

COLOMBIA

- The large income gap related to advanced OECD countries has been narrowing, reflecting strong growth in labour productivity.
- Progress has been made in making growth more inclusive; however, income inequality remains one of the highest in the world. Differences across regions in labour market outcomes and the level and quality of education are important factors behind the high levels of income inequality and poverty in the country.
- The government recently launched programmes to expand school coverage and better link training centres with firms' demands. It has also approved customs codes, which will reduce important bottlenecks for international trade. Important advancements have also been made regarding infrastructure. The ongoing 4G infrastructure agenda can have a significant impact on growth that could be amplified by the recently launched plan to improve multimodal transportation logistics, which will also contribute to reduce regional inequalities.
- Broadening access to quality education and training is essential for boosting labour productivity and reduce income inequality.
- By giving access to under-utilised rural areas, the expected end of the peace process will bring important opportunities for growth but also create a risk to long-term natural resource sustainability. Improving management of forest, land, and natural resource and land-use planning, is required to avoid unsustainable deforestation and land degradation.

Going for Growth 2017 priorities

Improve efficiency and equity in education. Limited access to high-quality education lowers outcomes, inhibits productivity and increases income inequality.

Actions taken: The government launched in 2015 programmes to expand school coverage and better link training centres with firms' demands.

Recommendations: Continue strengthening efforts to broaden access to pre-primary education and increase its quality. Increase investment in early childhood education and care. 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 remain large, constraining productivity growth and contributing to wide regional disparities.

Actions taken: After a number of years in the planning, the Fourth Generation (4G) road concessions are now under way since the second half of 2015, starting with the first wave of nine projects. In 2015 the national infrastructure agency implemented new policies to ensure that projects remain on schedule.

Recommendations: Focus on the implementation of the 4G projects and ensure that the PPPs supporting them have proper ex ante cost-benefit analysis and evaluation. Carry out environmental and social assessments before granting contracts. Implement the overall plan to improve multimodal transportation, with special emphasis on tertiary roads, which stand to complement and amplify the benefits of the 4G agenda and foster agriculture and regional development.

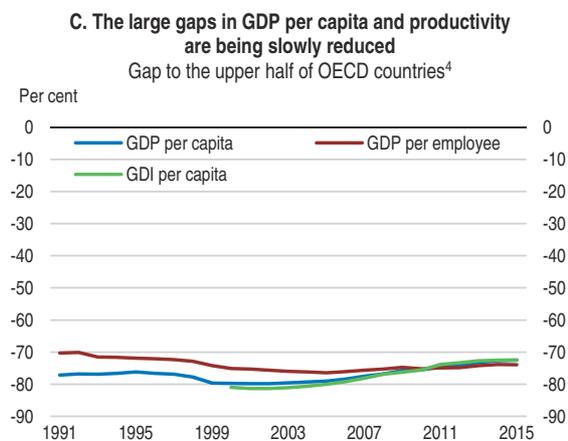
COLOMBIA

Growth performance and inequality indicators

A. Growth		
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	3.5	3.3
Labour utilisation	-0.2	1.5
of which: Labour force participation rate	-0.6	0.9
Employment rate ¹	0.4	0.6
Employment coefficient ²	0.0	0.0
Labour productivity	3.0	1.4
of which: Capital deepening	-0.1	0.8
Total factor productivity	3.1	0.6
Dependency ratio	0.7	0.4

B. Inequality		
	Level	Annual variation (percentage points)
	2014	2009-14
Gini coefficient ³	53.5 (31.7)*	-0.5 (0)*
Share of national disposable income held by the poorest 20%	3.4 (7.7)*	0.1 (0)*

* OECD average



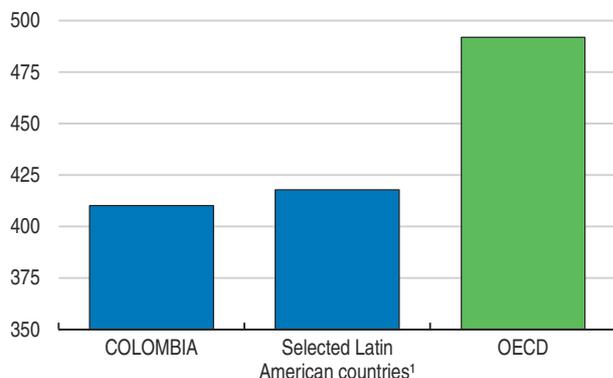
- The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
- This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
- The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
- Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: World Bank, *World Development Indicators (WDI) Database*; Panel C: OECD, *National Accounts and Productivity Databases*; World Bank, *World Development Indicators (WDI) Database*.

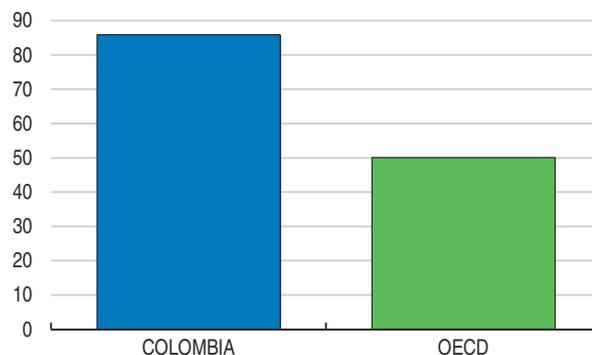
StatLink <http://dx.doi.org/10.1787/888933454987>

Policy indicators

A. Student performance is relatively low
Average of PISA scores in mathematics, science and reading, 2015



B. The high minimum wage hinders formal sector job creation
Ratio of minimum to median wage, %, 2015



- Average of Chile, Mexico and Brazil.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Employment Outlook Database*.

