

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

May 18, 2016

Report No.: AB7843

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Operation Name	First Programmatic Territorial Development Policy Loan
Region	Latin America and the Caribbean Region
Country	Colombia
Sector	General public administration sector (100%)
Operation ID	P158520
Lending Instrument	Development Policy Lending
Borrower(s)	Republic of Colombia
Implementing Agency	National Planning Department (DNP)
Date PID Prepared	May 9, 2016
Estimated Date of Appraisal	01 September, 2016 (TBC)
Estimated Date of Board Approval	18 October, 2016 (TBC)
Corporate Review Decision	TBD
Other Decision	

I. Key development issues and rationale for Bank involvement

1. **Colombia has experienced important improvements in growth and poverty reduction at national level, yet large disparities persist between and within regions.** Uneven territorial development in the country is characterized by persistent gaps in standards of living between urban and rural areas, across geographic regions (e.g., Pacific, Atlantic, and Amazon) and even between and within departments and municipalities. For example, while the rate of poverty reduction for the last decade was similar in urban and rural areas, in 2014, total rural poverty was 41.4 percent while total urban poverty was 24.6 percent. Differences in poverty rates are also large between departments; with very high poverty rates persisting in Chocó, Cauca and La Guajira (66 %, 54% and 53% respectively) while Santander, Cundinamarca and Bogota have well below average poverty levels (19%, 17%, and 10% respectively)¹. Gaps in access to water, sanitation, housing, education, and health are deep across the territory. While on average 42 percent of the national population has completed middle school, only 32 percent in the department of Amazonas and 28.4 in the department of Putumayo. Illiteracy rates are twice as high in the southern municipalities of the Tolima department compared to the national average. And in the municipalities of Juradó, Riosucio and Ricaurte, located in the Pacific region, qualitative housing deficits are well over 70 percent, considerably higher than the average, estimated at 28 percent.²

2. **The proposed operation supports the government efforts towards achieving a more balanced territorial development and reducing the gaps in standards of living across and within regions, departments and municipalities.** The Colombian government is cognizant that

¹ Source: DANE, Pobreza Monetaria y Multidimensional- 2014

² Bases del Plan Nacional de Desarrollo 2014-2018

the large disparities in standards of living across regions are an important barrier to achieve shared prosperity. For this reason the government has defined a comprehensive program of policy reforms that includes efforts at the national level to strengthen policies and institutions for territorial development, and at the local level to enhance public sector management of regional investments. This programmatic DPL series supports the government's territorial development program. The first proposed operation will support a first round of reforms to enable balanced territorial development, while the second operation is expected to focus on follow up policies that will help consolidate the medium term objective or reducing the gaps in standards of living across the territory.

3. **The proposed operation is fully consistent and closely aligned with the objectives of the World Bank Group's Colombia Country Partnership Framework (CPF) 2016-2020 approved by the Executive Directors on April 7, 2016.** The framework supports the GoC in implementing territorial development as a national strategy and recognizes the specific institutional responsibilities and capacities of the national government, departments, municipalities, as well as other subnational actors. This DPL will support Pillar 1 of the CPF, which aims at fostering a balanced territorial development, and will specifically contribute to the objective of strengthening public management capacity to support territorial development. In addition, this DPL series is being accompanied by ongoing investment financing operations, as well as the technical work developed under different thematic Programmatic Approaches (PA) for Colombia.

II. Proposed Objective(s)

4. **The objective of the Programmatic Territorial Development Policy Loan is to promote equitable territorial development through:** (i) strengthening policies and institutions for territorial development, and (ii) enhancing public sector management of public expenditures. This First proposed operation will support policy reforms in two key areas: (a) strengthening policies and institutions to enable integrated territorial development, and (b) enhancing public sector management of sub-national expenditures.

