: mayoral qualifications influence municipal performance. To do this, I assess the influence of managerial quality—operationalized with mayoral qualifications: educational background and job-related experience—on two municipal indicators: education coverage and coverage in identifying the beneficiaries of social service delivery (called SISBEN program). Specifically, I draw data from the forty municipalities of the Colombian department (state of Norte de Santander) over six years (2000-2005) to present the preliminary results of the effects of managerial quality on municipal performance in a Latin American setting. Findings indicate that mayoral qualifications—educational background and job-related experience—positively influence municipal performance in terms of education. Yet their positive impact decreases under external constraints.

Colombian Mayor Role on Municipal Performance

The adoption of decentralization gave Colombian municipalities responsibilities, such as the providing of water, primary health care, basic education as well as the promotion of sports, culture, recreation, environmental protection, and low-income housing programs. Consequently, growth, poverty alleviation, and long-term

development become a function of municipal performance. Transfer of the responsibilities, however, came without specific guidelines. Starting from scratch, municipalities must now implement social programs of large scope and magnitude.

To implement programs, mayors must plan, create, design, and manage their organizations and are expected to spend certain percentages of the budget in sectors such as health, education, transportation, etc. As mentioned in chapter III, although mayors are told “in which sector to spend” the money, they have freedom on “how to do it.” Mayors indeed have and resort to authentic strategies in order to implement social programs. Again, here is where mayoral qualifications play a critical role because based on their knowledge and experience, some mayors become more resourceful in improving municipal performance.

For example in the education sector, while most of the mayors spend their education budget on building a school, adding a classroom, providing school lunches for rural students, and/or furnishing school supplies; others are more innovative by taking advantage of extraresources. Several actual cases exemplify how mayors use extra resources in order to expand the coverage of education available to the residents. Some mayors, for example, have recognized the need to teach not only the children but also their parents about the benefits of education. This need derives from the fact that most of the rural parents prefer to have their children at their farms working on the land rather than sending them to school. To teach parents, the mayor of Toledo, Carlos Omar Delgado, holds psychological workshops with the goal of convincing parents of the

benefits of educating their children.⁵⁸ Yet these professional services generate costs to the mayoralty. To avoid these costs, Mayor Delgado asks for support in the form of two or three senior students majoring in psychology at the departmental university. These students must attain a certain number of hours of volunteer service during their last semester in order to graduate, and the municipal arena offers a good opportunity for them to do that. In exchange, Mayor Delgado pays for their transportation and lodging, a good exchange when compared with the professional fees he would have to pay to a professional psychologist. This is a very resourceful mechanism that not all of the mayors employ; indeed, the educational background and experience of Mayor Delgado—a professional lawyer—help him to see opportunities in different arenas.

Another mayor reports that he has opened two rural education centers, which grant high school diplomas in nine rather than eleven years. This modality is highly preferred by a rural population. However, in order to validate and certify these rural education centers, the mayor has to comply with all the requirements that the Departmental Secretary of Education demands, such as providing the location, electricity, advertising, and logistics for registration. These are requisites that demand managerial skills rather than monetary resources. In addition to the rural education centers, and through joint institutional efforts, mayors have available to them two extra programs designed to improve the coverage of education: tutorial learning and tele-high school. The former provides high school classes only during the weekends, a perfect fit for those teenagers who have to work during the week. The tele-high school program is

⁵⁸ Interview by author, Cúcuta, Colombia, January 11 2006.

learning provided through video. To be eligible to operate these programs, including the endowment of equipment and trained staff, the mayor must gather twenty-two students per program and provide the location, advertising, and logistics for registering the students. Again, these requirements demand more managerial skills than financial resources (Delgado 2006).

To cite one more example, it is the mayor who decides whether or not to accept the free Internet service that the Colombian ministry of communications offers to the municipalities. Like the previous programs, the Internet service is provided after the mayor satisfies certain requirements, such as location, advertising, and staff to manage the service. The Ministry of Communications, on the other hand, supplies the computers (no more than six) and trains the assigned staff. Surprisingly, in personal conversations with officials of the ministry in charge of this program, they revealed to me that many mayors reject this service despite the enormous advantages that it provides. Indeed, as recently as mid-2006, from 676 nation-wide municipal offers, 115 had not signed agreements to receive the free equipment, either because they did not want them or because they are unwilling to assume the logistical requirements that were demanded.⁵⁹ In sum, these examples clearly illustrate the key managerial role of the mayor in taking full advantage of the variety of resources available to municipalities in order to improve the coverage of education in their area.

⁵⁹ I thank Hernando Torres Pacheco and Eduardo Rodríguez Garzón, a judicial advisor and a communications consultant, respectively, of the Ministry of Communications in Colombia, who provided these data. Interview by author, Cali, Colombia. June 28, 2006.

The above discussion exemplifies the key role of the mayor in implementing programs, justifying once more this dissertation main proposition: Mayoral Qualification explain municipal performance. Recall the dissertation's main hypotheses:

H1: The higher the mayor's educational background, the higher the municipal performance.

H2: Municipalities whose mayors have had job-related experience have a higher performance than those whose mayors do not.

H3: The influence of a mayor's educational background and job-related experience on performance will decrease under certain external and stress-generating factors.

Besides these hypotheses, and as mentioned before, scholarship on organizational performance offers other political, socio-economic, and demographic explanations, which might explain provision of education and health services. Regardless of the mayor's qualifications, they might be potential influences. Therefore, I test these competing explanations against the managerial quality proposition.

Political Explanations of Program Performance

Political Support

Leaders without political support are unlikely to perform well. In the public sector, as in no other, political support determines a leader's effectiveness and power (Meier 2000, Fernández 2005, Rainey 1997). Political support also involves intergovernmental networks—another determinant of program performance (Agranoff and McGuire 1998, O'Toole and Meier 2004). Political support, however, may derive from above and/or below.

A. Support from Above: In settings where the acquisition of extra resources involves great diligence and negotiation at higher levels, those who enjoy political

support at higher levels are likely to be the winners. Political support from higher-ranking officials, therefore, may add to performance. Riccuci (1995), for example, finds that successful federal executives exhibit strong support from superiors as well as from other key political actors. In school districts, Fernández (2005) also hypothesizes that a school board's support for the superintendent influences school performance. Therefore,

H4: Municipalities where the mayor and governor exhibit the same party affiliation perform higher than municipalities whose mayor and governor differ in party affiliation.

B. Support from Below: A community's support for programs also adds to performance. When managers lack political support from the community—no matter how well designed the programs are—their initiatives are unlikely to succeed. Doig and Hargrove (1990) even claim that successful leadership emerges from constituents' support. Fernández (2005) and Meier and O'Toole (2002) also include community support in their models of performance. In both studies, the influence of community support on performance is statistically significant. At the municipal level, this discussion translates into,

H5: The greater the mayor's community support, the higher the municipal performance.

C. Municipal Council Support: Besides community support, the fate of a program also depends on partisan support for the mayor in the municipal council. Hence, the councilmen either approve or reject the mayor's budgetary proposal for the programs. We would expect, therefore, that the greater the council's partisan support for the mayor, the more likely his or her budgetary proposals will succeed in the legislative

agenda. Studies of the U.S. Congress and state legislatures confirm greater success in the passage of proposals among members of the majority party (Ellickson 1992; Moore and Thomas 1991). At the local level, then, the council's partisan support for the mayor is expected to influence program performance. Therefore,

H6: The greater the mayor's council support, the higher the municipal performance.

Electoral Competitiveness

Other scholars (Key 1949, Holbrook and Van Dunk 1993) suggest that program performance, and in turn, public organizational performance is a function of electoral competitiveness. The electoral competitiveness hypothesis suggests that when elections are tight, candidates and incumbents have incentives to provide more services in order to gain support from many segments of the population (Key 1949). In other words, "[w]here there is little or no competition, parties in power could rest on their laurels" (Sharpe and Newton 1984, 180). The rationale of this explanation should even apply to those political units that exhibit intra-party rather than inter-party competition—e.g. when only one party dominates the electoral arena but several factions within that party compete with each other. Although the party competition hypothesis has received some support (Holbrook and Van Dunk 1993), other quantitative studies of state politics in the U.S. conclude that party competition has little or no impact on the delivery of programs (Dye 1966). These inconclusive results call not only for additional tests to determine the predictive power of the electoral competitiveness hypothesis, but also for tests at the municipal level.

H7: The greater the local electoral competitiveness, the higher the program performance.

Party Affiliation

The left-right ideological position provides another explanation for understanding program and organizational performance. In 1957, Downs suggested that party competition takes place along a left-right ideological spectrum, suggesting that political parties are policy seekers, rather than just vote seekers (Strom 1990, Wittman 1990). Although some question the validity of this one-dimensional scale, the left-right continuum has been used to test several theoretical propositions. Regarding social policies, for example, the debate centers on whether or not parties of the left spend more money than parties of the right (Blais et al. 1993, Swank 2002, Solano 1983), as greater social spending can enhance program performance, at least in terms of widening the coverage. Blais et al. (1993) and Swank (2002) found that parties make a difference while Solano (1983) reports no party effect at all. On program performance and at the municipal level, the party affiliation hypothesis states the following:

H8: The closer the mayor's party affiliation to the left, the higher local program performance.

Oversight Agencies

From the political perspective, scholars offer one more explanation for organizational performance: the oversight hypothesis. This proposition centers on the idea that oversight agencies promote accountability both from elected leaders to the public and from the bureaucracy to elected officials (Blair 2000). Van Waarden (1999), for instance, finds that the stronger the checks on a policy/program's activities, the

greater the inclination to follow the rules, and therefore the better the performance. Multiple oversight mechanisms—elections, the media, civil society, opinion surveys, public meetings, political parties, community participation, and formal grievances procedures (Blair 2000)—can promote accountability to different degrees. However, they have a mutual objective: to protect citizens' interests by enhancing leaders' answerability. The logic of overseeing should apply to both from-above-oversight agencies (from national and state level) and from-below-oversight agencies (at the community level). Given that all municipalities respond to the same number of above-oversight agencies, meaning that there is no variance, I can and will test this hypothesis at the community level only.

H9: The more oversight agencies in a municipality, the higher will be local governmental performance.

Demographic and Socioeconomic Explanations

Target Size and Homogeneity: Population and Inequality

A final factor bears mentioning. Literature on program delivery—the indicator of performance in this research—suggests that program performance is a function of the program design rather than program implementation (Linder and Peters 1988). The policy design hypothesis, in turn, groups other propositions, which stress coherence, context, allocated resources, specificity of sanctions, and the tractability of the policy problem. And each of these propositions can independently predict program success. Without denying their potential explanatory power, I do not attempt to test them, mainly because guidelines of program/policy adopted in local settings in developing countries are seldom available because they may have never been formalized.

I, instead, test another proposition from the policy design explanation, the one related to the size and nature of the target (Durant and Legge 1993). The proposition centers on the size and homogeneity of the group to be benefited by a policy/program. It suggests that the smaller and more homogeneous the target group, the more successful the policy implementation, and, thus more output. The idea behind this thesis is that small and homogenous targets reduce the costs of information and classification of the beneficiaries increasing the chances for greater coverage of a program. Homogeneity of the target group can be assessed either in terms of the distribution of the population (rural and urban) or in terms of the degree of inequality—a socioeconomic factor. In other words, if most of the population lives in rural areas, the more difficult it is for the local government to reach them. Similarly, high rates of inequality might lead to biases in the delivery of programs, favoring those who are not needy. This description leaves us with the following propositions.

H10: The smaller the municipal population, the higher the local performance.

H11: The greater the percentage of people living in rural areas, the lower the local performance.

H12: The greater the municipal inequality, the lower the local performance.

Data Collection and Variables Operationalization

Data collection is the result of field research, which involved visits to the forty municipalities of the department of Norte de Santander, interviews with mayors and ex-mayors, information from mayoral surveys, and copies of governmental documents. Data availability limited data collection to a six-year period (2000-2005). Given the Colombian mayoral electoral cycle—the period under study covers three mayoral

administrations: the last year of the 1997-2000 administration; the three years of the 2001-2003 administration; and the first two years of the 2004-2007 administration.⁶⁰

Unless a municipality had held elections on a day different from the one nationally scheduled (usually in October)—due to extraordinary reasons, such as a mayor's death—the mayoral inauguration is on January 1st. The beginning of the mayoral administration coinciding with the beginning of the calendar year permits associating the annual municipal indicators with a specific mayoral administration.

Measuring Municipal Performance

Kellough (2002) and Murphy and Cleveland (1995) note the difficulty of assessing performance, particularly in the public sector. This difficulty derives from the fact that most of the measures of performance are perceptual, as they rely on employees' assessment of managers' performance, and calls for the adoption of objective rather than subjective measurements of performance in empirical testing. In addition to this, studies in the U.S. heavily concentrate on government spending as an indicator of managerial efficiency; this, in turn, also calls for diversification of indicators assessing performance. Indeed, Boyne (1998a, 1998b) properly cautions us about using government spending as the only proxy of managerial efficiency. Boyne's notion is that "technical efficiency" (the input-output ratio or cost per unit of output) and "allocative efficiency" (the responsiveness of output to citizens' needs and preferences) have different implications on efficiency measures.

⁶⁰ Recall that since 2004, mayors are elected for a four-year period, in contrast to the former three-year period.

Because “...no single indicator can capture the complexities of public organizational performance in the twenty-first century” (Boyne et al. 2005), in this chapter I employ two performance indicators: percentage of coverage of local public education and percentage of coverage in identifying the beneficiaries of social programs (SISBEN), such as health.⁶¹ In other words, from the total number of potential beneficiaries of each program, I employ the percentage of people that actually receives services. I treat these two programs in a single chapter because of their common nature. Indeed, each program delivers a service essential for the human development. These two performance indicators, however, are uncorrelated and exhibit different dynamics. Education, for instance, is provided at the group level, making this program unlikely to be used as an extractor of political interests. It would require, for example, that mayors impose restrictions in the access to public schools, which is not a realistic tactic. Public education coverage then becomes an appropriate indicator to test the effects of management quality on local performance, as it is less likely to be exposed to political manipulations. The Department Secretary of Health in Cúcuta provided Data for SISBEN.

The coverage of education refers to the percentage of eligible clients who actually receive education. The Colombian Ministry of Education employs a standard methodology across all the departments (states) and municipalities to calculate the coverage of education, which makes the measure consistent across the units. The

⁶¹ After identification and classification of the beneficiaries, they start receiving health subsidies and nutritional supplies. SISBEN traces its origin to 1993, but in 2003 it undertook a major reform to guarantee precision in identification and classification. Due to this reform, its measures may not be consistent across time, one more reason not to use it as a performance indicator.

measure is the result of subtracting the number of people registered in primary and secondary schools from the total number of people of school age.⁶² The Departmental Secretary of Education, in Cúcuta, the capital of the department, provided the educational data.

Identification of the beneficiaries of social spending, on the contrary, is a program with a lot of room for political manipulations. The Auditor General of Colombia, hence, stated that the SISBEN was been employed as a tool to benefit political interests (“Contraloría” 2005). Likewise, a Colombian newspaper reported that in the 2006 database of beneficiaries, there were 100 dead people registered, who are still receiving health subsidies, evidencing the usurpation of identities. Moreover, in the municipal council of Cúcuta—capital of the department under study—the councilmen Édgar Díaz denounced the broadening of the coverage of SISBEN exactly one month before the congressional elections. In regard to this, Díaz affirmed, “some have played out at poor people because one month before elections some visited the houses of potential beneficiaries demanding their vote for a specific candidate in exchange for having access to health subsidies” (“Denuncian” 2006, translation by the author). In personal conversations with two councilmen in one of the municipalities of the province of Ocaña, they reported that, of the 5000 new beneficiaries expected, the mayor would distribute them among the councilmen to ensure the passage of his legislative proposals. One of them, however, was disappointed because initially he had been offered 100

⁶² Mr. Asdrubal Mendez, officer of the Secretary of Education of Norte de Santander, informed me that the indicator of coverage of education does not account for the percentage of students who abandon schools. Although a more valid measure should account for that, data on the percentage of dropouts are not available for all the years covered in this study.

coupons but at the end got just part of them (Anonymous 2005). Given this potential for political manipulations, we should not expect support for the hypothesized relationships under this performance indicator. Insignificance and/or incongruence in its findings would reveal the clientelistic nature of its workings. The Departmental Secretary of Health provided the data on the percentage of coverage of the SISBEN.

Although the study focuses on service delivery, which is associated with the dimension of the quantity of output (2002a), the coverage variable is indeed a measure of equity. The equity dimension is one of the sixteen dimensions of performance (Boyne 2002a), and although it has been addressed in some U.S. studies, it remains limited in developing countries (Boyne 2003; Boyne et al. 2005; Forbes and Lynn 2005). In public policy, according to Okun (1975), there is a trade-off between efficiency and equity. The competition between these two goals is clearly illustrated by issues of representation in the school system.⁶³ As Meier et al. (1999, 5) note: “the U.S. education system has often emphasized excellence for the few at the expense of equity for others.”

Other dimensions, such as quality performance, could also be used as indicators of performance. Quality in education, for example, could be operationalized with educational test scores.⁶⁴ In future studies I plan to adopt this indicator. The coverage of electricity is another potential indicator, yet in the local Colombian context, this indicator would assess the performance of not only the managerial role of the mayor but also the performance of both the Departmental Electricity Company and the National

⁶³ Most of those concerned with minority education use as a starting point the theory of representative bureaucracy.

⁶⁴ Although data on the test scores are available for the last three years, data on other variables related to education quality—such as number and quality of professors—are not.

Fund of Rural Electrification (FAER).⁶⁵ In other words, it would be an indicator of intergovernmental performance rather than municipal performance.

Given the previous explanations for the Colombian context, the coverage of education seems to be the most appropriate indicator to assess municipal performance. Besides being an objective measure, it is consistent across time and units and varies across units. However, despite being susceptible to political manipulations, I also employ the SISBEN program as a second municipal indicator of performance.

Measuring Mayoral Qualifications

The field research collected data on two mayoral qualifications: educational background and job-related experience. Data on other mayoral skills, traits, and behavior styles were not collected, mainly because they would have been based on subjective rather than objective assessments. In addition, in most of the municipalities, the assessment of the administrative staff of the mayor is linked to political affiliations. I was only able to collect additional information for the current mayor (in 2006), such as their previous job-sector background, political aspirations, because I had personal contact with all of them.

The mayor's educational background is one of the two mayoral qualifications assessed in this study.⁶⁶ Where available, I consulted the mayors' vitae. But in most of the cases, I had to conduct personal visits and interviews in each municipality to collect

⁶⁵ Initially, I controlled for electricity coverage as an indicator of municipal development. However, I removed it because it can be another measure of performance, which may confound the results.

⁶⁶ Some might suggest that mayors' educational backgrounds might be systematically biased in those municipalities with better access to superior education. But several cases exclude this possibility: for example, the current mayor of the capital of the department has only a primary education, while mayors from very distant municipalities have university education.

this information for the current and former mayors. I coded answers into eight categories: incomplete primary, complete primary, some high school, high school diploma, technical/associate degree, some university/ college, bachelor degree, and master's degree. Because the metric difference between each degree is not the same, I aggregated these categories into three related dummy variables. The *primary* dummy includes all the mayors with incomplete or complete primary education. I leave this dummy out as the base grouping. In the sample, 10.13% of the mayors are within this category. The *secondary* dummy includes all the answers indicating an incomplete or complete high school education; 36.66% of the mayors are in this category. The *post-secondary* dummy includes all the answers containing any year(s) of post-secondary education, including technical or associate degree, or an incomplete college response, complete college, and master's degree; 53.21% of the mayors belong to this group. Although a continuous variable for the exact number of education years would have been more appropriate, I chose not to do that. As mayors' vitas were not available, I had to rely on verbal talks with ex-mayors and, in most of the cases, with ex-mayors' relatives because either the mayor had passed away or had moved to other city. This information was precise on the level of education (primary, secondary or university) but not on the specific number of years within each level. For this reason, I collapsed the educational levels into three broad categories. However, I recognize that the educational qualifications of someone with only one year of post secondary education are different than educational qualifications of a person with a graduate degree. Nevertheless, the measurement error on this key explanatory variable is expected to bias its estimated

coefficient toward zero (Greene 2003, 85-86), reducing the potential impact of my proposition rather than overestimating it.

Information on previous professional experience is a measure of a mayor's job-related experience. Again, where available, I consulted the mayors' vitae. But in most of the cases I had to conduct personal visits and interviews in each municipality to collect this information. Mayors, ex-mayors, and ex-mayors' relatives were asked about the mayors' previous professional experience. I created three dummy variables that group the information. The *local* dummy received the value of "1" if the mayor had had any kind of administrative expertise at the local government— secretary, treasurer, councilmen, ex-mayor, etc.—otherwise the value of "0" was assigned (63.18% in the sample). The *departmental* dummy was coded "1" if the mayor had had any administrative expertise at the departmental and/or national level, otherwise "0" (24.88% in the sample). The *ex-mayor* dummy was given "1" for those with previous experience as mayor, otherwise "0" (21.62% in the sample).

Other Measurements

The external constraint, in this case a stressful situation unrelated to the mayor's job, is expected to interact with education and job-related experience. The presence of both guerrilla and illegal armed groups are obstacles that Colombian mayors have to face during their administration. The presence of these illegal groups represents a tense situation for mayors since mayors are often subject to their demands, even threats, if their material or financial demands are not met. According to the United Nations Refugee Agency, from 1993 to 2004 Colombian illegal armed groups killed 800

officials, including mayors, councilmen, and mayoral candidates. On January 27, 2007, seven of the mayors that I interviewed were absent from their municipalities due to threats issued by the Front 33 guerillas of the FARC (Revolutionary Armed Front of Colombia).⁶⁷ The seven mayors even renounced their positions, but the governor declined to accept them on the grounds that illegal pressures motivated them rather than their own will (“Alcaldes” 2007). As a response, the army commander of the region activated the Grandfather Plan in order to increase public forces in the municipalities. Nevertheless, the absence of the mayor creates interruptions in municipal routines, which also affects municipal performance.

