Fiscal credibility under political instability
Evidence from finance minister turnovers

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Whogov Conference

How long do finance ministers stay in office, and why do they leave?

Does the type of exit matter for sovereign credit ratings?

Anecdotical motivation…

infobae

COLOMBIA >

Un récord sin precedentes: Gustavo Petro cambió de ministro cada 21 días en promedio

Durante el período analizado se produjeron relevos en lapsos inferiores a un mes en los cargos de mayor responsabilidad, incluidos cambios en viceministerios y superintendencias

Por **Jhon Bernal**

En más de 1.400 días de mandato, Gustavo Petro tuvo un ministro cada tres semanas - crédito @infopresidencia/X

PUBLICIDAD

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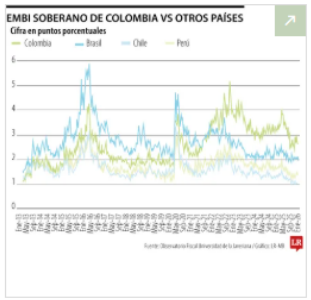
LR



HACIENDA

Colombia se volvió el país más riesgoso frente a economías como Chile, Perú y Brasil

lunes, 11 de mayo de 2026

GUARDAR

El reporte muestra que, durante buena parte del periodo analizado, entre 2013 y 2021, Brasil fue el país con mayor riesgo dentro del grupo

JUAN DIEGO MURCIA

La difícil situación fiscal que atraviesa Colombia ya empieza a mostrar efectos sobre las finanzas del país. Un reciente informe del Observatorio Fiscal de la Universidad Javeriana **reveló que el país enfrenta un panorama en el que el financiamiento es cada vez más costoso, mientras la inversión continúa cayendo.**

El informe analiza la evolución conjunta de la inversión y del riesgo país en economías de la región como Perú, Chile y Brasil, con el fin de comparar las tendencias de Colombia frente a sus países pares.

ARTÍCULO RELACIONADO

Colombia se volvió el país más riesgoso frente a economías como Chile, Perú y Brasil

Foto: Gráfico LR

LR MÁS

Agregue a sus temas de interés

- Formación bruta de capital fijo
- Inversión
- América Latina

Administre sus temas

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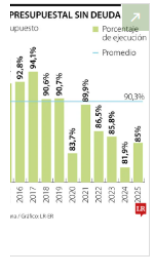


HACIENDA

Gobierno Petro, el que menos ha ejecutado presupuesto en las últimas seis administraciones

jueves, 26 de junio de 2025

GUARDAR

Para 2025, según las proyecciones del Marco Fiscal de Mediano Plazo del Ministerio de Hacienda, la ejecución presupuestal sería de 85%

MANUEL ALEJANDRO CORREA

El observatorio fiscal de la Universidad Javeriana presentó su análisis sobre las cifras del Marco Fiscal de Mediano Plazo (2026–2036) del Ministerio de Hacienda, **documento revelado el pasado 13 de junio de 2025.**

Con base en los datos del observatorio, puede afirmarse que, **entre los últimos seis gobiernos de Colombia, el de Gustavo Petro es el que ha registrado la menor ejecución presupuestal.**

En 2007, la ejecución presupuestal fue de 91%. Al finalizar el gobierno de Álvaro Uribe, esta descendió a 88,4%, con un

ARTÍCULO RELACIONADO

What we do?

We build a dataset on **finance ministers** across 53 countries from 2000 to 2025 to **study why they leave office** and **how their departures relate** to sovereign **credit risk**.

How?

We build **550 finance minister turnovers**, using **LLM-assisted** coding to identify **departure dates**, **reasons** for leaving, and **whether exits** were **contentious or political crisis driven**.

We then use **local projections** to trace the **sovereign credit risk** around **departures** and compare how the response to **political crisis reasons**.

What we found?

Politically contentious departures account for about **9% of finance minister exits globally**, rising to **16%** in **Latin America and the Caribbean**, where **ministerial tenures** are also **shorter**.

After these departures, **country credit** ratings deteriorate, reaching declines of about 0.76 (5.4%) notches for Moody's and **0.55 (4.3%)** notches for **Fitch**.

Related literature

Fiscal governance

- Political **instability weakens** policy **commitment**, fiscal discipline, and macroeconomic credibility (1).
- **Strong** and **stable** finance ministers improve **fiscal coordination** and budget **discipline** (2).

Political instability

- Ministerial **survival** depends on institutional and **political** conditions (3).
- Political **instability** are **priced** by financial markets and affect **sovereign risk** (4).

Political dataset

- **Existing datasets** capture institutions, governments, and political leaders, **mostly at annual frequency** (5).
- WhoGov extends coverage to individual cabinet members, but does not provide **detailed context of appointments** (6).

Existing work studies ministerial turnover but largely treats all departures as equivalent**.**

We show that why finance ministers leave matters—and that it matters for sovereign risk.

Note: (1): Alesina & Drazen, 1991; Alesina et al., 1996; Jong-A-Pin, 2009; (2) Hallerberg & von Hagen, 1999; Hallerberg et al., 2009; Gleich, 2003; (3) Huber & Martínez-Gallardo, 2008; Camerlo & Pérez-Liñán, 2015; Armstrong et al., 2024; (4) Baldacci et al., 2011; Bekaert et al., 2014; Jochimsen & Thomasius, 2014; (5) Goemans et al., 2009; Coppedge et al., 2020; Teorell et al., 2023; (6) Nyrup & Bramwell, 2020.

Theoretical argument and mechanisms

1. Political shock
Finance minister leaves for politically contentious reasons

→

2. Conflict signal
Exit reveals internal tensions, loss of confidence, or governance stress

→

3. Fiscal uncertainty
Doubts rise about future fiscal policy, discipline, and reform continuity

→

4. Belief updating
Investors and rating agencies revise expectations about sovereign risk

→

5. Credit deterioration
Sovereign ratings fall gradually, raising perceived financing risk

↓

* Mechanism: how it operates

Information signal
Conflictive exit is interpreted as negative hard information

→

Policy uncertainty
Markets expect less continuity in fiscal policy and reforms

→

Fiscal credibility
Commitment to discipline and intertemporal consistency weakens

→

Risk repricing
Investors demand compensation and agencies adjust ratings

Amplifiers / moderators: weaker institutions (LAC) • high debt/deficit • political fragmentation • weaker country credibility

Core implication: exits driven by political conflict—not routine institutional transition—are the ones most likely to damage sovereign credibility.

Methodology

Reasons coding

Code	Reason	Description
A. Routine reasons		
CG	**Change of government (end of term or cabinet reshuffle)**	Institutional transitions due to a new president taking office.
PR	**Voluntary resignation for personal reasons**	Stepping down due to health issues, family matters, or personal decisions.
RP	**Reassignment or promotion to another public or international position**	Leaves current post to assume a new position, often in multilateral institutions, central banks, or other senior posts.
PA	**Electoral candidacy or political aspirations**	Resigns to pursue a candidacy for president, congress, or other elected office.
A. Politically contentiuous reasons		
PD	**Voluntary resignation due to political disagreements**	Resignation caused by policy differences or conflicts with the president or administration.
PP	**Exit due to scandal or political pressure**	Forced resignation due to corruption allegations, protests, or political crises.

(pseudo) prompt

I want you to construct a dataset of the Ministers of Finance/Economy of [COUNTRY] from the year 1990 to the present.

The table must contain the following columns: ISO3 , Name , StartDate , EndDate , ExitReasonText , ReasonCode , ExitQuote , Source , Educ , PhD , Economics.

Definitions:

- ISO3: Three-letter ISO country code.
- Name: Full name of the minister.
- StartDate: Exact start date of the minister's term, if available.
- EndDate: Exact end date of the minister's term, if available; if the minister is still in office, write "Current".
- ExitReasonText: Brief narrative description of the reason for leaving office.
- ReasonCode: Standardized exit code according to the following dictionary:
  - CG: Change of government
  - PR: Personal resignation
  - PD: Policy disagreement
  - PP: Political pressure or scandal
  - RP: Reassignment or promotion to another position
  - PA: Political aspirations (e.g., running for office)
- ExitQuote: Verbatim quotation from a reliable source (news outlet, official statement, institutional report) documenting the exit.
- Source: Link to the source used (press, government, international organization, Wikipedia, Reuters, etc.).
- PhD: Indicator equal to 1 if the minister holds a doctoral degree, 0 otherwise.
- Economics: Indicator equal to 1 if the minister's primary academic training is in economics or finance, 0 otherwise.