5. **The Program Development Objective (PDO) and pillars supported by this DPL are closely linked with the strategic priorities set by the National Development Plan, 2014-2018.** The proposed operation will help achieve key national development goals by supporting the development and coordinated implementation of multi-level planning and management tools that will improve the management of public monies and investment at the subnational level, and in the long term, contribute to narrowing the gap in living standards across regions. Table 4 presents a mapping between the government goals and transversal strategies and the pillars supported by this operation. The government objective of promoting inclusive territorial development of the country and its regions (Pillar 1, objective 4) is directly linked to the PDO. In addition, the proposed DPL series is consistent with the six regional strategies with region specific guidelines included in the National Development Plan.

III. Preliminary Description

6. The program of reforms supported by the proposed DPL series is structured in two pillars reflecting two critical building blocks for strengthened territorial development at national and subnational level. The Colombian government is aware of the importance of achieving a more balanced territorial development as part of the current growth and peace building strategies. Recognizing the multilevel nature of territorial development, the GoC is taking actions at several scales. First, at the national level, it is building a new framework for territorial development, strengthening policies and institutions and providing the legal enabling environment necessary to implement it. These policy actions are included in Pilar 1. Second, the GoC is empowering local governments to operationalize this framework at the local level by enhancing the instruments (e.g. policies, information, management tools) that will allow better management of local and regional public expenditures. These policy actions are included in Pillar 2.

<p align="center">Prior Actions (DPL 1) <i>Board date (planned): October 2016</i></p>	<p align="center">Triggers (DPL 2) <i>Tentative Board approval Q3 CY2018</i></p>
<p align="center"><i>Pillar 1: Strengthening policies and institutions to enable integrated territorial development</i></p>	
<p>Prior Action 1: The Government has approved a medium-term cadastral policy to update cadastral records, strengthen the institutional framework of the cadastral system and improve the quality and usefulness of cadastral information for land tenure regularization.</p> <p>As evidenced by: (i) Articles 104 and 105 National Development Plan (Organic Law 1753, June 9, 2015); and (ii) CONPES ### on Policy for the Adoption of a Multipurpose Cadaster (to be approved during Q2 2016)</p> <p>Responsible Agency: DNP</p>	<p>Indicative Trigger 1: The Government has approved the national legislation (<i>Ley del Estatuto Catastral</i>) defining the technical, institutional and financial standards for the cadaster</p> <p>Responsible Agency: IGAC</p>

<p>Prior Action 2: The Government has established the Rural Development Agency and the National Land Agency to advance regularization/formalization of property rights, increase access to land for low income/vulnerable population and implement rural development projects.</p> <p>As evidenced by: (i) establishment of the National Land Agency (Decree 2363 of 2015); (ii) establishment of the Rural Development Agency (Decree 2364 of December 2015); (iii) liquidation of INCODER (Decree 2365 of December 2015); and iv) modification of the structure of the Ministry of Agriculture and Rural Development (Decree 2369 of December 2015)</p> <p>Responsible Agency: MADR, DNP</p>	<p>Indicative Trigger 2: The Government has approved the regulatory framework or expedited resolution of land disputes.</p> <p>Responsible Agency: MADR</p>
	<p>Indicative Trigger 3: The Government has approved a policy for delegating key functions and responsibilities to subnational governments (<i>Programa de Competencias Diferenciadas</i>) based on prior analyses and defined criteria.</p> <p>Responsible Agency: DNP</p>
<p>Prior Action 3: The Government has approved a new territorial planning policy to: (i) develop department-level territorial plans for investment prioritization, and (ii) update municipal land-use plans with strengthened urban-rural linkages</p> <p>As evidenced by: (i) Article 200, National Development Plan (Organic Law 1753, June 9, 2015); and (ii) CONPES XXX issuing the National Program for the Update of Territorial and Land Use Plans – POT Modernos (to be approved Q2 2016).</p> <p>Responsible Agency: DNP</p>	<p>Indicative Tigger 4 – The Government has completed the regulatory framework for the implementation of department-level land use planning (PODs).</p> <p>Responsible Agency: DNP</p>

