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# RESEARCH INSIGHT

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# The impacts of intensive municipal governance and community organization on gang governance in Medellín



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## The policy issue

Urban armed groups, especially criminal gangs, are a growing threat to peace and economic growth in cities across the world, and often exert state-like powers such as enforcing contracts, policing, and taxing businesses. Gangs, mafias, and urban militias have turned large portions of many cities into violent hot spots where government officials and police forces do not go. In certain neighborhoods in Latin America and elsewhere, criminal organizations also act as local governing bodies, exerting state-like control over populations that are underserved by the government.

Despite the prevalence of such "criminal governance" in cities around the world, there is very little information available to policymakers about effective strategies to reduce the influence of urban armed groups. **Can the state begin to provide everyday governance in place of these unofficial groups, and thereby increase its own legitimacy?**

## About the research

In partnership with the City of Medellín and community officials, EDI researchers co-designed a program of intensified government outreach and service delivery to test the impact of increased municipal governance on the roles and legitimacy of local gangs and the state. To design the program, researchers conducted interviews with more than 30 members of 19 criminal organizations over two years. Researchers combined findings from those interviews with administrative crime data and with surveys of city residents and

[1] This EDI Research Insight arises from research undertaken for the EDI Randomized Control Trial "Gangs of Medellin: variation in non-state provision of order and justice" https://edi.opml.co.uk/research/gangs-medellin-variation-non-state-provision-order-justice/

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businesses to learn about the organization and political economy of organized crime in Medellín. This EDI Research Insight provides a summary of those findings to date. The randomized evaluation is on-going.

## Context of the evaluation

After five decades of civil war and drug trafficking conflicts, Colombia has made significant improvements in security across the country.[2] However, urban gangs remain a threat to state authority in poor and historically underserved areas. In Medellín, Colombia's second largest city, gangs established their power and control in response to a historic lack of government presence and services, as well as the city's geographic significance to drug trade routes.

Today, a majority of poor and middle-income neighborhoods in Medellín are governed to varying degrees by criminal gangs. Between 150 and 300 local youth gangs called combos, managed and controlled by larger, mafia-like organizations called razones, exert state-like powers such as resolving disputes, enforcing contracts, policing and preventing crime, managing markets, and taxing businesses in their neighborhoods. Combos also monopolize local illegal markets, especially retail drug sales, prostitution, and loan-sharking.

In Medellín's urban core, the state is relatively strong and well-organized, and the city government provides a variety of public services to all corners of the city. However, in certain areas of the city's peripheries, state presence is weak, and combos are strong.

## Details of the intervention

In partnership with the City of Medellín and community officials, researchers designed an anti-gang intervention that aims to increase the role of the city government in providing public services. The intervention was designed after two years of intensive study of combos through hundreds of interviews with community members and leaders, police, combo members, and other criminal leaders (see "qualitative results" below). This randomized evaluation is testing the impact of the anti-gang policy intervention on the roles and legitimacy of the state and of combos. It is the first large-scale randomized evaluation of an anti-gang intervention ever conducted.

Medellín is divided into 21 large administrative units called comunas, each of which is further divided into official neighborhoods. Neighborhoods are further divided into informal communities called sectors, which each contain between 1,000 and 3,000 residents. The city identified the eighty sectors where governance by combos is greatest, and researchers randomly assigned forty of these neighborhoods to receive the anti-gang intervention. The other forty neighborhoods are receiving the normal amount of outreach and services offered by the government and will serve as the comparison group.

In each sector assigned to the anti-gang intervention, the city government will place a "liaison" who is responsible for advocating for and coordinating government service delivery. Liaisons' roles include (1) routine problem-solving and dispute resolution, (2) coordinating and intensifying delivery of existing city services such as social welfare or maintenance services, and (3) improving community organizations' ability to obtaining public resources. Under the status quo, the city government assigns one liaison per 120,000 people. In sectors assigned to the anti-gang intervention, the ratio will drop to one liaison per 2,000 people.

The city government will also intensify its regular strategies to govern and deliver public services. A multi-disciplinary team within the city's Secretariat of Security will work with other city agencies to deliver tailored services to sectors as requested by liaisons. Overall the evaluation aims to shed light on whether increasing

[2] Claire Felter and Danielle Renwick, "Colombia's Civil Conflict," Council on Foreign Relations, last modified January 11, 2017, https://www.cfr.org/backgrounder/colombias-civil-conflict

the effectiveness of government service provision can increase the perceived legitimacy of the government and reduce the role of criminal groups in providing public services.

The research team is conducting three surveys of liaisons and community leaders: an initial survey at the beginning of the anti-gang intervention, a second survey one year after the start of the intervention, and the final survey two years after the anti-gang intervention began.