Additional instructions:

- Include exact start and end dates whenever possible.
- If an exact exit quote cannot be found, use the closest available reliable source (e.g., official press releases, Wikipedia summaries, Reuters articles).
- Ensure consistency with the coding rules used in the Colombia dataset.

Coding workflow

1. Manual search
Collect source material from official records, news reports, and public databases.

2. LLM coding
Use a standardized prompt to extract appointment dates, exit dates, and exit reasons.

3. First review
Researcher checks the LLM output against the original sources and corrects obvious errors.

4. Double review
A second pass verifies ambiguous cases, consistency across sources, and coding rules.

5. Final validated dataset
Store the validated record with harmonized dates, reason codes, and source links.

* Quality-control

A. Source triangulation
Compare official statements, media reports, and archival information.

B. Prompt standardization
Apply the same extraction rules across countries and cases.

C. Human validation
Review flagged cases and resolve disagreements manually.

D. Consistency check
Ensure coding is comparable across time, countries, and ministries.

Key takeaway: LLMs accelerate coding, but reliability comes from structured prompts, manual review, and double validation.

Linking turnovers with country risk

Politically contentious turnover indicator (1;0)

Country and time fixed effects

$$Y_{i,t+h} - Y_{i,t-1} = \beta_h PCT_{i,t} + \gamma_h X_{i,t-1} + \alpha_i + \lambda_t + \varepsilon_{i,t+h}$$

Sovereign credit rating for country i at time t.

Vector of lagged control variables.

- **Hypothesis:** βh<0 → Politically contentious turnover is expected to be followed by a deterioration in sovereign credit ratings.
- A **negative β** indicates that countries experiencing **contentious ministerial exits tend** to **show weaker [*] sovereign creditworthiness** at horizon h.

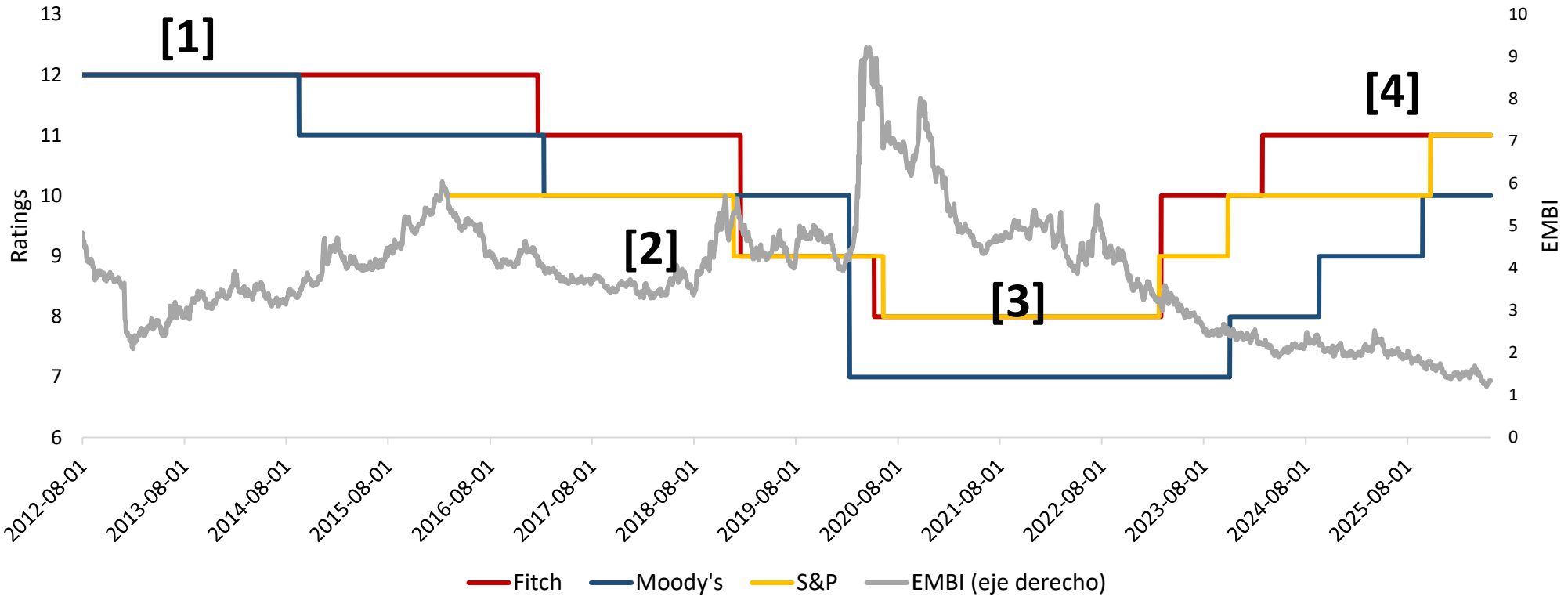
[*] We interpret β as a dynamic association, not a causal effect, since contentious departures may themselves reflect underlying political or macroeconomic deterioration

Descriptives

Category	Variable	Description	Mean	SD	Min	Max
Dependent	Moody's Rating	Moody's rating	14.0	5.4	2	21
	Fitch Rating	Fitch rating	12.9	5.3	1	20
	S&P Rating	S&P rating	15.3	5.1	4	22
Shock	PCT Indicator	1 if turnover is by PD or PP, else 0	0.1	0.3	0	1
Controls	CAPB (lag)	Lag of CAPB_GDP	-0.6	2.8	-11.9	7.8
	GDP growth (lag)	Lag of GDP growth rate	3.3	3.6	-17.8	24.6
	Inflation (lag)	Lag of inflation rate	5.5	10.3	-8.2	219.9
	Oil dependence (lag)	Lag of oil trade balance (% GDP)	-1.0	5.6	-13.2	33.8
	Openness (lag)	Lag of total trade (% GDP)	69.8	38.5	15.0	258.8
	Conflict intensity	Conflict level. 1 if minor between 25 and 999 battle related deaths, 2 if more than 1000 (lag)	0.2	0.5	0	2
	Government effectiveness	World Governance Indicator: government effectiveness (lag)	0.5	1.0	-1.5	2.3
	Leader Experience	The number of years the person has been leader of the country in total	4.8	4.6	1	29
	Democracy Indicator	1 if democracy, else 0	0.8	0.4	0	1
	Party members share	Share of party members in total	0.9	0.1	0.2	1.0

Note: Total observations are 1450, however the number of missing values vary across dependent variables. Missing values in Moody's and Fitch are 19.3% and 24.9% respectively, while S&P coverage is considerably thinner, with missing values in 41.8% of observations

Descriptives



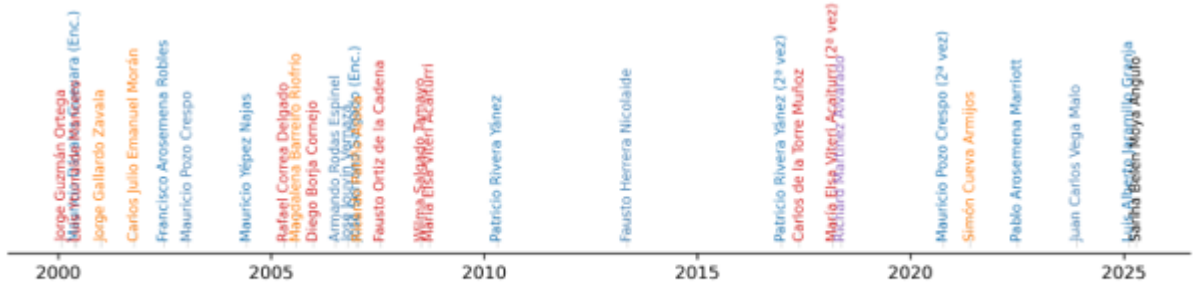
Database results

How the dataset looks like?

