OECD STUDY

PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT IN COLOMBIA

OBJECTIVES AND METHODS

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BETTER POLICIES FOR BETTER LIVES

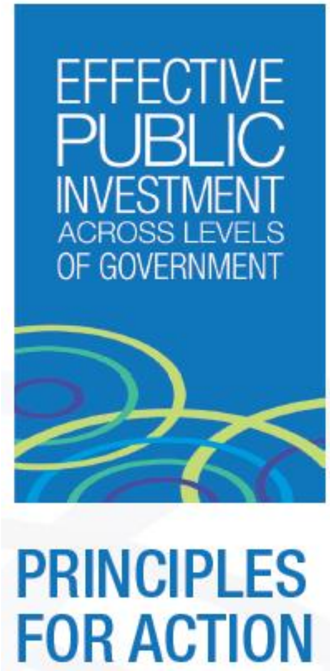
Outline of the presentation

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

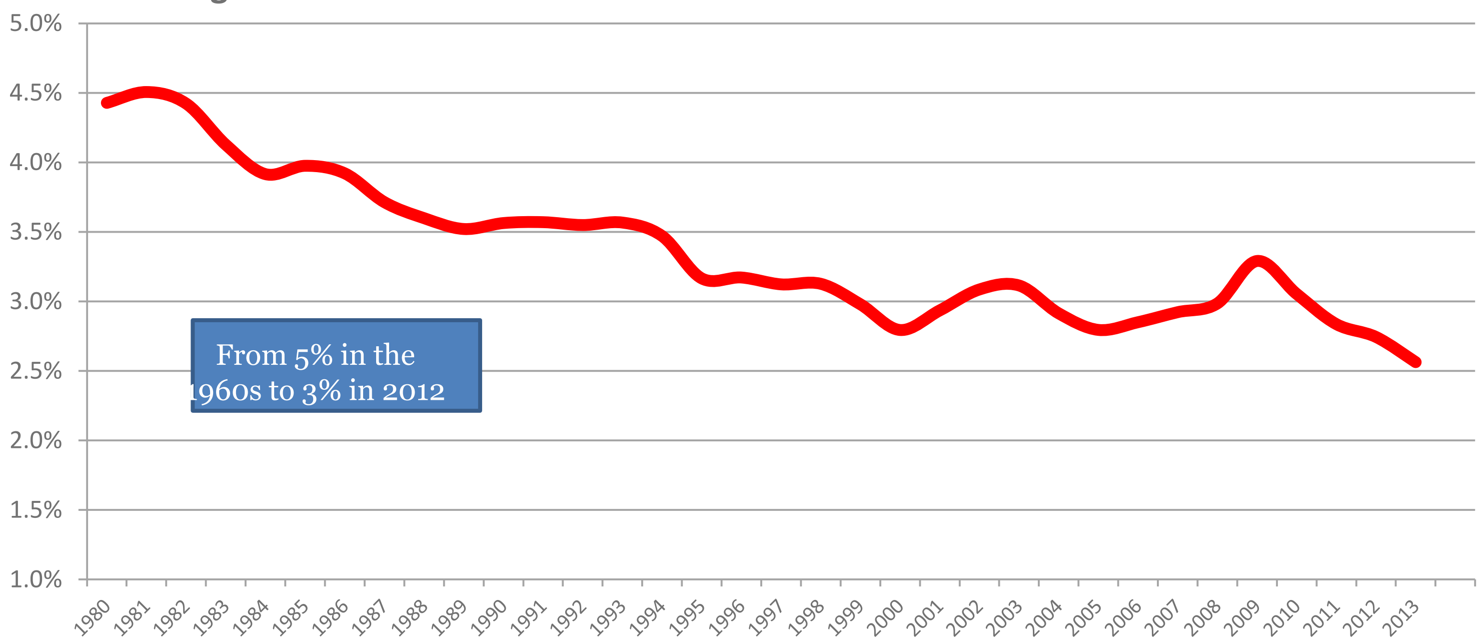


What is the rationale for the OECD instrument?

