OECD STUDY

PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT IN COLOMBIA

OBJECTIVES AND METHODS

Seminar – Department of National Planning
Bogota
3 May 2016
I. Rationale for the OECD instrument

- Background & Rationale
- Supporting the implementation in countries

II. Colombia’s study:

- Objectives
- Methods
- Highlights on some preliminary findings
- Next steps
What is the rationale for the OECD instrument?
Broad picture: public governance increasingly recognized as a determinant factor to enhance the impact of investment

- The impact of public investment on economic output has been subject to debate for decades
- Considerable focus on the financing dimension... much less on governance..
- Growing recognition on the role of institutional quality to enhance the outcomes of public investment
- Governance also influences the capacity for public investment to leverage private investment

**Figure 1. Public investment as a share of GDP in OECD countries over 1980-2013**

What is the rationale for the OECD instrument?
Systemic approach and strong focus on multi-level governance

OECD Council Recommendation on Effective Public Investment across Levels of Government:

Pillar 1
Co-ordinate across governments and policy areas
- Invest using an integrated strategy tailored to different places
- Adopt effective co-ordination instruments across levels of government
- Co-ordinate across SNGs to invest at the relevant scale

Pillar 2
Strengthen capacities and promote policy learning across levels of government
- Assess upfront long term impacts and risks
- Encourage stakeholder involvement throughout investment cycle
- Mobilise private actors and financing institutions
- Reinforce the expertise of public officials & institutions
- Focus on results and promote learning

Pillar 3
Ensure sound framework conditions at all levels of government
- Develop a fiscal framework adapted to the objectives pursued
- Require sound, transparent financial management
- Promote transparency and strategic use of procurement
- Strive for quality and consistency in regulatory systems across levels of government
Supporting the implementation in countries
Toolkit, indicators and country studies

Implementation Toolkit with:

- Practical guidance for each of the 12 Principles
- Country profiles with data & indicators
- Recent developments and good practices in countries
- Checklist and self-assessment tools

Key objectives

- **Peer learning and capacity-building:** Disseminate examples of good practices, data and indicators and help governments at all levels diagnose key challenges for investment

- **Monitoring:** Follow-up reforms and recent developments in this field
Supporting the implementation in countries
Toolkit, indicators and country studies

Examples of good practices for the implementation of the Recommendation in OECD countries
Check the map to discover an example of a good practice per country.
Supporting the implementation in countries
Toolkit, indicators and country studies

### Set of indicators developed:

- Over 70 indicators
- Comprehensive multi-disciplinary approach (multi-level governance, public finances, regional policy, public management)
- Mix between factual indicators and indicators that require a part of judgement
- Used as self-assessment tools or analytical frameworks in country studies (like Colombia)

**TABLE 1. Indicators to measure the implementation of the OECD Recommendation for Effective Public Investment Across Levels of Government**

You may use this checklist in your city/region, or at the national government level.

<table>
<thead>
<tr>
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<td>Co-ordination bodies across levels of government&lt;br&gt;There are formal mechanisms/bodies for co-ordination of public investment (formal platforms and ad hoc arrangements) across levels of government&lt;br&gt;Cross-sectoral approach&lt;br&gt;These co-ordination bodies/mechanisms have a multi-sector approach&lt;br&gt;Mobilisation of co-ordination arrangements&lt;br&gt;There co-ordination mechanisms are mobilised regularly and produce clear outputs/outcomes&lt;br&gt;Efficacy of co-ordination platforms&lt;br&gt;Stakeholders’ perception (or empirical data) regarding the efficacy of these different platforms&lt;br&gt;Contractual agreements/partnerships&lt;br&gt;Contractual agreements/partnerships across levels of government have been developed to manage joint responsibilities for sub-national public investment&lt;br&gt;Effectiveness of contractual agreements&lt;br&gt;The share of sub-national public investment covered by these agreements is measured</td>
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**PRINCIPLE 2. Adopt effective instruments for co-ordinating across national and sub-national levels of government**