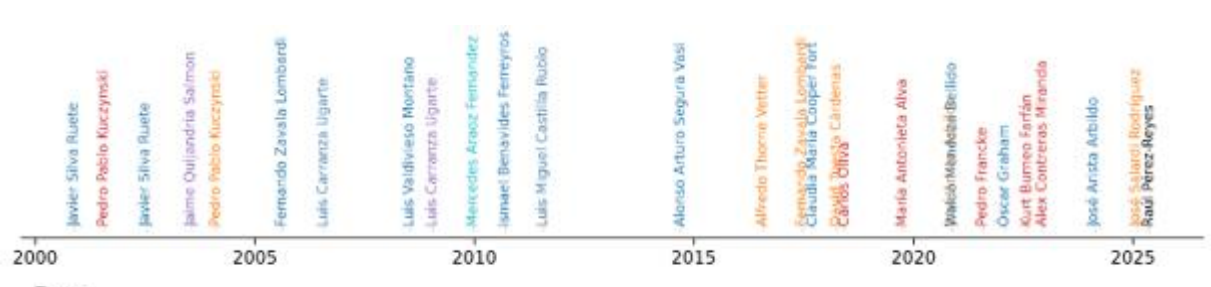
ISO3	Name	Begin	End	Reason	Reason (code)		Group
COL	Roberto Junguito Bonnet	7/08/2002	9/06/2003	Renuncia sin explicaciones públicas.	PR	"Después de muchos Roberto Junguito Bonr	LAC
COL	Alberto Carrasquilla Barrera	20/06/2003	7/03/2007	Renuncia voluntaria por razones personales.	PR	"Incluso se ha dicho q	LAC
COL	Óscar Iván Zuluaga Escobar	16/02/2007	7/08/2010	Cambio de gobierno (fin del segundo mandato de Álvaro Uribe).	CG	"Se desempeñó cor gobierno de Álvaro	LAC
COL	Juan Carlos Echeverry Garzón	7/08/2010	3/09/2012	Renuncia para asumir un cargo en el FMI.	RP	"Por petición del mis	LAC
COL	Mauricio Cárdenas Santamaría	3/09/2012	7/08/2018	Cambio de gobierno (fin del mandato de Juan Manuel Santos).	CG	"Mauricio Cárdenas e Crédito	LAC
COL	Alberto Carrasquilla Barrera	7/08/2018	3/05/2021	Renuncia tras retiro de la reforma tributaria y protestas masivas.	PP	"El ministro de Hacie lunes su renuncia impulsaba el Gobierr	LAC
COL	ɔsé Manuel Restrepo Abondan	18/05/2021	7/08/2022	Cambio de gobierno (fin del mandato de Iván Duque).	CG	"José Manuel Restrep reforma t	LAC
COL	José Antonio Ocampo Gaviria	7/08/2022	26/04/2023	Renuncia tras solicitud de renuncias protocolarias por parte del presidente Petro.	PD	"El funcionario tuvo qu pidier	LAC
COL	Ricardo Bonilla González	26/04/2023	4/12/2024	Renuncia solicitada por el presidente Petro en medio de un escándalo de corrupción.	PD	"Bonilla, en quien Pe tras denunciar a un h	LAC
COL	Diego Guevara Castañeda	4/12/2024	18/03/2025	Renuncia tras desacuerdos con el presidente Petro sobre política fiscal.	PD	"El ministro de Hacie conversación	LAC

Some examples

Unstable appointments

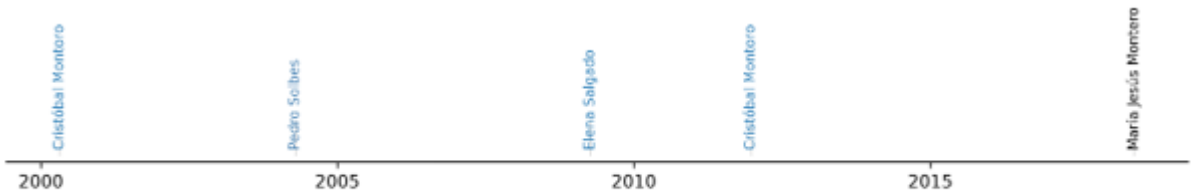


Ecuador
Ministers: 30 | Average Duration: 0.9 years



Peru
Ministers: 28 | Average Duration: 0.9 years

Stable appointments



Spain
Ministers: 5 | Average Duration: 4.5 years

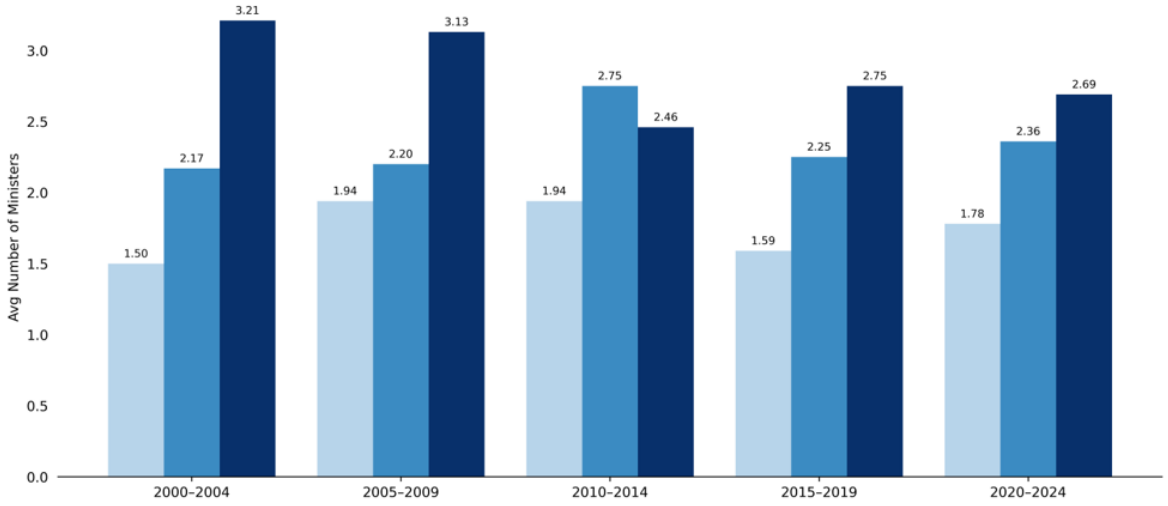
New Zealand
Ministers: 5 | Average Duration: 6.0 years

Reason (code)

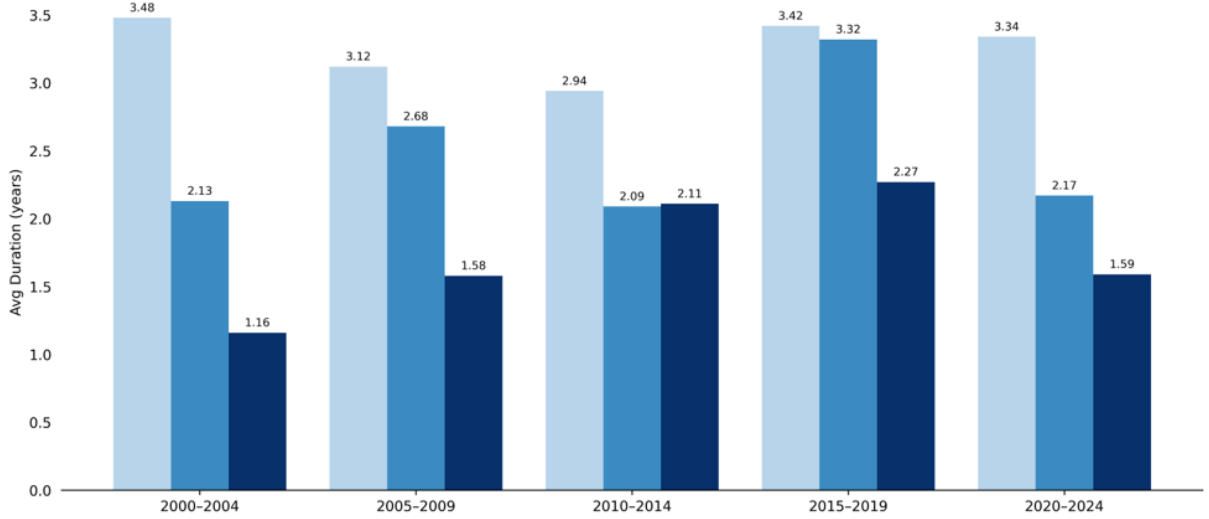
- PD: Political disagreement
- PP: Political pressure / scandal
- CG: Cabinet reshuffle
- RP: Reassignment / promotion
- PA: Political ambition
- PR: Personal reasons
- Current