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 n 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



Note: since 1995, all OECD countries except Chile, Greece, Iceland, Mexico, Slovenia and Turkey. Australia: 2007 instead of 2008-2013. Canada: 2010 instead of 2011-2013. Israel, Korea and the US: 2011 instead of 2012-2013. New Zealand and Switzerland: 2012 instead of 2013. Data from SNA93. Sources: ECO Division from 1980-1995, OECD National Accounts from 1995-2013.

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 development s 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

Supporting the implementation in countries

Toolkit, indicators and country studies

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.

✓ System is in place and works in a satisfactory way
✓ System is in place but improvements are needed
✓ System is not in place or not functioning well

PRINCIPLE 2. Adopt effective instruments for co-ordinating across national and sub-national levels of government				
OBJECTIVES	**INDICATORS**	✓	✓	✓
To coordinate across levels of government to reduce asymmetries of information	**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			
	Mobilisation of co-ordination arrangements There co-ordination mechanisms are mobilised regularly and produce clear outputs/outcomes			
	Efficacy of co-ordination platforms Stakeholders' perception (or empirical data) regarding the efficacy of these different platforms			
	Contractual agreements/partnerships Contractual agreements/partnerships across levels of government have been developed to manage joint responsibilities for sub-national public investment			
	Effectiveness of contractual agreements The share of sub-national public investment covered by these agreements is measured			
To align priorities across the national and sub-national levels	**Co-financing arrangements** There are co-financing arrangements for public investment			

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Set of indicators developed :

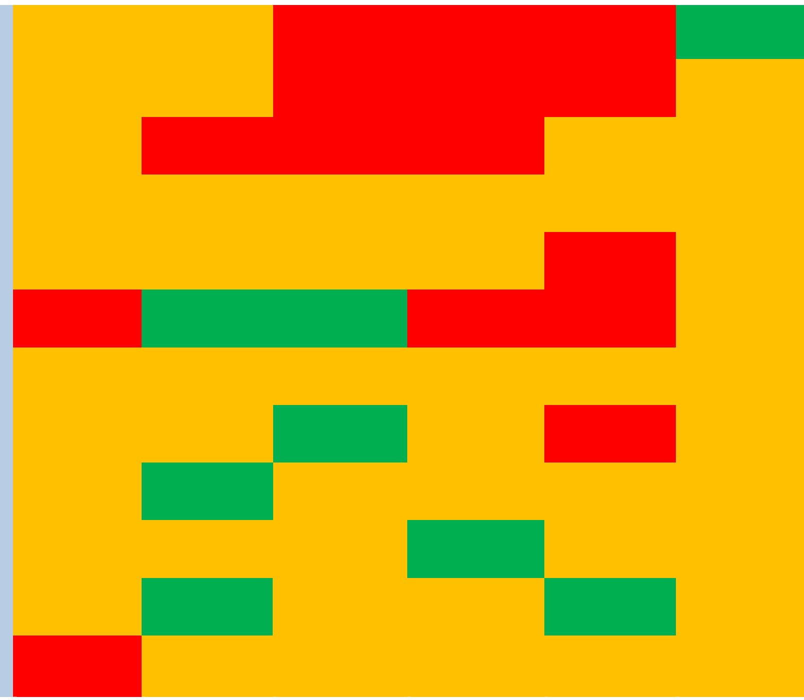
- **Over 70 indicators**
- **Comprehensive multi-disciplinary approach** (multi-level governance, public finances, regional policy, public management)
- Mix between factual indicators and indicators that require a part of judgement
- Used as self-assessment tools or analytical frameworks in country studies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

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-Stackeholders' 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)

System in place
In place, but need improvements
System not in place or not functioning

