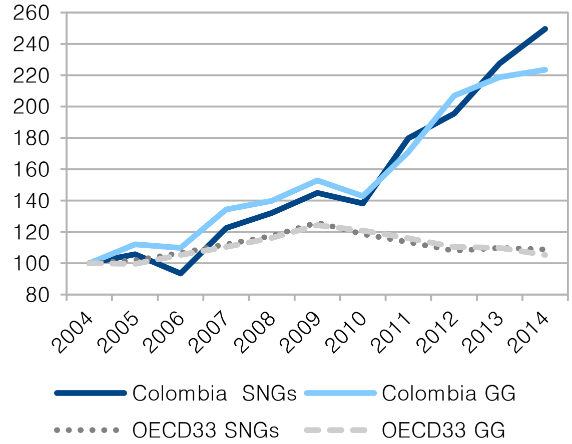
Multi-level governance of public investment 2017

Table 1. **Facts and figures related to direct public investment**

2014	General Government	Subnational governments
USD billion	24.12	12.52
USD per capita (2013)	492,48	238,21
% of GDP	3.77 %	1.96 %
% of public expenditure	10.07 %	15.58 %
% of total public direct investment	100 %	51.93 %

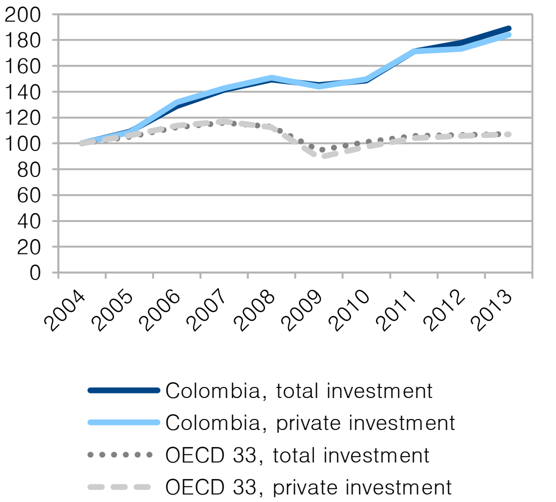
Source: OECD National Accounts

Figure 1. **Trends in direct public investment in Colombia (2004-14)**



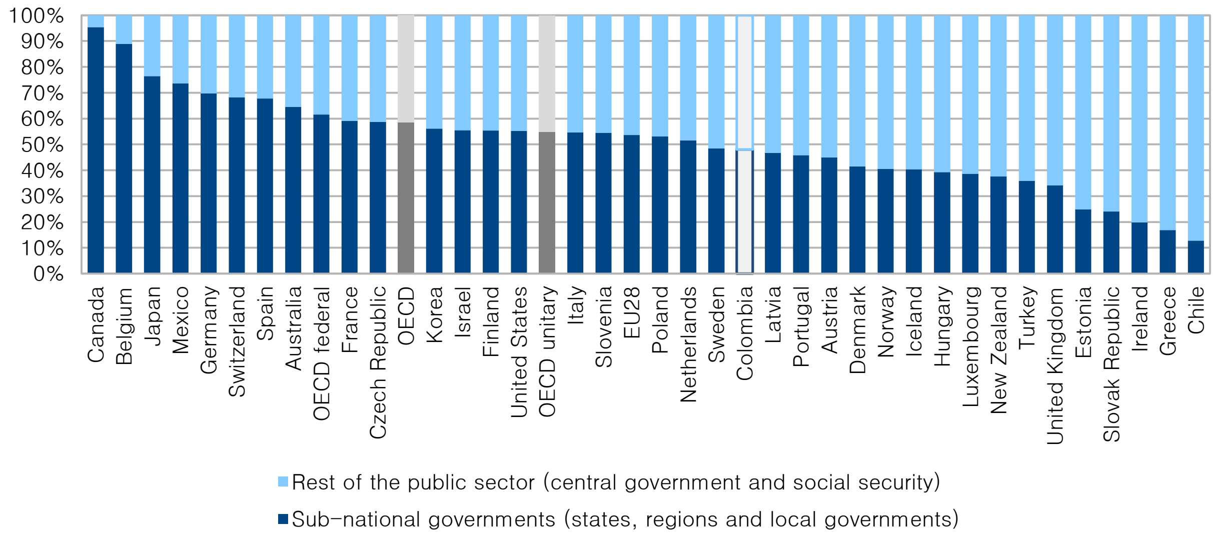
Source: OECD National Accounts. In real terms, base 100 in 2004.

