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POLICY BRIEF







Constitutional Patchworks, Fragility, and Public Finance: Colombia Country Brief

Ed Laws
2026

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This project is funded by the UK government's Foreign, Commonwealth & Development Office (FCDO) through its Global Research and Technology Development portfolio. The views expressed are those of the authors and do not necessarily reflect the official policy or positions of the UK government's Foreign, Commonwealth & Development Office (FCDO) or its partners. Any use of this work should acknowledge the authors and the Peace and Conflict Resolution Evidence Platform.

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Acknowledgements:
The author thanks René Urueña Hernández, Professor in the Faculty of Law at the University of Helsinki, for his valuable insights and contributions to the research, and María Daniela Durán Julio for her research assistance. Thanks to Jan Pospisil and Sanja Badanjak for peer review.

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DOI: https://doi.org/10.7488/era/7925

Design: Smith Design Agency

Cite as:
Laws, E. (2026). Constitutional Patchworks, Fragility, and Public Finance: Colombia Country Brief. PeaceRep Policy Brief. PeaceRep: The Peace and Conflict Resolution Evidence Platform, University of Edinburgh.

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Executive Summary

This report examines fiscal decentralisation in Colombia and its relationship with conflict, peacebuilding and constitutional change. Colombia has pursued decentralisation partly in response to a long-standing diagnosis of the conflict: that political and economic power has been too concentrated at the centre, while many rural and peripheral regions have experienced weak state institutions, limited access to services and persistent inequality. At the time of writing, a constitutional amendment is currently being deliberated in Colombia's congress that would substantially increase the share of national revenues transferred to territorial entities. It therefore sharpens an ongoing issue about whether shifting resources and responsibilities towards the regions can strengthen the state and support peace, or whether it can create new opportunities for armed groups and local political networks to capture public resources.

The debate is shaped by three overlapping framings. Macroeconomic actors emphasise fiscal sustainability, public debt and the value of Colombia's tradition of independent, technocratic economic management. Social justice advocates focus on persistent territorial inequalities and the need to improve access to services, rights and economic opportunities in regions that have historically been neglected. Peacebuilding actors are concerned with the effect of fiscal reform on the implementation of the 2016 Peace Agreement, local state capacity and the continuing influence of armed groups. These perspectives on the reform privilege different objectives, forms of expertise and institutional arrangements.

Colombia's earlier experience of decentralisation shows why these differences matter. Reforms from the 1980s onwards were intended to widen political participation, improve service provision and strengthen state legitimacy. Yet in areas where the state lacked an effective security presence, increased transfers also gave armed groups stronger incentives to capture local government, procurement and public expenditure. Evidence reviewed in the report links these transfers to an intensification and geographical expansion of conflict. The lesson is that the effects of decentralisation depend in part on the political and security environment, local administrative capacity and the institutions that govern access to public resources.

The economic provisions of the 2016 Peace Agreement add a further constitutional dimension. Commitments to rural reform, territorial investment and social rights brought the requirements of peace into contact with constitutional rules on fiscal sustainability, executive budget autonomy and tax equity. The resulting legal and political disputes show that peace commitments cannot be separated from the fiscal capacity needed to implement them. They also expose a continuing tension between responsibility and authority. The Agreement increased the state's obligations towards conflict-affected territories more substantially than it redistributed fiscal authority to departments and municipalities.

Key Findings

- Fiscal decentralisation in Colombia is closely bound up with conflict and state-building. It has been used to address political exclusion, weak state presence and territorial inequality by shifting resources, responsibilities and political authority towards the regions.
- The current decentralisation reform would substantially increase transfers to territorial entities, but important questions remain over the distribution of responsibilities, local capacity, accountability and the political and security conditions in which additional resources will be spent.
- The reform is understood through competing macroeconomic, social justice and peacebuilding framings. These emphasise fiscal sustainability, territorial equality and the implications of decentralisation for conflict, security and implementation of the Peace Agreement.
- These different framings reflect political and institutional interests as well as different policy objectives. They shape whose expertise carries authority, how fiscal responsibility is defined and how the risks and benefits of decentralisation are understood.

- Greater fiscal decentralisation could help address deep territorial inequalities by increasing resources for historically neglected and conflict-affected regions and supporting the territorial objectives of the 2016 Peace Agreement.

- But transferring resources can also strengthen armed actors and local political networks where institutions and security are weak. Colombia's earlier decentralisation experience shows how increased transfers can create incentives to capture municipal government, procurement and public expenditure, potentially intensifying conflict.