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Supporting the implementation in countries
Country studies in Slovakia, Colombia, Sweden, Chile (on-going)

Comprehensive picture: indicators on MLG of public investment applied to Slovakia

| 1 | Investment strategy tailored to places |
| 2 | Vertical coordination                |
| 3 | Horizontal coordination             |
| 4 | Ex-ante appraisals                  |
| 5 | Stakeholders' engagement            |
| 6 | Private sectors' involvement        |
| 7 | Management capacities of SNGs       |
| 8 | Performance monitoring and evaluation|
| 9 | Clear intergovernmental fiscal framework |
| 10| Transparent financial management at all levels |
| 11| Strategic use of procurement        |
| 12| Regulatory coordination across levels|

OECD (2016)

Identify the areas which need priority actions
Supporting the implementation in countries
13 indicators collected for all OECD countries + Colombia

- A preliminary set of 13 pilot indicators
- Systemic approach: focus on the different facets of these multi-level governance relations (institutional, fiscal, regulatory and planning) both vertically & horizontally

Preliminary set of 13 indicators, based upon the OECD Recommendation on Effective Public Investment Across Levels of Government

A. Institutional coordination for regional development investment
1. Coherent planning across levels of government
2. Co-ordination across sectors in the national planning process
3. Tailored investment/development plans for urban or rural areas
4. Vertical co-ordination instruments
5. Multilevel platforms of dialogue to define investment priorities for regional development
6. Horizontal co-ordination across jurisdictions
7. Performance monitoring and evaluation

B. Framework conditions: fiscal and regulatory coordination
8. Regulatory co-ordination across levels of government
9. Co-financing arrangements across national and sub-national levels
10. Variation of capital transfer to SNGs over time
11. Transparent information across levels of government
12. Borrowing rules for SNGs
13. Capital spending at subnational level
Supporting the implementation in countries
13 indicators on multi-level governance of public investment

Figure 1. Results of indicators for OECD countries (average)
I. Rationale for the OECD instrument
- Background & Rationale
- Supporting the implementation in countries

II. Colombia’ study:
- Objectives
- Methods
- Highlights on some preliminary findings
- Next steps
Diagnosis -- Assess the strengths and challenges of the MLG system for public investment in Colombia, using the analytical framework of the instrument

Peer learning -- Identify benchmarks in OECD countries which can benefit to Colombia, as well as good practices from Colombia which can benefit other countries

Data and indicators – provide a clear picture of public investment trends at national and subnational levels, and indicators on MLG practices

Policy recommendations – provide a set of recommendations for policy makers at all levels of government
**Colombia’ study**

*Methods and timing for the study*

- **Self-assessment questionnaire completed by Colombia (Jan-Feb 2016)**
- **Analysis relying on OECD datasets, indicators, Reviews on Colombia**
- **Policy dialogue: mission conducted to interview key stakeholders (May 2016)**
- **Report for fact checking (July 2016)**
- **Launch in fall 2016**
Colombia’ study

Questionnaire completed by Colombia

**PRINCIPLE 2:**

**CO-ORDINATION BODIES ACROSS LEVELS OF GOVERNMENT**

There are formal mechanisms/bodies for co-ordination of public investment (formal platforms and ad hoc arrangements) across levels of government.

**CROSS-SECTORAL APPROACH**

These co-ordination bodies/mechanisms have a multi-sector approach.

**MOBILIS**

To co-ordinate with other jurisdictions to achieve economies of scale across boundaries.

**HORIZONTAL CO-ORDINATION**

Cross-jurisdictional partnerships involving investment are possible.

**CROSS-SECTORAL APPROACH**

Cross-jurisdictional partnerships cover more than one sector.

**INCENTIVES FROM HIGHER LEVELS OF GOVERNMENT**

Higher levels of government provide incentives for cross-jurisdictional co-ordination.