Number and duration of ministries

Average number of ministers
(5-year periods)

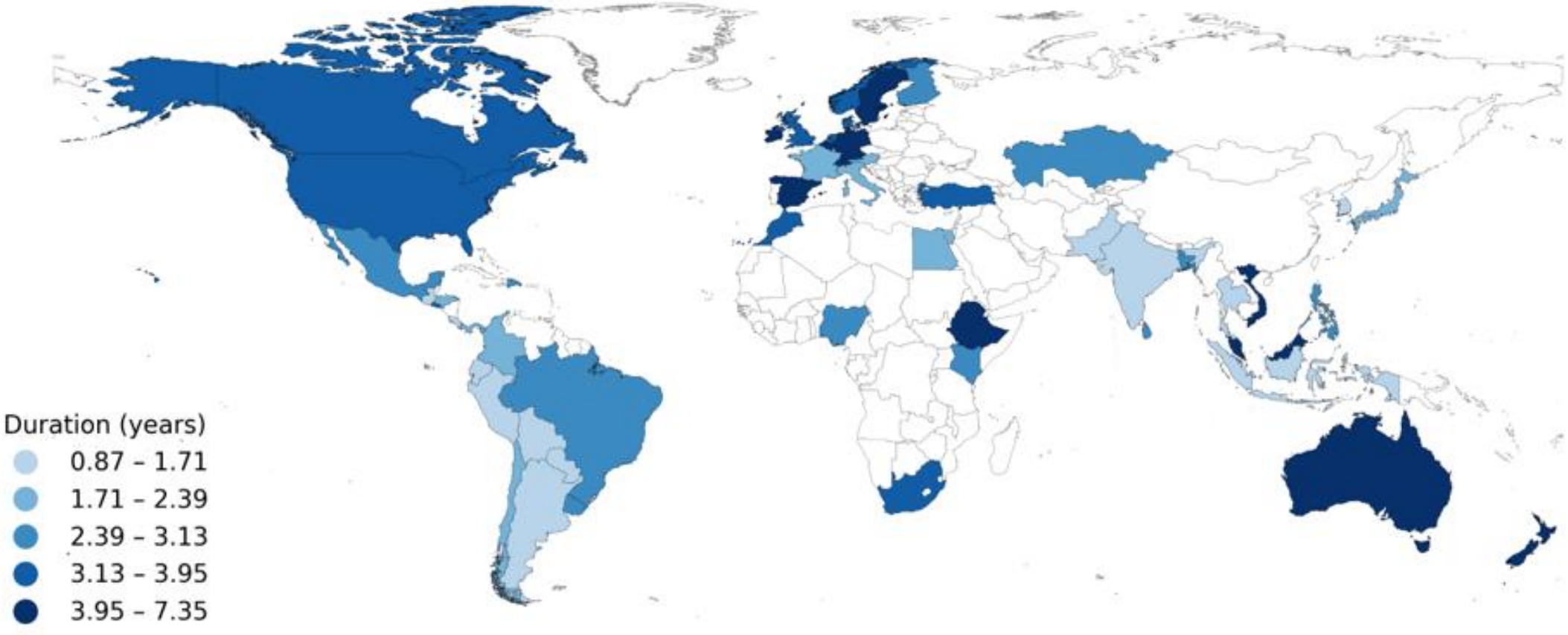


Average duration
(5-year periods)



Note: Average spell duration by quinquennium; duration is measured in years

Geographical distribution of duration



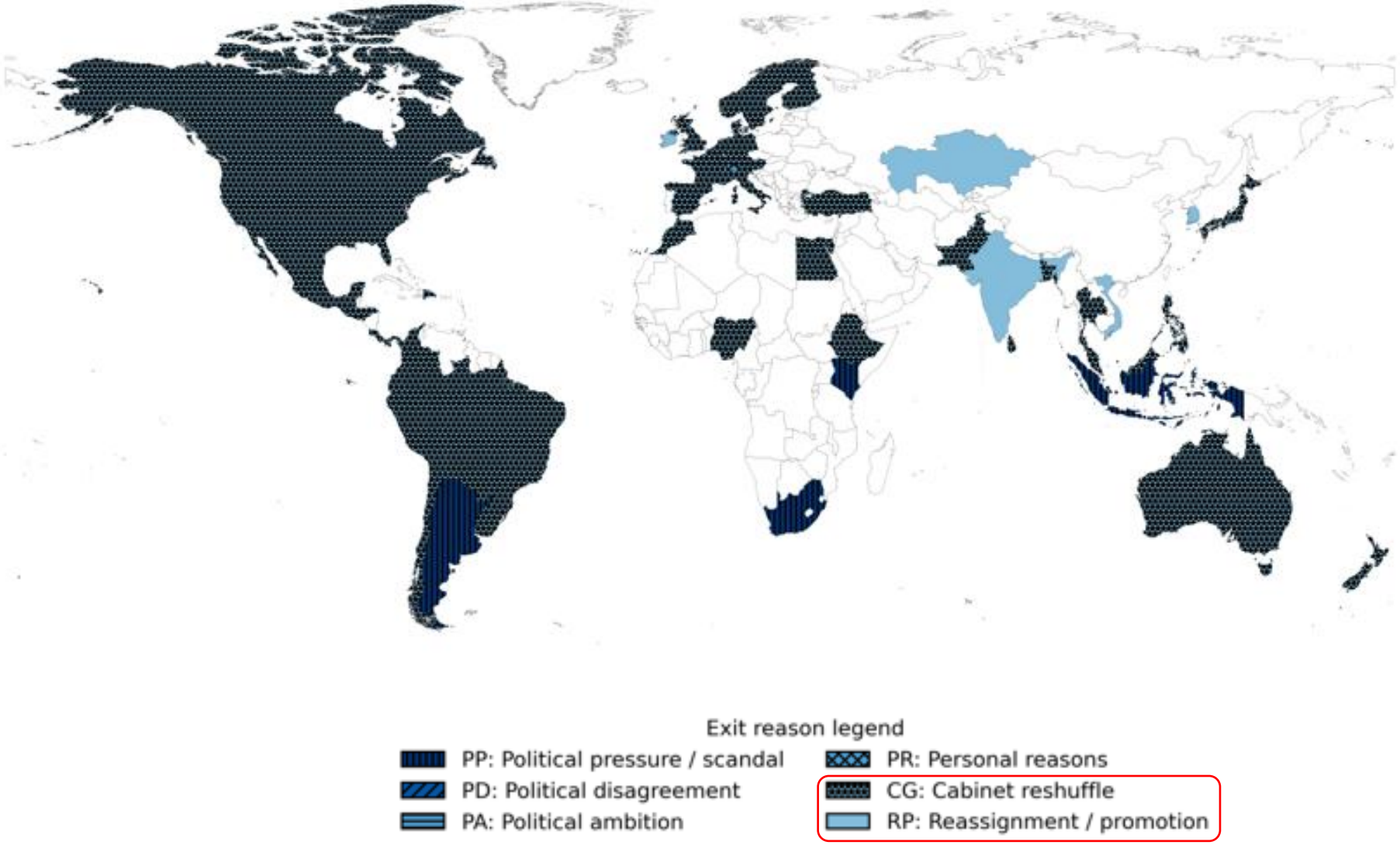
Note: Total observations are 1450, however the number of missing values vary across dependent variables. Missing values in Moody's and Fitch are 19.3% and 24.9% respectively, while S&P coverage is considerably thinner, with missing values in 41.8% of observations