Figure 2. **Trends in total and private direct investment in Colombia (2004-14)**



Source: OECD National Accounts. In real terms, base 100 in 2004.

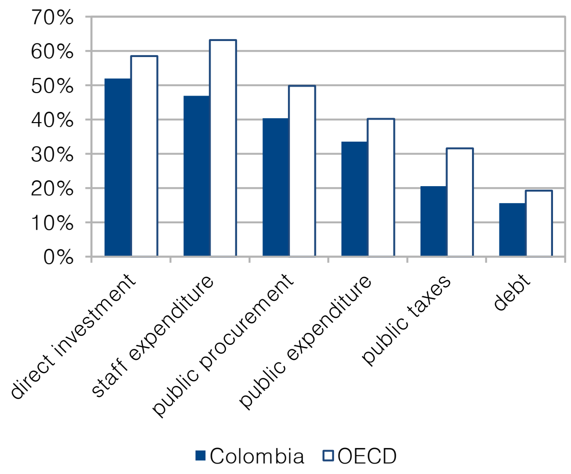
Figure 3. **Subnational public direct investment in OECD countries, 2014 (as a share of public direct investment)**



Source: OECD National Accounts
Note: 2013 figures for Mexico, 2012 figures for Chile, 2014 figures for Turkey

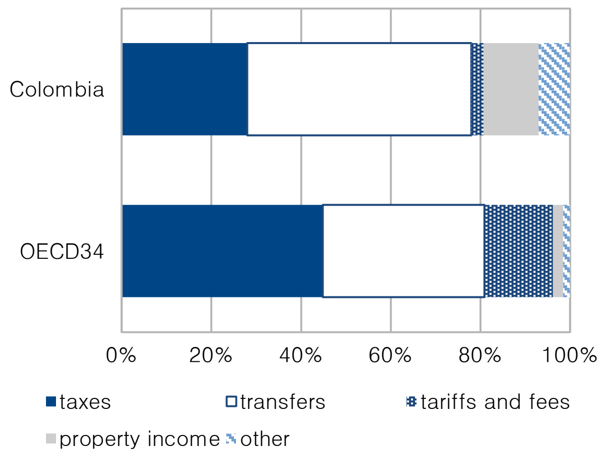
Subnational expenditure in Colombia is lower than the OECD average for large categories of spending (total expenditure, investments, staff expenditure, public procurement). The share of SNG debt in total public debt is also slightly smaller (Figure 4). Subnational governments have a much smaller share of revenues from taxes (Figure 5), which is compensated by a greater reliance on transfers from the central government.

Figure 4. **The role of subnational governments in public finance in Colombia, 2014**



Source: OECD National Accounts.

Figure 5. **Trends in subnational direct investment by economic function (as a % of GDP)**



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Contracts between levels of governments:

The main structured device for co-financing are the Contratos Plan, introduced in 2012 and signed between the central government and one or several departments or groups of municipalities. They aim at combining a shared medium-term strategic vision on territorial development focused on key sectors with stable financial commitments for execution of the associated investments. The first 7 Contratos Plan included 9 departments and 272 municipalities with a timespan between 3 and 8 years, and are being extended to new departments. They focus in priority on lagging regions and areas with the weakest capacities.

The 2014-2018 NDP extends the use of Contratos Plan to ten new territories. The new generation of Contratos Plan have a specific focus on peace and post-conflict. They are now called "Contratos Paz" (Contratos Plan para la Paz y el Posconflcito) and are being developed in the framework of Colombia's post-peace development agenda

Performance Monitoring:

The Colombian Constitution requires that all public policies be monitored and evaluated, and SINERGIA is the national system responsible for these tasks. SINERGIA is led by the Directorate of Public Policy Evaluation within the National Planning Department and the Presidency of the Republic. SINERGIA must be implemented by all sub-national governments, with the aim of aligning municipal and departmental policy interventions and investment agendas with those of the National Development Plan. SINERGIA measures the progress and goals of the projects included in the National Development Plan through three main tools. One of these tools, SISMEG, consists in a set of performance indicators which measures policy outputs and outcomes as identified by the National Development Plan, related to the main government pillars set in this Plan.

In the beginning, SINERGIA focused on central government management only; in 2004, its scope was broadened to include the monitoring of territorial management and decentralised entities. It now provides information on the overall performance of public policies across all levels of government in Colombia. However, at the territorial level performance management implementation remains relatively underdeveloped. In 2009, methodological guidelines were approved focusing on performance management at the sub-national level; a network of regional officials was created to encourage the exchange of good practices in the field of performance management.

