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- The gap in GDP per capita against high-income OECD economies has started to narrow but remains large. Labour productivity improvements have been positive but modest given the large gap.
- Improving quality and equity in the education system would raise human capital and productivity. Labour market reforms to reduce non-wage labour costs and to allow for more flexibility in minimum wage determination would encourage formal employment and boost labour productivity. Enhancing framework conditions for infrastructure investment and business R&D would also allow for faster catching-up vis-à-vis higher-income countries.
- Expansion of pre-primary education and access to tertiary education would favour disadvantaged groups the most, raising their employability and income prospects throughout their working lives. Infrastructure investments to connect people from rural and isolated regions to economic centres and to lower transportation costs could help reducing poverty. Multimodal transport infrastructure would make growth greener by reducing CO₂ emissions.

Growth performance indicators

<table>
<thead>
<tr>
<th></th>
<th>2003-08</th>
<th>2008-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita</td>
<td>3.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Labour utilisation¹</td>
<td>-0.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Labour productivity</td>
<td>4.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

1. Labour utilisation is defined as the ratio of total employment over population.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts Database; and World Bank, World Development Indicators (WDI) Database.

http://dx.doi.org/10.1787/888933178090

1. Since this country is covered for the first time in Going for Growth, structural reform priorities are all new by definition, which implies that there is no follow-up on actions taken on those priorities. Available data do not yet allow for identifying indicator-based priorities by matching performance against policy indicators, as a result in this edition the identification of priorities is of qualitative nature and relies on country expertise.
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Going for Growth 2015 priorities

**Improve efficiency and equity in education.** Enrolment rates in pre-primary and tertiary education are low and the quality is poor by OECD standards.

**Recommendations:** Broaden access to pre-primary education and increase its quality, in combination with a significant rise of complementary investments in early childhood such as health. Increase the accountability of tertiary educational institutions by conditioning funding partially on student performance, teaching staff indicators and labour market relevance. Expand and better target the interest-free loans provided by the Colombian Institute of Student Credit to low-income students.

**Enhance ex ante assessment and supervision of infrastructure investment.** Infrastructure gaps are large and investments have been effective at neither boosting productivity nor reducing regional disparities.

**Recommendations:** Focus on ex ante cost-benefit analysis and evaluation of PPP projects, especially at the sub-national level (in the prioritisation, planning and structuring phases). Carry out environmental and social assessments – including consultation processes – before granting contracts. Further develop Colombia’s large potential for multimodal transport to reduce transport costs and environmental degradation.

**Reform the minimum wage.** The minimum wage is relatively high and this hinders formal labour force participation.

**Recommendations:** Limit the increase of the minimum wage with a view to reducing progressively its level relative to the median wage. Consider differentiating minimum wages for youth in order to better account for differences in productivity.

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1. Average of Chile, Mexico and Brazil.


http://dx.doi.org/10.1787/888933178523
**Reduce non-wage labour costs.** Despite their reduction in the 2012 tax reform, non-wage labour costs are still high pushing many people into unemployment or informality. This is partly due to the reliance on social security contributions and non-tax compulsory fees to finance some redistributive policies.

**Recommendations:** Consider changing the tax mix by reducing contributions and fees and financing social expenditures with less distortive taxes such as property and environmental ones and broadening VAT and income tax bases. Lower other non-tax compulsory employer payments. Convert some social schemes (e.g. *Cajas de Compensación Familiar*) from mandatory to voluntary.

**Improve the efficiency of R&D support.** R&D expenditure and patents applications are low compared to OECD economies and countries from Latin America and the Caribbean. This hampers productivity growth and catch-up.

**Recommendations:** Increase public support for business investment in innovation. Improve framework conditions for innovation, entrepreneurship and attractiveness for FDI by focusing on skills (such as engineering, design and ICT) and broaden the set of instruments to foster business investment in innovation capabilities (by increasing matching grants and rewards for inter-firm networks). Consider strengthening governance in science, technology and innovation to make the best use of the increased funding under the new royalty system for subnational STI projects.
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Beyond GDP per capita: Other policy objectives

A. Emissions per capita are below the 1990 level
2010¹

B. Growth in GDP per capita has been equally beneficial across income groups²
Average annual growth rate in real household income, 2005-11

1. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.

2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.

3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. Due to data limitations, income levels across the distribution are derived by combining quintile income shares from nationally representative household surveys and gross national income of the household sector from the national accounts. This implies limited comparability with OECD countries’ data. See methodological notes at the end of the chapter for the computation of household income across the distribution.


http://dx.doi.org/10.1787/888933178956

¹ 1990 = 100 OECD = 100
² 0.4%