Reasons

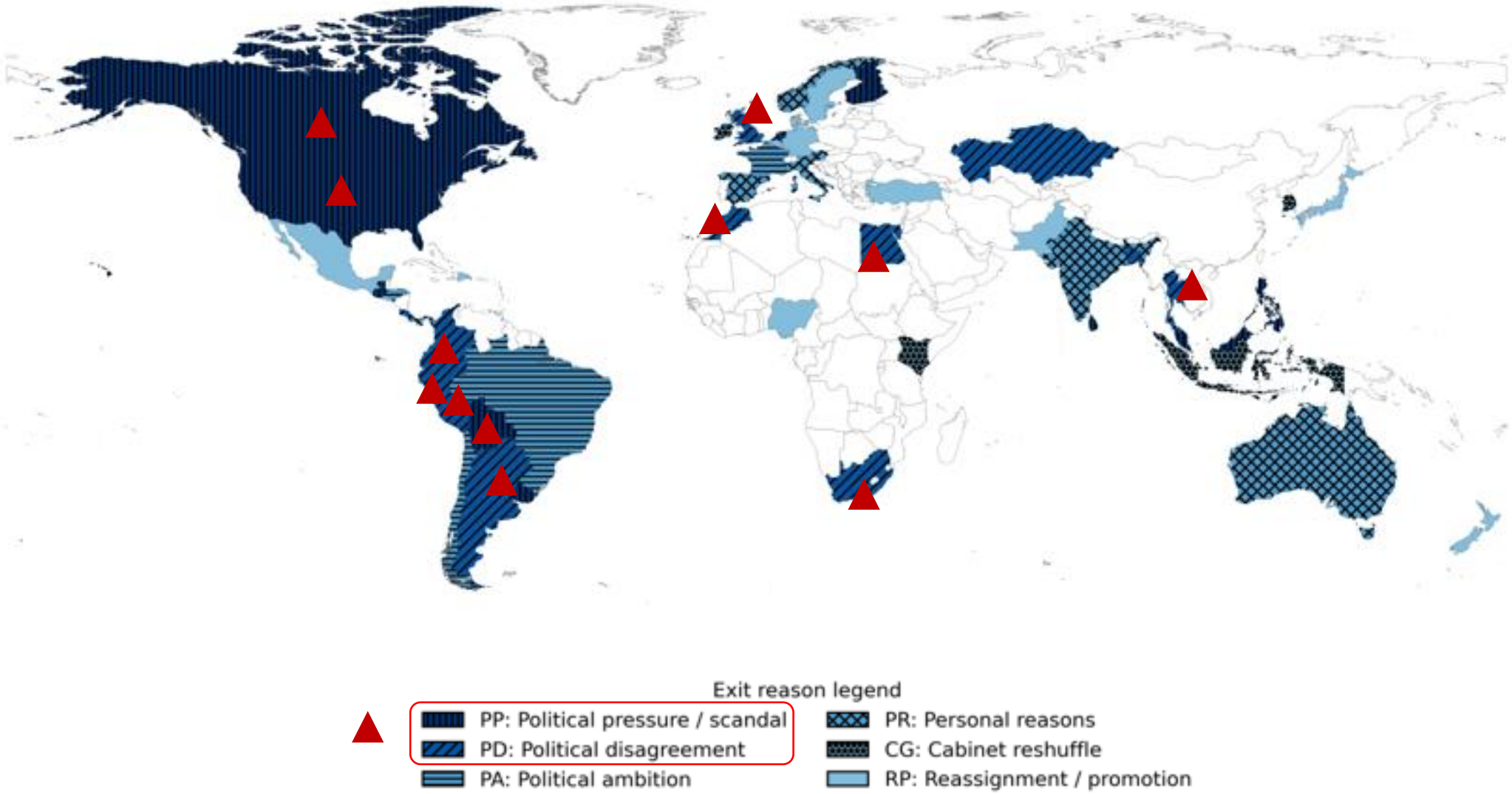
Group	PD (%)	PP (%)	PA (%)	CG (%)	PR (%)	RP (%)	NA* (%)
ALL	6.9	11.8	2.1	45.3	9.2	18.6	6.2
ADV	1.8	7.9	1.2	53.3	10.3	20.6	4.8
EME	7.6	15.2	0.6	43.3	5.8	22.8	4.7
LAC	15.9	15.9	5.2	38.6	9.0	8.6	6.9

Note: percentages are computed over observed ministers/spells; NA includes current ministers and cases with unavailable exit information. 49 current ministers and one minister from Costa Rica whom exit reason information was unavailable.

Most common reason



Second common reason (more interesting)



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LAC	15.9	15.9	5.2	38.6	9.0	8.6	6.9

Can we collapse to one score?

$$Disruption\_score_i = 1\left(\frac{CG_i}{N_i}\right) + 1\left(\frac{RP_i}{N_i}\right) + 2\left(\frac{PR_i}{N_i}\right) + 2\left(\frac{PA_i}{N_i}\right) + 4\left(\frac{PD_i}{N_i}\right) + 5\left(\frac{PP_i}{N_i}\right)$$

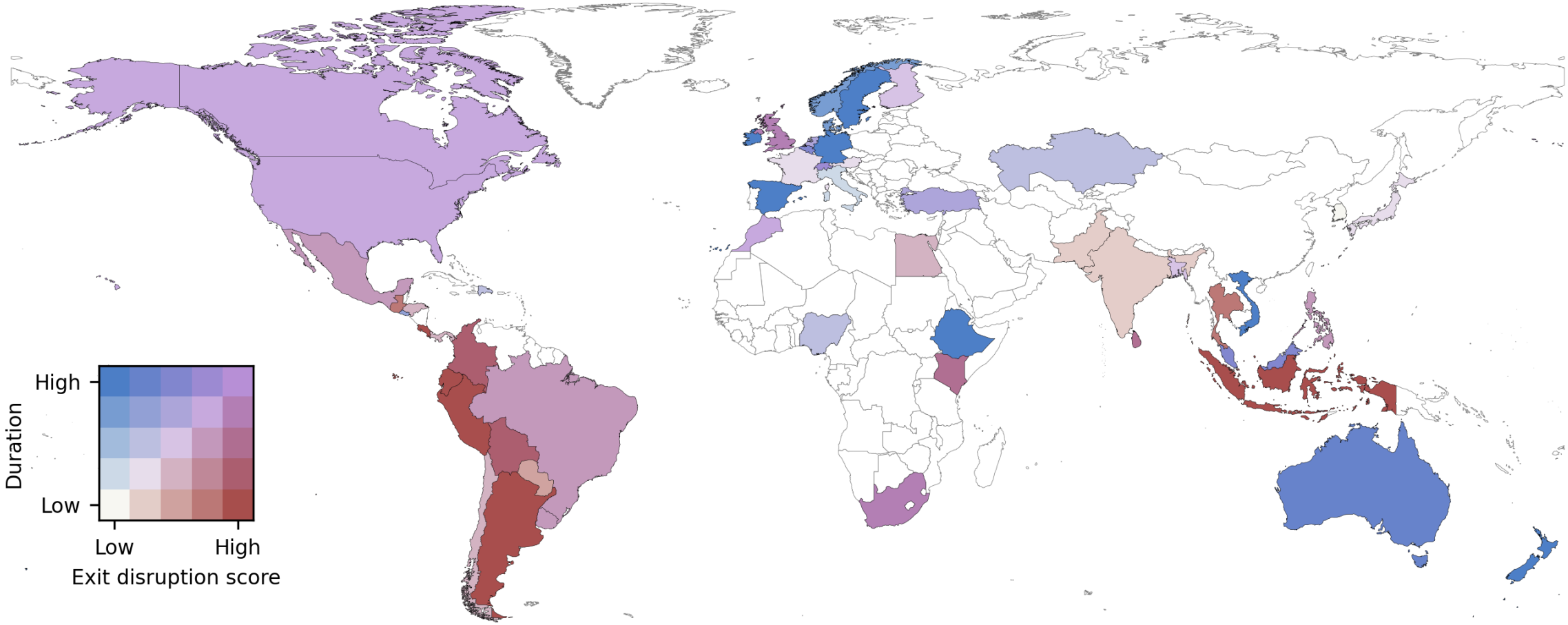
Number of exists

Note: The numerator aggregates the weighted intensity of exits, while the denominator equals the total number of exits in the country

Geographical distribution of disruption score

Note: The map plots the window average (2000-2025)