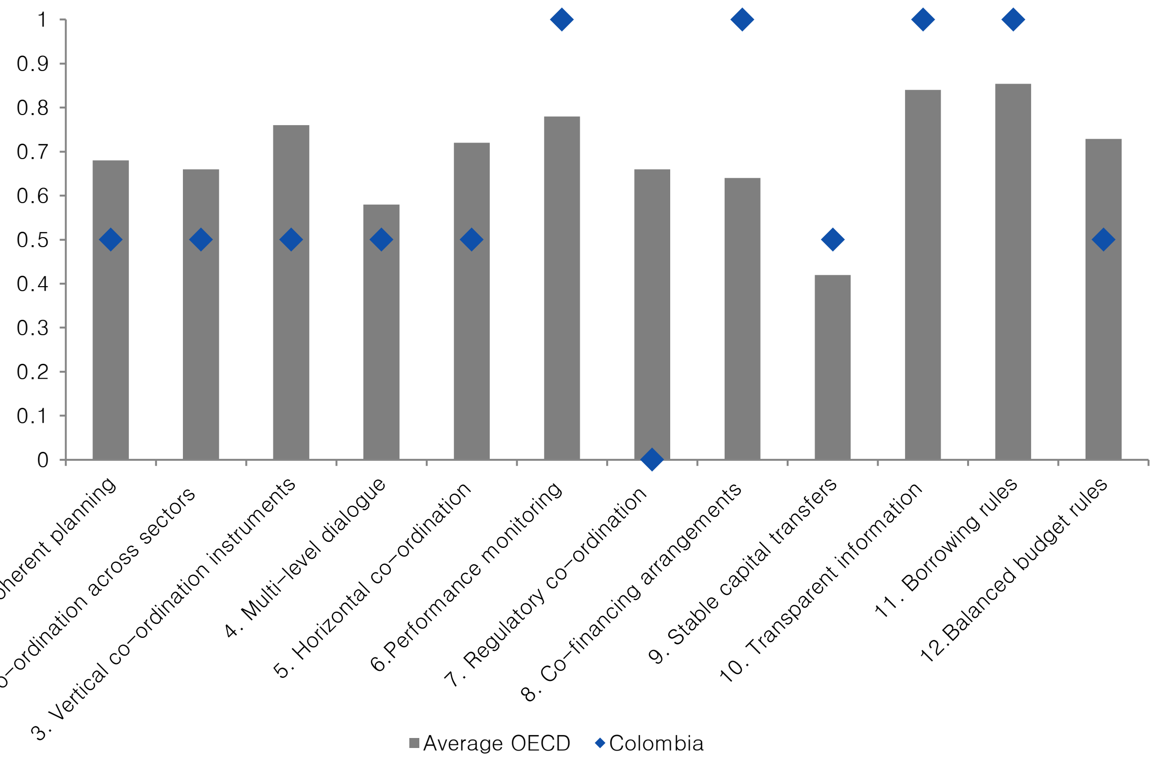
Over the past few years, several initiatives have been taken to standardise and simplify data collection and presentation, among which the MapaRegalías project can be highlighted. The MapaRegalías project aims at providing timely accessible information on any project financed by the SGR, through Internet access. It will be extended to all public investments (MapaInversiones)

Sub-national capacity building

KiTerritorial is a toolkit developed by the Department of National Planning (DNP) which offers specific instruments to support local leaders in the formulation of their territorial development plans (PDT). The toolkit is organised around four axes that local governments should follow when developing their PDTs: 1) diagnosis; 2) strategy; 3) investment plan; 4) monitoring and evaluation. For each axis, the DNP offers a handbook that explains how to formulate the diagnosis, the strategy or the investment plan; the steps local governments should follow; a timeline; the objectives pursued; the main participants and responsible authorities; and the main inputs.

Preliminary indicators of MLG of public investment for regional development

Figure 8. **Indicators for the co-ordination of public investment for regional development**



Note: See Annex 1 for more detail on the indicators.

Source: OECD (2016b), Answers to the Regional Outlook Survey and OECD (2016c).