- The impact of decentralisation therefore depends on more than the volume of resources transferred. Security conditions, local administrative capacity, political institutions and safeguards against corruption, clientelism and armed capture shape whether decentralisation supports peace and development.

- The economic commitments of the 2016 Peace Agreement have constitutional significance. Commitments to rural reform, territorial investment and social rights have had to be reconciled with fiscal sustainability, executive budget discretion and questions of territorial equity.

- This exposes a continuing tension between responsibility and authority. The Peace Agreement substantially increased state responsibilities towards conflict-affected territories without an equivalent redistribution of fiscal authority, leaving unresolved questions over which level of government should control the resources needed for territorial peace.

- Colombia illustrates how fiscal questions can remain part of an evolving constitutional settlement. Fiscal rules, monitoring and accountability arrangements embody political choices about the distribution of authority, while leaving some issues open or deferred can enable wider constitutional processes to continue in contested settings.

Introduction

This report explores the politics and complexities of fiscal decentralisation in Colombia, and its intersection with the peace agreement and its implementation.

Section 1 provides background information to the conflict and identifies some of its implications for fiscal governance. Section 2 outlines key features of the decentralisation experience in Colombia, tracing back to reforms in the 1980s and 1990s, and connecting these to a constitutional amendment that is currently being deliberated in Colombia's congress which would significantly increase the fiscal resources transferred from the centre to local government.

In addition to political elites and legislators at the centre and the peripheries, several prominent policy constituencies are involved in the deliberations over this constitutional reform, including macroeconomists, advocates for peacebuilding and social justice activists. Sections 3, 4 and 5 deal respectively with these three different framings, drawing on primary interviews and a closed-door expert workshop held in Bogotá, legislative debates, media coverage, and various reports and assessments produced by both government and independent organisations.

Section 6 examines the constitutional implications of the economic elements of the FARC Peace Agreement, drawing together the macroeconomic, social justice and peacebuilding framings developed in the preceding sections. A final concluding section then discusses the broader conceptual and analytical implications regarding fiscal governance in fragile and conflict-affected settings (FCAS) that can be drawn from the Colombian experience. These centre on the implications of different framings of fiscal governance, which are at once political and normative; institutional; and constitutional. Grasping these different implications is an important part of understanding and engaging with the political economy of fiscal governance in FCAS, and its intersection with efforts to build peace, create greater equality of opportunity and build stable constitutions in post-conflict settings.

Methods and approach

This research was undertaken as part of a broader project under the PeaceRep programme based at the University of Edinburgh, exploring the role of fiscal and economic activity in shaping power and authority in fragile and conflict-affected settings (FCAS). The research draws on interviews and discussions with a range of academics, policymakers and researchers in Colombia, undertaken during research visits to Bogotá in January 2025 and January 2026. As part of the first visit, the research team also organised a workshop at the Universidad de los Andes, bringing together relevant experts to discuss fiscal decentralisation, peacebuilding and the wider political economy of reform. These engagements were supplemented by a review of relevant academic and policy literature, legislative debates, and government and independent analysis of fiscal decentralisation, peacebuilding, and the implementation of the 2016 Peace Agreement. The report also draws on commissioned research (Durán Julio 2026) on national media coverage and parliamentary reporting on the current constitutional amendment on fiscal decentralisation in Colombia.

Background to the Conflict

Colombia has a long history of civil wars. This includes several conventional wars between traditional political parties during the nineteenth and twentieth centuries, and, more recently, irregular or asymmetric conflict between the state and different insurgent and criminal groups (Eaton 2006).

The contemporary conflict has mainly involved three sets of actors: guerrilla groups (primarily the Revolutionary Armed Forces of Colombia, or FARC, and the National Liberation Army), right-wing paramilitary forces (primarily the United Self-Defense Organization of Colombia), and the state (Rodríguez-Franco 2016). The absence of state institutions, particularly in the rural regions of the country, has allowed for the emergence of armed groups with competing socio-economic ideologies, criminal cartels, and rogue security and justice providers to engage in violent contest with each other and the state (Eaton 2006).

Both the FARC and paramilitaries competed with the state to tax citizens in order to finance their campaigns. In many regions of the country, the weakness or absence of the state has created opportunities for these actors to exploit the tax base represented by landowners and businesses. The FARC traditionally levied so-called 'revolutionary taxes' on corporations and farmers. The paramilitary groups generally raised funds through taxes on cattle raisers, truck drivers, and cocaine production and trafficking (Rodríguez-Franco 2016).