StatLink <http://dx.doi.org/10.1787/888933455440>

COLOMBIA

Reform the minimum wage. The minimum wage continues to be relatively high, promoting informal labour force participation.

Actions taken: No action taken.

Recommendations: Contain the pace of increases in the minimum wage to gradually reduce its level relative to the median wage. Differentiate minimum wages for youth in order to better account for differences in productivity in relation to more experienced workers.

Reduce non-wage labour costs. Labour costs remain high, promoting duality in the labour market, and contributing to relatively high levels of unemployment and informality.

Actions taken: No action taken.

Recommendations: Lowering severance pay for regular workers can reduce labour market segmentation and increase youth employment. Change the tax mix by reducing contributions and fees and financing social expenditures with less distortive revenue sources such as property and environmental taxes and by broadening VAT and income tax bases.

Improve R&D support and its efficiency. Colombian firms tend to invest relatively little in innovation, missing important productivity gains.

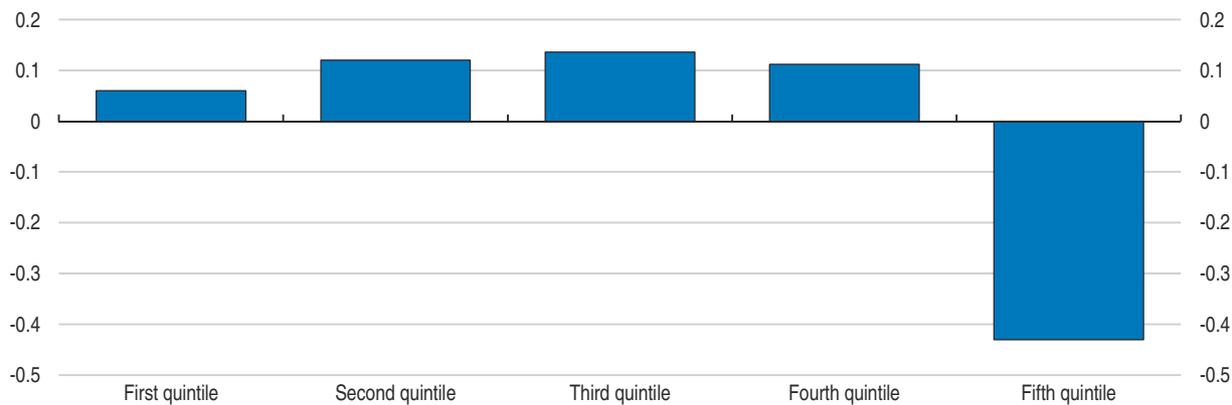
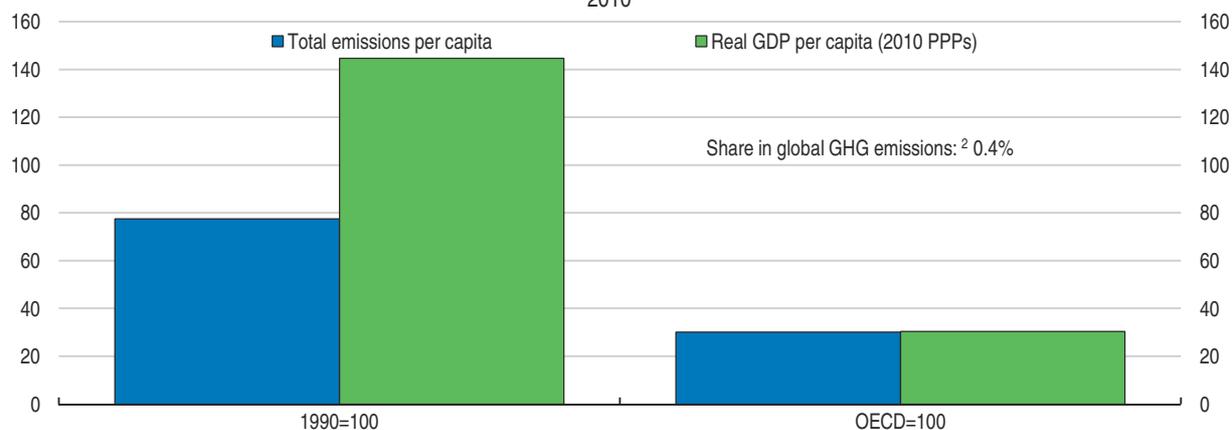
Actions taken: No action taken.

Recommendations: To close the R&D spending gap vis-à-vis countries at similar levels of development, facilitate industry and research linkages, and promote public-private co-ordination to exploit natural endowments. Strengthen governance in science, technology and innovation to make the best use of the increased funding under the new royalty system for subnational STI projects.

COLOMBIA

Beyond GDP per capita: Other policy objectives**A. The share of national income accruing to the top of the distribution decreased to the benefit of the rest of the distribution**

Annualised percentage points growth in quintile shares between 2009 and 2014

**B. Emissions per capita are below the 1990 level**
2010¹

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) 2010 data.

Source: Panel A: World Bank, *World Development Indicators database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, United Nations Framework Convention on Climate Change (UNFCCC) Database.

StatLink  <http://dx.doi.org/10.1787/888933455901>