Since illegal armed groups inhabit rural areas, peasants have no option but to move to the closest urban municipality. That, by itself, does not guarantee total security, but it does provide more protection. The number of people displaced by violence who migrate to each municipality’s urban area is an indirect measure of the presence of illegal group influence in a municipal area. Rather than using a dummy variable for the presence of illegal groups, this continuous measure quantifies the intensity of the tense situation. The values are per year and per municipality, and the staff of the branch of the Observatory for Human Rights, located at the governor’s office in the capital of Norte de Santander, provided this information. Values ranged from 0 to 14,327 people (see Table 4.1 for summary statistics of all variables). I log this variable to reduce the problem of skewed data. After it is interacted with the mayor’s educational and job-related

⁶⁷ They were the mayors of Convención, El Carmen, El Tarra, Hacarí, La Playa, San Calixto, y Teorama.

experience, a negative coefficient for these interactions would provide support for the hypothesized effect.

Electoral competitiveness refers to the difference in the votes of the mayoral elections between the winner and the second candidate. The expectation is that the smaller the difference, the better the performance. A negative coefficient would then support this hypothesis. The values are given in percentages and range from “0” (in a particular case, the municipality of Salazar, in which elections results were tied and a coin toss determined the elections) to 90%.⁶⁸ The *Registraduría Nacional* in Colombia provided this information. The closeness of the competition may also be a reflection

⁶⁸ In the cases in which there was just a single candidate, I utilized the difference between the winner and the blank votes.

Table 4.1 Descriptive Statistics

Variables	Mean	Standard Deviation	Minimum Value	Maximum Value
Education Coverage (%)	59.33	13.40	25.64	95.69
SISBEN Coverage (%)	42.83	13.71	14.73	81.77
Primary Education (1=yes, 0= no)	0.06	0.24	0	1
Secondary Education (1=yes, 0= no)	0.30	0.46	0	1
Post Secondary Education (1=yes, 0= no)	0.63	0.48	0	1
Local Experience (1=yes, 0= no)	0.63	0.48	0	1
Ex-mayor (1=yes, 0= no)	0.21	0.41	0	1
State/ National Experience (1=yes, 0= no)	0.24	0.43	0	1
Electoral Competitiveness (%)	19.01	18.51	0	91
Mayor-Governor Same Partisanship (1=yes, 0= no)	0.46	0.49	0	1
Population (Thousands)	35,503	107,472	2,768	742,689
Rural Population (%)	62.51	25.14	2.77	88.41
Inequality (%)	37.03	10.49	15.73	59.98
Councilmen Support (%)	54.09	30.10	0	100
Oversight Agencies (continuous)	62.99	54.11	8	246
Conservative Party (1=yes, 0= no)	0.57	0.49	0	1
Other Parties (1=yes, 0= no)	0.42	0.49	0	1
External Constraint (continuous)	354	1,481	0	14,327
Budget (millions of pesos)	7,649	27, 379	962	281,543
Multi-Party System (1=yes, 0= no)	0.66	0.47	0	1
Two-Party System (1=yes, 0= no)	0.22	0.41	0	1
Monopoly System (1=yes, 0= no)	0.11	0.31	0	1
Mayoral Party Alternation (1=yes, 0= no)	0.16	0.36	0	1
Divided Government (1=yes, 0= no)	0.46	0.49	0	1

of the number of parties involved in the contest. For this reason, I also control for three types of party systems: monopoly (the excluded category), two party and multi-party systems based on the number of parties involved in the mayoral elections (Boyne 1996 and Sharpe and Newton 1984).⁶⁹

⁶⁹ Sharpe and Newton (1984, 16) argue that the type of parties involved could also affect the closeness of competition because "...competition between two non-class and non-ideological parties...may reflect no more than a division of allegiance within an otherwise homogeneous electorate." In the Colombian context, however, due to the proliferation of personalist movements, it is difficult to classify parties based on their ideology, and most of them have no party platforms.

I operationalize political support with three measures. To measure support from above, I employ a dummy variable equal to “1” when the governor’s party affiliation is the same as the mayor’s party affiliation, otherwise “0” is assigned. In measuring support from below, that is, from the community, I employ the same continuous variable employed for electoral competitiveness. But in this case the expectation varies. That is, the greater the difference in votes—from the winner to the second candidate—the better the performance. I recognize that this is a counterhypothesis to electoral competitiveness, and a positive and significant coefficient would provide support for this hypothesis. In measuring the councilmen’s support for the mayor, I employ the percentage of elected councilmen who are of the same political party as the mayor. A positive and significant coefficient would provide support for the hypothesized relationship. The sectional Norte Santandereana de la Registraduría in Cúcuta supplied these data.

Measuring party affiliation is quite straightforward. Historically, Colombia maintained a two-party system, but in the last two decades dissidents from the traditional parties have created many small and new parties, numbering fifty-nine in the past congressional elections held in March 2006. The advent of numerous parties have created incentives for personal votes as opposed to party votes, resulting in clientelism triumphing over party ideology. From the sample, 61 cases are Liberal, 136 Conservative, 41 from small new parties, and 2 from ANAPO—a leftist party. I created three dummy variables, one for each of the two main parties in Colombia—*Liberal* and *Conservative*—and the *Other* dummy groups all other parties—the two leftist parties and

the newly created parties. Given the impossibility of classifying the small parties within the left-right continuum, I only added the *conservative* category to the model to compare it with the two that excluded/base category, the *liberal* and *other* parties. The expectation is that assuming that conservatives spend less on social programs would lead to less output. A negative and significant coefficient for the conservative category will then provide support this proposition. The *Registraduría Nacional* in Colombia provided the information on mayors' party affiliation. Relating to party ideology, I also control for party alternation because according to Sharpe and Newton (1984, 198), "the policies of party X 'live on' during party Y's early years of office."⁷⁰ Although in many of the Colombian municipalities there is a party monopoly (Liberal or Conservative), it is still possible to see alternation among the several factions within the parties.

I employ the number of Communal Action Boards (*Juntas de Acción Comunal*) per municipality as the measure of oversight agencies; the Secretary of Community Development, located at the governorship, provided the data. Each neighborhood and tiny village within a municipality possesses a communal action board, which is expected to advocate for its respective community's interests. Its values range 8 to 246. In personal interviews with some of the municipal ombudsmen, it was found that they felt people were apathetic to oversight agencies unless they had personal stakes in the issue. In theory, ombudsmen say, every municipal construction project needs to be supervised by an oversight agency created for the specific task undertaken. But, in most of the

⁷⁰ Sharpe and Newton (1984, 198) contend "one reason why the full impact of a party may be obscured is because some policies take a long time to mature and existing policies are sometimes hard to change quickly." Therefore, in their study they control for four and five previous years. I question the applicability of this notion in the Colombian context, as parties are neither instrumental of majority wishes nor inclined to apply party ideology when in the saddle.

cases, it is hardly possible to find one overseer; and in general this overseer opposes the current administration and acts as a biased blocker rather than an unbiased supervisor.

Moreover, I excluded the state and national oversight agencies because all the municipalities are subject to the same number of agencies, providing no variance across them.⁷¹

The measure for municipality population is straightforward. The population data per year are estimated from the 1993 Colombian census. I logged population values to ease the problem of skewed data. Values range from 2,768 inhabitants in a tiny municipality to 742,689 in the capital. The measure for a rural population is the share of the total population living in rural areas, ranging from 3 to 88 percent. The National Administrative Department of Statistics (DANE), in Cúcuta, provided these data.

I draw the measure for inequality from the percentage of the municipal population who own any property. Although the ideal measure would be the GINI coefficient, that value is not available at the local level. My measure, however, is a proxy to assess the local socioeconomic disparity, as *Latifundium*⁷²—a notable pattern of ownership derived from the colonial era—is still present. Its values range from 15 to 60 percent. The Geographic Institute Agustín Codazzi, sectional Norte de Santander, provided these data.

⁷¹ In personal interviews with current and former mayors, most of them express discontent with the oversight agencies from higher levels, pointing at their intricate demands on procedures and documentation. Some mayors even comment on the illegal actions taken by some members of *Contraloría* and *Procuraduría*—the main oversight agencies. When asked for an opinion about the oversight agencies, one mayor responded: “they obstruct the process and favor the mayors who align with the political boss in turn.” On the same issue, another mayor said, “They are just waiting for us to commit any error for them to call us to negotiate.” Another mayor’s answer was “They have not tried to play out with me because the monkey knows which tree is the appropriate one to climb up.”

⁷² Large landowners.

Control Variables

Lynn, Heinrich, and Hill (2000) claim that effective management depends on the environment within which managers work. Exogenous factors indeed shape decision-making, thus influencing output. The introduction of control variables recognizes the influence of these exogenous factors. In fact, management is just one of the elements of a multilevel system to influence performance (Lynn and Forbes 2005). Therefore, I control for the annual budget for each municipality, including their own revenues and transfers to them from the national government. Values range roughly from 962 to 281,543 million Colombian pesos—from approximately \$454,545 to \$127,974,000, with an exchange rate of 2,200 pesos per dollar. The Departmental Secretary of Planning provided these data.⁷³ I also created a dummy variable for divided government: “1” for when the mayor’s party is not a majority in the council; otherwise, “0”. The *Registraduría Nacional*, in Colombia, provided the information on mayors’ party affiliation.

⁷³ I would like to control for the municipal level of development, and in doing so, I initially controlled for the coverage of electricity per year. Although the coverage of electricity has improved during the last decade, in the department of Norte de Santander there is no municipality with 100% coverage, the rural areas being the more affected. Controlling for development, however, may confound results because although the coverage of electricity is a function of intergovernmental performance, it also involves, mayoral action and, in turn, municipal performance. The correlation between coverage of electricity and coverage of education is only 0.24; however, I excluded electricity coverage from the model. Their inclusion, however, does not alter the results significantly. This measure is given in a percentage and ranges from 27 to 97%. The Departmental Electricity Company, in Cúcuta, provided these data.

Methods of Analysis and Models

As noted before, my data set consists of forty cross-sectional units—the forty municipalities of one department (state)—along a time span of six years (2000-2005), creating an unbalanced panel. Given the nature of the data, I ran fixed-effects regressions.⁷⁴ The advantage of this method over regular regressions is that I can control for unobserved effects (for example all those time invariant factors that distinguish one municipality from another and that are not captured by the independent variables included in the model). The fixed-effect estimators take into account the fact that intercepts vary across units, in this case across the municipalities. In fact, plots of the two dependent variables for each municipality over time suggest that intercepts vary across units (see figures 4.1 and 4.2).

In assessing the influence of the mayor's qualifications on program performance, some would argue that there is a need to include a lag of the dependent variable because the output of one year might be a function of those of the previous year. Plots in figure 1, however, show that there is no trend in the data over time, which allows me to exclude the lags of the dependent variables. I also include dummies for each year to adjust for potentially significant year effects, obviating biased estimations.

⁷⁴ Another alternative for panel data is to run random effects regressions. However, the random-effects estimator makes the assumption that the unobserved effects of the municipalities are uncorrelated with the independent variables. The fixed-effects estimator, instead, allows for correlation between the unobserved factors of the municipalities and the independent variables.

Figure 4.1 Coverage in Public Education per Municipality from 2000 to 2005

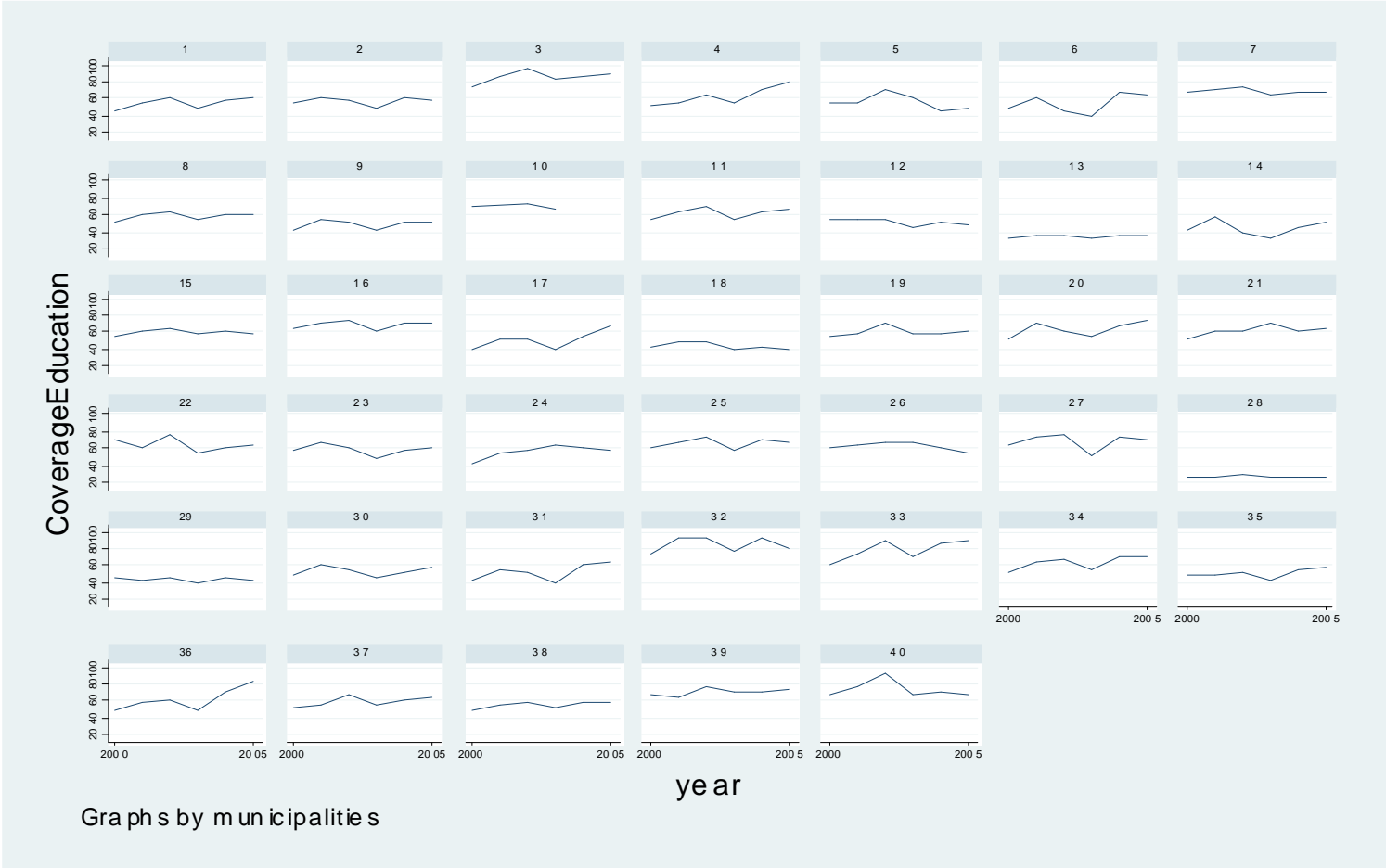


Figure 4.2 Coverage in Identifying the Beneficiaries of Social Programs per Municipality from 1999 to 2005



Results

Table 4.2 reports the fixed-effect estimates, with Huber-White standard errors, of the municipal influences on the coverage of public education. The influence and leverage diagnostics reveal that none of the municipalities overly influences the estimations. Few independent observations (12) are influential, and although they are isolated (not aggregated per unit), I excluded them from the analysis.⁷⁵ It is important to mention that the levels of multicollinearity for the population and budget variables are slightly high. Their inclusion, however, is necessary, as they act as control variables. Congruent with the expectations, the mayor's educational background and local experience are predictors of municipal performance on public education. The coefficient for *post-secondary education*, a dummy variable, is positive and significant at the 98% level. Holding everything equal, it indicates that, in explaining education performance, the mayors with any year(s) of post secondary education perform statistically differently from the mayors who only have a primary education—the base category. If we assume that the interaction term between post-secondary education and stressful situation equals 0—that is, no presence of illegal armed groups—the main effect of post-secondary education can be interpreted directly. In these cases, mayors with any year(s) of post-secondary education improve the municipal performance in the coverage of education by 7.5% when compared to the mayors with only a primary education. Although the coefficient on *secondary education* has the expected positive sign, having secondary education is insufficient to improve local educational performance.

⁷⁵ Their inclusion, however, does not alter the results significantly.

Table 4.2 Fixed-Effect Estimates with Huber-White Standard Errors for Coverage of Education

Variable	Coefficient	Standard Errors
Secondary Education	4.48	3.36
Post Secondary Education	7.52**	3.13
Post Secondary* Stressful Situation (1n)	-1.70**	0.88
Local Experience	4.04**	1.57
Local Exp.* Stressful Situation (1n)	-1.98**	1.02
Ex-mayor	-0.64	1.58
Ex-mayor* Stressful Situation (1n)	-0.11	1.15
State and National Experience	0.85	1.33
Electoral Competitiveness	0.07**	0.03
Mayor-Governor Same Partisanship	-0.27	1.73
Councilmen Support	0.05	0.03
Oversight Agencies	0.23	0.26
Conservative Party	-1.51	1.99
Population (1n)	-40.04	38.77
Rural Population	-2.58	3.04
Inequality	-0.23	0.19
Stressful Situation (1n)	2.20**	1.06
Budget (1n)	4.39	2.88
Multi-Party System	-0.74	2.56
Two-Party System	-1.25	2.24
Mayoral Party Alternation	0.24	1.71
Divided Government	-1.84	2.28
2001	7.70**	2.61
2002	9.41**	4.01
2003	-0.74	5.11
2004	7.88	5.89
2005	6.05	7.48
Constant	546.24**	280.97
N: 174	F(27,108): 9.1	Prob. > F .00
R-sq within group: .63	R-sq between :.07	R-sq overall: .14

**p<.05;

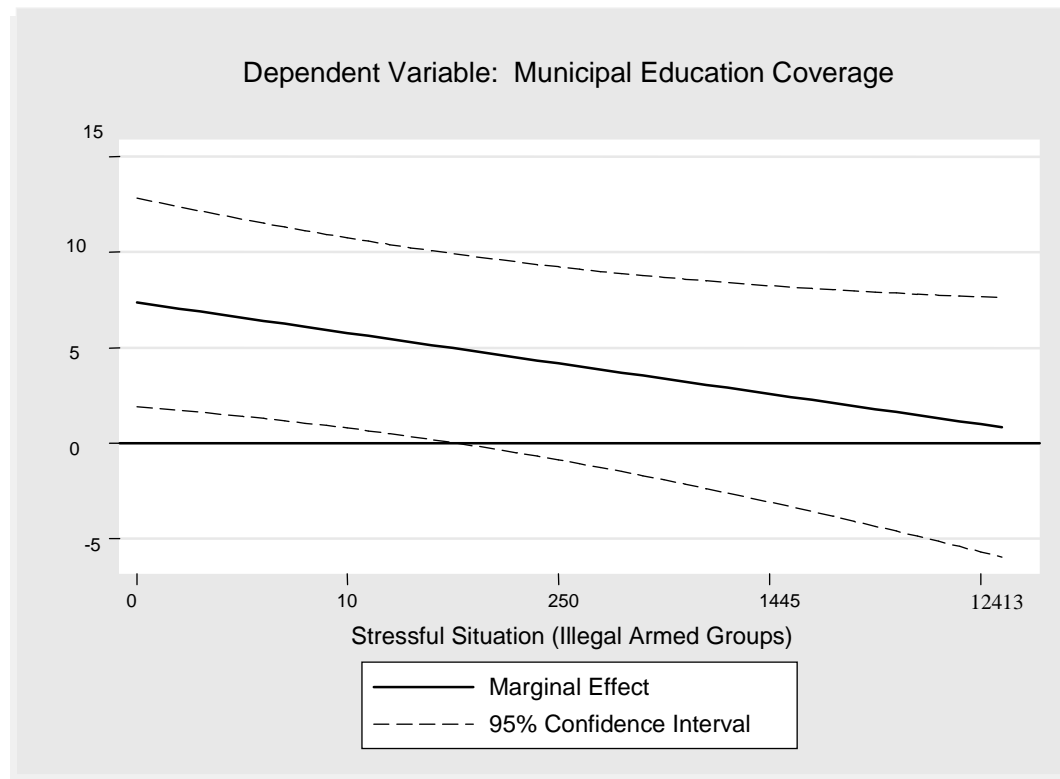
The findings also support the job-related experience hypothesis, although only for one out of the three categories. Having previous experience at the local level, but not at the departmental/national or as ex-mayor, has a positive and significant impact on the coverage of education. Again, if we assume that the interaction term between local experience and the stressful situation equals 0—that is, no presence of illegal armed groups, it is possible to interpret directly the effect of local experience on education performance. In these cases, and after holding everything constant, mayors who have had any kind of experience at the local level, either as councilmen, treasurer, secretary of planning, etc., perform 4.0% percent better than those mayors without it. Having previous experience at the departmental and/or national level, however, does not improve local performance on education. The non-influence of departmental expertise suggests that the skills acquired at that level do not help performance at the municipal level. Finally, and contrary to expectations, the coefficient for “ex-mayors” is insignificant and negatively signed.

