

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

September 20, 2016
Report No.: 108877

Operation Name	Colombia 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	August 30, 2016
Estimated Date of Appraisal	September 22, 2016
Estimated Date of Board Approval	December 8, 2016
Corporate Review Decision	
Other Decision	

I. Country and Sector Background

1. Colombia's strong economic growth performance over the past decade was not widespread across all of its territory, perpetuating historical inequalities. There are persistent gaps in poverty rates and standards of living between urban and rural areas, across regions and even within departments and municipalities. The multidimensional poverty index (2015) - which compounds indicators on education, health, access to services and the characteristics of the dwelling - illustrates the substantial differences across regions.

2. Regional disparity is the main shortcoming of the downward trends in poverty and inequality in Colombia. Between 2002-2015, and despite the country's strong economic performance, regional poverty "divergence" persisted, meaning that the more affluent departments experienced a larger percentage decline in moderate and extreme poverty rates than the poorer ones. Despite efforts aiming at redistributing wealth through oil royalties, limited investment in rural areas and limited local institutional capacity have contributed to widening regional gaps. Some of the poorest departments in Colombia – such as Sucre, Magdalena and Cordoba – are also those that ranked the lowest in the GoC's Integral Performance Index that measures local governments' capacities.

II. Operation Objectives

3. The proposed operation supports the Government's medium term agenda towards a more integrated territorial development. The GoC, within the National Development Plan 2014-2018 has defined a comprehensive program of policy reforms to strengthen territorial development. These include medium term reforms at two levels: (i) policies and institutions at the national level to improve land management and territorial planning, and (ii) reforms at sub-national level to improve resource allocation efficiency and execution of projects. This dual approach is aligned to Colombia's decentralized regulatory and institutional framework. The first loan under the proposed Program is focused on reforms

that will establish the enabling environment – at national and subnational levels- for integrated territorial development. The second DPL under the Program is expected to focus on reforms to the regulatory framework that will help to consolidate advances to date and progress on the medium term objective of reducing the gaps in standards of living across the country.

4. The objective of the First Programmatic Territorial Development Policy Loan is to support the efforts of the Government of Colombia (GoC) to: (i) Strengthen institutions for land management and territorial planning; and (ii) Improve subnational financial management and investment prioritization

5. The program of reforms supported by the proposed DPL series reflects two critical building blocks to advance towards integrated territorial development; strengthening (1) the underlying territorial development framework and (2) subnational governments’ capacity to implement the territorial framework. Recognizing the multilevel nature of territorial development and the importance of more balanced territorial development for current growth and peace building strategies, the GoC is taking actions at several levels. First, at the national level, it is building a new framework for territorial development, strengthening policies and institutions and providing the necessary enabling legal environment for its implementation. These policy actions are included in Pillar 1. Second, the GoC is empowering local governments to operationalize this framework by enhancing the available instruments (e.g. policies, information, management tools) to facilitate better management of local and regional resources. These prior actions are included in Pillar 2. The prior actions and indicative triggers for the second DPL are presented in the below table.

<p style="text-align: center;">Prior Actions (DPL 1)</p> <p style="text-align: center;"><i>Board date (planned): December 2016</i></p>	<p style="text-align: center;">Triggers (DPL 2)</p> <p style="text-align: center;"><i>Tentative Board approval Q2 FY18</i></p>
<p>Prior Action 1: The Borrower has approved a comprehensive property cadaster policy which:</p> <ul style="list-style-type: none"> (i) Re-defines the roles and responsibilities of institutions and levels of government to separate regulatory and implementation responsibilities, (ii) Defines standards and methodologies for surveying, recording and valuation of properties to transform the fiscal cadaster into a multiple-purpose one, and (iii) Mandates the updating of cadastral information of all the land parcels in Colombia. <p>As evidenced by CONPES 3859 on Policy for the Adoption of a Multipurpose Cadaster (June 13, 2016)</p> <p>Responsible Agency: National Planning Department (DNP).</p>	<p>Indicative Trigger 1: The Borrower has submitted for parliamentary approval the national legislation (<i>Ley del Estatuto Catastral</i>) defining the technical, institutional and financial standards for the multi-purpose cadaster.</p> <p>Responsible Agency: Geographical Institute Agustin Codazzi (IGAC)</p>
	<p>Indicative Trigger 2: The Borrower has approved the policy framework for delegating to subnational governments key functions and responsibilities for land management.</p> <p>Responsible Agency: National Planning Department (DNP)</p>

