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Building Local Capacity: Successful Formulation of Projects Funded by the General Royalties System



The DNP's Director and Meta's Governor inaugurate Municipal OCADs. May, 2012.

Photo: <http://www.prensalibrecasanare.com/meta/3898-director-del-dnp-y-gobernador-del-meta-instalaron-ocad-municipales.html>

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Building capacity at the municipal level is a major challenge for the Colombian public sector. Colombia is one of the most decentralized countries in the hemisphere, and it requires significant improvement for the successful management of public resources for which mayors are responsible. This challenge is especially critical because Colombian municipalities have substantial resources at their disposal, derived from national budget transfers, their own revenues, and funds received from the General Royalties System. Close to \$400M in royalties alone must be executed in all of the country's regions and localities.

One of the great enemies of development is inefficiency in the use of public resources. Local weakness in investment project formulation and implementation is probably the main bottleneck for municipal development. Therefore, it is essential to provide technical support to the teams responsible for the public management of the country's most vulnerable municipalities, to enable them to successfully achieve the approval and implementation of their investment projects. As a result, the generation of capacities in this area has become a priority. In November, the Public Policy Program, together with the National Planning Department (DNP) and the Administrative Unit for Territorial Consolidation (UCT), and in coordination with the USAID regional operators, deployed an ambitious strategy to strengthen municipal institutions in the formulation, budgeting, management and execution of investment projects financed with General Royalties System resources.

The strategy was aimed at the 51 municipalities prioritized by the National Territorial Consolidation Policy (PNCT), and its main objective was to strengthen the legal, technical (with an emphasis on the environmental and social areas) and financial capacities of their municipal administrations. An estimated 300 officials from the planning departments and public agencies of these localities, as well as from the control agencies that operate there, participated in 12 workshops on investment project formulation conducted by USAID Public Policy Program experts between November 2012 and February 2013.

The workshops were held in Ibagué (Tolima), Puerto Asís (Putumayo), Sincelejo (Sucre), Popayán (Cauca), Villavicencio (Meta), Florencia (Caquetá), Cúcuta (Norte de Santander), Tumaco (Nariño), Montería (Córdoba), Medellín (Antioquia), Cauca (Antioquia) and Chaparral (Tolima).

The workshops involved an innovative hands-on training method that focused on an analysis of specific investment projects in these municipalities using several steps: a) providing a practical explanation of the operation of the formulation cycle of Royalties System projects; b) reviewing the methodology and requirements established by official regulations for the formulation of these projects; c) identifying existing problems with each project design; d) responding to specific questions of the local administrations about the planning of each project; e) diagnosing the state of progress in the design of each project presented to the interinstitutional approval committees (OCADS) that operate in the six regions of the country; f) planning how to overcome the difficulties encountered; and g) facilitating the provision of assistance and feedback by the teams from the UCT and the regional operators of USAID in Colombia.

By October 2012, the approval of royalty investment projects for these municipalities by the respective interinstitutional committees faced a critical situation. Although the municipalities had a budget of close to \$74M available for these purposes, the total value of approved investment projects was only \$6M (just 8% of the available 2012 budget). By the end of December 2012, after implementation of the strategy, approval had been given to 103 projects for these municipalities, valued at \$40.5M, or 54% of the available annual budget. This represented a nearly seven-fold increase in the percentage of projects that will be implemented, mainly involving infrastructure (including the construction of housing, schools, hospitals and sports centers, and the provision of basic public services) and economic development, especially in the area of income generation.

Major challenges remain and further progress is required in 2013, as it will be necessary to ensure the approval of investment projects for these 51 municipalities under a total budget of \$218 billion for the next two consecutive years. To this end, the Public Policy Program and USAID regional operators are ready to initiate the second phase of the strategy in the second quarter of this year, which will consist of providing individual support to each municipality to ensure successful implementation of its projects. Results from the first phase show that it is possible to build strong public administrations in the Colombian municipalities most affected by the internal armed conflict, and much more remains to be done.