As expected, the positive influence that post-secondary education and local experience have on education performance decreases under stressful situations. Results reveal that the coefficients for the interaction between *stressful situation – post-secondary education* and *stressful situation- local experience* are negative and significant at the 95%. Recall that the external constraint is operationalized as the number of people forcefully displaced from the rural to the urban area of each municipality, which is a proxy for the presence of illegal armed groups. It is a logged transformed variable. Therefore, for every one percent increase in the number of people

who forcefully migrate from rural areas to an urban area, the positive impact that post-secondary education has on coverage of education (7.5%) also tends to decrease by almost 0.02% (-1.70/100). Likewise, the positive impact that local experience has on coverage of education (4%) tends to decrease by roughly 0.02% (-1.98/100). Although the negative effect is small, it shows that under stressful situations or external constraints (guerrilla presence), the positive influence of the mayoral qualifications decreases. Results, therefore, support the external constraints (stressful situation) hypothesis. To illustrate the moderating impact of stressful situations on mayoral qualifications see Figure 4.3 and 4.4.

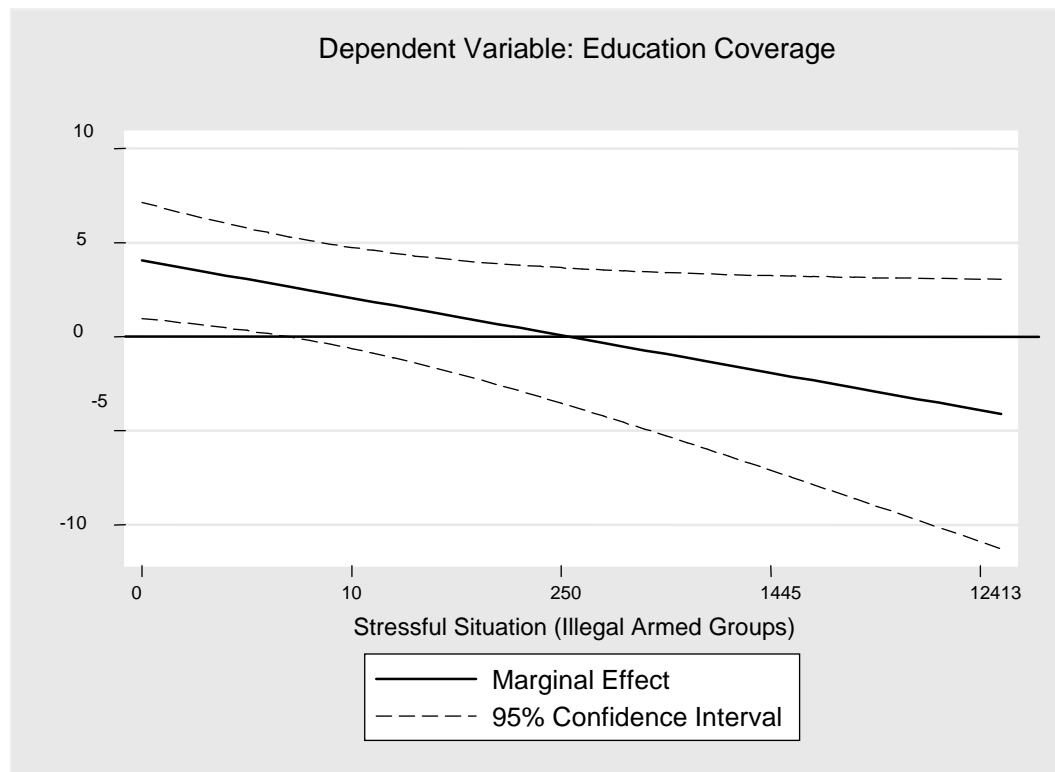
As figure 4.3 shows, holding everything constant, when not a single person (0) migrates from the municipal rural to the urban area, the impact of mayors' post secondary education on education coverage increases 7.5% relative to what mayors with primary education achieve. However, when 10 people migrate from the rural to the urban area because of violence generated by illegal armed groups' presence, the education coverage tends to decrease 1% (moves from 7.5 % to roughly 6.0% in the figure 4.3). And when 12,413 migrate from the rural to the urban area (the maximum value in the sample), the education coverage tends to decrease approximately 6.5% (moves from 7.5 to 1%).

Figure 4.3 Marginal Effect of Mayoral Post Secondary Education on Education Coverage as the Stressful Situation Varies



Likewise, Figure 4.4 shows—holding everything constant—when not a single person (0) migrates from the municipal rural to the urban area, the impact of mayors' local experience on education coverage increases 4.0% relative to what mayors without local experience achieve. However, when 10 people migrate from the rural to the urban area because of violence generated by illegal armed presence, the education coverage tends to decrease 2% (moves from 4 % to roughly 2% in the figure 4.3); and when 12,413 migrate from the rural to the urban area (the maximum value in the sample), the education coverage tends to decrease around 8 % (moves from 4 to roughly - 4%).

Figure 4.4 Marginal Effect of Mayoral Local Experience on Education Coverage as the Stressful Situation Varies



Moreover, two of the institutional political variables are statistically significant. The estimated coefficient for *electoral competitiveness* is positive and statistically significant at the 97% level. Its positive sign, however, contradicts the electoral competitiveness hypothesis because what this suggests is that the greater the electoral difference, the better the municipal performance. From the political support variables, neither partisan support from councilmen nor from the governor is statistically significant. However, the estimated coefficient for *community support* (which is the same as the *electoral competitiveness* variable) is positive and statistically significant, indicating that the greater the electoral support, the better the municipal performance.

In addition, the estimated coefficient for *oversight agencies* is statistically insignificant, suggesting that they have no impact on municipal performance. Neither party ideology, nor the type of party system, nor party control alternation influences municipal performance. That is, mayors affiliated to the *conservative party* do not perform statistically different from mayors of all other parties (the baseline category). Moreover, municipalities with multi-party or two-party system do not perform statistically differently from municipalities with a single party system.

At first glimpse, one would be surprised by the positive and significant coefficient for the *stressful situation*, as it indicates that the presence of illegal armed groups has an additive effect on education performance. However, after adding all the interactive effects to this additive effect $[(-1.70) + (-1.98) + (-0.11) + (2.20)]$, the resulting effect of external constraints on performance is negative (-1.59). It suggests that for every one-percent increase in the number of people who forcefully migrate from rural areas to urban area, the coverage of education decreases 0.02% ($2.4/100$).

Finally, the demographic variables are not systematically associated with program performance. The coefficients for *population* (a log transformed variable) and *rural population* are insignificant. Likewise, the coefficient for the socioeconomic measure of *inequality* and *budget* are statistically insignificant. Among the time dummies, the years 2001 and 2002 are statistically different from the year 2000—the baseline category. With 165 observations, the model explains 65% of the variance of education performance within each municipality.

Table 4.3 Fixed-Effect Estimates with Huber-White Standard Errors for Coverage of SISBEN

Variable	Coefficient	Standard Errors
Secondary Education	4.63**	1.32
Post Secondary Education	2.10	1.36
Post Secondary* Stressful Situation n)	.41	.70
Local Experience	1.22	1.07
Local Exp.* Stressful Situation (1n)	1.77**	.74
Ex-mayor	1.17	1.03
Ex-mayor* Stressful Situation (1n)	.54	.67
State and National Experience	.27	.91
Electoral Competitiveness	-.01	.02
Mayor-Governor Same Partisanship	3.81	2.33
Councilmen Support	-.02	.03
Oversight Agencies	-.35	1.90
Conservative Party	-.34	1.88
Population (1n)	93.77**	32.97
Rural Population	-4.90**	2.51
Inequality	.03	.08
Stressful Situation (1n)	-1.53	.76
Budget (1n)	-1.33	1.66
Multi-Party System	-.02	2.22
Two-Party System	4.00**	1.77
Mayoral Party Alternation	.09	.78
Divided Government	3.68*	1.96
2001	-4.17**	1.70
2002	-3.50	2.63
2003	-4.44	3.47
2004	-1.70	4.71
2005	3.17	5.76
Constant	511.61**	211.89
N: 174	F (27, 102): 27.52	Prob. >F: 0.00
R-sq within: .78;	R-sq between: .34	R-sq overall: .31

** p < .05; * p < .10

Table 4.3 presents the fixed-effect estimates, with Huber-White standard errors, of the municipal influences on the coverage in identifying the beneficiaries of social programs (called SISBEN program). As was previously mentioned, this program has a lot of room for political manipulation and patronage. Therefore, other mechanisms—besides mayoral qualifications—may influence local performance in this policy area.

The results, in fact, provide no support for the hypothesized relationships, and the few statistically significant coefficients are oppositely signed. For instance, the coefficient on *secondary education* is statistically significant at the 99% level; however, the coefficient on *post-secondary education* fails to be statistically significant. Specifically, in municipalities whose mayors have secondary education perform 4.63 % better in terms of the SISBEN program than municipalities in whose mayors have only primary education (the excluded category). However, after looking at all the coefficients on educational background, the results contradict, to a certain extent, the mayoral qualifications thesis, as increases in mayoral educational (for example from secondary to post-secondary education) background do not improve performance of the SISBEN program. Moreover, the coefficient on *local experience* fails to reach significance and has the opposite expected sign. Likewise, the coefficient on *exmayor* although with an expected positive sign also fails to reach significance. On the contrary, the coefficient on the interactive term *local experience-stressful situation* reaches significance at the 98% level but has the opposite expected sign. That is, instead of reducing the positive influence that mayoral local experience has on performance, it increases its effect. Again, it contradicts the expectations and the results of education performance.

None of the political support hypotheses is supported, as the coefficients on *governor-mayor same partisanship*, *councilmen support*, and *community support* (which is the same coefficient on electoral competitiveness but with an expected positive sign) are insignificant. Meanwhile, the demographic variables, total population and rural population, are statistically significant at the 99% and 95% level respectively. For every one-percent increase in the total population, the coverage of SISBEN increases by almost 1% ($93.77/100$). This goes against the hypothesized relation, which proposes that the smaller the target, the greater the coverage of the program. On *rural population*, the results are in line with the expectations, as for every one-percent of increase in rural population, the coverage of SISBEN tends to drop 4.9%, suggesting the difficulty of reaching rural dwellers.

Among the institutional variables, two reach significance, oversight agencies (at the 93% level) and two-party system (at the 97% level). Specifically, as the number of oversight agencies increases by one, the coverage of SISBEN program decreases by .35 %, which is opposite from the expectations. And in municipalities with two-party system, the coverage of SISBEN program increased 4% when compared with municipalities with a single party system (the excluded category). Finally, the control variable—*municipal budget*—has no influence on program performance, which is also contradictory. Among the time dummies, only *year 2001*, is statistically different from *year 2000*—the baseline category. With 166 observations, the model explains 78% of variance on coverage of SISBEN within the municipalities.

Discussion and Conclusions

This study provides partial empirical support for the proposition that mayoral qualifications, a proxy for local managerial quality, positively influence municipal performance. The findings are in tune with works that assess the impact of managerial influence on the performance of U.S. school districts (Fernández 2005; Meier and O'Toole 2002). Although my research employs two indicators of local program performance—education coverage and coverage in identifying the beneficiaries of social spending (SISBEN)—the findings provide strong evidence for the mayoral qualifications hypotheses for education coverage and partial support for SISBEN program. As mentioned before, and as public officials' statements suggest, the nature of the SISBEN program makes it highly attractive to political manipulation and patronage, explaining, in part, the contradictory results.

Of the two mayoral qualifications evaluated in this article—educational background and job-related experience—education has the greatest influence. After holding everything constant, in municipalities whose mayors have any post-secondary education, the education coverage increased 7.5% when compared with those localities whose mayors only have a primary education and without presence of illegal armed groups. In other words, the more education the mayor has the more s/he recognizes the benefits that education brings by supporting, encouraging, and implementing more programs to increase coverage of education. These findings are relevant to any setting in which implementation of education is decentralized. In the of Colombia, where the recent 2005 census reported that 3,546,893 Colombians can neither write nor read—8.6

percent of the total population—placing Colombia behind Chile, Mexico and Venezuela, which have been more successful in eradicating illiteracy (“El Dane” 2006)⁷⁶—findings suggest that with qualified mayors, we may see improvements.

Mayoral job-related experience also influences municipal performance. The positive impact of job-related experience on municipal performance is, however, confined to local, non-executive experience, such as having being a councilmen, treasurer, ombudsman, secretary of planning, head of department, etc. Contrary to expectations, being an ex-mayor has no impact on municipal performance. It may be, as Boyne et al. (2005) claim, that managerial influence impacts long term, but not short-term performance. It could also be that non-immediate reelection, in addition to the constant change of administrative procedures, neutralizes the managerial skills learned in the former experience. In other words, because there is no continuity, the executive skills acquired in a past term may not benefit the mayor in the second term, as s/he has to go through an updating process, which although not as intensive as the first time, it still requires great assimilation of information. In fact, when asked for what they would change to ease the beginning of their administration, fifteen out of the forty current mayors referred to “the constant changes in procedures and the excessive documentation that the departmental oversight agencies impose.” Finally, experience at the departmental and/or national level has no influence on local program performance. It suggests that the kind of expertise acquired at these levels is not relevant at the local

⁷⁶ There was a slight improvement when compared with the values of the 1993 census, in which the percentage of illiteracy was 9.3.

level. It could also suggest that this type of experience contributes to other dimensions of performance, as Pitts (2005) notes, managerial quality matters for some dimensions of performance but not all. Despite the statistical support for mayoral qualifications, it is important to note that mayoral qualifications measures may tap mayors' preferences for education at least as much as quality. Additional research, including alternative qualifications measures, would provide some light on this.

As expected, under external constraints, the positive influence that mayoral qualifications have on municipal education performance decreases. Specifically, the presence of illegal armed groups, including guerrillas, reduces the positive impact that local experience and post-secondary education have on program performance. These findings support Lynn, Heinrich, and Hill's (2000) claim that effective management is contingent on the environment within which managers work. Moreover, contrary to what scholarship suggests, *electoral competitiveness* has no impact on program performance. Local oversight agencies, instead, do positively influence program performance. Unfortunately, in the Colombian context, apathy toward creating oversight agencies undercuts their potential impact. In interviews with some of the municipal ombudsmen, one of their major complaints was the lack of people's involvement, revealing that one of the fundamental mechanisms for a functional democracy is missing in Colombia. When I asked some ombudsmen the reasons for this lack of involvement, their responses included lack of time, distrust of the government, fear of reprisals, as well as limited concern for political issues due to their daily struggle for survival.

Neither party ideology nor party system type (two-party or multi-party) has any influence on municipal performance. Among the possible explanations might be the absence of a clear ideology, lack of party discipline, and the advent of new parties, which numbered fifty-nine in the 2006 elections. Indeed, party fragmentation creates incentives for personal rather than ideological votes, indicating that clientelism may triumph over party ideology.

Contrary to expectations, mayoral partisan support in the city council has no influence on program performance. This suggests two things: (a) mayors do not need councilmen's support to pass and implement their proposals, and (b) whatever the councilmen's party affiliation, mayors may resort to other dynamics to get their proposals approved. Indeed, the dynamics between some mayors and councilmen may be questionable because testimonies from some councilmen reveal that sometimes mayors offer benefits to councilmen in exchange for their support in the legislative arena (from an anonymous interview). Like councilmen's support, and contrary to expectations, a governor's partisan support has no influence on municipal performance, at least in education. Support from the governor, for example, might be relevant for development of programs in the transportation sector where political influence at higher levels can generate extra resources. Finally, the greater the electoral support, the better the education performance, suggesting that mayors are responsive to the electorate.

Demographic factors—rural and total population—have no impact on education coverage. This is good news for Colombian municipalities where, on average, sixty-two percent of their population inhabits rural areas. The insignificant impact of the measure

for inequality on municipal performance suggests that there is no unequal access to education at the municipal level. This news is good for Colombians, who exhibit the second highest level of social inequality within the region, surpassed only by Brazil (De Ferrati et al. 2004). Nevertheless, the nature of the program might also explain these findings because the provision of education is at the group level rather than at the individual level. Finally, having access to large budgets increases the coverage of education.

This analysis of Colombian municipalities presents the first undertaking of an empirical study on the impact of managerial quality on municipal performance in a developing country. This project has also explored the applicability of theories developed in the U.S. when transferred to the Latin American context, demonstrating that context, indeed, matters. In developing countries, decentralization has brought many responsibilities to local governments, but it has not been followed by prescriptions to perform well. By identifying the mechanisms that boost program performance, municipalities may adopt them to accomplish the most with their scarce resources. Although my research provides evidence for the managerial quality thesis for only one performance indicator, the findings demonstrate that the mayor's educational attainment and job-related experience positively influence performance. If the Colombians learn that the intellectual tools of elected mayors influence their human capital through education, it becomes possible for voters to choose their mayors based on a candidate's qualifications rather than a candidate's offer of private goods. That is a sparkling light on the horizon.

CHAPTER V

MUNICIPAL FISCAL PERFORMANCE: DO MAYORAL QUALIFICATIONS MATTER?

Introduction

There exist several dimensions of municipal performance. Indeed, chapter IV presented the determinants of municipal performance in terms of education. This chapter addresses another dimension of performance, presenting the first empirical study in a Latin American country of the effect of managerial quality upon municipal fiscal performance. Using five years of data from 40 Colombian municipalities, I assess the influence of managerial quality—operationalized with mayoral qualifications: educational background and job-related experience—on four municipal financial indicators: expenditures/per capita, social investment, operational costs, and tax property collection. After considering other political, economic, demographic, and external influences, my findings reveal that mayoral education level is positively associated between municipal social investment and property tax collection. There is no association, however, with expenditures and operational costs. These results may be explained on the grounds that low or high spending, by itself, tells us little about performance unless it is linked to service quality and/or quantity. This study offers implications for countries struggling to improve their local fiscal performance, as they seek to achieve the most with their scarce resources.

In the most decentralized Latin American countries, between 40 and 50 percent of all government spending occurs at the sub-national level. Through this fiscal decentralization, municipalities become shapers of the national fiscal balance. Indeed, when faced with fiscal and macroeconomic instability, central governments blame municipalities for their failure to adjust fiscally. However, poor fiscal performance of the municipalities is, in part, due to the lack of guidelines for achieving better results, and the lack of direction derives from the inconclusiveness of what influences local fiscal performance. This suggests the need to identify *the determining factors of municipal fiscal performance*.

Although several studies address the determinants of fiscal performance (see Alesina and Perotti 1995 for a survey), most of them concentrate on either cross-national analyses of developed countries (von Hagen 1992) or cross-sectional analyses of the US states (Calcagno and Escaleras 2007; Clingermayer and Wood 1995; Poterba 1994). Some studies have also examined the determinants of fiscal performance in developing countries (Alesina et al. 1999; Amorim-Neto et al. 2001; Mejía Acosta and Copededge 2001), yet few have explored sub-national governments. Jones et al.'s (2000) and Rumi's (2003) works of the Argentine provinces are some of the exceptions. It reveals that although a great deal of government spending occurs at the developing local level, systematic studies of local fiscal performance have been neglected.

Neglecting developing local governments is not the only gap within public finance scholarship—it has also ignored a potential explanation. The existing explanations for fiscal performance fit into three categories. Among the political

explanations, some scholars refer to partisan support, party alternation, divided government, electoral cycle, electoral laws, and type of government.⁷⁷ Other scholars focus on budgetary institutions such as balance restrictions, budget procedures, and tax and expenditure limitations. Finally, most of the studies also include economic explanations: growth, recessions, productivity, etc. Yet no study has explored the role of the manager on the organization's fiscal performance. Specifically, the impact of managerial quality on fiscal performance has been neglected. To contribute to the research of these neglected areas, this chapter explores the impact of public managerial quality on fiscal performance. This research extends the scope of the public management thesis beyond service delivery toward the dimension of fiscal efficiency and moves from developed settings to the developing municipal level.

Section II presents the literature that leads to both my main hypotheses and the competing ones. Section III depicts the public finances of the Colombian municipalities and introduces the indicators that assess fiscal performance. Section IV describes the research design, data, and methodology. Finally, section V presents the empirical analysis and discusses the results.

Managerial Quality and Budgetary Performance

As stated in chapter II, and to follow Gulick (1937), management implies planning, organizing, directing, staffing, coordinating, reporting, and budgeting

⁷⁷ Single party government, minimal winning coalition, surplus coalition, single party minority government, multi party minority government, caretaker government (Woldendorp et al. 1993).

(PODSCORB). Although “[b]udgeting is a subset of management” (Schick 2003, 22), the influence of managerial quality on budgeting performance has been unexplored. Budgeting is understood as the “...process for systematically relating the expenditures of funds to the accomplishment of planned objectives” (Schick 1966, 244). In policymaking, it specifies the goals and the means for achieving the established objectives, thus determining what will get accomplished. Budgeting indeed affects every aspect of the organization even it is considered the “single most important document of an organization” (Beam 2001, 105).

Several actors participate in the budgeting process, each with different power and multiple motivations. Yet these actors do not negotiate “with one another in a free-for-all” because in the end “...outcomes depend on ... individual strategies” (Rubin 2000, 33). It is exemplified in developing local settings where despite several actors (councilmen) participate and authorize budgeting process; the final budget is the result of the mayor’s strategies. The mayors are the ones who design and propose the budget, and they resort to several strategies to get their budget proposal through. Mayoral strategies may include looking upward for extra resources, outward for budgetary community support, and downward for employees’ and the council’s support. In fact, under either of the views of new managerialism: “let mayors manage”—with freedom to act—or “make mayors manage”—accountable to the legislators—the mayor will always be considered responsible for the overall financial health of the municipality while the individual legislator is not (Bovaird and Hughes, 1995, 357; Kettl, 1997, 448).

Given the huge implications that municipal budgeting has for community development, the qualifications of the one who designs the budget should play an important role in determining the financial health of the municipality. A mayor's qualifications, for instance, may indicate how well she or he will perform budget-making. Piekkola (2006), for example, contends that the total factor of productivity of an employee depends on his or her level of human capital. Becker (1964) and Jorgenson et al. (1987) have also intensively studied the contributions to productivity and performance derived from human capital.