The result is continued instability, violence, and marginalisation across large sections of rural Colombia (Siegle and O'Mahony 2006). Among a host of fiscal and economic consequences, the conflict has forced the government to divert significant resources to military and security spending. Colombian citizens have experienced increased inequality and forced population displacement, whilst the ongoing institutional fragility has discouraged savings and investments (Martin Mayoral and Lasso 2025).

Decentralisation and Regional Autonomy

Colombia has engaged in a sustained process of fiscal and administrative decentralisation over several decades. Colombia's engagement with decentralisation has been, in large part, a response to the belief that Colombian institutions are overly centralised and exclusionary and therefore largely to blame for political violence (Eaton 2006). Political and economic resources have been transferred to subnational governments in an attempt to end attacks on the central government, and to open up new spaces for meaningful political participation, whilst establishing state control and a monopoly over the use of force (Ibid). Today, the country is a decentralised republic consisting of a central administration, 32 departments, 1,120 municipalities, and four special districts and indigenous territories that are politically independent. Subnational political and administrative institutions replicate the structure of the central administration, and governors, members of departmental assemblies, mayors, and members of municipal councils are elected directly (Bousquet et al. 2015).

The decentralisation process began in the early 1980s and was reinforced by constitutional reforms in 1991. These reforms strengthened fiscal decentralisation by stipulating large-scale revenue transfers from the centre to subnational governments to finance their expenditures in social sectors. These measures were intended to address vertical imbalances by providing a stable income flow to subnational governments, and to correct horizontal differences in resources between subnational regions (Fedelino 2010). The reforms in 1991 assigned more spending responsibilities to departments and municipalities, whilst also changing the nature and structure of the central bank (Banco de la República) to increase its independence from the central government (Bousquet et al. 2015). The bank was given greater discretion over the instruments used to achieve its main task, which was defined as the control of inflation. This autonomy was further consolidated through the introduction of a new board of governors to replace the previous monetary board. In the new structure, the minister of finance had only one vote (of seven) and no veto power (Perez-Reyna and Osorio-Rodríguez 2018).

A Constitutional Reform Bill is currently under consideration that would increase the percentage of revenues to be transferred to territorial entities. The reform seeks to raise subnational entities' share of national current revenues to 46.5% over ten years, from 26% currently. It is estimated this would cost the central government 327 trillion pesos (approximately US$77.5 billion) during that period (Freixes 2024). This proposal also implies a transfer of responsibilities and competencies from the centre to subnational governments, and updated accountability frameworks.

These responsibilities and competencies have yet to be defined, and are subject to ongoing public debate. In addition to political elites and legislators at the centre and the peripheries, several prominent policy constituencies are involved in the deliberations over the constitutional reform, including macroeconomists, advocates for peacebuilding and social justice activists.

Each constituency has a different way of articulating and assessing the opportunities and risks of the proposed fiscal changes. Several interviewees emphasised that debates over decentralisation in Colombia are primarily framed in technical terms – i.e. the focus for debate is mainly about capacity, absorption and expenditure at the local level. According to one colleague, "in Colombia, we have focused the decentralisation discussion mainly in administrative terms. It has been mainly a legalistic and technical constitutional debate … (focused on) problems of execution, of capacity, to execute funds at the central level and regional level". Another interviewee spoke about the "hyper legalistic culture" around elements of political discourse in Colombia, demonstrated in part through a tendency to assume that "everything can be solved through a new law or a new regulation".

However, there is also a debate over the objectives of decentralisation that is framed in normative and political terms. For macroeconomists, naturally, the most important concern is economic stability and the responsible distribution of resources between the periphery and the centre; and this is framed as a matter of technical expertise. For peacebuilding actors, the central concern is addressing the social fractures and pathologies of governance that sustain the social and economic conditions for conflict and armed clientelism – which I follow Eaton (2006: 535) in defining as 'the private appropriation of public goods through violence or the threat of violence'. These are largely understood to be political matters as they pertain to the resilience of the social contract. Those advocating for social justice also adopt a political interpretation of decentralisation, but with a more explicitly normative emphasis, arguing that the critical factor is ensuring justice for the victims of the conflict and correcting regional imbalances in resources and opportunities; and therefore fiscal institutions should be designed to advance that.

The report outlines and discusses these three different framings, or definitions, in more detail in the following three sections, drawing on legislative debates, media coverage, and various reports and assessments produced by both government and independent organisations.