Disruption score vs duration



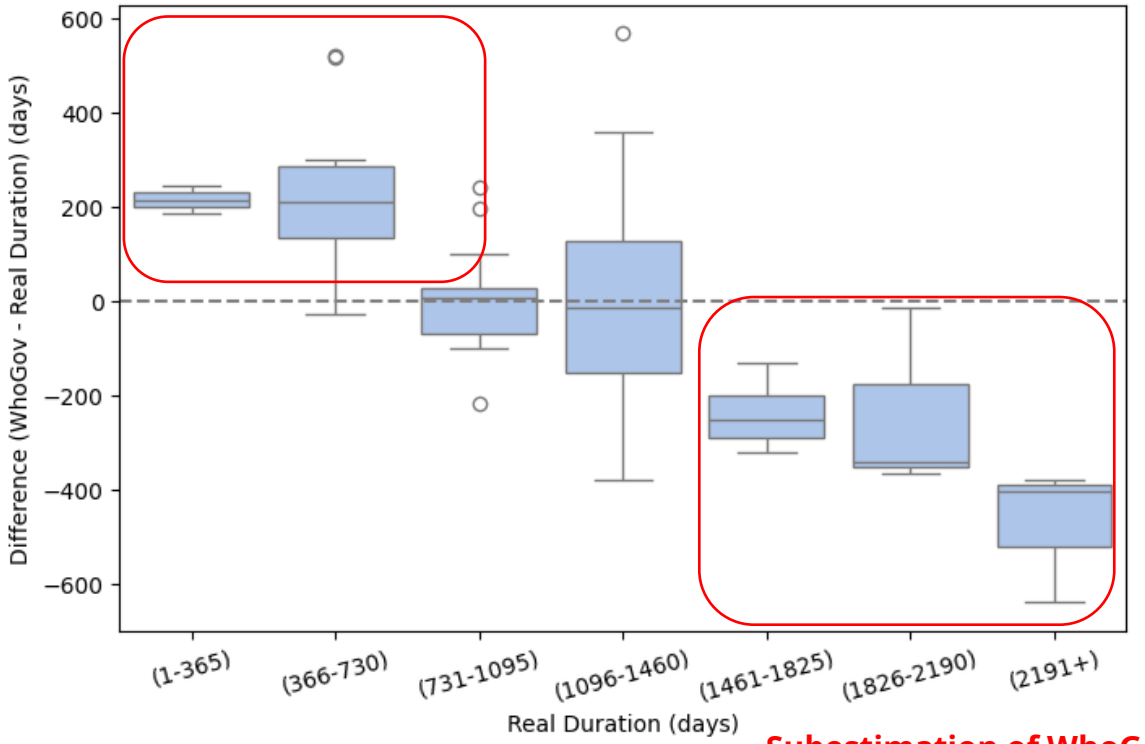
Duration = 4.91 -1.04 x ExitScore
(R2 = 0.20, p = 0.001)

Note: Source: Authors' calculations. Note: The map combines average duration and disruption score; heatmap represents bivariate trends.

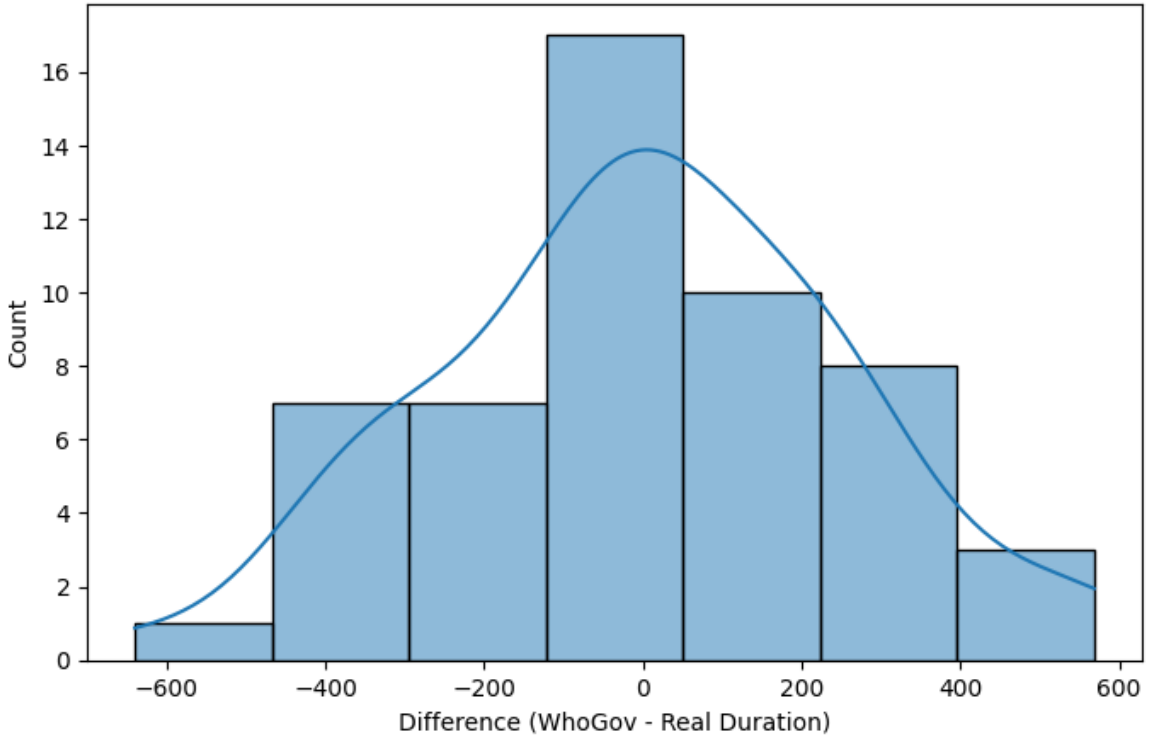
Robustness and comparison

WhoGov comparison

Overestimation of WhoGov



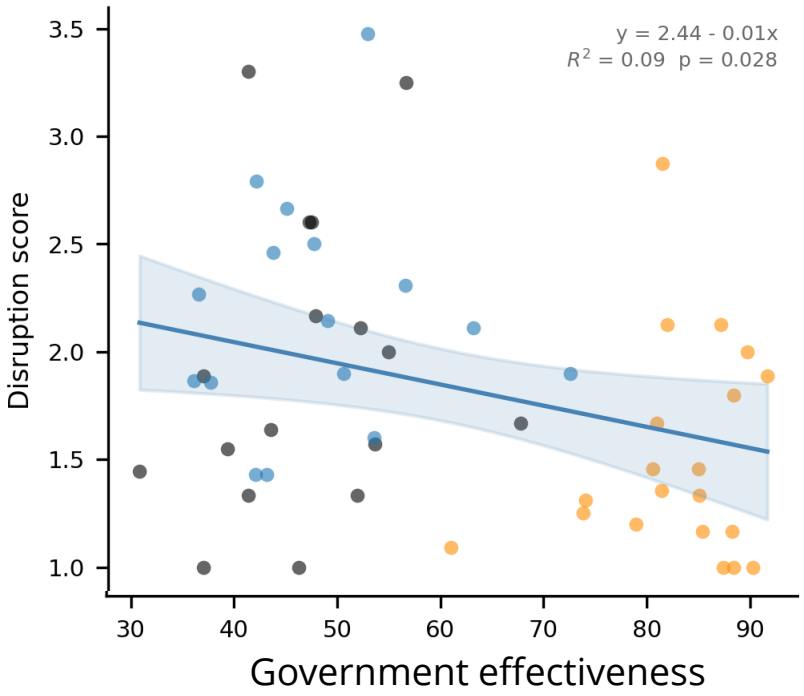
Subestimation of WhoGov



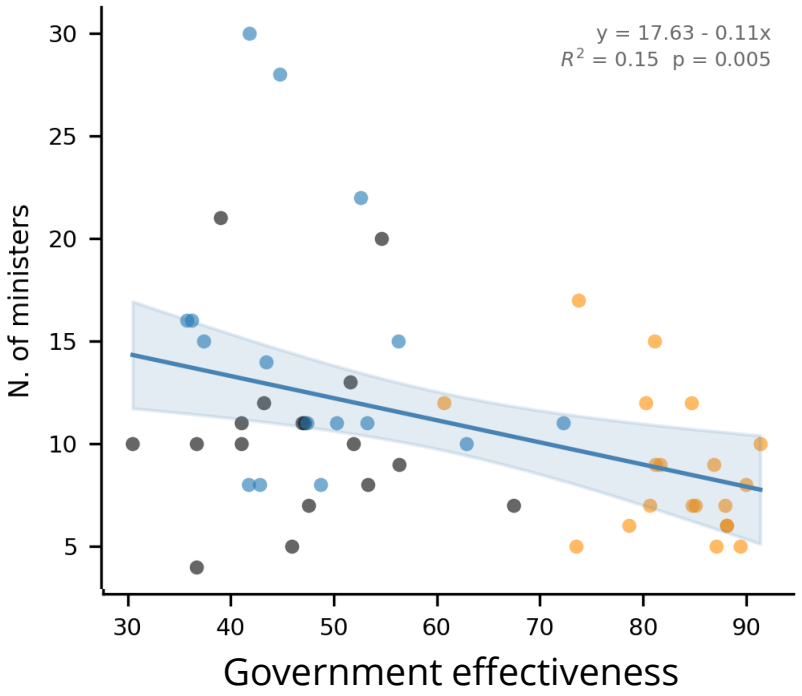
Note: Authors' calculations based on WhoGov . Differences are defined as WhoGov duration minus daily-duration estimates. WhoGov annual tenures were converted into days; the kernel density uses bandwidth of 243.19 for Real Duration and 178.70 for WhoGov.