<p>Prior Action 2: The Borrower has established the institutional framework to, <i>inter alia</i>: (i) implement access-to-land programs for rural productivity and equity, and (ii) support the process for rural land formalization, through the creation of the National Land Agency (ANT).</p> <p>As evidenced by: (i) establishment of the National Land Agency (Decree 2363 of December 2015); (ii) staffing decree for the National Land Agency (Decree 419 of March 2016); (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: Ministry of Agriculture and Rural Development (MADR), National Planning Department (DNP)</p>	<p>Indicative Trigger 3: The Borrower has approved the regulatory framework for expedited resolution of land disputes.</p> <p>Responsible Agency: Ministry of Agriculture and Rural Development (MADR)</p>
<p>Prior Action 3: The Borrower has strengthened the institutional framework for rural development through the creation of the Rural Development Agency (ADR), which will plan, structure, co-finance and implement rural development projects.</p> <p>As evidenced by: (i) establishment of the Rural Development Agency (Decree 2364 of December 2015); (ii) staffing decree for the Rural Development Agency (Decree 418 of March 2016); (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: Ministry of Agriculture and Rural Development (MADR), National Planning Department (DNP)</p>	<p>Indicative Trigger 4: The Borrower has approved the regulatory framework for the development of comprehensive territorial rural development plans.</p> <p>Responsible Agency: Rural Development Agency</p>
<p>Prior Action 4: The Borrower has approved a new territorial planning policy which enables: (i) the development of territorial & land-use plans at <i>Departamento</i>-level to foster regional integration, and (ii) the updating of municipal land-use plans under a new methodology that incorporates urban-rural linkages.</p> <p>As evidenced by CONPES XXX issuing the National Program for the Update of Territorial and Land Use Plans – <i>POT Modernos</i> (to be approved Q3 2016).</p> <p>Responsible Agency: National Planning Department (DNP)</p>	<p>Indicative Trigger 5: The Borrower has adopted the regulatory framework for the implementation of department-level land use planning (PODs).</p> <p>Responsible Agency: National Planning Department (DNP)</p>

<p>Prior Action 5: The Borrower has adopted a new policy that strengthens the agreements between national and sub-national governments (<i>Contratos Plan</i>) by :</p> <ul style="list-style-type: none"> (i) Requiring prioritization of investments with highest impact potential in areas of higher needs, (ii) Creating a Regional Fund to speed-up project execution, and (iii) Ensuring co-financing of investments from subnational governments <p>As evidenced by Decree for <i>Contratos Plan y Fondo Regional de Contratos Plan</i> (Decreto 740, May 4, 2016).</p> <p>Responsible Agency: National Planning Department (DNP)</p>	<p>Indicative Trigger 6: The Borrower has adopted the institutional arrangements to operationalize the Regional Fund.</p> <p>Responsible Agency: National Planning Department (DNP)</p>
<p>Prior Action 6: The Borrower has centralized the fiscal oversight of subnational expenditures in the MHCP and unified reporting requirements to improve the quality of regional fiscal data.</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: National Planning Department (DNP), Ministry of Finance (MHCP)</p>	<p>Indicative Trigger 7: The Borrower has issued the guidelines for the adoption of an Integrated Transactional Financial Territorial Information System (<i>Sistema Integrado y Transaccional de Información Financiera Territorial</i>) at the national level that will allow capturing subnational information in real time.</p> <p>Responsible Agency: National Planning Department (DNP)</p>
<p>Prior action 7: The Borrower has harmonized the public sector accounting practices to a single national standard regime across government entities, including subnational governments, to be applied on a mandatory basis from January 1, 2017, to enable comparability of data across all sectors and levels of government</p> <p>As evidenced by Resolution 533 on the public accounting regime (October 8, 2015)</p> <p>Responsible Agency: National Accounting Authority (CGN), Ministry of Finance (MHCP), National Planning Department (DNP)</p>	<p>Indicative Trigger 8: The Borrower has approved a new Chart of Accounts that improves the harmonization between accounting and budget (particularly for investment), as a first step towards full convergence to international accounting and fiscal information standards (IPSAS and IMF's 2014 GFSM) at both the national and subnational levels.</p> <p>Responsible Agency: National Accounting Authority (CGN), Ministry of Finance (MHCP), National Planning Department (DNP)</p>