Macroeconomic Framing

Members of the central bank board, independent economic research centres and committees, and government economists at the finance ministry and planning departments have all voiced concerns about the macroeconomic implications of the proposed fiscal reforms. These centre on its impacts on public debt and risk premiums, foreign trade, the exchange rate and overall economic activity. One of the key issues for both government and civil society is that the fiscal reforms could result in public debt exceeding the limits established by the country's fiscal rule[1]. Some analysts also warn the proposed reform would limit the central government's ability to make fiscal adjustments, if necessary in the future, given that a much larger fraction of spending would be managed by different levels of government (Toro 2024). In summary, Roberto Steiner, director of the Bank of the Republic (the entity that acts as Colombia's central bank) explained in a public business forum that implementation of the bill would be "a fiscal disaster", with "gigantic risks for macroeconomic stability and monetary policy" (Medina 2024).

For the purposes of this report, these technical details are less important than the political economy and institutional dynamics that help account for the relative prominence of macroeconomic concerns in Colombian political discourse. Interviewees from academia and independent research centres emphasised the political importance in Colombia of macroeconomic stability. A recurring point of emphasis, in these discussions and in secondary literature, is that the Colombian economy has been less volatile than most of its Latin American neighbours, as marked by relatively stable growth and an absence of hyperinflation. That being the case, politicians in Colombia are acutely aware of the potential costs of economic mismanagement, and provide guarantees to voters that they will not politicise economic decision-making (Dargent 2014). One interviewee said that amongst Colombia decision-makers, there is a "tacit rule" that "the most important thing is deficit and debt and inflation". As a result, "decision-makers think about (fiscal policy) in a very macro-prudential way".

The public and political significance of independent technical economic management in Colombia has also been consolidated over time by a cadre of economic technocrats in key public organisations. Scholars trace the emergence and influence of this economic technocracy to developments in the 1950s (Dargent 2014). The Universidad de Los Andes and the Centro de Estudios sobre Desarrollo Económico (CEDE) supported Colombian students to undertake postgraduate studies in economics at leading universities overseas (Ibid).

These students brought back econometric and mathematical skills that were rare in Colombia at the time, and which distinguished them from the politicians and bureaucrats who had, up to that time, managed economic policy (Ibid). Naturally, the rise of economic technocrats has increased the technical complexity of economic policy making in Colombia, with expert mathematical, econometric and statistical knowledge being a condition for credible participation in public fora and/or relevant research and advisory organisations. Over time, the Ministry of Finance, the National Planning Department and the central bank have become widely recognised for their technical excellence, and for their joint influence on elected politicians. These factors have enabled technocratic experts to have a prominent role in directing economic policy in Colombia. Interviewees, and studies in the secondary literature (eg Dargent 2014), highlight the continuity and influence of this economic technocracy as a distinguishing feature of Colombian politics, and a key factor behind the prominence of macroeconomic concerns in the current debate over the constitutional amendment on fiscal decentralisation.

Notwithstanding the significance of macroeconomic stability in shaping fiscal relations between the centre and peripheries, decentralisation in Colombia was also conceived as a way of improving the population's access to social services, reducing poverty and equalising opportunities[2]. As such, for some policy constituencies, the objectives of fiscal decentralisation should be framed principally in terms of its ability to correct historic regional imbalances in resources and opportunities. The following section discusses this perspective in more detail.

Equality, Justice and Human Rights Framing

From this perspective, the proposed fiscal reforms provide an opportunity to reach historically neglected territories more effectively. Colombia is composed of 32 departments that differ significantly in their size, economic structure, and level of development. Remote and rural departments, and those affected directly by the armed conflict, have lower levels of socioeconomic development. (Daude and de la Maisonneuve 2016). According to some analysts, whilst the proposed fiscal changes imply a greater transfer of resources, they are not yet accompanied by a coherent development policy that responds to different needs at the local level (Durán Julio 2026). For advocates of social equality, this is a significant gap, since the proposed reforms impact not only budget allocations but also the way citizens access public resources and rights (Ibid).

In public fora, key political elites have argued that an exclusively macroeconomic framing of decentralisation overlooks political and social realities in the peripheries. Notably, the Minister of the Interior, Juan Fernando Cristo, has questioned those who oppose fiscal decentralisation on macroeconomic grounds, accusing them of maintaining a narrow focus on the country's capital. "There are sectors that are navel-gazing and are seeing things from Bogotá, not from the regions, as if this were only a problem of money," he said during a Congressional debate in October 2024 (Freixes 2024). A number of prominent senators expressed a similar view, arguing that significant inequalities persist across departments and that the current system has not been capable of addressing them (Durán Julio 2026).