According to Abowd et al. (2002), human capital contributes to productivity and performance in two ways: directly and indirectly. Directly, a mayor's human capital allows him to deal with the technical parts of budgeting. The technical part of fiscal performance entails well-timed decisions, prevention of overspending, realistic assessments of the economy, conformity with balance requirements, accurate estimates of expenditures and revenues, and appropriate allocations to get the objectives accomplished (Rubin 1998, 2000). Indirectly, a mayor's human capital allows him to complement organizational fiscal practices by introducing administrative and managerial arrangements that favor the attainment of objectives. The selection of arrangements, in turn, may be a function of the mayor's human capital.

The following cases exemplify some of the indirect contributions of a mayor's human capital to performance. The mayor of the Colombian municipality of Toledo (Norte de Santander, Colombia), the lawyer Carlos Omar Delgado, encouraged citizens to pay their property taxes on time by having a drawing for a car among those who did

so. Mayor Delgado mentioned that thanks to this strategy, municipal revenues have greatly increased.⁷⁸ In another example, the mayor of the Colombian municipality of Nobsa (Cundinamarca, Colombia)—a public administrator with ten years of experience in the public sector who has won national first place for efficiency for two consecutive years—opts for offering considerable discounts for prompt tax payments. He also encourages employees to utilize aggressive strategies to compel people to pay, such as regular domicile visits, personal calls, and mail alerts (Rodriguez 2006), all of which have contributed to better fiscal performance. The above discussion brings up this dissertation’s main hypotheses,

H1: The higher the mayor’s educational background, the higher the municipality’s fiscal performance.

H2: Municipalities whose mayors have job-related experience have higher fiscal performance than those whose mayors do not.

But budget outcomes also depend on the external constraints. Even “[i]ndividual strategies have to be framed in a broader context than simply perceived self-interest” (Rubin 2000, 34). Climate, geographic, demographic, and external factors can affect fiscal outcomes because the bulk of a budget might be diverted to address a specific event (Rubin 2000). Moreover, in some municipal contexts, external actors impose financial demands on a mayor, thus, undermining the municipality’s fiscal performance. This is exemplified in the Colombian municipal context, where an ex-mayor reported the following: “when I was mayor, 20 percent of my municipality’s budget had to be distributed between the two illegal groups (guerrilla movements and self-defense

⁷⁸ Interview with author, Cúcuta, Norte de Santander, Colombia. January 15, 2006.

groups) that inhabited in the rural area. If I did not concede to their demands, I knew that my life was in danger” (Anonymous interview, 2005). Therefore,

H3: The influence of a mayor’s educational background and job-related experience on fiscal performance will decrease under external constraints.

In the US context, scholars offer alternative explanations to fiscal performance, most of which refer to political institutions. In this study, I test my main proposition—managerial quality—against these alternative propositions to identify the explanation(s) for fiscal performance. The next section addresses them and derives their respective hypotheses.

Political Explanations

Electoral Cycles

Some scholars claim that fiscal performance varies systematically across years. According to the Inter-American Development Bank’s 1997 report, Latin American countries exhibit electoral budgetary cycles because deficits tend to grow before elections, forcing costly adjustments in the following year. The rationality for this overspending is that in election years politicians follow either expansionary or tax reduction policies motivated by voters’ “rewards,” as citizens fail to understand that excessiveness in the present will be paid for by post-electoral recessions (Ames 1987). This proposition was originally created by the public choice school under the “fiscal illusion” approach (Buchanan and Tullock 1962), and then framed by Nordhaus (1975) into the “political business cycle” model.

The main critique for the “electoral cycle” thesis comes from Rosemberg (1992), who argues that voters are neither so myopic nor irrational so as to never realize the

future consequences of the current overspending. Rosenberg also disagrees with this thesis on the grounds that politicians do not always know the odds of being reelected, so they are cautious about spending in order to build a reputation that will benefit them on a job search in the private sector.⁷⁹ Evidence for the electoral cycle thesis is inconclusive. While Mejia and Coppedge (2001) find no support for the electoral cycle across six Latin American countries, Jones et al.'s (2000) study reports that during gubernatorial election years there is greater spending in the Argentine provinces. In the Colombian local context, mayors have little incentive to follow fiscal discipline during the electoral years because they cannot run for immediate reelection.⁸⁰ That is, a budget deficit after election years would be someone else's problem. Therefore,

H4: Municipal expenditures per capita will be higher in mayoral election years than in other years.

Number of Parties

One of the most classic contributions to the study of fiscal performance is the 'common pool problem' (Weingast et al. 1981). This proposition explains the relationship between the number of decision makers and the size of the government expenditure. The idea behind this proposition is that the larger the number of players participating in the budgeting process, the greater the total expenditure because the transaction costs increase. The more players, the more the need for redistribution and allocation of the fiscal resources as the involved players internalize the benefits of the

⁷⁹ The 'electoral cycle' thesis has also been neutralized by the intergenerational redistribution thesis—the Ricardian equivalence (Barro 1974)—that argues that because the generation of today cares about the generation of tomorrow, there is room for intergenerational altruism.

⁸⁰ Yet mayors may run for re-election after being out of the executive office for one term.

expenditures, but they are unable to internalize the costs imposed on the whole economy (Perotti and Kontopoulos 2002).

For instance, “a president with a smaller party contingent or facing many legislative parties would have to compromise and distribute patronage and pork among the opposition in order to gather a legislative majority willing to pass her budget proposal”(Mejia Acosta and Coppedge 2001:5; see also Amorim-Neto 1998). On the other hand, when the number of parties decreases, the number of players to distribute patronage decreases, too, which reduces expenditures (Haggard and Kaufmann 1995; Petrei 1998). In a study across Latin American countries, Stein et al. (1998) found that a greater number of parties lead to more government spending, thus confirming the common pool proposition. Given that in Latin America the municipal council elections are partisan, the following is the testable version of this thesis:

H5: The greater the number of parties represented in the municipal council, the greater the municipal expenditures.

Political Support

Another explanation for fiscal performance focuses on the citizen support for politicians. As Rubin (2000, 33) puts it, “[p]ublic budgeting is both technical and political.” While the technical part includes the tasks directly related to the budgeting process, the political concerns include, among other things, obtaining sufficient citizen support to be able to spend more without being thrown out of office (Rubin 2000). When leaders enjoy enough support, they might feel unrestricted in their spending. With less citizen support, leaders are more likely to be cautious when spending, as they are more likely to be scrutinized. Some may argue the opposite by saying that with less political

support, leaders are more likely to spend to persuade the voters. However, in settings where there is no immediate reelection, that would not be the case because once in office, leaders have no incentive to attract more supporters. That is,

H6a: The greater a mayor's citizen support, the higher a municipality's expenditures.

Political support from higher levels may also contribute to fiscal performance. In settings where the acquisition of extra financial resources involves great diligence and negotiation at higher levels, those who enjoy political support from higher officials are more likely to get a large piece of the pie. Mayors, for example, may overspend after receiving additional funds from a governor of their party. Therefore,

H6b: Municipalities where the mayor and governor are from the same party will spend more than municipalities whose mayor and governor differ in party affiliation.

Government Ideology

Other veins of literature suggest that fiscal performance is a function of the ideology of the government in power. The "government ideology thesis" builds on the idea that parties are not only vote seekers but also office and policy seekers (Petty 1982). Liberals prefer high spending and high taxes while Conservatives prefer low spending and low taxes. Studies report evidence for this thesis at the state and national level. Alt and Lowry (1994), who studied the fiscal performance of the US states, demonstrated that party affiliation influenced fiscal performance. Kontopoulos and Perotti (1997) provided cross-national evidence for the Liberal and Conservative preferences, too. Therefore,

H7a: Municipalities headed by Conservative mayors have lower spending than municipalities whose mayors are not Conservative.

H7b: Municipalities headed by Conservative mayors have lower property tax collection than municipalities whose mayors are not Conservative.

H7c: Municipalities headed by Conservative mayors have lower social investment than municipalities whose mayors are not Conservative.

Party Alternation

Recent literature claims that fiscal performance is also a function of party alternation in the executive office. The “party alternation thesis” suggests that if executive office “changes his party frequently, it creates instability that weakens fiscal performance (Calcagno and Escaleras (2007, see also Rumi 2003). Instability as measured by the alternation of party in government, leads to increased spending. Rumi (2003) explores the impact of gubernatorial party alternation on fiscal performance for the provinces in Argentina. Rumi finds support for the party alternation hypothesis, as Calcagno and Escaleras (2007) do for the U.S states. Therefore,

H8: Municipalities that exhibit government party alternation will have higher spending than those without government party alternation.

Legislative Oversight

Across countries, the role of the legislature in budgeting varies, as it depends on constitutional provisions, the institutional arrangements of the different branches, and the division of authority among local, state, and national governments (Dubrow 1999). No matter the extent of its power, legislative oversight is one of the institutions of horizontal accountability (O’Donnell 1998). The oversight of the legislature in budgeting is expected to curb corruption, avoid overspending, strengthen government

accountability (OECD 2002), and counterbalance executive discretion in budgeting (Santiso and Belgrano 2004).

In overseeing the budgeting process, legislatures may use several mechanisms to enforce different modes of accountability. For instance, they may demand pre-budget reports to enforce ex-ante accountability, require mid-year and monthly reports to enforce concurrent accountability, and/or supervise results to enforce ex-post accountability (Santiso and Belgrano 2004, 48).⁸¹ Yet the legislature oversight function may decrease when the partisan support of the executive at the legislative level increases because as the policy positions converge, the checks on the executive's proposals tend to decrease.⁸² And the absence of an effective enforcement agency may encourage politicians to hide the true volume of public spending (Schick 2003).⁸³ Therefore,

H9: The greater a mayor's council support, the higher the municipal spending.

Divided Government

Another vein of scholarship argues that when the executive faces a polarized legislature, fiscal discipline becomes poorer. In other words, when the executive's policy position is significantly different from that of the mean legislator, it becomes more

⁸¹ Legislatures also may require user-friendly reports for those legislators without sufficient educational background, or ask for resources to hire advisors in budgetary issues (OECD 1998).

⁸² It may be conditioned on the executive's party discipline, but party discipline in the Colombian party system is very weak (Moreno 2005).

⁸³ I exclude oversight agencies from above because all the municipalities are subject to the same state and national agencies. Moreover, in personal interviews with current and former mayors, most of them express discontent with the oversight agencies from higher levels, pointing at their intricate demands on procedures and documentation. Some mayors even comment on the illegal actions taken by some members of the *Contraloría* and the *Procuraduría*—the main oversight agencies. When asked for an opinion about the oversight agencies, one mayor responded: “they obstruct the process and favor the mayors who align with the political boss in turn.” On the same issue, another mayor said, “they are just waiting for you to commit any error for them to call us to negotiate.” Another mayor's answer was “they have not tried to play with me because the monkey knows which tree is the appropriate one to climb up.”

difficult to build consensus around the executive's budget proposal (Amorim-Neto 1998). And delays in the approval of the executive's proposals, in turn, lead to suboptimal outcomes. Fiscal discipline, thus, is poorer under a divided rather than a unified government. On this issue, evidence is ambiguous. Clingermayer and Wood (1995) find no support for the relationship between divided government and debt—as a result of overspending—while Alt and Lowry (1994) and Poterba (1994) find that unified governments react faster to budget shocks than do divided governments.⁸⁴ In divided local governments, then, mayors may face more obstacles to get the budget passed through the legislature, affecting fiscal performance.

H10: Municipalities with divided government will have higher spending than municipalities where there is unified government.

Interest Groups

The literature presents one final political explanation for understanding fiscal performance. According to Rubin (2000), interest groups play a huge role in some stages of the budgeting process. The “[b]udget,” however, “would break down if government gave too many groups a seat at the table” (Schick 2003, 18). As a strategy, then, governments may decide to slice the budget to give each group a little to come away with something (Schick 2003). In the struggle for something, interest groups bargain to get more power over budgetary choices. From this bargaining process, budget makers decide what policy issues to fund, as each policy varies on budget requirements.

⁸⁴ The opposition may be due—as Clingermayer and Wood (1995) note—to the fact that the prior literature primarily studies budget shocks and adjustment as opposed to debt or deficit.

At the municipal level, the bargaining is between local producers' organizations and other boards as they try to get their favored policy funded. As a result:

H11: The more municipal interest groups, the higher will be the municipal spending.

Socio-Demographic Factors

Besides the political explanation for fiscal performance, most of the studies point to the influences of socio-demographic factors. The greater the population in need for social security and other welfare programs, the higher the spending (Aronsson and Wikström 1996). In decentralized settings, the coverage of primary education and attention for the elderly consumes the bulk of the budget. Although the central government may determine the amount of budget allotted to these sectors, municipalities may consume additional resources to cover the needs in these sectors. As a result, spending might be associated with the percentage of the population over the age of 65 and under 15.

H12: The higher the percentage of population under 15 and over 65 in a municipality, the higher its spending.

Indicators of Fiscal Performance

Although the impact of managerial quality on fiscal performance can be assessed at any level of government, municipalities offer an excellent setting to test the hypothesized proposition. For example, at the municipal level, I control for other possible explanations such as budgetary laws, which may vary across nations and even across states, but not across the municipalities. Municipal settings also allow controlling for macroeconomic changes, as all municipalities are exposed to the same national

economic changes. Because “...no single indicator can capture the complexities of public organizational performance in the twenty-first century” (Boyne et al. 2005, 636), I employ four fiscal indicators: expenditures, social investment, operational costs, and property tax collection. With two of these indicators, there exists a categorization problem, as it is difficult to classify them into one of Boyne’s (2002a) five dimensions of performance: outputs, efficiency, responsiveness, service outcomes, and democratic outcomes. While social investment and property tax collection are clearly related to effectiveness, expenditures and operational costs do not fit into any of the five performance dimensions. As Boyne (2002a, 17) notes, there is an “...absence of indicators that link spending with service outcomes” because “[h]igh or low spending in itself reveals nothing about service standards, or the success/failure of local authorities (only political zealots still believe that high or low spending is intrinsically good or bad).” Although I also question the validity of spending as an indicator of performance, unless it is linked to the quality or delivery of services, I included them, expenditures and operational costs, mainly to identify what municipal factors impact them. The next section depicts the models for each one of the three fiscal indicators.

A Model for Property Tax Collection

The first measure of the dependent variable is “property tax collection” expressed per capita to standardize it across the municipalities. I log this variable to reduce the problem of skewed data. The explanatory variables of interests are those representing management quality: the mayor’s qualifications; political institutions: the mayor’s party affiliation; and an external factor: a stressful situation, which is also interacted with each

of the mayor's qualifications. The higher the mayor's qualifications the more the property tax collection we would expect; however, under an external, stressful situation, this positive effect should decrease. On party affiliation, the expectation is that mayors affiliated with the Conservative party tend to collect less property taxes than those affiliated with other parties—the excluded category.

In addition, the model includes the lag of the dependent variable because the current year's performance on tax collection may be a function of the previous year's performance. After a year of poor tax collection, for example, governments may adopt drastic measures to increase the municipal treasury. The model also includes three economic controls: number of properties per municipality, official value of all properties, and percentage of the local population of productive age—which acts as a proxy to the non-available municipality GDP and unemployment.⁸⁵ There is no need to include dummies for each year, as the plots of the dependent variables show no systematic changes across time.

A Model for Social Investment

The second dependent variable is “municipal investment,” expressed per capita to make it comparable across the municipalities. The explanatory variables of interest are those representing the mayor's qualifications, the mayor's party affiliation, and an external, stressful situation. The stressful situation, in turn, is considered with each of the mayor's qualifications. The higher the mayor's qualifications the more municipal investment per capita is expected; however, under a stressful situation, this positive

⁸⁵ I recognize it is a very rough measure to proxy GDP or unemployment, but this is the only available alternative. I could have employed the departmental GDP, but it would not allow for variation across units.

effect should decrease. For party affiliation, the expectation is that mayors affiliated with the Conservative tend to spend less, therefore, investing less on social spending than mayors affiliated with any other party—the excluded category. The model also includes dummies for each year (2000-2004), as the plot for the dependent variable shows some systematic changes across time. I also include one economic (log of total budget) and one socio-demographic control (log of population).

A Model for Mayoral Operational Costs

The third measure of the dependent variable refers to the variation in *operational costs as percentage of the revenues*. Although municipalities are required not to spend more than 80% of their revenues, in this area there is a great deal of variance, justifying its examination.⁸⁶ The explanatory variables of interests are the mayor's qualifications and their interaction with the stressful situation. The expectation is that the higher the mayor's qualifications the lower the operational costs, as mayors may make better usage of human and material resources. The model also includes all the political institutional variables, as they might play an important role to explain this indicator. The model controls for budget (log) and population (log). Plots of the dependent variable suggest no need to include their lags values nor dummies for years, as there is no systematic change across times.

⁸⁶ Thirty-nine out of the 40 municipalities are either category 4th, 5th, or 6th, and for all of them 80% of revenues spending is the maximum amount allowed for operational costs. I exclude from the sample the municipality whose category is 1st because its allowed revenue spending is 60%, permitting no comparison.

A Model for Expenditures

The fourth dependent variable is “municipal expenditures per capita.” The main explanatory variables are the mayor’s qualifications and their interaction with the external constraints. The model also includes nine political institutional variables that the existing literature on fiscal performance suggests as causal mechanisms for spending. They are the political support variables—legislature’s partisan support, citizens’ support, governor’s partisan support, electoral cycle, divided government, the mayor’s party ideology, government party alternation, number of interest groups, and number of parties represented in the legislature. Except for the mayor’s Conservative ideology, all of these variables are expected to increase spending. In addition, there is one socio-demographic variable—the percentage of the population under 15 years and over 60 years of age—and one economic control—total budget—all of which should increase spending. There are also dummies for each year (2000-2004).

Operationalization of Variables and Methods

The measurements of mayoral qualifications, stressful situation, inequality, the three types of political support, party affiliation, party alternation, and divided government are as already specified in chapter IV. Here, therefore, I present the operationalization for the new variables (see Table 5.1 for descriptive statistics). For example, I standardized the three dependent variables— expenditures, social investment, and property tax collection—per capita; therefore, their values are given in thousands of Colombian pesos. At the end of the fiscal year, municipalities report these values in millions of Colombian pesos to the Secretary of Planning of their respective department

(state). The Secretary of Planning of Norte de Santander in Cúcuta and the Department National of Planning in Bogotá provided these data.

I employ the number of Communal Action Boards (*Juntas de Acción Comunal*) per municipality as the measure of interest groups.⁸⁷ Each village creates and registers a Communal Action Board (*Juntas de Acción Comunal*), which is entitled to advocate for the interests of its respective community, such as construction of a road to have access from the rural to the urban area, construction of a school, etc. The more boards within a municipality, the more the demands, and the more of a budget's divisions the local government will have to distribute. The Secretary of Community Development located at the governorship provided these data.

The measure of municipal population and groups of population (under 15 years of age, over 60 years, and the productive population: between 15 and 60 years old) is simple. The values of yearly population are estimates from the Colombian 1993 census. I logged population values to avoid skewed data from cases with larger population. Values range from 2, 768 inhabitants in a tiny municipality to 742, 689 in the capital. The National Administrative Department of Statistics (DANE), in Cúcuta, provided part of these data, and the Secretary of Education in Cúcuta provided the software to calculate specific populations per group. See Table 5.1 for descriptive statistics of all variables.

⁸⁷ Each municipality has two other interest groups: *Asociación de Campesinos* (Peasants Association) and the one that groups the owners of the local economy's main activity.

Table 5.1 Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Tax Property Collection/Capita	6,741	6,272	527	38,836
Social Investment/Capita	207	108	35	666
Municipal Expenditures/Capita	353	125	58.76	805.16
Primary Education (1= yes, 0= no)	0.06	0.24	0	1
Secondary Education (1= yes, 0= no)	.30	.46	0	1
Post Secondary Education (1= yes, 0= no)	.63	.48	0	1
Local Experience (1= yes, 0= no)	.63	.48	0	1
Ex-mayor (1= yes, 0= no)	.21	.41	0	1
State/National Experience (1= yes, 0= no)	0.24	0.43	0	1
Conservative Party (1= yes, 0= no)	.57	.49	0	1
Other Party (1= yes, 0= no)	0.42	0.49	0	1
Population Under 15 and Over 60	51.38	4.53	42.43	66.55
Population (1= yes, 0= no)	35,503	107,472	2768	742,689
External Constraints (continuous)	354	1481	0	14,327
Interest Groups (continuous)	62.99	54.11	8	246
Electoral Cycle (1= yes, 0= no)	.35	.48	0	1
Party Alternation (1= yes, 0= no)	.16	.36	0	1
Divided Government (1= yes, 0= no)	.46	.49	0	1
Citizens' Support (%)	19.01	18.51	0	90
Council's Support (%)	54.09	30.10	0	100
Number of Parties in the Council (continuous)	3.36	1.57	1	9
Mayor-Governor Same Party (1= yes, 0= no)	0.16	0.36	0	1
Budget (millions of pesos)	7649.26	37,379	962	281, 543
Inequality	37.03	10.49	15.73	59.98

Methods of Analysis

My data set consists of 40 cross-sectional units—the 40 municipalities of one department (state)—along a time span of five years (2000-2004)—and six years for when the dependent variable is property tax collection per capita—creating an unbalanced panel. According to Beck and Katz (1995), and Harrinvirta and Mattila

(2001), the use of cross-municipality pooled time series data holds the potential for three methodological problems. First, the error terms may differ from municipality to municipality, generating panel heteroskedasticity in the data. Secondly, the error terms might be contemporaneously correlated: errors at a year in one municipality might be correlated with another municipality in the same year. Finally, there may be autocorrelation within the municipalities, as there is in any time series, mainly when the models include a lag of the dependent variable.