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

Pillar 1: Co-ordinate across governments and policy areas

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

Pillar 2: Strengthen capacities and promote learning

7. Performance monitoring and evaluation

B. Framework conditions: fiscal and regulatory coordination

Pillar 3

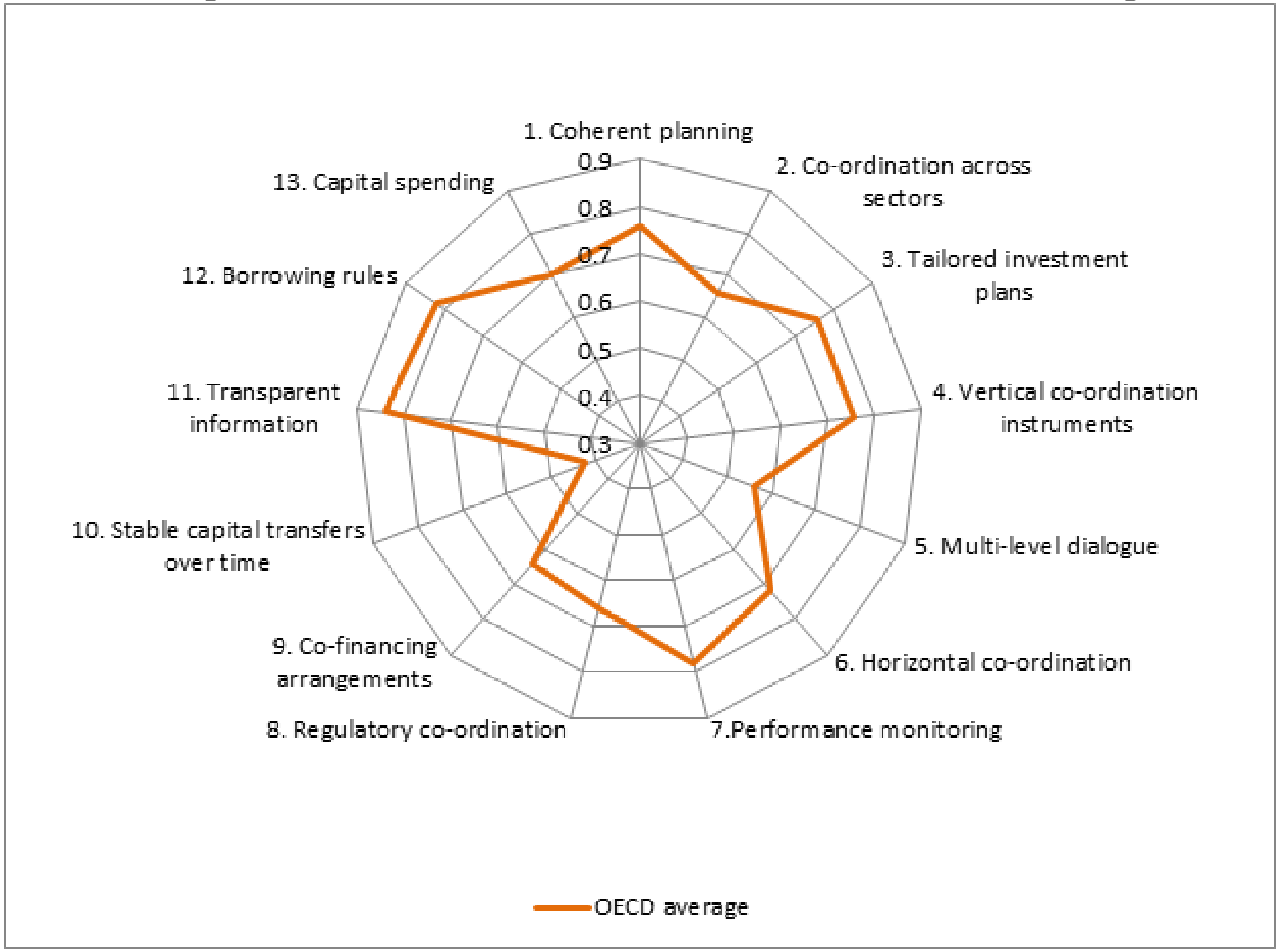
Ensure sound framework conditions at all levels of government