The 2016 Peace Agreement was designed in part to address territorial deficits in economic development and social and cultural rights. In particular, the accords promised to deliver a more equitable social contract through economic and social transformation of the neglected rural periphery (Felbab-Brown 2016). This included programmes and interventions aimed at promoting rural development, employment, and land formalisation in the territories most affected by the conflict. These are concentrated in a set of municipalities labelled as *Programas de Desarrollo con Enfoque Territorial* (PDET), and organised under a framework known as *paz territorial* ('territorial peace' or 'peace from and for the territories')[3].

Interviewees argued that insufficient public resources have been mobilised to finance the Agreement's implementation and other reforms necessary to address socioeconomic injustice. As one colleague explained, "contrary to other peace processes in which the investment is strictly directed towards DDR mechanisms ... here (in Colombia), the 2016 peace agreement is a more ambitious development plan that has to be undertaken and implemented over the course of three or four governments, and that necessarily has a financial, fiscal and monetary impact". Another colleague emphasised that "the peace dividend needs investment. It's not like you signed (the 2016) peace agreement, and that's it, especially in these regions where you needed to spend big money". It was suggested the peace process has failed to tackle some of the key underlying drivers of violence and instability, because it has failed to deliver significant socio-economic transformation. For these interlocutors, the current proposal to increase fiscal decentralisation has the potential to address these gaps and to improve services in the municipalities most affected by violence.

For some voices in the debate, fiscal decentralisation is an appropriate mechanism for addressing regional inequality in Colombia because it sidesteps the patterns of corruption and clientelism at the centre which, in their view, result in the mismanagement of public resources. For example, Conservative Party senator Liliana Benavides argued during legislative debate that "it is a centralist State that has not worked" (Duran Julio 2026). Other analysts and elites take a different view, and identify corruption and armed clientelism at the local level as the principal barriers to rural development and peace. For example, Senator Humberto de la Calle, chief negotiator of the 2016 peace agreement, raised concerns regarding the relationship between illegal armed groups and local municipalities: "We know that there are five hundred municipalities with the presence of illegal groups; they are under the control of illegality. We cannot make transfer decisions that will end up in the hands of mafias that control municipalities in Colombia" (Ibid). From this perspective, shifting more public resources to municipalities in the absence of other reforms to address governance deficits would be detrimental to security and peace, and would therefore undermine necessary preconditions for rights and more equal opportunities amongst local populations. The following section discusses this perspective in more detail.

Peacebuilding Framing

Several interviewees emphasised that the debate on fiscal decentralisation in Colombia is framed principally in technical terms; the focus tends to be about capacity, absorption and expenditure, and less about the politics of implementation or the implications for peace and stability. One interviewee, commenting on the Congressional debates over the constitutional amendment, said the "logic and the narrative behind it was nothing else but to give more autonomy and more resources to the local authorities. (There was) no debate on how this would impact security, on how this would impact big national projects, no debate on how this would impact the implementation of the peace agreement". These discussions emphasised the need for more rigorous analysis on how decentralisation will affect the implementation of peace policies and the administrative capacity of local authorities, including a political economy perspective.

In particular, concerns were raised about the negative implications of fiscal decentralisation reforms on peace, stability and governance at the local level, in the absence of greater oversight and accountability, and in the absence of local government capacity to absorb and spend funds effectively and transparently. Interviewees who had been at the centre of the initial decentralisation process pointed to the low institutional capacity of many territorial entities to administer the new resources and execute the new competencies proposed under the constitutional amendment: there are many "local authorities that may not have the administrative capacity and the human capacity to deal with that budget and with those functions".

Several interviewees echoed the objections mentioned above, regarding the influence of armed actors at the local level and their control over public resources. In certain regions, these actors have captured public procurement and control significant portions of public expenditures. For example, one interviewee mentioned that paramilitary groups had controlled virtually all of the health care funds in Barranquilla, the fourth largest city in Colombia. The decentralisation of greater volumes of funds to local authorities may increase the power and control of these groups, thus feeding armed clientelism and exacerbating corruption and extortion. As one interviewee explained: "Now that the municipalities are going to receive more money, the incentives for these groups to control the public offices is going to increase. It's a perverse incentive (and) it's very likely that more control of illegal groups on the public expenditures is going to happen in particular in the smallest municipalities and in the weakest departments".