## Results and policy lessons

As part of the preliminary research for the randomized evaluation, an IPA research team conducted interviews with more than 30 members of 19 organizations over two years. Researchers combined findings from those interviews with administrative crime data and with surveys of city residents and businesses to describe the organization and political economy of organized crime in Medellín. These preliminary, qualitative results can be summarized as follows:

1. Overall, the firm lens gives insights into how street gangs operate, and most of their actions can be explained in terms of protecting local monopolies and seeking profits. Of course, members have a variety of motives for joining a criminal group, committing violence, and so on. And the combos and razones of Medellin have deep social ties and forms. The same is true of many kinds of firms. he early origins of these gangs can be understood in terms of these social functions, but over time these have evolved into economically sophisticated actors.
2. Over the past four decades, gangs in Medellín have evolved into a hierarchical system where nearly all combos ally with one of a small number of razones in semi-permanent relational contracts. The razón offers a supply of product (especially drugs, but also some contracts), protection, and investment capital. In return the combos offer a retail distribution network, and an army in the event of an inter-razón conflict. The major sources of revenue are summarized in Table 1.

Table 1: Summary of major sources of revenue by group type

| **Good/service** | **Combo** | **Razón** | **Conspires**[3] |
|---|---|---|---|
| **Illicit good monopolies** | Drug retailing | Drug wholesaling | No |
| **Extortion/ protection** | Local businesses; (Rarely) local households;<br>Some external businesses (buses) | Large firms and construction projects | Local business no; Sometimes large external businesses and buses |
| **Coercive services** | Contract killings, debt collection, loan sharking | Participation in contract killings and debt collection assigned to combos, large loan sharking services | Sometimes |
| **Legal good monopolies** | Licensing sale of small consumer goods | Negotiating sale of certain goods (gas canisters) between city-wide suppliers | Typically, yes (e.g. raffles, liquor sales) |

[3] Criminal entrepreneurship

| | | | |
|---|---|---|---|
| **Others** | Larceny, governance (e.g. dispute resolution) | Money laundering, in some cases international drug trafficking | Typically, yes (e.g. larceny outside the combos' territory, prostitution) |

3. Despite long standing relationships and strong incentives to prevent combos from changing affiliation, relatively few razones have incorporated, "bought," or otherwise vertically integrated their allied combos. Rather, most transact with their combos by selling them goods and services. One reason appears to arise from principal-agent problems: it is difficult to observe and contract combo members on their action. Principal-agent problems are amplified by security considerations, namely restrictions on written documentation and financial records; the imprisonment of many leaders; and the risk that combo leaders will over-extract from combo members and citizens. The high-powered incentives that arise from being a separate "firm" maximize rents for the razón and combo. Both kinds of organization also have incentives to stay small to avoid detection and arrest and take advantage of localized comparative advantages.

4. The combo leader is the residual claimant on profits of the combo, and researchers estimate that their earnings put them in the top 10% of income earners in the city. They pay combo members a small fixed wage with opportunities for added wages for extra work, bonuses for performance and (perhaps most importantly) they support individual criminal entrepreneurship called conspires. Conspires range from loan sharking to lotteries to debt collection and consumer good sales. For foot soldiers, the fixed portion of the salary is generally well below the national minimum wage. With performance pay, in-kind benefits and conspire income, however, researchers estimate that foot soldiers receive well above minimum wage.

5. Combo leaders face many of the same internal agency problems with members as razones do with combos, which is one reason why many criminal activities are not performed within the combo as a firm, but rather as independent conspires. Conspires incentivize combo members to maximize profits, saving the combos money on direct fixed salaries. Moreover, conspires are a relatively easy way to enlarge the size of the combo -- and available soldiers -- without incurring in high costs or the increased risk of having too much personnel accessing key information of the combo. Finally, conspires are a way to demote people, or to manage a pyramidal structure in which an up or out system is impossible.