<p>Prior Action 8: The Borrower has enabled the use of <i>standard project</i> designs by subnational governments to reduce the time and cost in the procurement and execution of regional and municipal investment projects.</p> <p>As evidenced by CONPES 3856 on Policy for the Standardization of Investment Projects 2016-2018 (April 25, 2016) and Decree 173 of 2015 (published on February 1, 2016)</p> <p>Responsible Agency: <i>Colombia Compra Eficiente</i> (CCE), National Planning Department (DNP)</p>	<p>Indicative Trigger 9: The Borrower has enabled the adoption of the centralized e-procurement platform SECOP 2 by departmental and municipal governments.</p> <p>Responsible Agency: <i>Colombia Compra Eficiente</i> (CCE), National Planning Department (DNP)</p>
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III. Rationale for Bank Involvement

6. The proposed operation is closely aligned with the objectives of the World Bank Group’s Colombia Country Partnership Framework (CPF) FY2016-2021 approved by the Executive Directors on April 7, 2016 (Report No. 101552-CO). This DPL will support Pillar 1 of the CPF, which aims at fostering balanced territorial development, and will also contribute to the objective of strengthening public management capacity. In addition, it will support the cross-cutting area of constructing peace by helping to balance uneven territorial development.

7. 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. It builds on the Bank’s engagement with the GoC over recent years to strengthen critical public management capacities at the subnational level and support the land cadastre reform. The proposed operation is also closely aligned with the Sustainable Regional and Urban Development PA to foster sustainable regional and urban development by supporting the GoC and selected local governments to strengthen regional and urban planning instruments. The proposed operation also builds on the previous DPLs, notably the Programmatic Productive and Sustainable Cities DPL series.

IV. Tentative financing

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

V. Tranches (if applicable)

	(\$m.)
First Tranche	
Second Tranche	
Etc.	
Total	

VI. Institutional and Implementation Arrangements

8. The DNP will be responsible for the overall implementation of the proposed DPL series and for reporting progress and coordinating actions among the concerned entities. The Territorial and Public Investment Sub Directorate within DNP will lead the actions of this operation, closely monitoring implementation of the program in cooperation with the MADR, IGAC, CCE, as well as other relevant line ministries and government agencies. DNP's Public Policy Monitoring and Evaluation Directorate, which is responsible for the National Evaluation System of Management and Results (SINERGIA) will collect and report on information related to results and indicators to the Bank. Several of the proposed indicators are already being monitored by the Government as they are part of the 2014-2018 NDP.

VII. Risks and Risk Mitigation

9. The overall risk of the operation is assessed as Moderate. The main risks are related to the political and governance situation and institutional capacity for implementation. The macroeconomic risks are moderate but they will be closely followed up during the implementation of the DPL given the current situation in the commodities markets.

10. **Political and governance.** The political cycle is expected to be favorable to the implementation of the reforms supported by this DPL, as the absence of major elections until 2018 will reduce the likelihood of changes in the main relevant actors at the national or subnational levels. However, the evolution of the peace process might introduce volatility in the political environment and further complicate the implementation of the territorial agenda. Importantly, the reforms included in the proposed operation are not dependent on the peace consolidation process. All the reforms are technically sound and essential to achieve equitable growth in Colombia; to a large extent independently of the peace consolidation.

11. **Institutional capacity for implementation and sustainability.** Given the multi-sectoral nature of the reforms, absence of effective coordination among the several ministries and other entities is a potential risk. DNP has a unique position to ensure coordination among the national and subnational entities, and the stakeholders. In addition, the GoC is complementing the policies with several capacity building programs to support SNG.

12. **Macroeconomic.** A worse than expected deterioration in the macroeconomic and fiscal conditions and/or a slower recovery could negatively impact central and subnational government finances and reduce resources for subnational investment. However, reasonable macroeconomic buffers, access to international financial markets and a strong track-record in macroeconomic management mitigate this risk.

VIII. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

13. The overall poverty and social impacts of the policies supported by this DPL are expected to be positive although moderate, operating mainly through indirect mechanisms. The prior actions supported by this operation seek an improved and more balanced territorial development and, through enhancing the efficiency of local spending, better access to services and infrastructure throughout the national territory, all of which is expected to have positive impacts on welfare. The Poverty and Social Impact Assessment (PSIA) documents these expected impacts from a social, gender and distributional perspective, relying both in quantitative analysis, as well as in relevant academic literature.

Environmental Aspects

14. The Prior Actions supported by this operation are not likely to have significant negative effects on the environment, forests and other natural resources. Per World Bank OP 8.60, an environmental analysis was performed to assess whether the policy reforms supported by the operation are likely to cause adverse or positive significant effects on the environment, forests, and other natural resources. The DPL will provide support to the government's initiatives to address key issues of the comprehensive rural reform, including the special attention to the protection of the environment and the natural resources.

IX. Contact point

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