Interviewees and workshop participants spoke about the role of illegal activities, such as coca production and trafficking, in perpetuating conflict and undermining local governance, and highlighted the difficulty of controlling these activities due to geographic/territorial factors and the power of criminal groups. From this perspective, local mayors and governors need greater powers and governance mechanisms to confront armed actors and prevent them from appropriating the resources that reach the territorial entities. As one interviewee explained, "the country needs political reform (because) the majors in the small towns don't have enough power to take decisions and to confront the (illegal armed) groups". For a number of scholars and interviewees, fiscal decentralisation in the absence of these broader political reforms, and in the absence of a state security presence, is likely to worsen the conditions for conflict and illegal armed activity, as armed groups take advantage of the delegation of fiscal choices to local officials vulnerable to coercion, bribery, or intimidation (Eaton 2006).

This perspective is grounded in Colombia's historic experience of decentralisation, and its impact on the conflict and security. As noted above, from the mid-1980s, the Colombian government took forward an ambitious fiscal and administrative decentralisation strategy. It was thought, at the time, that the rise of armed groups was due in large part to the state's weak legitimacy and its failure to provide services at the local level. Political and economic resources were transferred to subnational governments in an attempt to improve access to the political system and encourage peaceful contestation. Under the Betancur administration (1982–1986), direct elections for local majors were introduced, while the two subsequent administrations saw fiscal authority and budgetary responsibility devolved to municipalities for public goods such as education, health, and road maintenance (Ch Duran et al. 2018).

However, these reforms began before a peace agreement had been reached with all combatants, and in the absence of an effective state security presence across much of the country. Under those conditions, decentralisation gave armed groups a greater incentive to control state-financed public goods and services. Both qualitative research (Eaton 2006) and econometric exercises (Sánchez and Chacón 2005) find that the significant increase in financial transfers to sub-national governments throughout the 1980s and 90s caused an intensification and geographic expansion of the armed conflict.

It was thought that bringing resources and decision-making closer to the people would help defuse the grievances behind the political violence. In reality, the capture of those same resources financed the continuation of the conflict, whilst further reducing the state's already limited monopoly over the use of force (Eaton 2006).

The broader lesson from this episode is that, when designing new fiscal rules or reforms in FCAS, it is important to be mindful of the potential impact on established patterns of illicit activity, and how these reforms will intersect with political patronage, rent-seeking, and clientelism between government officials and armed groups, much of which is conditioned by the broader security environment.

Constitutional Implications of the Economic Elements of the FARC Peace Agreement

The peacebuilding concerns outlined above point to a wider constitutional question. In the process of determining how implementation would be financed, the fiscal arrangements associated with the 2016 Peace Agreement brought the three framings discussed in this report into direct contact with one another. Commitments to fiscal responsibility had to be reconciled with demands for territorial redistribution, social rights and a material peace dividend in areas most affected by conflict. In this sense, the economic elements of the Agreement became part of an ongoing debate about the scope and distribution of state economic power (Durán Julio 2026; Felbab-Brown 2016).

One area of tension concerned state spending powers. Fiscal sustainability had been embedded as a constitutional principle in 2011, requiring public authorities to take account of macroeconomic stability in decisions over expenditure. The Peace Agreement, however, created large and long-term spending commitments, particularly through Comprehensive Rural Reform. This sharpened the tension identified in the earlier sections of this report between a macroeconomic framing centred on fiscal discipline and a peacebuilding and social justice framing centred on delivering rights and investment in neglected territories. The Constitutional Court treated fiscal sustainability as a constraint that had to be balanced against these commitments, rather than as an absolute basis for withholding expenditure required to fulfil fundamental social rights associated with the peace process (Durán Julio 2026; Martin Mayoral and Lasso 2025).

A second issue concerned executive budget autonomy. Constitutional changes following the Agreement sought to protect implementation from changes in political priorities across successive administrations by requiring public institutions to comply with the final agreement and by tying annual budgeting to the multi-year investment framework for peace. This placed limits on the discretion of future governments to move resources away from peace-related commitments. The broader point is that peace agreements that create new rights, institutions and territorial obligations also raise questions about the fiscal capacity and budgetary rules needed to make those commitments effective (Perez-Reyna and Osorio-Rodríguez 2018; Durán Julio 2026).

Third, implementation raised questions about taxation and territorial equity. Special arrangements for areas most affected by the conflict, including the Zonas Más Afectadas por el Conflicto Armado (ZOMACs), used differentiated tax treatment to encourage private investment and economic recovery. This connects directly to the social justice framing discussed in Section 4. In a context marked by large territorial inequalities and highly uneven exposure to violence, equal treatment through uniform fiscal rules may not produce equitable outcomes. The fiscal architecture of peace has therefore involved decisions not only about how much the state should spend, but also about when differentiated treatment between territories can be justified by the legacies of conflict and the objectives of recovery and transitional justice.