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)



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II. Colombia’ study:

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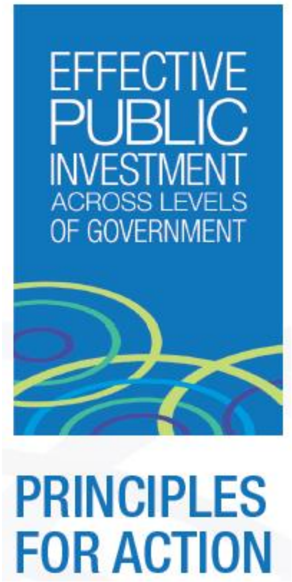


Colombia' study

Objectives

- ***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

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

Colombia' study

Questionnaire completed by Colombia

PRINCIPLE 2:

To co-ordinate across levels of government to reduce asymmetries of information	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 There co- clear outp EFFICAC Stakehol of these c CONTRA Contractu have bee national c

PRINCIPLE 3:

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 inve ordination arrange measured by mec
To plan investment at the right functional level, in particular in metropolitan areas	DEFINITION OF I Functional region USE OF FUNCTI Functional region

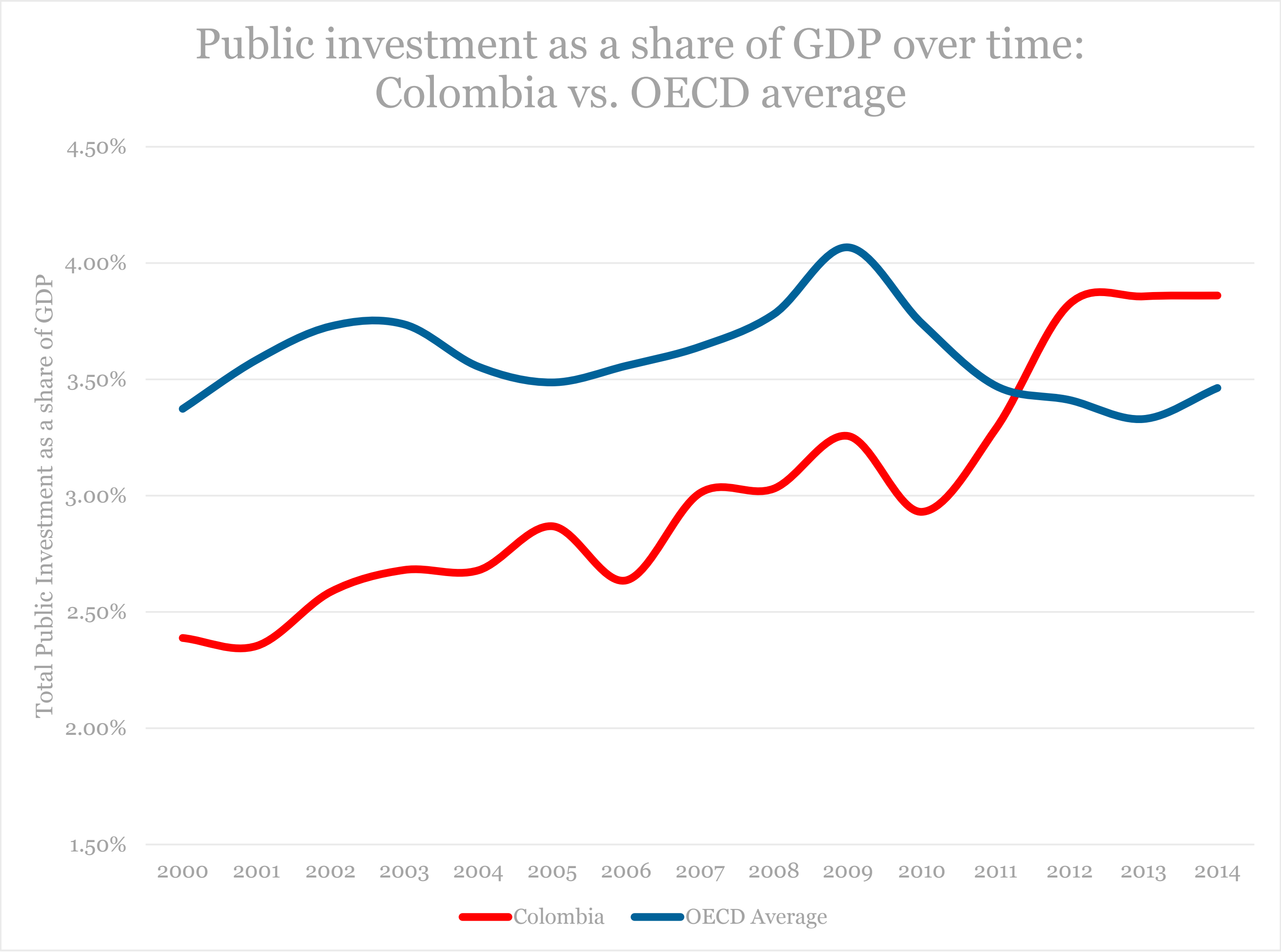
PRINCIPLE 4:

To identify social, environmental and economic impacts, ensure value for money and limit risks	EX ANTE APPRAISALS A large share of public investment is subject to ex-ante appraisal. RESULTS OF EX-ANTE APPRAISALS The results of ex-ante appraisals are used to prioritise investments.
To conduct rigorous ex-ante appraisal	QUALITY OF APPRAISAL PROCESS Ex-ante appraisals are conducted by staff with project evaluation skills. INDEPENDENT REVIEW OF EX ANTE APPRAISALS Share of ex-ante appraisals GUIDANCE FOR EX ANTE Technical guidelines for ex- at all levels of government.

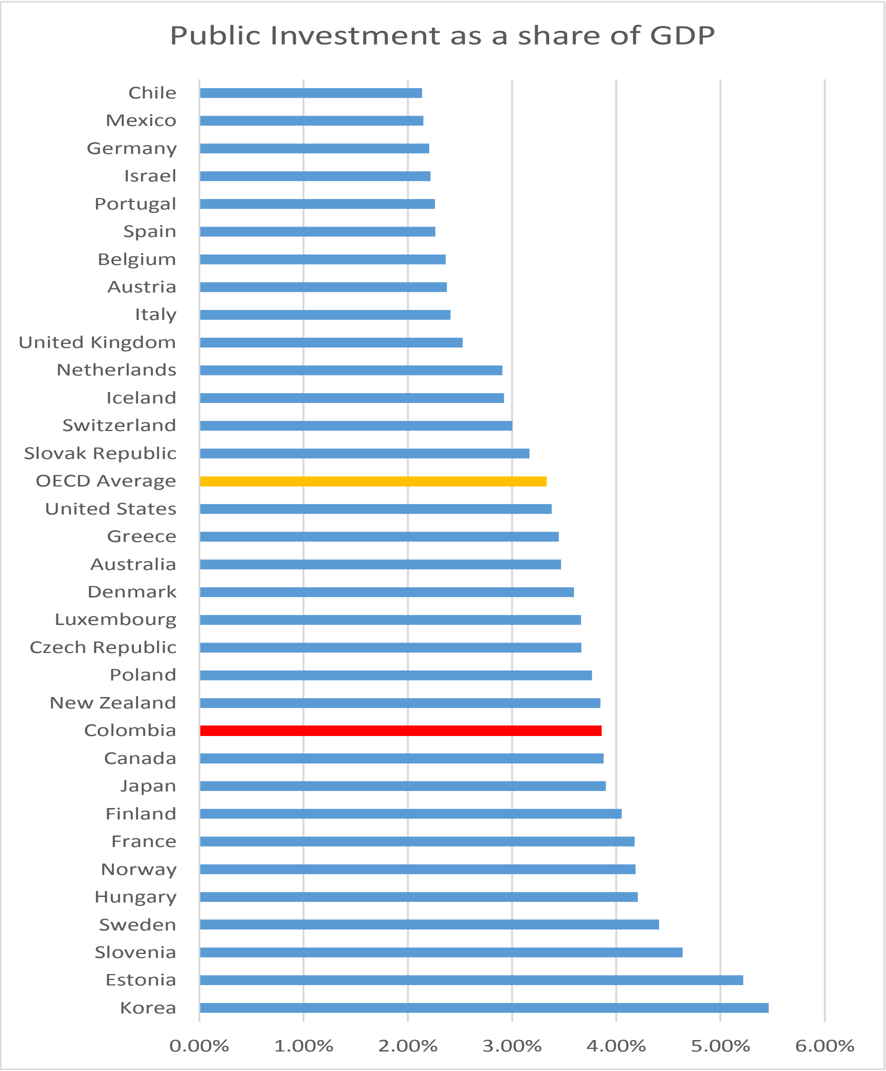
PRINCIPLE 7:

To develop institutional capacity and professional skills	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.
To identify binding capacity constraints and the proper sequence of reforms	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

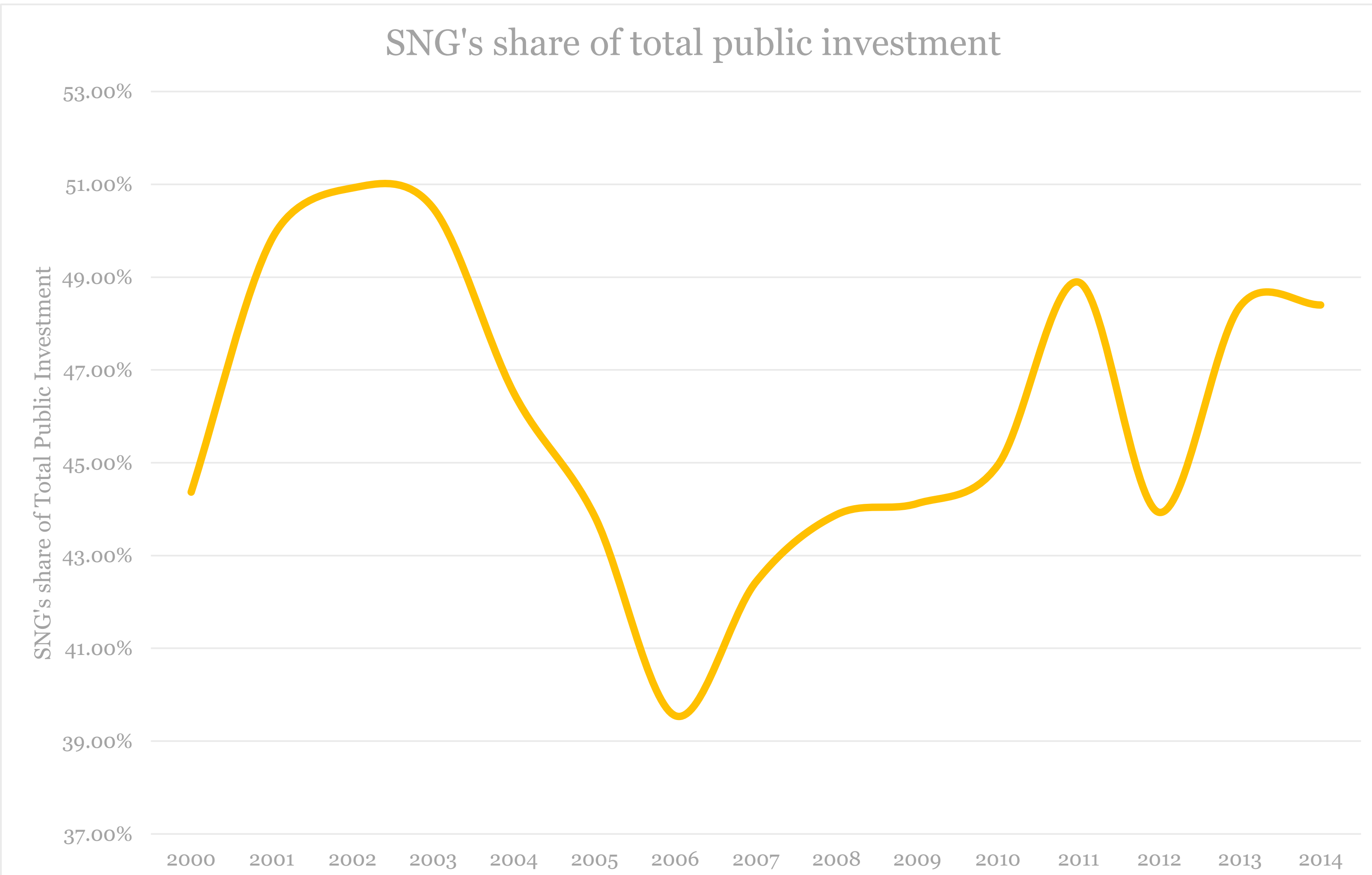


A high share of GDP spent on public investment compared to OECD countries

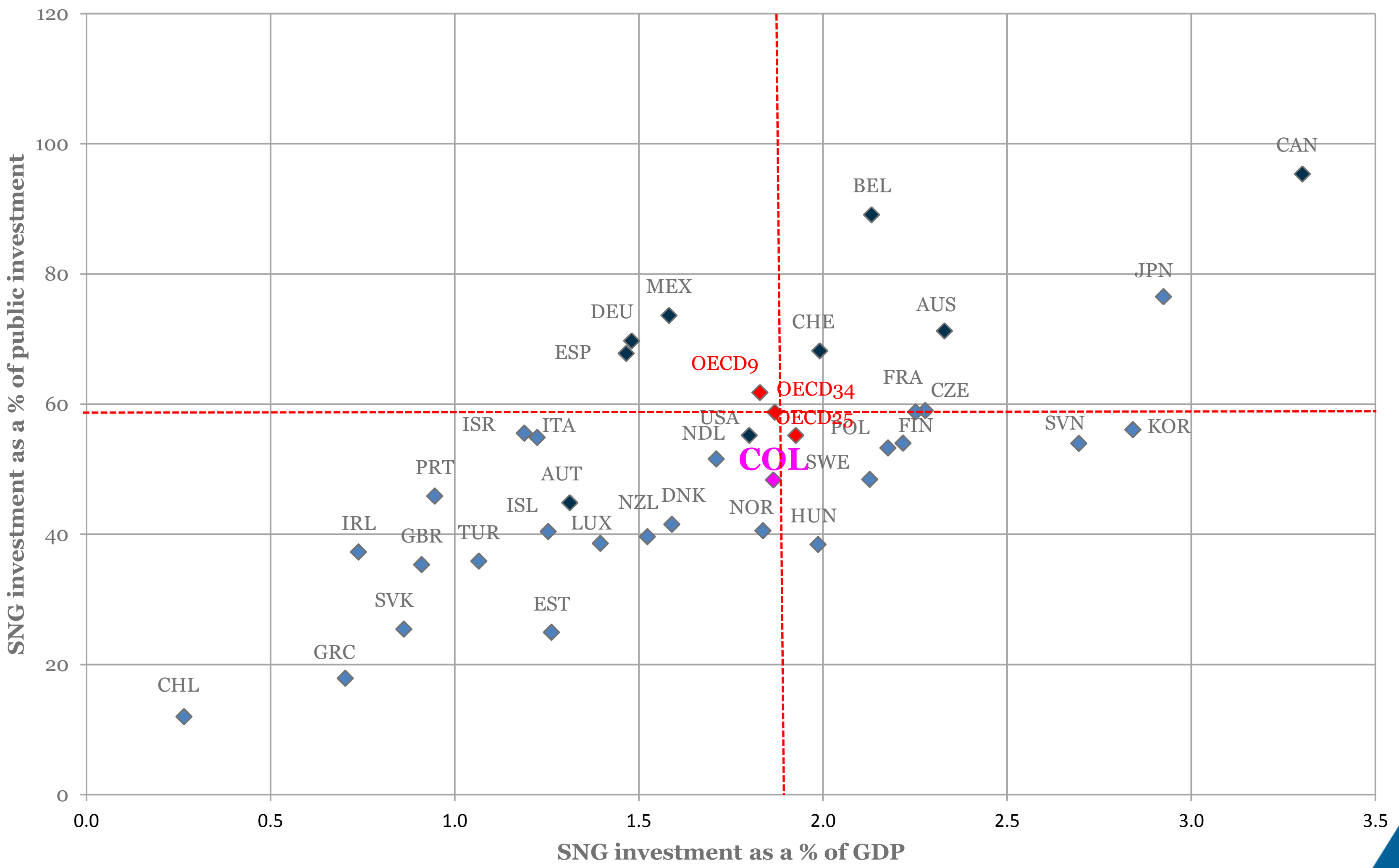