World Governance Indicators Comparison
Government Effectiveness

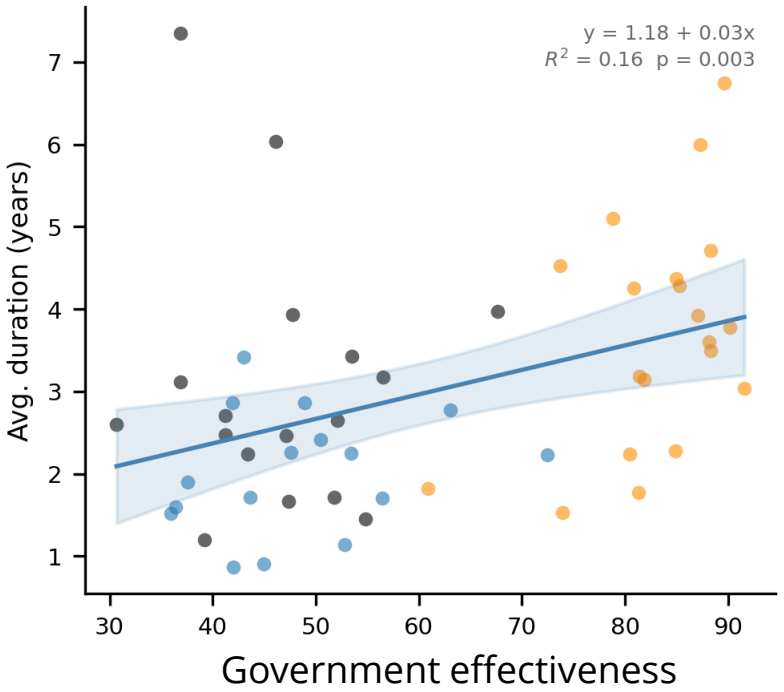
Disruption score

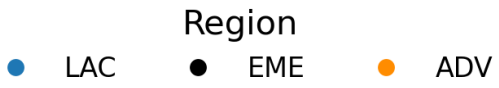


#'s of ministries



Avg. duration

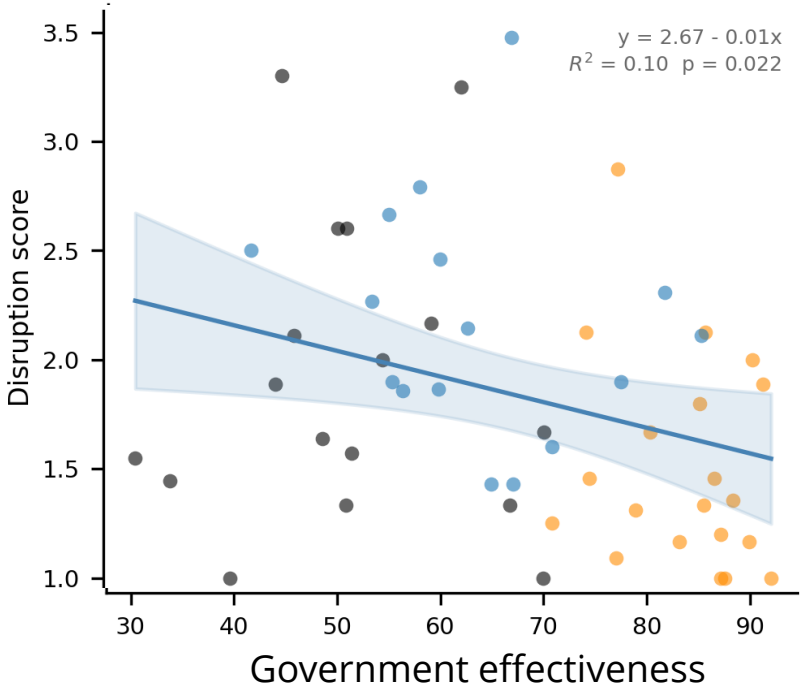




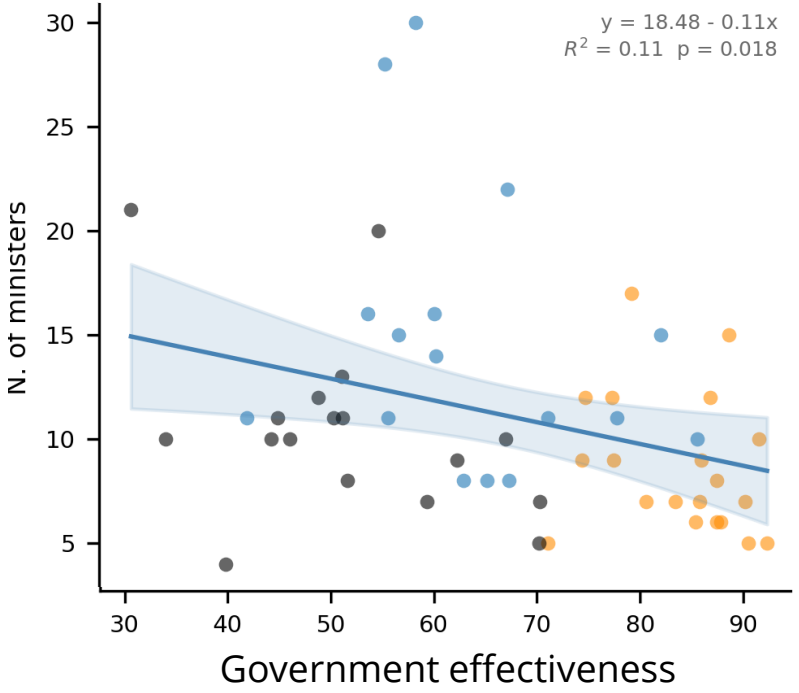
Note: Panels report OLS associations between each outcome and WGI indicators. WGI refers to 2025 data and the sample includes 53 countries.