Taken together, these developments expose a deeper tension between responsibility and authority. The Peace Agreement substantially expanded the state's responsibilities towards conflict-affected territories through commitments to redistribution, public investment and rural reform. It did less, however, to alter the underlying distribution of fiscal authority between the centre and territorial governments. Much of the funding and institutional machinery for territorial peace remained controlled by central institutions. This reflects, in turn, a central dilemma in the current decentralisation debate. Greater transfers and responsibilities may help address the territorial deficits that contributed to conflict, but resources alone do not resolve questions of local political authority, administrative capacity or vulnerability to armed capture. The constitutional question is therefore not simply how much money should move from the centre to the territories, but how fiscal responsibilities, resources and authority should be aligned in a political system where the conditions for territorial peace remain uneven (Eaton 2006).

Finally, the dynamic constitutional landscape in Colombia shows that the macroeconomic, social justice and peacebuilding framings considered above are not confined to public debate or policy argument. They can become embedded in rules governing expenditure, taxation, intergovernmental finance and executive discretion. Fiscal governance is therefore one of the arenas in which competing understandings of peace, equality, responsibility and territorial authority are translated into institutional and constitutional arrangements.

Conclusion and Conceptual and Analytical Implications

Fiscal framings have political and normative consequences

The sections above have traced three different (but not mutually exclusive) framings of the political and normative objectives of fiscal decentralisation in Colombia: fiscal decentralisation as a problem of macroeconomic responsibility/sustainability; fiscal decentralisation as a mechanism for achieving equality and fairness through correcting regional imbalances in opportunities and resources; and finally, decentralisation as a question of peacebuilding/territorial peace, with fiscal re-distribution as a means to that end.

The constitutional consequences of the 2016 Peace Agreement show how these framings can also come into direct contact with one another. Commitments to rural reform, territorial equality and peace required substantial and sustained public expenditure, while Colombia's fiscal rules placed limits on how those commitments could be financed. Whilst the resulting constitutional debates were, on one level, acts of legal interpretation, they were also competing judgements about the relative weight that should be given to fiscal sustainability, social rights and the financial requirements of peace.

To understand the role of fiscal policies in shaping, and being shaped by, political economy dynamics in any context, it is important to grasp the different ways in which its objectives and principles are framed (or defined) by different actors, and why. This should go beyond technical analysis, to ask whether and how (for example) different framings serve individual or institutional incentives. How and why do political issues in the decentralisation process get framed as being fiscal matters, and how do fiscal or economic issues in turn get articulated as a matter of peacebuilding, or of equality and social justice? Interviewees, for example, mentioned that the macroeconomic framing serves the interests of civil servants and technocrats in the central government and other organisations in Bogotá, as it increases the value of their intermediation and advice: "the technocrats ... have been against decentralisation almost since the beginning. They have this idea that, at the local level, they cannot make any decisions, that you have to decide everything in Bogotá with these guys ... because if a local mayor doesn't have enough money and enough power, they have to come here to Bogotá to ask for money, for authorisations to develop any project".

Fiscal framings have institutional consequences

In addition to underscoring the role of individual or organisational incentives, the Colombian case also demonstrates that different fiscal framings can have potentially complex institutional consequences. Different framings may, for example, have different implications for how issues such as monitoring, accountability and oversight are institutionalised and managed in the decentralisation structure.

These dynamics are playing out clearly in the current constitutional debate in Colombia. By way of initial background: from the late 1990s onwards, in an effort to improve the fiscal sustainability of sub-national governments, the Colombian authorities introduced a series of reforms. This included a monitoring system that classified sub-nationals according to liquidity and solvency indicators, performance against which conditioned their borrowing rights (Daude and de la Maisonneuve 2016).

An important part of the current deliberations over the constitutional amendment is concerned with the implications of the proposed changes for this monitoring system – i.e. the way that municipalities will be held accountable for the greater volume of funds transferred from the centre – which can be partly understood in terms of the different framings outlined in this report. In the current deliberations over the constitutional reform, there is a debate over whether municipalities (particularly PDET) should just be monitored using the traditional indicators like infant mortality or access to water, or whether they should also have more tailored measures (e.g. on peacebuilding). This debate has a fiscal element, because the monitoring process helps decide whether and how much of their own resources local government have to raise in kind from local taxes.

As part of engaging with the political economy of FCAS, then, analysts should be alert to the institutional work that is being carried out by different definitions (or framings) of the objectives and principles of fiscal governance. For example: what kind of institutional environment gets produced if fiscal decentralisation is framed principally through a macroeconomic lens (in comparison to a peacebuilding or social justice lens) and what are the potential consequences of that for other objectives in FCAS (development, security, growth, etc.)?