Pillar 2: Enhancing Public Sector Management of Sub-National Expenditures

<p>Prior Action 4: The Government has reformed the existing mechanisms for coordinating regional public investment between national and territorial entities, <i>Contratos Plan</i>, in order to strengthen departmental governments as intermediaries between the central and the subnational governments and expand their territorial reach to additional regions.</p> <p>As evidenced by: (i) Articles 198-199, National Development Plan (Organic Law 1753, June 9, 2015); (ii) New Decree for <i>Fondo de Contratos Plan</i> (to be approved during Q2 2016)</p> <p>Responsible Agency: DNP</p>	<p>Indicative Trigger 5: The Government has expanded the use of coordinating mechanisms for regional public investment the adoption of 8 new <i>Contratos Plan</i>.</p> <p>Responsible Agency: DNP</p>
<p>Prior Action 5: The Government, through DNP, has streamlined the processes for collecting information and simplified reporting requirements for municipalities in order to increase coordination among government levels and enhance transparency and accountability of public expenditures.</p> <p>As evidenced by (i) Article 188, National Development Plan (Organic Law 1753, June 9, 2015); (ii) Decree ### (to be approved during X 2016)</p> <p>Responsible Agency: DNP</p>	<p>Indicative Trigger 6: The Government has adopted an Integrated Transactional Financial Territorial Information (<i>Sistema Integrado y Transaccional de Información Financiera Territorial</i>) that is expected to lessen the burden of reporting and serve as a tool for internal planning and budgeting at the local level.</p>
<p>Prior Action 6: The Government, through <i>Colombia Compra Eficiente</i> (CCE), has expanded the use of framework agreements for public procurement to the subnational level in order to increase the value for money of government expenditures and enhance transparency and accountability.</p> <p>As evidenced by: Regulatory Decree for the National Planning Administration (Decree 1082 of 2015).</p> <p>Responsible Agency: CCE</p>	<p>Indicative Trigger 7: The Government has adopted SECOP 2 to strengthen the transparency of public procurement at the subnational level by mandating departmental and municipal governments.</p> <p>Responsible Agency: CCE</p>

<p>Prior action 7: The Government has adopted a new program classification of the budget and a new accounting regulation in order to improve the costing of public programs and better allocate resources on the basis of policy priorities.</p> <p>As evidenced by: (i) Article 148, National Development Plan (Organic Law 1753, June 9, 2015); (ii) Resolution 533 on the public accounting regime (October 8, 2015)</p> <p>Responsible Agency: DNP</p>	<p>Indicative Trigger 8: The Government has approved a new Chart of Accounts that harmonizes accounting and budget at least for expenditures and investment as a first step towards full adherence to international accounting standards (IPSAS and IMF’s 2014 GFSM) at both the national and subnational levels.</p> <p>Responsible Agency: DNP</p>
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IV. Poverty and Social Impacts and Environment Aspects

7. **The overall poverty and social impacts of the policies supported by this DPL are expected to be moderate but positive, operating mainly through indirect mechanisms.** The actions supported by this operation seek to achieve improved and more balanced territorial development and, through enhancing the efficiency of local spending, improve access to services and infrastructure throughout the national territory, all of which are expected to have positive poverty and social impacts. The Poverty and Social Impact Assessment (PSIA) is being carried out, documenting these expected impacts from a social, gender and distributional perspective, relying both in quantitative analysis, as well as in the revision of relevant literature.

8. **It is anticipated that reforms associated with policy actions supported by the DPL will have a low negative impact on the environment and natural resources.** On the contrary, reforms to strengthen territorial development in Colombia are likely to have overall positive effects. Nonetheless, a detailed assessment of the proposed policies and of their potential environmental impacts will be undertaken during the preparation of the DPL. The assessment will include a review of Colombia’s systems for reducing potential adverse effects and for enhancing positive effects, drawing on relevant country-level or sectoral analyses. The DPL will include recommendations aiming at leveraging potential synergies between environmental protection and regional development. In the event that possible impacts are identified, the DPL will aim at preventing, minimizing, mitigating or compensating for possible adverse environmental implications or to enhance positive effects.

V. Tentative financing

Source:	(\$m.)
Borrower/Recipient	0
IBRD	800
Others (specify)	
Total	800

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