As no single solution is perfect, I report four different estimations. First, I estimated panel corrected standard errors by running STATA's XTPCSE command with the "hetonly" option⁸⁸ to correct for heteroskedasticity across the units, in this case, the municipalities. Second, I estimate fixed-effect coefficients with Huber-White standard errors to correct for within units heteroskedasticity. Third, because panel autocorrelation might be an issue in the models that include a lag of the dependent variable, I report Arellano-Bond estimates—for when variables are 1st differences—for the tax property collection model. I do it so only for this model because tax property collection is more likely to be a function of the amount collected in the prior year. Finally, I also report simple OLS estimates with Huber-White standard errors. In all the models the levels of multicollinearity for the interaction terms of postsecondary education and stressful situation are slightly high. Their inclusion in the model, however, is necessary

⁸⁸ The "hetonly" option assumes that there is autocorrelation only across panels and not within a panel and adds an additional correction for omitted fixed determinants.

Results

On Municipal Property Tax Collection

Table 5.2 shows the estimates with panel corrected standard errors of the municipal influences on property tax collection per capita, which is logged to reduce the problem of skewed data. The influence and leverage diagnostics reveal that one case, Cúcuta (the departmental capital), overly influence the estimations; therefore, it is excluded. As expected, and after holding everything else constant, the four estimations reveal that the educational level of the mayors has a robust and positive impact on property tax collection. The impact is indeed quite large. In municipalities where the mayor has any university education, the annual property tax collection per capita tends to increase between 30 to 51 percent when compared to municipalities whose mayor only has primary education (the excluded category).

However, and as expected, the positive impact of mayor's education decreases in settings where the mayor is exposed to external constraints. The coefficient for the interaction term between *stressful situation constraints***post-secondary education* is negative and statistically significant. It is a logged transformed variable, too. Thus, for every one-percent increase in the number of people who forcefully migrate from rural areas to an urban area, the positive impact that mayor's education has on the fiscal balance per capita (30-51 percent) tends to go down between 15 and 16 percent.

It shows that under stressful situations (or external constraints), the positive influence of

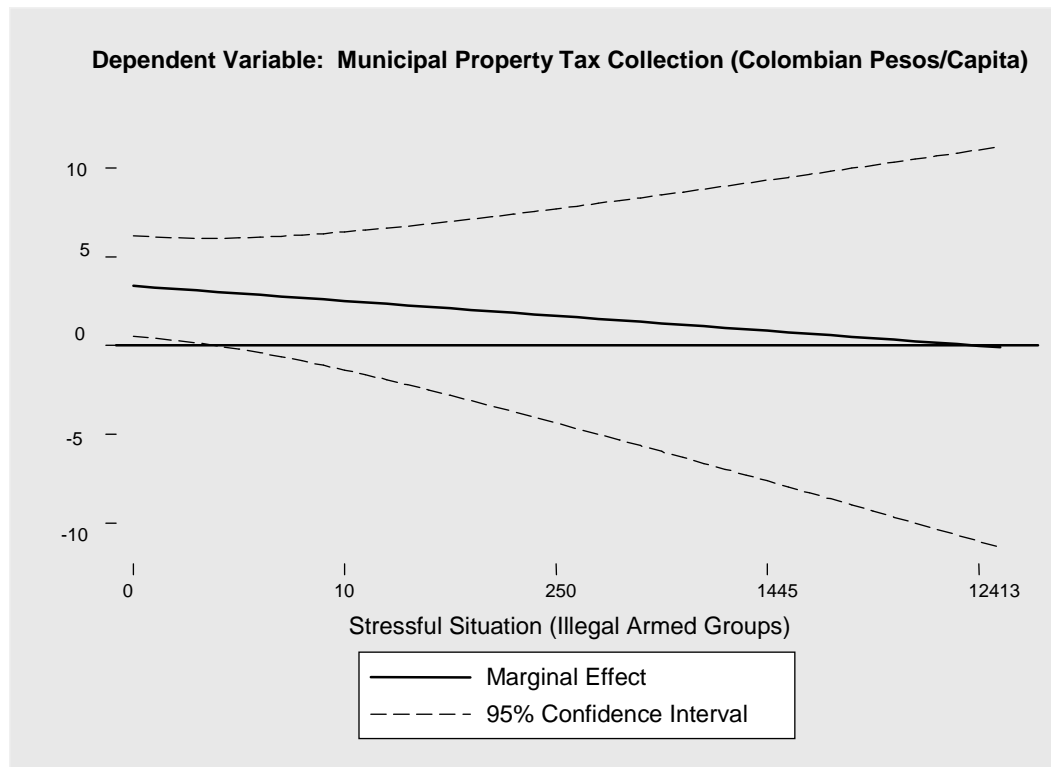
Table 5.2 Explaining Municipal Property Tax Collection (logged)

Variable	Fixed- Effect Huber- White SE	Arellano- Bond Estimates	PCSE Huber- White SE	OLS with Huber-White SE
Secondary Education	.05 (.10)	.01 (.05)	.06 (.07)	.06 (.07)
Post Secondary Education	.43** (.18)	.51** (.08)	.39** (.12)	.30** (.12)
Post Secondary* Stressful Situation (ln)	-.15* (.09)	-.16** (.04)	-.16** (.07)	-.16** (.06)
Local Experience	-.13 (.19)	.21 (.10)	.27* (.14)	.27* (.15)
Local Exp.* Stressful Situation (ln)	.19 (.14)	-.01 (.07)	-.11 (.11)	-.11 (.10)
Ex-mayor	.19 (.18)	.37 (.10)	.11 (.15)	.11 (.15)
Ex-mayor* Stressful Situation (ln)	.14 (.11)	-.24 (.05)	-.08 (.09)	-.08 (.09)
State and National Experience	.03 (.08)	-.03 (.07)	.09 (.06)	.09 (.06)
Conservative Party	.06 (.08)	-.03 (.07)	-.03 (.05)	-.31 (.05)
Number of Properties	.00 (.00)	.00 (.00)	4.59e-07 (1.65e-06)	4.59e-07 (1.65e-06)
Value of Total Properties (ln)	.09 (.07)	.03 (.07)	.05 (.03)	.05 (.03)
Productive Population	.10 (.10)	.00 (.07)	.01 (.01)	.01 (.01)
External Constraints (ln)	-.08 (.12)	.20 (.6)	.13 (.11)	.13 (.11)
Lag Property Tax Collection (ln)	.33 (.13)	-.17 (.19)	.84** (.04)	.84** (.04)
Constant			-.48 .61	-.48 (.67)
Observations	150	115	150	150
	F (14, 99)	Chi2 (14)	Chi 2 (14)	F (14, 135)
	6.18	117.29	2555.69	195.01
Prob	.00		.00	.00
R-sq within group	.31		R-sq: .90	R-sq: .90
R-sq between group	.62			
R-sq overall groups	.58			

** Significant at <.05. * Significant at <.10. (one-tailed tests).

the mayors' qualifications decreases, thus providing evidence for the stressful situation hypothesis. Figure 5.1 illustrates more concretely this negative interactive effect.

Figure 5.1 Marginal Effect of Mayoral Post Secondary Education on Municipal Property Tax Collection as the Stressful Situation Varies



As figure 5.1 shows, after holding everything constant, when no single person (0) migrates from the municipal rural to the urban area, the impact of mayors' post secondary education on property tax collection increases 4.30 Colombian pesos/capita relative to what mayors with only primary education collect. However, when 10 people migrate from the rural to the urban area because of violence generated by illegal armed presence, the property tax collection tends to decrease 1.3 pesos/capita (moves from

4.30 to roughly 3 pesos/capita); and when 250 migrate from the rural to the urban area, that value decreases roughly 2.3 pesos/capita (moves from 4.30 to roughly 2 pesos/capita).

The OLS and PCSE estimator for the *mayor's local experience* shows significance; however, the Arellano-Bond and Fixed-effect estimator fail to show significance. The coefficients for *departmental-national*, and *ex-mayor experience* are insignificant, suggesting that the mayor's job-related expertise does not add to municipal property tax collection.

The findings provide no support for the “government ideology” hypothesis, as mayor affiliated with the Conservative Party do not differ from the mayors with another party affiliation in collection of property taxes. From the three controls: number of properties per municipality, official value of all properties, and percentage of the local population in the productive age group (a non-perfect proxy to the local GDP), only the OLS and PCSE estimator for *land value* is significant and positively related to property tax collection—as expected.

On Municipal Social Investment

Table 5.3 reports the estimates with panel corrected standard errors of the municipal influences on investment per capita. The influence and leverage diagnostics reveal that no single observation overly influences the estimations. It is important to mention that the levels of multicollinearity for the *budget and population* variables are

Table 5.3 Explaining Municipal Social Investments

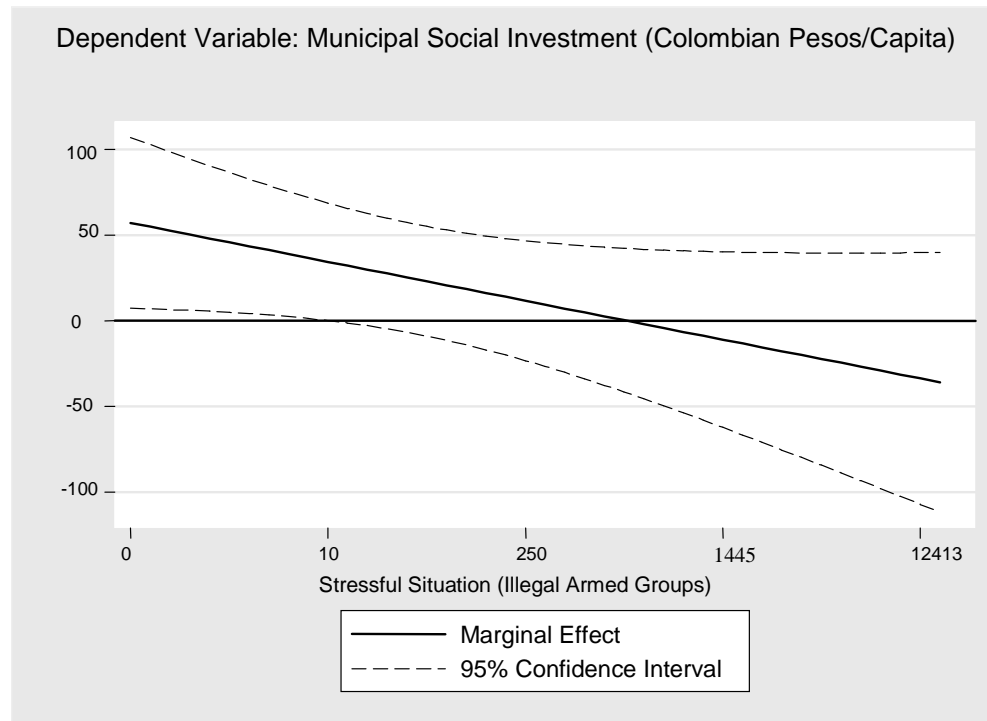
Variable	Fixed-effect Huber-White SE	PCSE Huber- White SE	OLS with Huber-White SE
Secondary Education	39.40** (19.10)	33.48* (17.87)	33.48** (13.55)
Post Secondary Education	57.19** (23.33)	56.50** (17.87)	56.50** (19.01)
Post Secondary* Stressful Situation (ln)	-22.72** (12.20)	-13.60 (10.06)	-13.60 (10.82)
Local Experience	-12.71 (30.41)	-5.87 (17.94)	-5.87 (22.92)
Local Exp.* Stressful Situation (ln)	-1.98 (15.52)	-12.82 (10.14)	-12.82 (12.84)
Ex-mayor	-36.81 (24.09)	-40.08** (18.51)	-40.08** (20.94)
Ex-mayor* Stressful Situation (ln)	22.74 (15.58)	16.78 (11.47)	16.78 (13.30)
State and National Experience	-13.75 (15.02)	-13.54 (11.15)	-13.54 (12.28)
Conservative Party	5.56 (8.33)	-10.43 (8.30)	-10.43 (8.41)
Budget (ln)	161.41** (36.13)	231.40** (15.75)	231.40** (19.64)
Population (ln)	-776.19** (314.23)	-223.74** (13.44)	-223.74** (16.00)
External Constraints (ln)	-5.95 (21.63)	-1.47 (12.23)	-1.47 (14.59)
2001	-8.70 (11.79)	17.61 (11.96)	17.61 (10.19)
2002	37.95 (16.10)	-5.16** (13.02)	-5.16** (14.16)
2003	40.61 (14.00)	-.80 (12.70)	-.80 (12.95)
2004	35.16 (16.35)	-17.15 (12.90)	-12.45 (12.90)
Constant		484.00** (49.13)	484.00** (51.08)
Observations	166 F (16, 112) 10.30	166 Chi 2 (16) 608.77	166 Chi 2 (16, 149) 35.18
Prob	0.00	0.00	0.00
R-sq within group	0.63	0.82	0.82
R-sq between group	0.50		
R-sq overall groups	0.37		

** Significant at <.05. * Significant at <.10. (one-tailed tests).

slightly high (VIF: 4.96). Their inclusion as control variables, however, is necessary in the model. Congruent with the expectations, and after holding everything else constant, results reveal that the mayor's education adds to municipal social investment per capita. Hence, the fixed-effect estimates for *secondary* and *postsecondary* education are positive and statistically significant at the 95% level. Specifically—and assuming that the coefficient on the interaction between post-secondary and stressful situation equals 0—when compared with mayors who have only primary education (the base category), the investment per capita in municipalities headed by mayors with any year(s) of secondary education increases by 39,400 pesos (roughly 15 dollars), and it almost doubles to 57,190 pesos in municipalities whose mayors have any years of postsecondary education

However, and as expected, the positive impact of a mayor's education on per capita social investment decreases in settings where the mayor is exposed to external constraints such as the presence of illegal armed groups. In fact, the coefficient for the interaction term between *external constraints* – *postsecondary* is negative and statistically significant at the 95% level. This means that for every 1 percent increase in the number of people who forcefully migrate from rural areas to an urban area, the positive impact that the mayor's education has on the fiscal balance per capita (57,190 pesos) tends to go down by roughly 227 pesos ($-22.72/100$). Although the negative effect is small, it shows that under stressful situation (or external constraints), the positive influence of mayoral education decreases, supporting the 'external constraints' hypothesis. Figure 5.2 illustrates this negative interactive effect.

Figure 5.2 Marginal Effect of Mayoral Post Secondary Education on Municipal Social Investment as the Stressful Situation Varies



As figure 5.2 shows, after holding everything constant, when no single person (0) migrates from the municipal rural to the urban area, the impact of mayors' post secondary education on social investment tends to increase 57.19 Colombian pesos/capita relative to what mayors with only primary education spend. However, when 10 people migrate from the rural to the urban area because of violence generated by illegal armed presence, the property tax collection tends to decrease 10.3 pesos/capita (moves from 57.19 to roughly 40 pesos/capita); and when 12413 (the maximum values in the sample) people migrate from the rural to the urban area, that value decreases roughly 97 pesos/capita (moves from 57.19 to roughly -40 pesos/capita).

As with the previous model, the indicators for job-related expertise—*local and departmental-national*—are insignificant. However, the findings report an unexpected negative and significant coefficient for the *ex-mayor* variable. It suggests that municipalities headed by reelected mayors tend to spend between 40,000 and 36,800 pesos per capita (around 14 dollars/ per capita) less on social investment than municipalities whose mayors are local executives for the first time. One explanation for this points to the fact that as these reelected mayors are less likely to run for a third term, they have little incentive to invest in social programs because there is no need to claim it as theirs, or they may divert money to other uses. A mayor's party ideology has no influence on municipal investment. *Budget*, one of the control variables, is positive—as expected—and significant at the 95% level. The coefficient for *population* also is significant but with an unexpected negative sign. This might be explained on the grounds of economies of scale.

On Municipal Operational Costs

Table 5.4 reports the three sets of estimates of the effect of municipal influences the operational costs as a percentage of municipal revenues. The influence and leverage diagnostics reveal that some of the municipalities overly influence the estimations; therefore, they are excluded from the analysis. In this model the levels of multicollinearity for *the interactive terms post-secondary education*stressful situation and local experience*stressful situation* are slightly high. Their inclusion is necessary because they are main hypothesized effects in the model.

Table 5.4 Explaining Mayoralty Operational Costs

Variable	Fixed-effect Huber-White SE	PCSE Huber- White SE	OLS with Huber- White SE
Secondary Education	-3.29 (7.32)	0.76 (5.02)	0.76 (5.33)
Post Secondary Education	11.71 (12.03)	-5.69 (8.66)	-5.69 (8.53)
Post Secondary*Stressful Situation (ln)	1.90 (7.63)	1.77 (6.36)	1.77 (5.31)
Local Experience	-0.89 (12.07)	-3.45 (8.10)	-3.45 (7.20)
Local Exp.* Stressful Situation (ln)	3.38 (9.53)	2.55 (6.36)	2.55 (4.74)
Ex-mayor	0.49 (9.92)	-8.86 (7.62)	-8.86 (8.32)
Ex-mayor*Stressful Situation (ln)	-0.90 (7.07)	8.50 (5.58)	8.50 (5.58)
State and National Experience	3.67 (5.50)	2.77 (3.96)	2.77 (4.41)
Conservative Party	4.80 (6.46)	-2.56 (2.77)	-2.56 (3.10)
Citizens Support	0.09 (0.14)	0.10 (0.09)	0.10 (0.11)
Municipal Council Support	0.05 (0.13)	0.10 (0.08)	0.10 (0.07)
Government Party Alternation	-1.25 (4.28)	2.06 (3.67)	2.06 (3.86)
Number of Parties in the Council	-0.68 (3.09)	1.30 (1.56)	1.30 (1.57)
Electoral Cycle	2.30 (3.13)	3.58 (2.79)	3.58 (3.11)
Budget (ln)	-25.67** (9.95)	-19.07** (4.98)	-19.07** (5.91)
Population (ln)	149.33 (146.10)	10.21** (3.59)	10.21** (4.13)
Stressful Situation	-0.10 (6.62)	1.71 (5.95)	1.71 (5.34)
Constant		107.18** (24.86)	107.18** (27.85)
Observations	134	134	134
	F (17, 83) 1.59	Chi 2 (17) 37.35	F (17, 116) 2.08
Probability	0.00	0.00	0.01
R-sq within group	0.23	R-sq: 0.23	R-sq: 0.23
R-sq between group	0.05		
R-sq overall groups	0.01		

** Significant at <.05. * Significant at <.10. (one-tailed tests).

According to the findings, neither mayor's qualifications, nor political institutions explain variation of operational costs. The fixed-effect coefficient for budget is statistically significant, but has an unexpected negative direction. The PCSE coefficient for population is positive and statistically significant, as expected. Based on these results, other mechanisms seem to matter for explaining variation in operational costs. In fact, this is an indicator that may reveal the payment of political favors.

On Municipal Expenditures

Although Table 5.5 reports the fixed-effect, PCSE, and OLS estimates, I concentrate on the coefficients of the fixed-effect estimation, as it seems to be more conservative for unbalanced panel data. The dependent variable, municipal expenditure per capita is logged to correct for skewed data. The influence and leverage diagnostics reveal that 12 observations overly influence the estimations; therefore, they are excluded from the analysis.

From the indicators of mayoral qualifications, only the coefficient for departmental-national experience is negative and statistically significant at the low level of 90%. This suggests that those mayors who have had experience outside of the local level tend to spend 11 percent less per capita than those mayors who lack that experience, opposite to expected. Opposite to what the "government party ideology" hypothesis suggests, mayors affiliated with the Conservative party tend to spend 13 percent more than the mayors affiliated with any other party—the excluded category.

Table 5.5 Explaining Municipal Expenditures

Variables	Fixed-effect Huber-White SE	PCSE Huber-White SE	OLS with Huber- White SE
Secondary Education	.08 (.07)	-.22** (.07)	-.22** (.07)
Post Secondary Education	.08 (.11)	-.20* (.11)	-.20 (.13)
Post Secondary* Stressful Situation (ln)	.03 (.08)	.13 (.09)	.13 (.09)
Local Experience	-.01 (.11)	.13 (.11)	.13 (.14)
Local Exp.* Stressful Situation (ln)	-.05 (.08)	-.20** (.07)	-.20** (.08)
Ex-mayor	-.17 (.10)	-.15 (.13)	-.15 (.15)
Ex-mayor* Stressful Situation (ln)	.13 (.09)	.02** (.09)	.02** (.10)
State and National Experience	-.11* (.05)	-.20** (.05)	-.20** (.06)
Conservative Party	.13* (.07)	.07 (.07)	.07 (.07)
Population Under 15 and Over 60	.07 (.08)	.00 (.00)	.00 (.00)
External Constraints (ln)	-.06 (.06)	-.01 (.09)	-.01 (.09)
Interest Groups	-.02 (.01)	-.00** (.00)	-.00** (.00)
Electoral Cycle	-.03 (.07)	-.13 (.09)	-.13 (.11)
Party Alternation	-.03 (.05)	-.09* (.05)	-.09* (.07)
Divided Government	.07 (.07)	.11 (.09)	.11 (.09)
Citizens' Support	.00 (.00)	.00** (.00)	.00** (.00)
Council's Support	-.00 (.00)	-.00** (.00)	-.00** (.00)
Number of Parties in the Council	-.05** (.02)	-.17** (.02)	-.17** (.02)
Mayor-Governor Same Party	-.04 (.07)	.10 (.08)	.10 (.08)
Budget (ln)	.49** (.17)	.05 (.06)	.05 (.07)
Constant		6.15** (.56)	6.15** (.58)
R-square	between .05	within .23	.23
Year dummies are not included.	** Sign. at <.05.	* Sign. at <.01	N: 134

Contrary to what the literature suggests, the number of parties represented in the municipal council has a reductive impact on the municipal expenditures per capita. For each additional party represented at the municipal council, the municipal expenditures per capita tend to go down 5 percent (0.05/100). It could mean that parties serve as a check on each other, thus obstructing the division of the pie. Finally, budget is also a predictor of expenditures: each additional million pesos in budget increases expenditures/capita in 49 cents.