The experience of implementing the Peace Agreement also shows that these institutional choices can become embedded in constitutional rules. Decisions over protected peace spending, constraints on executive budget discretion, and differentiated tax treatment in conflict-affected territories translated broader political commitments into rules governing how resources could be allocated and controlled. This reinforces the point that fiscal governance in FCAS cannot be treated simply as a technical question of revenue and expenditure. Institutional design helps determine whether peace commitments can be implemented, which actors exercise authority over resources, and how the costs and benefits of a political settlement are distributed.

Fiscal framings have constitutional consequences

Despite the different framings outlined above, the constitutional amendment on fiscal decentralisation in Colombia has not reached an impasse. At the time of writing, the overall amendment has been passed by Parliament, but a number of finer details will be worked out through further legislation, including monitoring criteria. In effect, agreement over the more precise institutional consequences of fiscal decentralisation has been deferred from the Congressional and constitutional level to the legislative – and perhaps beyond.

The feasibility of deferring fiscal issues in this way (which implies leaving elements of them at least temporarily 'unsettled') might be helped by allowing for ongoing debate between different framings of its political, normative, and institutional consequences. The idea of 'constitutional unsettlement' may help articulate the work being done here (adapting ideas in Bell and Pospisil 2017). In other words, the idea that particular framings of the fiscal become more or less predominant at specific moments, and/or the resolution of certain issues is deferred, in order to keep the overall constitutional process going. Some of our interviewees framed historic cycles of fiscal de-and re-centralisation in Colombia in similar terms – a tactic to work through political struggles between the centre and the periphery, reflecting ongoing tussles for power between the national government, departments and municipalities: "if you look at it historically, (Colombia is) always in this kind of oscillation between centralised versus decentralised … without creating any long-term institutional mechanisms".

This also demonstrates an overarching point: the idea of a linear process from constitution to legislation to implementation, in decentralisation, is often politically untenable in highly contested settings. Allowing the framing and objectives of some issues to be open-ended or 'unsettled' at the constitutional level, and/or shifting the framing at particular moments, may be necessary to allow for incremental progress on the broader constitutional project. This can be a form of governance in itself, and may be an optimal way to do complex constitutional work in highly fragmented contexts, where there is a real threat of the process breaking down altogether, and a return to violence.

The economic provisions of the Peace Agreement add a further dimension to this argument. They demonstrate that constitutional settlements in conflict-affected settings are partly fiscal settlements, because commitments to rights, territorial inclusion and peace depend on decisions about spending, taxation and the distribution of fiscal authority. The Colombian experience also reveals a persistent tension between responsibility and authority. The Peace Agreement increased the state's responsibilities towards conflict-affected territories more substantially than it redistributed fiscal authority to those territories. The current decentralisation debate can therefore be read, in part, as a continuation of an unresolved constitutional question about where responsibility for territorial peace should sit, and which level of government should control the resources required to deliver it. For FCAS more broadly, this suggests that analysis of constitutional settlements should pay close attention to the fiscal arrangements through which political commitments are made effective, contested or deferred over time.

Endnotes

[1] Colombia's fiscal rule, implemented in 2011, is a legal framework to ensure the sustainability of public finances by setting targets for debt and deficits. Debt is typically capped at 71% of GDP, with a 55% anchor. If the constitutional reform bill becomes law, the committee that oversees the nation's fiscal rule forecasts a debt-to-GDP ratio of almost 70% by 2035, from the current 55%.

[2] The objectives of decentralisation as stated in the 1991 Constitution are: a) to improve the access of the population to social and public services, with emphasis on education, health, water supply and sanitation; b) to target resources toward the poorest population in order to take them out of poverty; c) to diminish territorial inequalities; d) to promote productive processes to improve income and employment, and e) to improve and deepen representative and political democracy (Maldonado, 2011).

[3] While not clearly defined in the final agreement, an analysis of recurring themes during deliberations over the peace process (2014-17) suggests five key elements of territorial peace (Diaz and Lombard 2019):

- reversing conflict effects on territory and land ownership;
- bridging gaps between rural and urban areas via the public sphere;
- opening up democracy through participation and institutional strengthening;
- securing justice, in terms of transitional, restorative, and prospective justice;
- instilling a new vision of peace based on political legitimacy and popular support.

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PeaceRep is funded by UK International Development from the UK government.

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PeaceRep is funded by the UK government's Foreign, Commonwealth & Development Office (FCDO) through its Global Research and Technology Development portfolio.