**EFFECTIVENESS OF HORIZONTAL CO-ORDINATION**

The share of investment agreed to by stakeholders.

**PRINCIPLE 3:**

**FUNCTIONAL REGION**

To plan investment at the right functional level, in particular in metropolitan areas.

**USE OF FUNCTIONAL REGIONS**

To develop institutional capacity and professional skills.

**QUALITY OF APPRAISAL PROCESS**

Ex-ante appraisals are conducted by staff with project evaluation skills.

**INDIVIDUAL REVIEW OF EX-ANTE APPRAISALS**

Share of ex-ante appraisals.

**GUIDANCE FOR EX-ANTE APPRAISALS**

Technical guidelines for ex-ante appraisals at all levels of government.

**SPECIFIC FOCUS ON INVESTMENT REQUIRED SKILLS**

Human resource management policies demonstrate attention to the professional skills of staff involved in public investment (e.g., hiring is targeted, needs assessments are made, appropriate training is available and used).

**DEDICATED FINANCIAL ASSISTANCE**

Dedicating financial assistance is made available for technical training of civil servants involved with public investment, training utilisation rates.

**TECHNICAL GUIDANCE**

Technical guidance documents are available for actors at all levels of government to clarify approaches to planning, implementation, and evaluation of public investment.

**ASSESSMENT OF BINDING CAPACITY CONSTRAINTS**

Specific assessments are conducted to assess binding constraints for effective public investment and identify the needs and the proper sequence of reforms.
Strong increase in public investment in Colombia in recent years

Public investment as a share of GDP over time: Colombia vs. OECD average
A high share of GDP spent on public investment compared to OECD countries

3.9% of GDP spent on public investment (national account) in 2013
Subnational government investment as a share of total public investment (2000-2014)
Subnational government investment as a % of GDP and public investment, 2014

The chart shows the subnational government investment as a % of GDP and public investment for various countries in 2014. The x-axis represents the subnational government investment as a % of GDP, while the y-axis shows the subnational government investment as a % of public investment. Each country is represented by a data point, with the country codes labeled on the chart. The OECD countries are highlighted with red diamonds, and the non-OECD countries are represented by blue diamonds.
Colombia’s study
Highlights on some preliminary findings and questions for discussion

Framework conditions
• Strong investment effort (joint CG + SNG)
• Improved framework conditions for public investment – fiscal stability and transparency
• Royalties reform (2012) = inclusive growth
• Improvements in procurement and PPP frameworks

Coordination & planning:
• Enhanced territorial approach to investment (NDP 2014-18) + closing gaps approach
• Vertical coordination tools (co-financing, contratos plans)
• Dialogue with SNGs (design 2014-18 NDP)
• Metropolitan governance tools
• Urban and Rural Missions: better understanding of the needs

Capacities:
• In-depth diagnosis of institutional capacities in municipalities and departments
• Differentiated competencies strategy
• Ex-ante appraisal system in place (metodología general ajustada)
• Sinergia Territorial
Colombia’s study

Highlights on some preliminary findings and questions for discussion

**Pillar 1**
- Use of planning tools (POTs – PDT) in a strategic way
- Tight timing to develop plans
- Coordination across sectors in integrated strategies
- Project-based approach rather than program-based
- Coordination across jurisdictions/strategic project at regional scale
- Fragmentation of royalties
- Link between planning and budgeting, impact of investment on operating expenditures

**Pillar 2**
- Huge disparities in subnational capacities to design investment projects/strategies
- Lack of adequate human capacities/high staff turnover in municipalities
- More selective/targeted support to lagging regions needed

**Pillar 3**
- Limited fiscal autonomy – in particular for jurisdictions with high capacities (metro areas)
- Rigid system of transfers
- Limited subnational borrowing capacity in SNGs with high capacities
THANK YOU

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www.oecd.org/effective-public-investment-toolkit