Discussion and Conclusions

This research has explored the determinants of municipal fiscal performance by employing five years worth of data (2000-2004) across forty Colombian municipalities. Fiscal performance is measured using four indicators: expenditures, social investment, and property tax collection. I argue that public finance scholarship has neglected the potential influence of managerial quality on fiscal performance. In addition, I also argue that the positive impact of management quality on fiscal performance decreases under external constraints. Managerial quality is operationalized with the mayor's qualifications—educational background and job-related experience and operationalized external constraints with the presence of illegal armed groups. Besides testing the managerial quality hypothesis, this study also tests alternative political, economic, and external influences.

As hypothesized, I find a robust positive relationship between managerial quality and local fiscal performance. In fact, the mayor's educational level is associated with more social investment and increased property tax collection. External constraints,

however, undermine the positive influence that the mayor's educational background has on fiscal performance. These findings bring theoretical and practical implications for public management and public finance literature. Hence, the results suggest that managerial quality influence not only outputs but also organizational efficiency. The results also reveal that besides considering political and budgetary institutions, attention must be given to the qualifications of the budget makers.

None of the political variables assessed in this study seems to be consistently related to social investment and property tax collection. This might suggest two things: 1) context matters, as propositions developed in the US are not applicable in developing settings, and/or 2) patronage triumphs over ideology. Finally, municipal budget is a strong predictor of social investment.

In explaining variation in the operational costs, neither the mayor's qualifications nor the political institutional variables have any influence. It might suggest that dark forces, such as political favors, are behind the scenes, given that public appointments are often employed for clientelism. When mayors have greater partisan support at the municipal council, mayoral operational costs tend to increase, as the mayor's proposals easily pass the legislature.

This research also explores the determinants of municipal expenditures. I, however, emphasize that unless expenditures are associated with service standards, they tell us little about fiscal performance. Results suggest that, contrary to what literature in the US indicates, mayors affiliated with the Conservative Party tend to spend more than mayors affiliated with any other party. Moreover, the number of parties represented in

the municipal council has a negative impact on expenditures. The difficulty of getting consensus to approve expenditures might explain this finding.

Finally, this analysis of Colombian municipalities presents the first empirical undertaking in assessing the impact of managerial quality on fiscal performance in a Latin American setting. This research reveals that the qualifications of those who make and implement budgets matter. This project has also explored the applicability of theories developed in the US when transferred to the Latin American context, demonstrating that context matters. In developing countries, fiscal decentralization has given local governments full responsibility for their public finances without providing them the prescriptions to perform well. By identifying the factors that boost public finance, municipalities will know under which circumstances they will achieve the most. The results presented here suggest that managerial quality is positively associated with municipal social investment and property tax collections. Yet external constraints moderate the managerial quality's impact on fiscal performance. This research generates hopes and lessons for the Colombians. Hope derive from learning that by choosing qualified candidates, local public finances improve. The lesson is that the presence of illegal armed groups undermines the potential benefits provided by their qualified leaders.

CHAPTER VI

EVALUATING MUNICIPAL PERFORMANCE IN A SURVEY- EXPERIMENTAL ANALYSIS

Introduction

In this chapter, I provide a different approach to address the dissertation's main question: what explains municipal performance? Results from previous chapters reveal that management quality positively influences municipal education coverage and public finance, the latter through increased social investment and tax property collection. Management quality, on the contrary, has no impact on the municipal identification of the beneficiaries of social services (SISBEN program). In sum, although the preceding statistical analyses provide support for the management quality thesis, the evidence is partial.

In explaining this partial support, I suggest the following argument. Some programs might be more suitable to political manipulation than others, thus, downgrading the potential impact of management quality. In fact, newspapers report governmental officials' testimonies in which they suggest that the SISBEN program is used to obtain political benefits for mayors, councilmen, or other politicians ("Denuncian" 2006). If that were the case, politicians' interests, instead of management quality, would explain the workings of some municipal programs. Thus, there exists the possibility that the positive influence of management quality on performance is conditioned upon the nature of the program, adding to some programs, but not to others.

For instance, management quality may add to educational but not infrastructural programs: either because the former is a more salient issue or because the latter is more suitable to political manipulations. By manipulating, or controlling for, the nature of the issue, I will be able to assess its impact on performance: something that was not addressed in my previous analysis.

Like program nature or issue salience, some contexts might facilitate performance while others might not (Fiedler 1967). Results from the previous chapters, for example, provide weak support for a negative impact of stressful situations—when interacted with management quality—on municipal performance. By manipulating contexts, alternatively, I will assess its specific impact on performance.

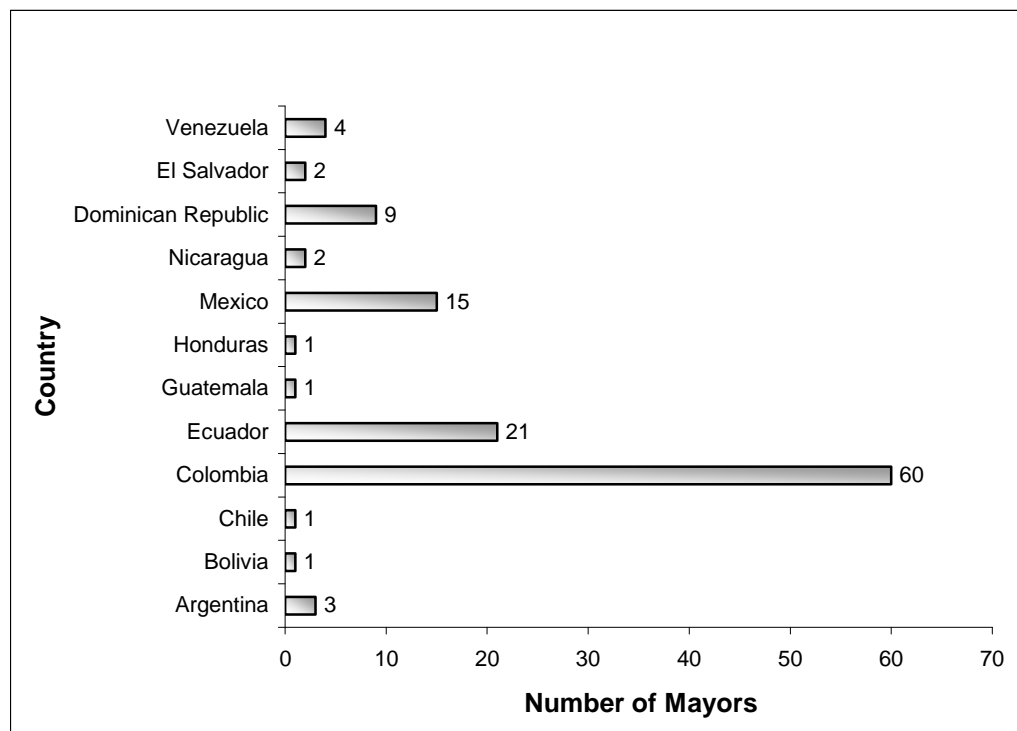
In undertaking this alternative approach, I run a survey -experimental analysis to manipulate both the nature of the program (or issue salience) and environmental context when I look at an important aspect of mayoral performance. Then I explore how management quality—mayoral qualifications—interacts with these variables to affect performance. The experiment employs as subjects 120 current mayors from 12 Latin American countries. To my knowledge, it is one of the first experimental analyses in the field of comparative public management, and the first employing real elected politicians.

Experimental Analysis

The experiment's main goal is to assess the impact of mayoral qualifications on performance after interacting them with two manipulated variables: the nature of the program (education or infrastructure) and the context (presence or absence of guerrillas).

The survey-experiment was conducted during the *II Latin American Summit of Local Governments*, held in Cali, Colombia, from July 26- 29, 2006. This summit drew roughly 585 mayors from all the Latin American countries. Depending on their accessibility, I randomly selected one hundred twenty mayors for the experiment. The sampling included mayors from 12 countries. Not surprisingly, given the summit's location, Colombian mayors were overrepresented. Figure 6.1 depicts the country distribution of the randomly-selected mayors. I approached the mayors asking for their cooperation and explaining the nature of the study. After agreeing to participate, s/he received both a survey of 45 questions and one of the eight experimental scenarios.

Figure 6.1 Nationality of Participating Mayors



Experimental Design

The experiment is a between group-factorial design of a 2 x 2 x 2 matrix whose experimental factors are: a) environmental stress (presence—absence); b) nature of the municipal problem (education or infrastructure); c) compatibility of the private agency's core activity with the municipal problem (yes – no). The dependent variable is the mayor's decision to transfer or not responsibility to an external agency for it to address a hypothetical municipal problem. Under certain circumstances, I assume that the transference of responsibility to an external agency results in better performance. In addition to these variables, I collected data on the mayors' educational and experience background—variables that cannot be manipulated. The subjects, 120 mayors, were randomly assigned to one of the eight possible scenarios (resulting from the 2 x 2 x 2 matrix), placing fifteen mayors in each scenario.

Introduction of the Issue: Nature of the Municipal Problem

After being randomly assigned to a scenario, I introduced the mayors to a scenery of a municipality with a substantial problem. The problem could be either in the educational or the infrastructural sector (sewage, electricity, running water, etc.). With this, I manipulated the nature of the local problem (education or infrastructure). The scenario also asked the mayor to assume that s/he was the executive of that municipality. Figure 6.2 presents the texts of both scenarios.

Introduction of the Environmental Context: Stressful Situation

Besides presenting mayors a municipality with a substantial problem, some scenarios also introduced a “stressful situation.” In this experiment, I manipulated stressful situation with the presence or absence of guerrillas in the assigned municipality.

FIGURE 6.2 Issue Introduction

EDUCATION SECTOR	INFRASTRUCTURE SECTOR
<p>Mr./Mrs. Mayor, accept my sincere thanks for cooperating with this study.</p> <p>For the purpose of this project, assume you are the mayor of a municipality, which possesses the following characteristics. Fifty percent of the population lives in rural and the other 50 % lives in urban areas. From the total population, 60% has no access to education. Although the municipality has other needs, it is obvious that greater access to education is the most important priority.</p>	<p>Mr./Mrs. Mayor, accept my sincere thanks for cooperating with this study.</p> <p>For the purpose of this project, assume you are the mayor of a municipality, which possesses the following characteristics. Fifty percent of the population lives in rural and the other 50 percent lives in urban areas. From the total population, 60% has access to neither electricity, sewage, nor running water. Although the municipality has other needs, it is obvious that improvement of its infrastructure is the most important priority.</p>

Figure 6.3 shows the complete text of the manipulation of stressful situation. The combination of the nature of the problem (education or infrastructure) with stressful situation (yes – no) generates four possible scenarios: a municipality with an educational problem under guerrilla presence; a municipality with an educational problem without guerrilla presence; a municipality with an infrastructural problem under guerrilla presence; and a municipality with an infrastructural problem without guerrilla presence.

FIGURE 6.3 Manipulating Stressful Situation

Presence of Stressful Situation	Absence of Stressful Situation
Your municipality is also characterized as having a considerable presence of illegal armed groups, which frequently demand financial support, reducing considerably the budget of your municipality.	

Compatibility of the External Solution

After introducing the municipality with its hypothetical problem, under either absence or presence of stressful situation, mayors were presented with two different budget distributions from which they were asked to choose the one they considered the best to deal with the hypothetical municipal problem. One of the solutions offered to mayors was to stay with the existing budget in which they have freedom to allocate 50 percent of the entire budget to the sector(s) they wish. The remaining 50 percent of the budget is to be proportionately allocated, by law, to the sectors of health (16.3%), education (16.3%), and infrastructure (16.3%). The alternative solution offers mayors a modified version of the current budget in which the budget's fraction assigned for free allocation is reduced from 50% to 20%. The discounted 30% is given to a private, independent-efficient agency. The agency will invest this 30% within the municipality. However, in half of the scenarios, the private agency will invest the given 30% in the municipal main problem, meaning that the private agency's activity is compatible with the local problem. In the other half of the scenarios, the private agency will invest the 30% in a sector different from the municipality's main problem, meaning that the agency's core activity is incompatible with the local problem. After combining the two

solutions with the previous conditions (nature of the problem and stressful situation), a 2 x 2 matrix results, which is illustrated in Figure 6.4.

Figure 6.4 Experimental Design

Municipal Education Problem

n= 15	n=15	Private agency will invest in education: Compatible private agency
n=15	n=15	Private agency will invest in infrastructure: Incompatible private agency
Guerrilla	No Guerrilla	
N = 60		

Municipal Infrastructure Problem

n = 15	n=15	Private agency will invest in infrastructure: Compatible private agency
n=15	n=15	Private agency will invest in education: Incompatible private agency
Guerrilla	No Guerrilla	
N = 60		

In addition to the written presentation of the solutions, the scenario also provided tables illustrating them: to facilitate their understanding. Figure 6.5 presents the proposed budgets for when the external agency will invest in education: Recall, however, that in other scenarios the agency will invest in infrastructure. The experiment ended when the mayor chose either to stay with the current budget or to adopt the alternative modified budget. In some cases, mayors explained the reason for their choice, as was suggested, but not required.⁸⁹

⁸⁹While performing the experiment, some of the mayors asked for additional clarifications, which I addressed. One of their most consistent concerns was to make sure about the reliability and efficiency of the private agency.

FIGURE 6.5 Assessing Performance

Current Budget	Reformed Budget									
<p>Your current budget is annually organized and from it, 50% must be assigned to health, education, and infrastructure, meaning that 16.3 % goes to each sector. The remaining 50 percent is spent at your discretion, meaning that you can add it to any of the former categories or assign it to any other sector such as nutrition, entertainment, etc.</p>	<p>The central government has proposed to modify the proportion of the municipal budget that is discretionary. Specifically, it proposes to reduce the discretionary budget from 50% to 20%, moving the 30% that is cut to an independent and efficient agency, which will invest it on education [or infrastructure—varies across scenarios]. This agency has demonstrated very practical solutions to improve local education</p>									
<p>Current Budget Allocations</p> <table><tr><td>16.3% Health</td></tr><tr><td>16.3% Education</td></tr><tr><td>16.3% Infrastructure</td></tr><tr><td>50% To invest in whatever you want</td></tr></table>	16.3% Health	16.3% Education	16.3% Infrastructure	50% To invest in whatever you want	<p>Proposed Budget Allocations</p> <table><tr><td>16.3% Health</td></tr><tr><td>16.3% Education</td></tr><tr><td>16.3% Infrastructure</td></tr><tr><td>20% To invest it on whatever you want</td></tr><tr><td>30% Given to a private, efficient agency to invest in education.</td></tr></table>	16.3% Health	16.3% Education	16.3% Infrastructure	20% To invest it on whatever you want	30% Given to a private, efficient agency to invest in education.
16.3% Health										
16.3% Education										
16.3% Infrastructure										
50% To invest in whatever you want										
16.3% Health										
16.3% Education										
16.3% Infrastructure										
20% To invest it on whatever you want										
30% Given to a private, efficient agency to invest in education.										
<p>Your task, today, is to decide whether your municipality would benefit from this change in allocation of spending or would be better off with the current budgetary distribution, which gives you discretion of 50 percent of the entire budget. Then, taking into consideration the characteristics of your municipality decide which option you think is better for your municipality:</p> <ol style="list-style-type: none">1) To keep the budget as it is2) To accept the changes proposed by the national government.										

Assessing Municipal Performance: The Dependent Variable

The critical part in this experiment is the definition of the dependent variable. Since I am aware of the difficulty of assessing performance in an experiment, I incorporate certain working assumptions in order to demonstrate the appropriateness of the selected dependent variable. Said this, this experiment's dependent variable is whether mayors choose an efficient, private agency to address the hypothetical

municipal problem or not. I recognize that this decision has also to deal with mayoral willingness to relinquish some budgetary power, and not only with performance.⁹⁰

However, the following working assumptions should help to illustrate the suitability of the decision as an indicator of performance. First, it is assumed that if the mayors consider themselves very good managers, they would like to maintain control of the entire budget to deal directly with the local problem. However, and second, if a mayor is experienced and knowledgeable and wants better results, s/he could rely on an efficient agency to deal with the local need, especially when its activity is compatible with the local need and when the municipal context is difficult. Then, the mayor just waits for the successful results to claim them on his/her own while saving time to address other municipal concerns. Four, some mayors may feel more comfortable addressing and solving some municipal problems than others. It suggests that the transference of responsibility to a private agency is conditioned on the nature of the problem. For example, some mayors may transfer responsibility to an external agency to address the local need if the need is education but not if the need is infrastructure. After adopting these assumptions, I derive the following hypotheses:

⁹⁰ For example, the decision may also have to deal with each country's experience with private agencies' delivery of services. That is, if in general the country's experience has been bad, mayors will be less likely to relinquish part of the budget, or viceversa. This, of course, would affect mayors' evaluation on performance. Indeed, across Latin American countries privatization of service delivery has been promoted, as part of the structural adjustment policies demanded by the lending institutions (Williamson 1990). As a result, privatization of service delivery has been seen as detrimental in terms of job creation, but efficient in terms of service delivery. This view, therefore, helps to reinforce my argument because in the experiment I want to convey the idea that the private agency, as alternative solution, is indeed reliable and efficient.

H1: Mayors are more likely to transfer responsibility to a private agency when the agency's main activity is compatible with the local need.

H2: Mayors are more likely to transfer responsibility to a private agency when this agency activity is compatible with the local need and when the environmental context is difficult.

H3: Mayors' transference of responsibility to a private, compatible agency is conditioned on the nature of the municipal problem.

The above propositions should operate regardless of mayoral qualifications.

However, as this dissertation's main proposition suggests that management quality (assessed with mayoral qualifications) positively influences municipal performance, its testable hypotheses are as follow:

H4: The more qualified a mayor is, the more likely s/he will transfer some of the budgetary power to an external and efficient agency when:

- a) The municipal context is more difficult (guerrilla presence).
- b) The external agency's activity is compatible with the municipal need.

H5: The more qualified a mayor is, the more likely s/he will allocate resources to an external, efficient agency for it to deal with the local need under two conditions:

- a) When the agency's activity is compatible with the municipal need and
- b) Depending on the nature of the problem (whether education or infrastructure).

Under these conditions, then, I assume the municipal problem will be better addressed by transferring responsibility and resources to an external-efficient agency. The logic for the propositions is as follow. Under difficult municipal contexts, the external agency might not have direct exposure to guerrillas, providing it with more chances to successfully address the municipal problem. As mayors work and live within

the municipal perimeter, guerrillas' access to them is easier. This access facilitates guerrillas making threats against mayors when demanding something. In some cases, mayors abandon their municipalities to avoid being harassed. An article in a Colombian newspaper perfectly portrays this scenario. It states that seven mayors abandoned and quit their jobs due to threats from the front 33 of the FARC (Fuerzas Armadas Revolucionarias de Colombia—Revolutionary Armed Forces of Colombia) (“Alcaldes amenazados” 2007). By granting responsibility to an external agency, mayors then may liberate from the pressures from the illegal armed forces.

Moreover, by transferring responsibility to an external agency, the mayor may ignore clientelistic demands, contributing, thus, to better performance.⁹¹ In small municipalities, it is very difficult for mayors to evade friends and supporters. Therefore, mayors are constantly subject to the return of favors and friendship, which can be more likely to be materialized in infrastructure rather than education programs. Although also exposed to some demands, for a private manager it may be easier to evade them.

On the other hand, when the external agency's activity is incompatible with the municipal need, the problem has a greater chance of being addressed with the current budget because the mayor may invest, part, or all of the 50%, of the budget's portion of free allocation in the needed sector. Additionally, for the scenarios in which there is no guerrilla presence and the agency's activity is incompatible with the local need, I assume the municipality's problem will be better addressed with the current budget, presuming, of course, that the mayor will invest, part, or all of the 50%, of the budget's fraction of

⁹¹ I do not assume that all qualified mayors want to avoid clientelism. What I suggests is that by transferring to an external agency, mayors may get rid of political commitments.

free allocation to cover the municipal need. There is, however, doubt on how to assess performance for those scenarios in which there is no guerrilla presence and the independent agency's activity is compatible to the local problem. Many mayors responded that they would prefer to manage the local problem with the current budget because by having access to the budget's fraction of free allocation, they could invest it on the need, largely because they relied on their own capabilities to succeed. Although assessing performance under this scenario is dubious, its inclusion was necessary because it allowed me to manipulate one of the key concepts: presence and absence of a stressful situation.