ANNEX 1

Indicators for the co-ordination of public investment for regional development

1. Coherent planning across levels of government		
	The country has regional development policies/strategies to support regional development and local investments.	
a	No explicit national policies to support regional development	
b	Explicit national policies to support regional development in all or parts of the country	X
c	Explicit national regional development policies completed by regional investment strategies aligned with it	
2. Co-ordination across sectors in the national planning process		
	The country has mechanisms to co-ordinate across sectors national policies and investment priorities for regional development	
a	No mechanism	
b	At least inter-ministerial committee and/or cross-ministerial plan	X
c	Inter-ministerial committee and/or plan + other mechanisms	
3. Vertical co-ordination instruments		
	The country has mechanisms to ensure co-ordination across levels of governments (regional development agencies, national representatives in subnational governments, and contracts or agreements)	
a	None of these	
b	At least one of these mechanisms	X
c	At least one of these mechanisms involving many sectors	
4. Multi-level dialogue to define investment priorities for regional development		
	The country conducts regular dialogue(s) between national and subnational levels on regional development policy including investment priorities	
a	No regular dialogue	
b	Formal or ad hoc dialogue	X
c	The platform has decision-making authority	
5. Horizontal co-ordination across jurisdictions		
	The country has formal horizontal mechanisms/incentives between subnational governments to co-ordinate public investment	
a	No mechanisms	
b	Formal horizontal co-ordination mechanisms at the municipal level	X
c	Formal horizontal co-ordination mechanisms at the municipal level and other subnational levels (state, regions)	

6. Performance monitoring and learning		
	The country has mechanisms in place to monitor and evaluate regional development policy	
a	No mechanisms	
b	The country has indicators to monitor the effectiveness of regional development policy	
c	The country has conducted evaluations of regional development policy	X
7. Regulatory co-ordination across levels of government		
	The country has mechanisms to co-ordinate regulations across levels of government	
a	No intergovernmental co-ordination mechanisms	X
b	Formal co-ordination mechanisms between national/federal and state/regional governments	
c	Requirement of national government to consult subnational governments prior to issuance of new regulations that concern them	
8. Co-financing arrangements across national and subnational levels		
	There are co-financing arrangements for public investment	
a	No co-financing arrangements	
b	Co-financing arrangements exist but funds are not tracked	
c	Co-financing arrangements exist and funds are tracked	X
9. Subnational governments benefit from predictable capital transfers over time		
	Variations in total capital transfer from one year to the next	
a	Large variation: more than 20%	
b	Medium variation: between 10% and 20%	X
c	Little variation: less than 10%	
10. Transparent information across levels of government		
	Subnational fiscal situation is publicly available	
a	Not available for any type of subnational government	
b	Available for regions/states/some level of subnational government only (on an individual basis)	
c	Available for each subnational government individually	X
11. Fiscal stability: rules for subnational governments		
	There are limits on subnational borrowing	
a	No limits on subnational government borrowing	
b	Non-binding borrowing constraints	
c	Binding borrowing constraints	X
12. Safeguarding capital spending at subnational level		
	Balanced budget rules protect subnational capital spending	
a	No balanced budget rule	
b	Balanced budget rule with no exception for capital spending	X
c	Balanced budget rule protecting capital spending (type golden-rule)	

ANNEX 2

Definitions and sources

Definitions:

- **General government (S.13)**: includes four sub-sectors: central/federal government and related public entities (S.1311) federated government ("states") and related public entities (S.1312) local government i.e. regional and local governments and related public entities (S.1313) and social security funds (S.1314). Data are consolidated within S.13 as well as within each subsector (neutralisation of financial cross-flows).

- **Subnational government**: is defined here as the sum (non-consolidated) of subsectors S.1312 (federated government) and S.1313 (local government).

- **Direct investment**: includes gross capital formation and acquisitions, less disposals of non-financial non-produced assets. Gross fixed capital formation (or fixed investment) is the main component of investments.

Sources:

OECD (2016a), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

OECD (2016b), Regional Outlook Survey.

OECD (2016c), Overview and Preliminary Proposal on Indicators of Co-ordination of Public Investment for Regional Development, Room document discussed in the April 2016 RDPC meeting, unpublished material.

OECD (2015a), OECD National Accounts Statistics (database), http://dx.doi.org/10.1787/na-data-en..

OECD (2015b), Implementation Toolkit, Effective Public Investment Across Levels of Government http://www.oecd.org/effective-public-investment-toolkit/

OECD (2013), *Colombia: Implementing Good Governance, OECD Public Governance Reviews*, OECD Publishing.

OECD (2011), OECD Network on Fiscal Relations across Levels of Government Survey on Sub-national Fiscal Rules and Macroeconomic Management, OECD, September 2011, updated in March 2015.