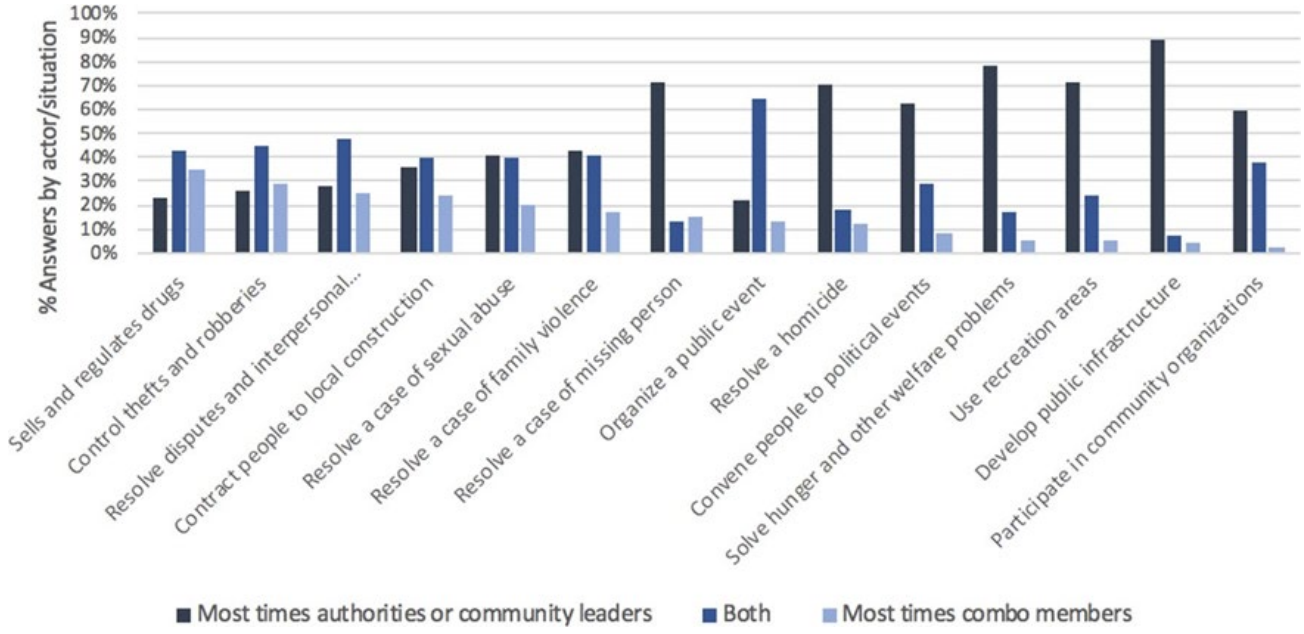
6. With so many combos competing for territorial rents, there is a high risk of intercombo conflict. However, the larger razones are more likely to internalize the broader costs of such conflict than combos; and have incentives to help negotiate and enforce bargains. Conflict prevention and protection is also a service that gives razones more market power in their relations with combos. A major reason for the cartel-like organization of razones has been to mitigate conflict risk and reduce the commitment problems and information asymmetries that would otherwise drive incessant combo warfare.

7. The arrest and imprisonment of so many razón and combo leaders has, on balance, enhanced the ability of razones to manage conflict. Imprisoned leaders interact and communicate more, and close quarters give them coercive leverage over one another and (more importantly) over criminals on the street, who recognize that they have a high probability of entering one of the prisons that leaders control. Nonetheless, arrests also have a disruptive effect on the balance of power between razones and combos, and intensive or high-profile arrests can be destabilizing.

8. Most neighborhoods have a duopoly of violence, with the combos and the police both regulating crime and markets. While they lack the sophisticated and rational bureaucracy of the state, many combos play a governing role in their communities (see Figure 1). Most commonly they regulate

crime, policing against various forms of larceny, keeping the streets safe, and regulating drug addicts. Many also resolve disputes between neighbors. Some combos regulate and license legal markets for public employment purposes. A more modest number punish violence against women, not just rape but also serious domestic abuse. This provision of order and protection makes combos quite different than a normal "firm," and Skaperdas (2001) has suggested they more closely resemble primitive states. Researchers find both lenses are useful for understanding organized crime.

*Figure 1: Answers to "who resolves these issues in your neighborhood?" made during the baseline in the 80 sectors of the sample*




9. Their motives for governing appear to be partly due to a demand for order from the community, and personal preferences for status, power and certain moral codes (against rape and abuse of women, for instance). For the most part, however, governing protects their monopolies and maximizes rents. Employing young men deters internal threats from delinquents that otherwise do not merit a position in the combo. Policing and dispute resolution are in part a service for which they extract taxes, common with weekly or monthly levies on local businesses.
10. There is wide variation in combo governance, even among strong combos. Our hypothesis is that combos are more likely to govern in higher-rent potential neighborhoods where the state had a historically weak presence, thus giving combos an incentive and opportunity to establish simple governing. They have proven difficult to dislodge afterwards. Many combos seem to disdain this governing role, however, and have expressed a willingness to see the state take over dispute resolution and domestic abuse cases. In an ongoing experiment, the city is testing their ability to crowd the combos out of this governing role by intensively governing small territories -- more dispute resolution, access to social services, and better outreach and community self- organization, but not an intensification of policing.

## Randomized evaluation*

In the ongoing randomized evaluation described above, the city is testing their ability to crowd the combos out of their governing role by intensively governing small territories. This intervention tests the hypothesis

that combos are more likely to govern in higher-rent potential neighborhoods where the state had a historically weak presence, thus giving combos an incentive and opportunity to establish simple governing.

**The randomized evaluation is on-going; results are forthcoming.*

## About EDI

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