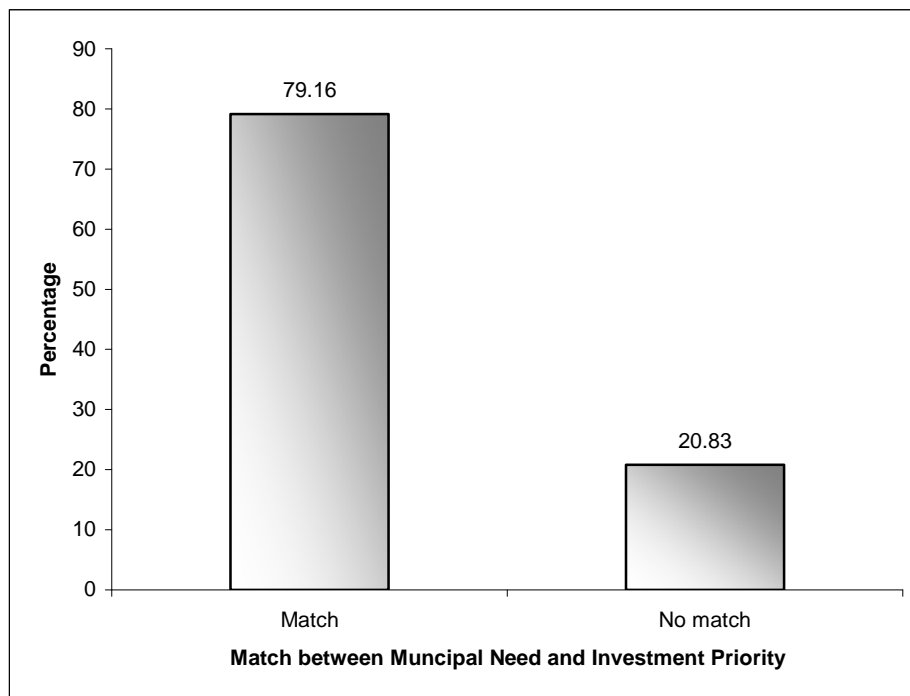
In sum, the mayors' approval to transfer a budget's fraction to an external-efficient agency, rather than adhering to the current budget, when there is presence of guerillas and the agency's activity is compatible with the municipal problem is associated with better municipal performance. This might be, however, conditioned on the nature of the problem: which needs to be tested too.

Given the straightforward understanding of the manipulated variables: municipal problem—education and infrastructure—and presence or absence of guerrilla, I leave out manipulation checks—procedures that guarantee internal validity in an experiment. I, however, looked at the survey for two answers, as they allow me to see if the mayor matches the municipal needs with the sectors that call for priority investment.⁹² Figure 6.6 shows that 79.16 percent of the mayors match the municipal needs with the sector(s)

⁹² Specifically, the survey asked the mayor for the main problem(s) of his or her municipality. Then another question asked them what would be the priority sectors to invest in if he or she received a budgetary addition of 20 percent.

requiring priority investment. It means that in the experimental analysis they should be able to identify the main need and to associate it with the solution that allows them to better deal with it.

Figure 6.6 Mayors' Match between Local Need and Investment Priority



ANOVA Results

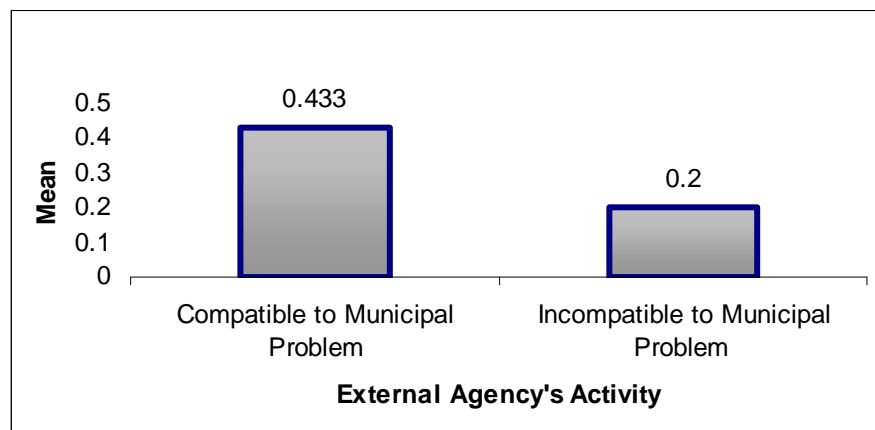
First, I present the ANOVA tests on the effects of stressful situation, nature of the problem, and agency's compatibility on mayoral approval for an external agency. Then, I present the interactive effects of the previous variables on mayors' choice.

Effect of the Agency's Compatibility on Mayor's Choice

Hypothesis 1 suggests that mayors are more likely to allocate responsibility to an external agency when its main activity is compatible with the local need, and ANOVA

test supports it. The findings for between-groups ANOVA indicate that the mean differences are statistically significant [$F(1, 112) = 4.29, p = 0.04$]. Figure 6.7 shows the mean of mayoral approval for an external, efficient agency depending on the agency's compatibility with the municipal problem. More of the mayors (mean of 0.433) agreed to transfer responsibility to an external-efficient agency when its activity is compatible to the municipal problem than when its activity is incompatible (mean of 0.2). This finding demonstrates that mayors, indeed, link the problem with solution.

Figure 6.7 Mayors' Approval of External Agency

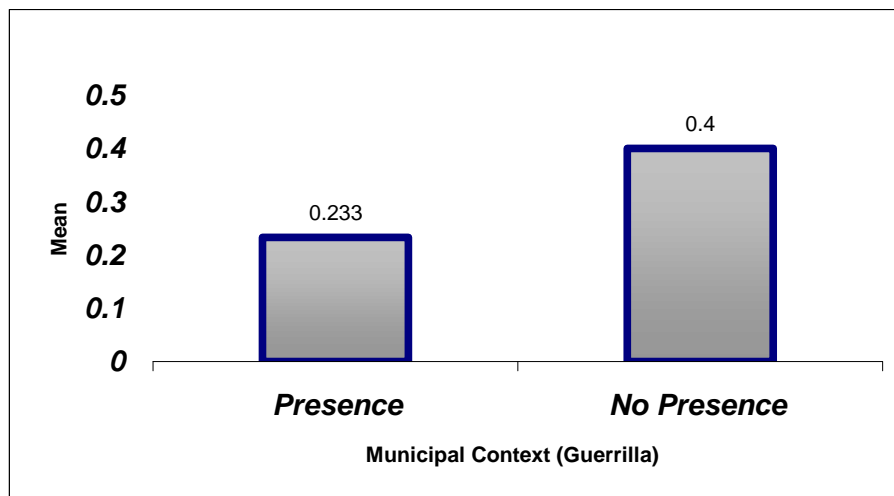


Effect of Municipal Context on Mayor's Choice

Hypothesis 2 states that mayors are more likely to allocate responsibility to an external agency when it is compatible with the local need and under more difficult contexts. Before testing this interactive effect, I report the ANOVA test for the effect of municipal context (guerrilla presence or absence) on mayoral approval for an external solution. The between-groups ANOVA found a significant effect for guerrilla presence [$F(1, 112) = 8.41, p < .004$]. However, the results are opposite to expectations. As

Figure 6.8 shows, with guerrilla presence fewer mayors opted to grant responsibility to an external agency ($M = 0.233$) than do mayors whose municipality has no guerrilla presence ($M = 0.4$).

**Figure 6.8 Mayors' Approval of External Agency
as Context Varies**



This finding suggests that when faced with guerrillas' presence, mayors prefer to handle the municipal problem directly. In other words, under presence of guerrillas, mayors prefer to have control of the entire budget, rather than yielding 30% of it to an external agency. A question, then, emerges: why, under this condition, do mayors prefer to have more budget discretion? One explanation might point to the mayors' need of having more resources to satisfy the guerrilla's demands, thus guaranteeing their survival. Indeed, in personal conversations with an ex-mayor, and now current secretary of government, he told me that during his administration he had to supply almost 20% of the budget to guerrillas and an equivalent 20% to the rightist self-defense groups in order

to guarantee his survival.⁹³ Another explanation, could be, that regardless the stressful condition, mayors only care about controlling their entire budget, as they may see the transfer of budget as a loss of municipal autonomy. In fact, among the justifications given, the fear of losing autonomy was the main reason for mayors' decision to not grant part of their current budget to the external agency. As one of the mayors stated, "I do not want to lose freedom to invest on the priority needs", another said, "The municipality—and not a private agency—should have the control of its own money."

Most of the Ecuadorian mayors justified their rejection of the alternative private agency, on the grounds that the municipal budget should be participative rather than dictated. This willingness to adopt participative budgets deserves closer examination, as mayors from other countries do not express this incentive.

Interactive Effect between External Agency's Compatibility and Municipal Context on Mayor's Choice

The between-groups ANOVA test for the interactive effect between agency's compatibility and municipal context (guerrilla) is statistically insignificant, $[F(1, 112) = .172, p = .679]$. It means that decisions of mayors who face guerrilla presence and have as alternative solution a compatible private agency are not statistically different from the decisions of mayors who have no guerrilla presence and have as alternative solution an incompatible private agency. Therefore, Hypothesis 2 receives no support. Although the means of mayors' approval for an external solution vary across the interactions, they fail to achieve significance $[M(\text{compatible} * \text{guerrilla}) = .333; M(\text{compatible} * \text{no}$

⁹³ Anonymous Interview by author, a municipality in the province of Ocaña, Norte de Santander, November 13, 2005.

guerrilla) = .533; M (non-compatible*guerrilla) = .133; M (non-compatible*no guerilla) = .267]. In sum, hypothesis 2 receives no support.

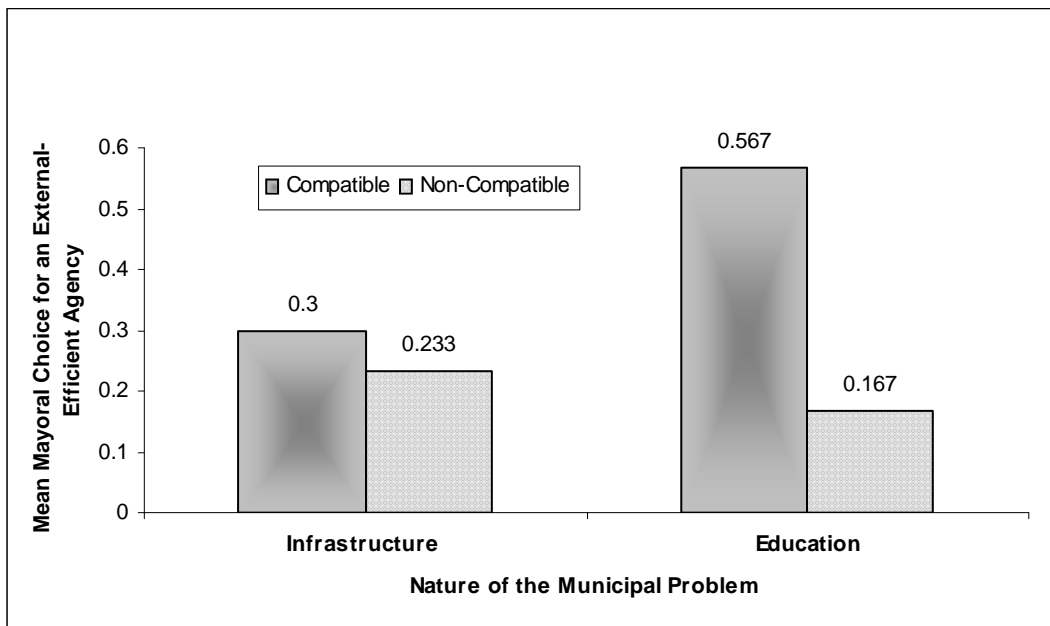
Effect of the Nature of the Municipal Problem on Mayor's Choice

Recall that the findings from chapter IV reveal that management quality has an impact on municipal education but not on identifying the beneficiaries of social services (SISBEN). This may suggest that management quality affects some programs but not others, which can be tested by manipulating the nature of the issue. That is, does mayoral approval for an external agency to address the local need vary depending on the nature of the problem? ANOVA tests find no significant effect for the nature of the problem. Although the proportion of mayors who chose an external agency when the municipal problem is education is different ($M = 0.433$) from the proportion of mayors who chose the agency when the problem is infrastructure ($M = 0.200$), these means, however, are not statistically different.

Interactive Effect between Nature of the Problem and Agency's Compatibility on Mayor's Choice

The next step is to examine whether mayors' approval for a compatible agency varies depending on the nature of the local problem. Figure 6.9 shows a significant difference across educational and infrastructural issues. The between-groups ANOVA test reveals a large difference in mayoral approval for an external solution across the two municipal problems, [$F(1, 112) = 4.29, p = 0.04$]. Therefore, H3 receives support.

Figure 6.9 Interactive Effect between Agency's Compatibility and Nature of the Problem



Specifically, when the local problem is education, the mean of mayoral approval to transfer responsibility to a compatible external agency is statistically greater ($M = 0.567$) than the mean of mayoral approval for when the agency is non-compatible ($M = 0.167$). On the contrary, when the local problem is infrastructure, the mayoral approval for an external agency does not differ statistically across compatible ($M = 0.3$) and non-compatible agencies ($M = 0.233$). These findings raise a question: why mayors are more willing to transfer part of their budgets to an external agency under educational, but not under infrastructural, need? I suggest two arguments. First, mayors may feel more capable to deal with infrastructure than with educational issues. Second, mayors may obtain more benefits—either material or political—by directly handling infrastructure rather than educational needs. In sum, the nature of the problem (or sector) alone has no

impact on performance, but when interacted with agency's compatibility; its impact on mayoral decision is significant.

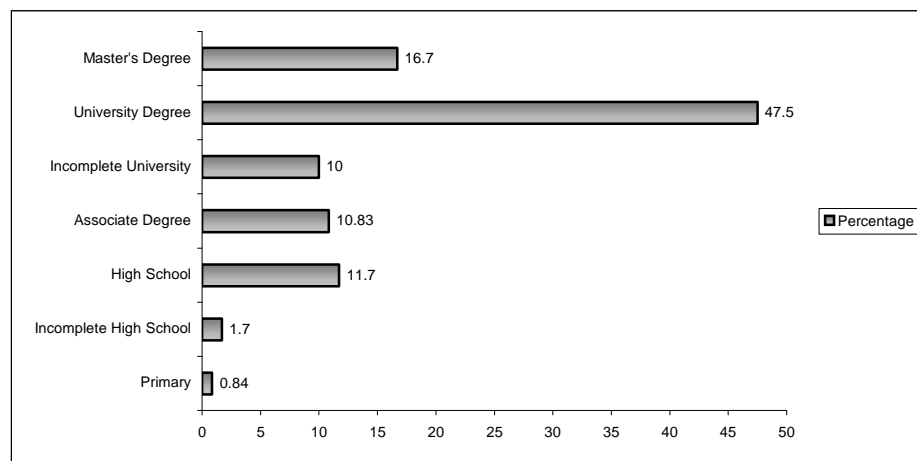
In addition to the above test, I also examine the effect on mayor's choice after interacting the nature of the local problem—education or infrastructure—and municipal context. The between-groups ANOVA test reports a statistically insignificant interaction, $[F(1, 112) = 1.54, p = 0.21]$. Although there are differences across the means, they fail to achieve significance $[M(\text{education} * \text{guerrilla}) = 0.233; M(\text{education} * \text{no guerrilla}) = 0.300; M(\text{infrastructure} * \text{guerrilla}) = 0.233; M(\text{infrastructure} * \text{no guerrilla}) = 0.500]$.

Mayoral Qualifications

The next step is to determine whether H4 and H5 are supported, that is whether management quality (mayoral qualifications) positively influences mayoral approval for an external agency for it to deal with the municipal problem under two sets of conditions. According to H4, mayoral approval is conditioned upon guerrilla presence and the agency's compatibility with the local need while in H5 mayoral approval is conditioned on the nature of the municipal problem and the agency's compatibility with the local need. Since in the experiment I am unable to manipulate mayoral qualifications, I use the mayors' true educational and experience background, information obtained from the survey. Figure 6.10 summarizes the mayors' educational background. To test H4 and H5, mayors' educational and experience are interacted with agency's compatibility, problem nature, and municipal context.

As Figure 6.10 shows, the percentage of mayors with university (47.55) and master's degrees (16.7%) exceeds that of mayors with incomplete undergraduate program (10%), college degree (10.83%), high school (11.7%), incomplete high school (1.7%) and only primary degree (0.845%). Given this, I collapsed the mayoral education variable into two categories: university degree (including master's degree)—coded as “1”—and non-university degree— coded as “0”. The percentage of mayors with low levels of education justifies the collapse into two categories.⁹⁴ In addition, there is no systematic variation in mayors' educational level across countries.

Figure 6.10 Mayors' Educational Level



The survey also provides the data for the mayors' previous years of job-related experience in both elected and non-elected public positions.⁹⁵ I collapsed the mayors' experience into two categories: local experience (number of years worked in the local-

⁹⁴ Although I would like to create more categories, the number of cases is inadequate to do that because I would have to interact each category with the other variables, consuming degrees of freedom.

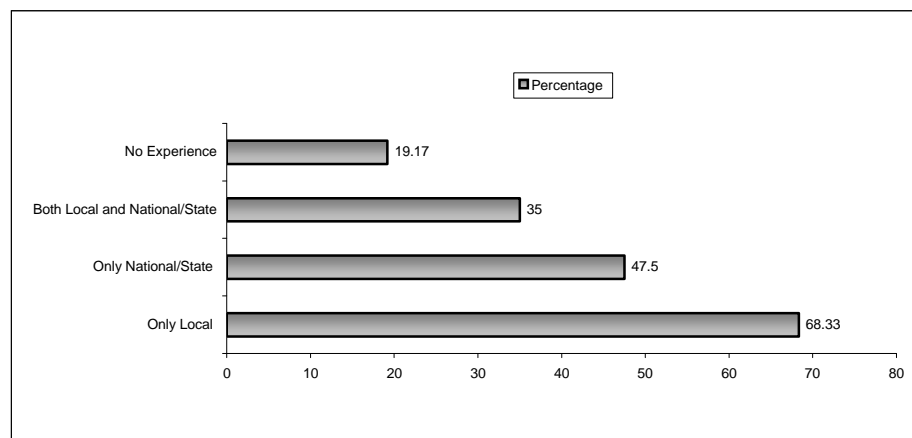
⁹⁵ Time in current position does not count.

public sector) and national/state experience (number of years worked either in the state and/or national sector). The two variables are continuous. Figure 6.11 shows the distribution of mayors' job related experience.⁹⁶

Statistical Results

To test the three-way interactive effect as suggested in H4, I interact educational background with guerrilla presence, and agency's compatibility. The same interaction is created with local expertise and state/national expertise, guerrilla presence and agency's compatibility.

Figure 6.11 Mayors' Job Related Experience



In testing H5, I interact both mayoral educational and experience background with agency's compatibility and the nature of the problem. On the later, I code "1" when the local problem is educational; otherwise, it is "0" (infrastructure problem). The next step is to test the two propositions. In doing that, I employ logit estimations given

⁹⁶ The total percentage adds up to more than 100% because the types of experience are not mutually exclusive. That is, a mayor with local experience can also have national and/or state experience.

the nature of the dependent variable: “0” or “1” where 1 represents a mayor’s approval for the private agency to deal with the local problem. Table 6.1 presents the logit results for the impact of mayoral qualifications, municipal context, nature of the problem, and agency compatibility on mayoral approval for an external efficient agency to deal with the local need.⁹⁷

H4 receives no support, as none of the coefficients for the interactive terms *agency compatibility*guerrilla presence*mayoral qualifications* reaches significance. This suggests that when the agency is compatible with the local need and there is guerrilla presence, mayoral qualifications have no impact on the mayoral approval for an external agency. Results, instead, do partially support H5, as the coefficient for the interaction term of *university degree*problem nature*compatible agency* is positive and statistically significant at the 0.05 level. In other words, the interactive effect for when mayors have university degree, the external agency’s activity is compatible to the local need, and the municipal problem is in the education sector is statistically different from the baseline category—mayors without university degree, the agency is incompatible to the local need, and the need is in the infrastructural sector.

⁹⁷ Given that the Colombian mayors are overrepresented in the sample, I ran the same model after including a dummy for Colombia (country). The results, however, do not vary.