3.9% of GDP spent on public investment (national account) in 2013

Subnational government investment as a share of total public investment (2000-2014)



Subnational government investment as a % of GDP and public investment, 2014



Colombia' study

Highlights on some preliminary findings and questions for discussion

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
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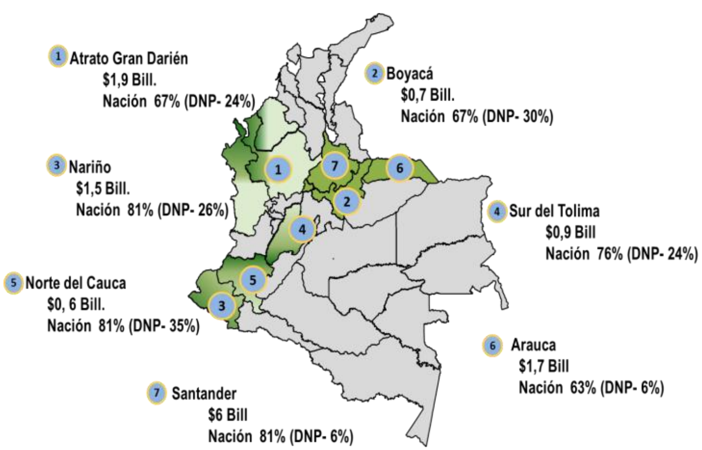

STRENGTHS

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' study

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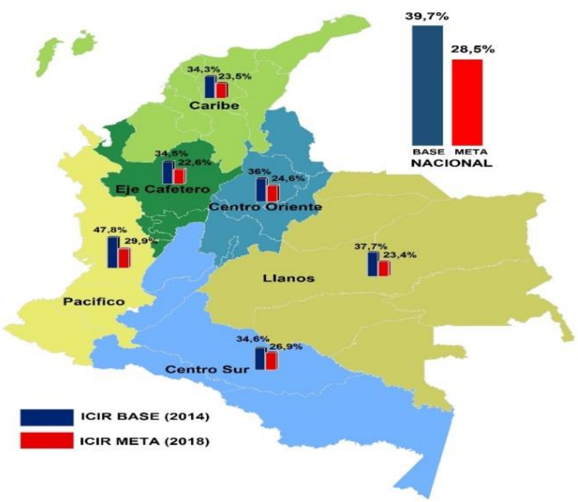

CHALLENGES

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

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