World Governance Indicators Comparison
Political Stability

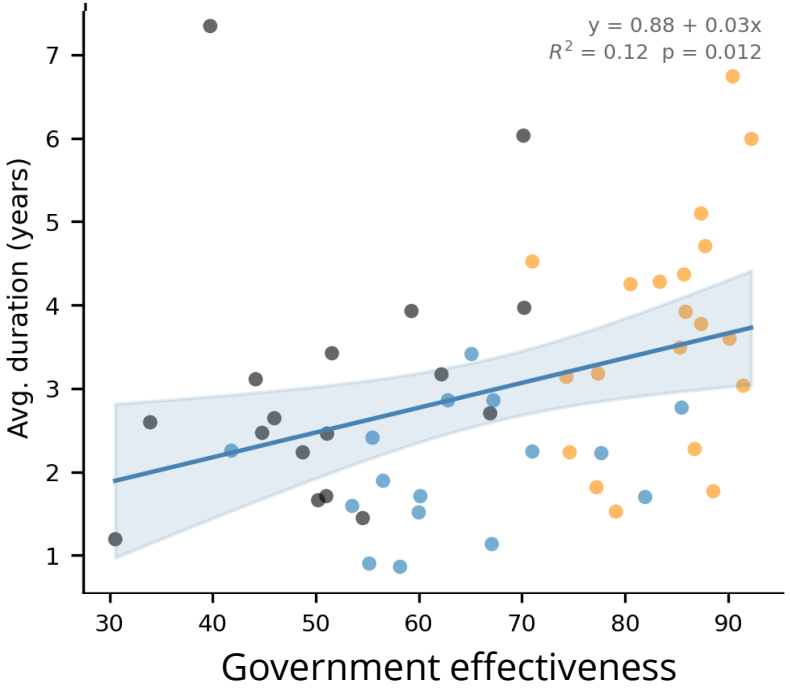
Disruption score



#'s of ministries



Avg. duration



Region
LAC EME ADV

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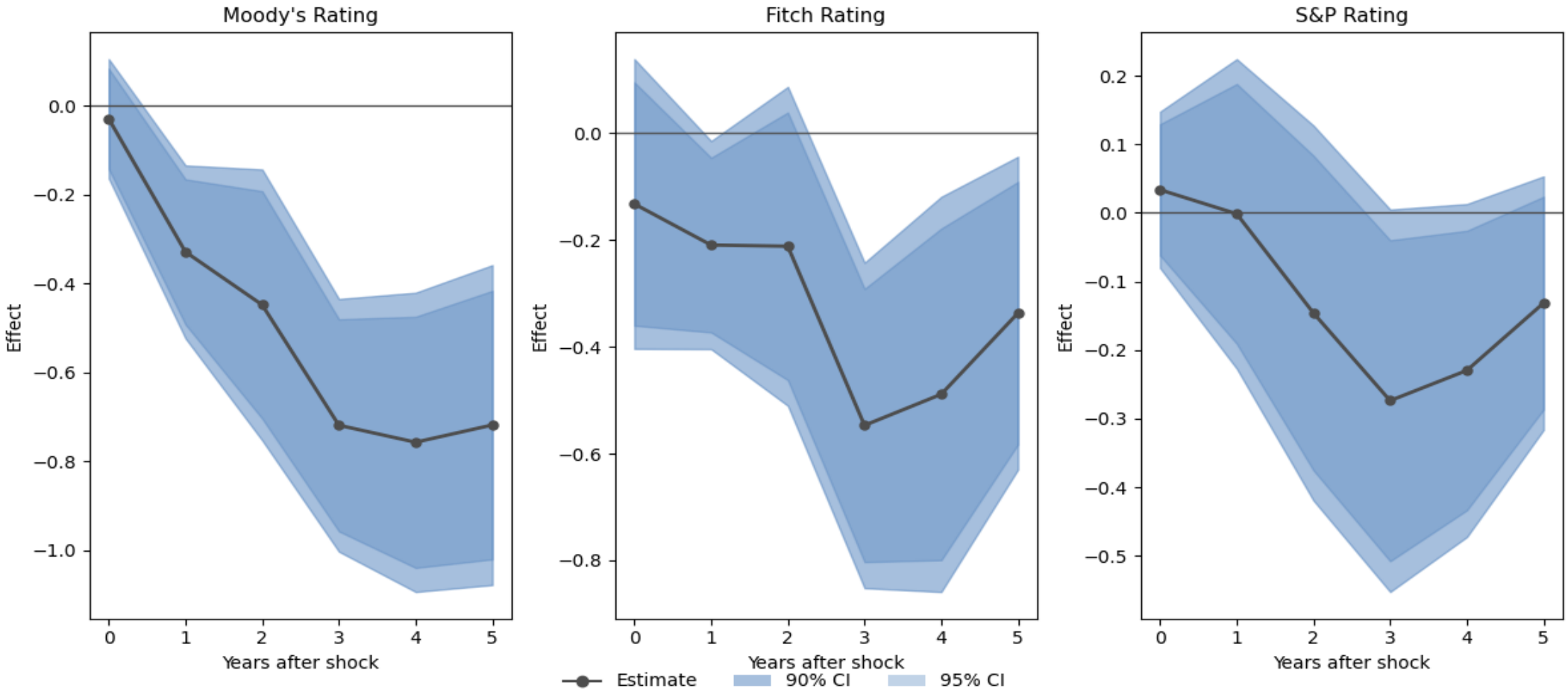
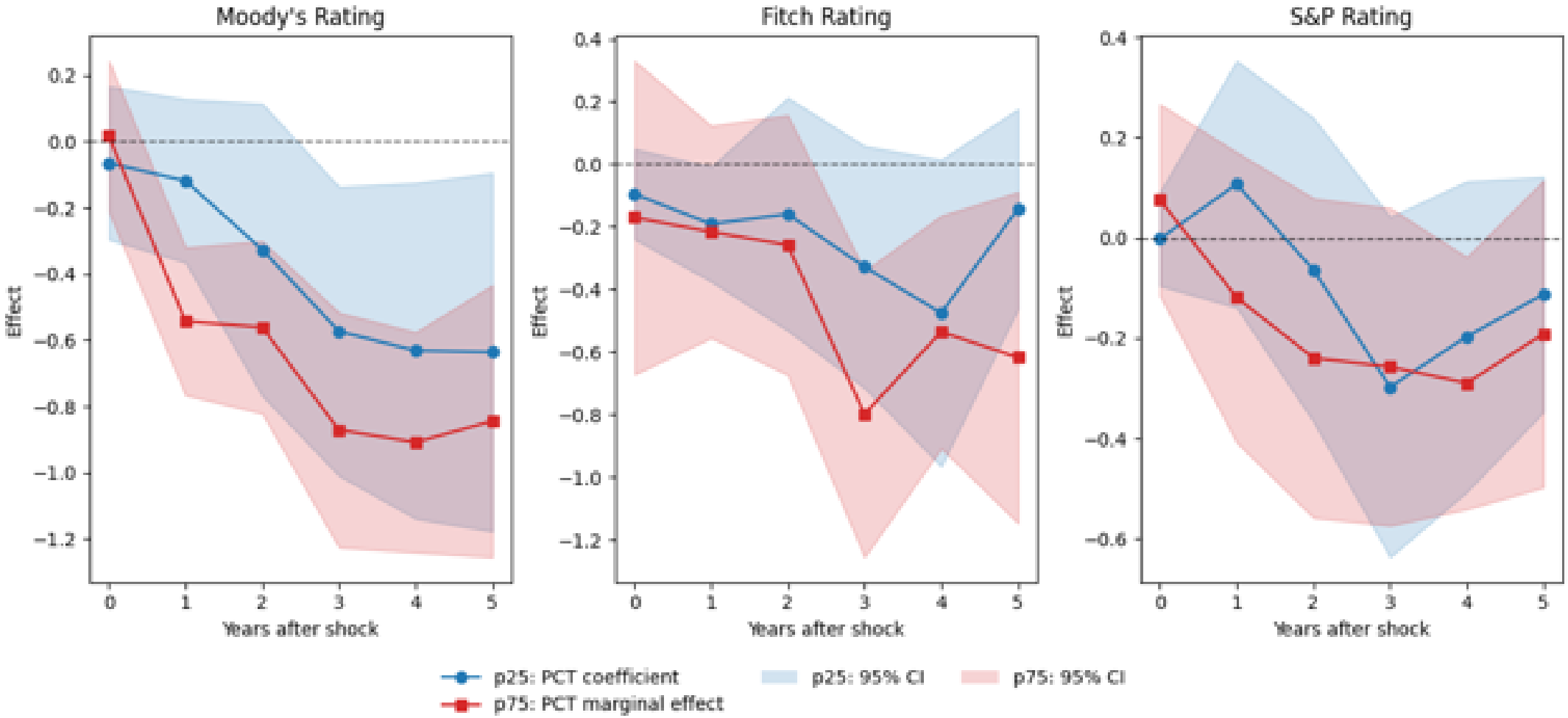
Risk results

Effects on sovereign rating



Note: Total observations are 1450, however the number of missing values vary across dependent variables. Missing values in Moody's and Fitch are 19.3% and 24.9% respectively, while S&P coverage is considerably thinner, with missing values in 41.8% of observations

Effects on sovereign rating (with high debt)



Note: Total observations are 1450, however the number of missing values vary across dependent variables. Missing values in Moody's and Fitch are 19.3% and 24.9% respectively, while S&P coverage is considerably thinner, with missing values in 41.8% of observations

Conclusions

Conclusions

Next steps

- **Why finance ministers** leave appears to **matte**r, but the **causal channel remains open**: future work should identify whether contentious exits themselves affect sovereign risk.

- The **effects** are likely h**eterogeneous across countries.**

- The **mechanism** is still not fully **pinned down**:

"The link operates through fiscal policy changes, market expectations, investor confidence, policy uncertainty, or the characteristics of the incoming minister?"

Policy implications

- **Stability in finance ministries matters for fiscal credibility**: politically conflict-driven departures can **signal governance stress** to markets and rating agencies.
  - Lower **ratings scores** leads to **higher debt interest rates**

- Governments should **strengthen institutional continuity** so that fiscal policy credibility **depends less** on **individual** ministers or political **disputes**.

Link to the Working Paper

More of my research

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Thank you!

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