Table 6.1 Logit Effect of Mayoral Qualifications, Stressful Situation, Nature of Municipal Problem and Agency's Compatibility on Mayors' Choice to Transfer Responsibility to an Efficient, Private Agency

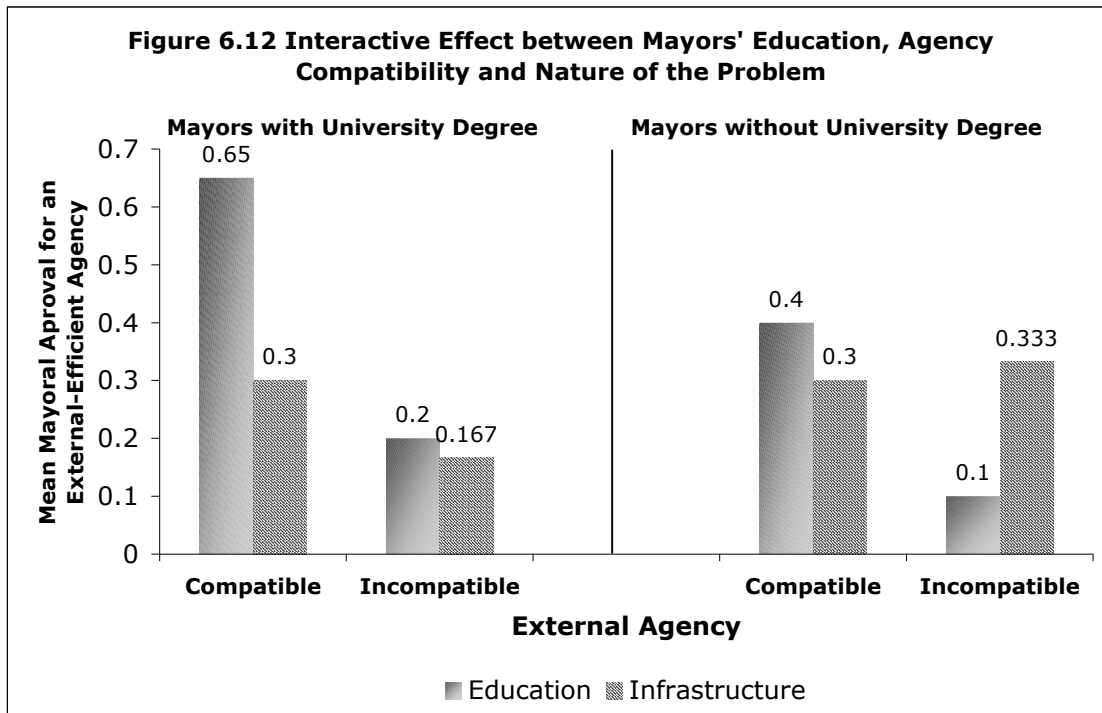
Variables	Logit Coefficients with Robust SE (95% Confidence Interval)
Stressful Situation (Guerrilla Presence)	-1.21* [-2.45 0.02]
Agency Compatible to the Municipal Problem	0.72 [-0.44 1.89]
Problem Nature (Education)	0.11 [-1.18 1.40]
University Degree	-0.65 [-1.74 0.42]
Stressful Situation*Compatible Agency*University Degree	0.71 [-1.17 2.60]
Problem Nature*Compatible Agency*University Degree	2.24** [0.267 4.22]
Local Expertise	0.02 [-0.11 0.16]
Stressful Situation*Compatible Agency*Local Expertise	0.02 [-0.18 0.23]
Problem Nature*Compatible Agency* Local Expertise	-0.18* [-0.40 0.03]
State/National Expertise	0.05 [-0.08 0.18]
Stressful Situation*Compatible Agency*State/Nat. Experience	-0.11 [-0.34 0.11]
Problem Nature*Compatible Agency*State/Nat. Experience	0.021 [-0.21 0.26]
Constant	-0.74 [-2.49 0.99]
Number of Observations: 120	* p: < 0.1
Wald Chi2: 23.43	** p: < 0.05
Prob. > chi2 : 0.0243	
Pseudo R2: 0.1732	

I, however, employ a joint F-test to test whether the coefficients for H4 and H5 are jointly equal to zero—rather than testing them separately. The joint F-test reports a $\chi^2 = 6.68$ with a probability of 0.035; therefore, it allows me to reject the null hypothesis that the coefficients jointly are equal to “0.” Consequently, the joint F-test provides support for both hypotheses although the logit results support only H5. Since H5 receives support from both logit and joint F-test results, figure 6.12 illustrates this three-way interactive effect by comparing the mean values.

Regardless of the educational level—with and without a university degree—and across both sectors—educational and infrastructure—mayors are more inclined to transfer responsibility to an external-efficient agency when its main activity is compatible with the local need $[(0.65 > 0.2; 0.4 > 0.1); (0.3 > 0.167; 0.3 < 0.333)]$.⁹⁸ Mayors, however, are much more inclined to transfer responsibility when the agency is compatible to the local need and this need is in the education sector $[(0.65 > 0.3); (0.4 > 0.3)]$. Yet the difference ratio between compatibility and problem nature is much greater for the mayors with university degrees than for the mayors without university degrees $[(0.65/0.3) > (0.4/0.3)]$.

⁹⁸ Except for one case, in which both means are almost equal: in the sector of infrastructure there is almost no difference between compatible and incompatible agencies for mayors without university degree $(0.333 - 0.300)$

Figure 6.12 Interactive Effect between Mayor's Education, Agency Compatibility and Nature of the Problem



As suggested before, mayors may not see educational programs as personal or politically profitable as infrastructural works. Moreover, to a certain extent, this is in tune with the empirical findings from chapter V in which mayors' education—but neither mayors' local nor state/national experience—has an impact on municipal performance. Under very sensitive conditions, as an experimental analysis is, there is support for the dissertation's previous findings: management quality positively influences municipal performance.

Conclusions

In this chapter, I present an experimental analysis, providing a different approach to the dissertation's main question: *what explains local governmental performance?* In

this experiment, however, the subjects are real mayors, and the experiment is conducted within their environmental context, thus guaranteeing external validity and leading to generalization of the theoretical conclusions rather than generalization of findings (Mook 1983).⁹⁹

The experiment allows me to manipulate the nature of the problem (issue salience) and environmental context to examine an aspect of mayoral performance. Two local issues, education and infrastructure, are employed to assess municipal performance. The experiment was carried out at the *II Latin American Summit of Local Governments*, which was held in Cali, Colombia from July 26 to July 29, 2006. I randomly selected one- hundred twenty mayors from 12 Latin American countries to participate as subjects in the experiment. In this experiment, municipal performance is assessed as the mayors' approval to transfer responsibility to an external-efficient agency for it to deal with a municipal problem (education or infrastructure) when the agency's activity is compatible to the local problem and under a more difficult municipal context.

Between-groups ANOVA tests indicate that an agency's compatibility and environmental context have a significant effect on mayoral approval of an external agency. Contrary to the expectations, the municipal context shows opposite direction, as mayors are less likely to transfer responsibility to an efficient-external agency under

⁹⁹ Mook (1983) argues that "the distinction between the generality of findings and generality of theoretical conclusions" seems to be the prominent confusion, leading to equalize experimental research with "prediction of real-life behavior in the real word" (381). External validity in experimental research, to follow Mook, consists in validating the theoretical conclusions, by extending the experiments and testing predictions derived from the theoretical points. That is, the generalization lies in the expansion of the theoretical conclusions rather than in the findings. As a result, Mook concludes, the arguments based on the deficiency of both subject and settings representativeness might not be founded because they insist on generalization of findings rather than on generalization of theoretical conclusions.

guerrilla presence. It suggests that under guerrilla presence, mayors prefer to have full control of the budget to deal with guerrilla's demands—which, if opposed to the municipal needs, can lead to decreased local performance.

Between-groups ANOVA test also report that the interaction between the nature of the problem and agency's compatibility has a significant main effect on mayors' approval of an external agency. Specifically, mayors are much more inclined to transfer responsibility to a compatible, external agency to deal with educational than with infrastructural issues.

In testing the management quality thesis, I present logit estimations on the impact of mayoral qualifications—education and experience background—on mayoral approval of an external agency. Findings reveal that mayors' education—but not their job-related experience—interacts with the nature of the problem and the external agency's compatibility to positively influence municipal performance. There is not a significant, independent effect on the nature of the problem on performance. These findings are in line with the results from chapter V, which reveal that mayors' education, but not experience, positively affects public finances through increased tax collection and social investment. Therefore, even under very sensitive conditions—as an experiment is—results are in harmony.

This chapter has provided the first experimental analysis to investigate the effect of management quality on performance in both a comparative perspective and in a developing setting. Much more needs to be done to disclose managers' impact on

governmental performance. By identifying them, local governments will learn what improves their performance.

CHAPTER VII

CONCLUSIONS

In the search for tools that improve governmental performance, worldwide scholars and practitioners have promoted the adoption of decentralization. In politically decentralized settings, citizens popularly elect their leaders, who are expected to know the people's needs in order to become their first defenders. In fiscally decentralized settings, localities are responsible for allocating their resources and revenue collection. Finally in administratively decentralized settings, local managers enjoy an autonomy which allows them to determine the administrative structure that best fits their needs, area, and population. The generalized adoption of decentralization, however, has not led to homogenous local governmental performance. This leads us to question what determines municipal performance.

One vein of scholarship explains governmental performance with variables external to the organization, such as the institutional, political, and economic context in which it operates. Among institutional factors, scholars suggest that performance is a function of electoral competitiveness, type of government (divided, single party, minimal winning coalition, single party minority, multiparty minority, etc.), type of party system, government ideology, electoral laws, party alternation, electoral cycle, and budgetary restrictions. Other scholars, on the other hand, contend that governmental performance is a function of political support from upper, intermediate, and lower levels. At the municipal level, this translates into having support from the governor (upper),

councilmen (intermediate) and citizens (lower). Finally, most of the studies also include economic explanations (growth, recessions, productivity, resources, etc.) to understand governmental performance.

Without denying the potential explanatory power of these arguments, in this dissertation I focus on one of the internal—rather than external—factors of governmental organization: the manager. Specifically, I propose that managerial quality explains municipal performance. In developing settings, the municipal manager is the popularly elected mayor, who performs not only the political but also the administrative functions. In other words, this mayor performs the functions that the city manager does in the U.S. local form of council-manager. Indeed, it is safe to say that this mayor equates to the strong US mayoral form of local government.

After identifying the mayor as the municipal manager, I operationalized managerial quality with the human capital of the mayor. Specifically, I proposed that mayoral qualifications, in terms of educational background and job-related experience, are positively related to municipal performance. I justified my proposition with Lynn's (1996) typology of knowledge. According to him, managers are expected to have two types of knowledge: scientific and intuitive. While the former is learned at the university and workshop level, the latter emanates from experience and mentorship. However, the human capital of the mayors may not always contribute to performance; indeed, under certain municipal contexts mayoral qualifications may not add to municipal performance. Therefore, I also propose that municipal context conditions the influence of mayoral qualifications on municipal performance.

I tested my propositions with three empirical analyses. Data for two out of the three analyses came from the forty municipalities that constitute the Colombian department of Norte de Santander. I selected the Colombian municipalities because of their relatively long experience with fiscal (since 1982), political (since 1988), and administrative decentralization (since 1989). Moreover, I selected the municipalities of a single department for the following reasons. First, they vary in terms of development, performance, and mayoral qualifications. Second, their average number (40) allowed me to undertake the project given the financial constraints. Third, by focusing on a single department (state), I control for variables specific to it, such as the governor's performance and departmental control agencies' actions. The period under study, from 2000 to 2005, are years in which the municipalities were expected to have adjusted to the new responsibilities. I conducted field research across these forty municipalities, collecting data from six administrative years to generate a unique time series data set to test my propositions. In addition to this, I also conducted a survey-experimental analysis with 120 mayors from twelve Latin American countries. These mayors were participants in the *II Latin American Congress of Cities and Local Governments* held in Cali, Colombia.

Chapter IV presented the first empirical test of my propositions. In this chapter, I employed two indicators of municipal performance: coverage of municipal education (the percentage of those eligible to attend school that were actually registered) and identifying the number of beneficiaries of a social program (the SISBEN program). The results provided empirical support for the proposition that mayoral qualifications—

educational background and job-related experience—influence local program performance. These findings are in tune with the works that assess the impact of managerial influence in school district performance (Fernández 2005; Meier and O’Toole 2002). However, mayoral qualifications positively influence municipal coverage of education but not in identifying the beneficiaries of social spending (SISBEN). The nature of the SISBEN program makes it highly attractive to political manipulation and patronage, explaining, in part, the contradictory results.¹⁰⁰ As expected, the municipal context conditions the positive influence that mayoral qualifications have on program performance. Specifically, the presence of illegal armed groups reduces the positive impact that local experience and post-secondary education have on program performance. This research, thus, supports Lynn, Heinrich, and Hill’s (2000) claim that effective management is contingent on the environment within which managers work.

From the two mayoral qualifications—educational background and job-related experience—education has the greatest influence. Having any year(s) of post-secondary education has substantively the largest effect on improving the level of local education. In other words, the more education the mayor has, the more she/he recognizes the benefits that education brings and supports, encourages, and supplies the means to increase participation in public education.

¹⁰⁰ Porras (2005, 27) notes how the SISBEN is corrupted, “...despite some progress, in the SISBEN program there is still too much corruption. Indeed, the card of the SISBEN is given not to the poorer but to the friend of either the mayor or the councilmen” (translated by the author).

The mayor's job related experience also influences local program performance. The positive impact that the mayor's job related experience has on program performance, however, is confined to local, non-executive experience, such as having been a councilmen, treasurer, secretary of planning, etc. Contrary to expectations, being an ex-mayor has no impact on program performance. It may be, as Boyne et al. (2005) claim, that it takes time to see the impact of management on performance. In other words, it matters for long term but not for short performance. Two other explanations are also plausible in the Colombian case: non-immediate reelection and the constant change of administrative procedures overshadow the benefits of knowledge. Finally, experience at a departmental and/or national level has no influence on local program performance. This suggests that the kind of expertise acquired at these levels is not relevant at the local level. Or it could be that this type of experience contributes to other dimensions of performance, as Pitts (2004) suggests, managerial quality matters in some dimensions of performance but not all.

From the institutional factors, only two have an impact on program performance. The greater the number of oversight agencies, the better the coverage in education. This should encourage Colombians to participate more as ombudsmen are concerned about people's apathy in forming oversight agencies. Contrary to what the electoral competitiveness hypothesis suggests, the analysis reports that the greater the electoral difference between the winning and second candidate, the better the coverage in education. The non-immediate reelection for mayors may explain this result.

Partisanship has no influence on municipal performance. The absence of the parties' clear ideology, the advent of new parties—fifty-nine in the 2005 elections—and the lack of party discipline create incentives for a personal rather than party vote. Demographic factors—rural and total population—have no impact on education coverage. This is good news for the Colombian municipalities where, on average, 62 percent of their population inhabits rural areas.

Chapter V presented the second empirical test of my propositions: mayoral qualifications influence municipal performance and municipal context conditions the influence of mayoral qualifications on performance. Specifically, this chapter explored the influence of mayoral qualifications on municipal fiscal performance. Fiscal performance is measured through four indicators: property tax collection/capital, municipal social investment/capital, mayoralty operational costs/capital, and municipal expenditures/capital.

As hypothesized, the results show a robust positive relationship between managerial quality—mayoral qualifications—and fiscal performance. Specifically, the mayor's educational level is positively associated with property tax collection and municipal social investment. As hypothesized too, the municipal context conditions the influence of mayoral qualifications on fiscal performance. That is, the presence of illegal armed groups reduces the positive influence that the mayor's educational background has on property tax collection and social investment.

These findings bring theoretical and practical implications to the public management and public finance literatures. Hence, the results suggest that the influences

of management quality go beyond the dimension of the programs' outputs—as demonstrated in the previous chapter. In fact, by demonstrating the positive impact of managerial quality on fiscal indicators, we extend its influences to effectiveness. Similarly, results also reveal that besides considering political and budgetary institutions, attention must be given to the qualifications of the budget makers.

None of the political institutional variables assessed in this study seem to be clearly related to municipal social investment and property tax collection. The municipal budget, on the contrary, is a strong predictor of social investment and expenditures in general. In explaining mayoral operational costs, neither mayoral qualifications nor the political institutional variables exert influence. This might suggest the workings of political favors behind the scenes, given that public appointments are often employed for clientelism. When mayors have greater partisan support at the municipal council, mayoral operational costs tend to increase, as the mayor's proposals easily pass the legislature.

Chapter V also explored the determinants of municipal expenditures. Results reveal that mayoral qualifications are not associated with municipal social investment nor with municipal expenditures. I, however, emphasize that expenditures tell us little about fiscal performance unless they are associated with service standards—which is not done here. Contrary to what the literature in the U.S. suggests, mayors affiliated with the Conservative Party tend to spend more than mayors affiliated with any other party. The number of parties represented in the municipal council has a negative impact on

expenditures. This might be explained by the difficulty of getting a consensus to approve expenditures. The municipal budget is also a predictor of expenditures.

Chapter VI presented a survey-experimental analysis, providing a different approach to this dissertation's main question: *what determines municipal performance?* From chapter IV, we learned that managerial quality (mayoral qualifications) adds to the municipal coverage of education but not to the coverage of SISBEN. This suggests that the impact of mayoral qualifications on performance may be conditioned not only by the municipal context, but also by the nature of the program. A survey-experimental analysis allowed me to manipulate both the municipal context (presence or absence of guerrilla groups) and the nature of the municipal problems (education or infrastructure). I conducted the experiment at the *II Latin American Summit of Local Governments*, which was held in Cali, Colombia, from July 26 to July 29, 2006. I randomly selected as the subjects of the experiment 120 participating mayors from twelve Latin American countries.

In the experiment, I operationalized municipal performance using the mayoral decision to transfer responsibility to an externally efficient agency, which can deal with a municipal problem under two conditions: 1) the external agency's main activity is compatible to the local problem and 2) there is a difficult municipal context—a guerrilla presence. The underlying assumption is that under external constraints, such as a guerrilla presence, mayors should look for external, efficient agencies—of course, when it is allowed and available—to achieve more efficacy and efficiency, as they are expected to be free from external interference.

The between-groups ANOVA test indicates that when the external agency's main activity is compatible with the municipal need, mayors are more likely to transfer responsibility to this agency to allow it to deal with the need. Contrary to expectations, when there is a difficult local context (a guerrilla presence), mayors are less likely to transfer responsibility to an external efficient agency. This finding is explained by the argument that with a guerrilla presence, mayors prefer to have full control of the budget to deal with the guerrilla's demands. In addition, the within-subjects ANOVA test reports that the interaction between the nature of the problem and agency's compatibility to the local need has a statistically significant effect on the mayoral decision. That is, mayors are more likely to transfer responsibility to an externally efficient agency, whose main activity is compatible to the local need, when the local need is in education rather than with infrastructure.

To test the impact of managerial quality (mayoral qualifications) on municipal performance, I also presented logit estimations on the impact of mayoral qualifications—education background and job-related experience—on mayoral decisions to transfer responsibility to an externally efficient agency. Findings reveal that independently, neither a university degree nor local experience influences the mayoral decision to delegate responsibility. However, results show that both the type of the municipal problem and the compatibility of the external agency's main activity moderate the impact of the mayors' university degree on mayoral decisions. That is, when the municipal problem is in the educational sector and the agency's main activity is focused

on education, mayors with a university degree are more likely to delegate responsibility to this externally efficient agency.

These results suggest two things: mayors know how to perform with infrastructure issues, even under unfavorable external conditions; or mayors place less value on infrastructural problems, which explains why they do not transfer responsibility to an efficient agency. Indeed, on issues of salience, Gibson and Lehoucq (2003) find that mayors place less value on forestry programs than on other developmental programs. The type of municipal problem, however, has no significant, independent effect on the mayoral decision.

Implications of the Research

Spanish colonialism determined the social and economic structures in Latin America, which led to the pervasive inequalities in the region. The main way to overcome these inequalities is with health and education programs. To implement these programs, even under the risk of debt, as Covo (2000, XIII) suggests, there is a need for qualified and politically competent public managers. At the Latin American municipal level, the public manager is the mayor, who, in turn, implements the programs conducive to reducing inequalities.

By demonstrating the positive relationship between mayoral qualifications (education and experience) and municipal education coverage, tax collection, and social investment, this research reveals that human capital adds to performance. Much has been discussed about the positive impact of human capital; however, its empirical testing has been overlooked, mainly in developing settings. This research, therefore, has practical

implications. First, by demonstrating the positive impact of mayoral human capital on municipal performance, citizens will learn to choose their political leaders based on their qualifications rather than on their distribution of private goods. Second, managerial human capital seems to trigger the cycle of human development. This is demonstrated by the additional influence that mayoral human capital has on municipal education and social investment. This research probes and reinforces the virtues of human capital. Managers, therefore, should promote human capital as one of the key tools of development. This is an issue with implications in an international context, as well as a specific context since human capital development is expected to expand and never to decrease.

This research also reveals the amount of influence the mayor can have when circumstances permit. By testing a series of theories in terms of predictors of program and fiscal performance in conjunction with the qualifications of the mayor, I demonstrate the potential impact that the mayor has on municipal performance in a developing setting. The results also suggest that mayoral qualifications influence programs differently depending on their nature (or type). In some cases, programs seem more suitable to governmental control, while others have more success under the direction of nonprofit and/or private for-profit organizations (Cohen and Eimicke 1995, XI).

Contributions

This dissertation contributed to the study of municipal performance from a comparative perspective. As Jreisat (2002, 26) posits, “Progress will most likely depend on the ability of comparative research to bring together knowledge of context and

insights about operational functioning of organizations in order to produce more relevant theory and practice.” Indeed, this research extended the applicability of theories developed in the United States to developing contexts. Specifically, I tested the generalizability of the managerial quality thesis not only outside of the U.S. context, but also outside of the school district by moving it to the municipal level in a developing setting.

I proposed a positive influence between mayoral qualifications and municipal performance. By doing this, my research combined two fields of study: comparative politics and public administration—specifically public management. This research brings a new context to public administration, collects an ingenious new data set, and blends administration and politics, something that public administration often fails to do.

Future Research

My study also calls for more research. Although my study demonstrates the positive impact of mayoral qualifications on municipal performance, more specification should add to our understanding of governmental performance. For example, future works should address the specific effect of a manager’s profession on performance. Does being a lawyer add more to performance than being a dentist? Or does coming from the private sector add more to performance than coming from the public sector? Likewise, does coming from the industrial sector add more than coming from the agricultural sector?

Political decentralization opens opportunities for everyone, and in settings without city managers, mayors come with different professional backgrounds. The

impact of the nature of these professional backgrounds on performance will, therefore, enlighten us as to what kind of professional knowledge contributes the most to performance. Moreover, more comparative research is needed to reveal the similarities or differences in mayoral backgrounds across Latin American countries. For instance, are there countries whose mayors have certain professions and education? Or does it vary among countries?

This study has been the first step in testing the influence of managers' qualifications on certain objective indicators of performance. Additional research, however, should assess the influence of a manager's qualifications on citizens' participation, one of the democratic channels that is largely absent in Latin America. Finally, additional research should assess the additive and interactive impact of municipal employees' human capital on performance. For example, does the positive influence of mayoral qualifications on performance surpass the one derived from the staff's qualifications?

This dissertation presented the first empirical undertaking on the influence of managerial quality on municipal performance. The study revealed that mayoral qualifications—education and job-related experience—do positively contribute to municipal performance in terms of delivery of social programs, property tax collection, and social investments. This is good news for citizens and managers in developing countries. By electing educated and experienced mayors, citizens increase the chances of improving their living standards—a worldwide need.

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