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Report Number: ICRR0024314

1. Project Data

Project ID	**Project Name**	
P123879	CO Subnational Institut. Strengthening	
Country	**Practice Area(Lead)**	
Colombia	Governance	
L/C/TF Number(s)	**Closing Date (Original)**	**Total Project Cost (USD)**
IBRD-83200		49,463,806.44
Bank Approval Date	**Closing Date (Actual)**	
17-Dec-2013	31-Mar-2024	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	0.00	0.00
Revised Commitment	55,201,956.00	0.00
Actual	51,058,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (p. 5) and the Project Appraisal Document (PAD, p. 6), the Project Development Objective (PDO) was:

"(i) to improve subnational governments' (SNG) performance in core public management areas; and (ii) strengthen the capacity of the Borrower's central government to manage the decentralization and territorial management framework."

For the purposes of this review, the PDOs are parsed as follows:

- PDO 1: to improve subnational governments' (SNG) performance in core public management areas;
- PDO 2: strengthen the capacity of the Borrower's central government to manage the decentralization and territorial management framework.

The PDO remained unchanged over the project lifecycle, but three out of four outcome indicators were revised. One component was substantially reduced in scope and activities, and one was significantly scaled up. Some outcome indicators were either replaced or dropped because they were out of the project's control, were not measurable, or were influenced by multiple factors beyond areas supported by the project. However, the new outcome indicators and targets retained roughly the same level of ambition as the original ones. Since the scope and level of ambition of the project remained the same, even as the approach to achieving outcomes was adjusted, a split rating is not implemented.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

17-Dec-2013

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: Structuring Regional and Local Projects and Designing Long-Term Territorial Strategic Planning (Approved US$10 million; Actual US$24.9 million). This component aimed to support the National Planning Department (*Departamento Nacional de Planeación*, DNP) in establishing territorial strategic planning mechanisms and formulating policies that reconcile sectoral and territorial objectives; improving access to relevant information for regional planning; and identifying potential financing sources for regional development. Activities included support on analytical work to promote balanced regional development, designing regional development models and strategies for improving efficiency and reducing conflicts, and identifying national coordination mechanisms for consistent strategic planning. Activities related to access to information included compiling an inventory of territorial data, making information user-friendly and available in a timely manner for the SNGs, creating municipal statistical systems, and creating a territorial observatory on regional public management. Activities to support development financing included creating mechanisms like public-private partnerships for regional investment projects, prioritizing resources based on strategic plans, identifying potential areas of improvement in the investment-related legal framework, and creating a financing mechanism for feasibility studies of strategic regional projects (PAD, pp. 8-9).

Component 2: Applying Incentives for Territorial Management (Approved US$11.5 million; Actual US$0 million). This component aimed to assess SNGs' public management capacity, establish Good Practice

Standards in key areas of subnational public management (tax administration, strategic planning, public financial management [PFM], administrative control, financial reporting, and procurement); and creation of an incentive framework to reward SNGs' management performance. Activities on public management capacity included assessing the inventory of statistical data on performance indicators; designing, implementing, and disseminating appropriate monitoring indicators; surveying the performance of SNGs' public management; and improving and harmonizing existing tools for measuring SNG performance. Activities to establish good practices included analyzing national and international cases of good practice, documenting and operationalizing these good practices, and creating a horizontal cooperation framework to promote and disseminate these standards. Activities to implement the incentive framework included adjustments to improve the distribution of the General Participation System (Sistema General de Participación, SGP), implementing non-financial incentives for good performance, and implementing non-financial incentives consisting of technical assistance packages to reward good performance (PAD, p. 9).

Component 3: Providing Technical Assistance Support to SNGs (Approved US$32.5 million; Actual US$16.6 million). This component aimed to strengthen selected SNGs' management capacity; strengthen the capacity of the DNP and the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público,* MHCP) to ensure implementation and maintenance of the Territorial Management Model (TMM); and improve citizen participation and social control in the processes of the public management cycle. Activities included supporting territorial management (including investment action plan formulation and monitoring/evaluation), and creating, implementing, and evaluating a methodology for carrying out investment action plans and assessments in selected SNGs. Activities also included the conceptual design of the TMM, including methodologies, procedures, and information systems to be used for its implementation and monitoring; defining a service delivery scheme; implementing the TMM in selected SNGs; and carrying out assessments and management and training activities on the TMM. Activities to ensure full implementation and adequate maintenance of the TMM included signing and implementing inter-institutional collaboration agreements with SNGs, and integrating the TMM (including its information and reporting systems) with DNP's and MHCP's current management systems. Activities to improve citizen participation and social control included developing a repository of successful methodologies and approaches to achieve greater citizen participation and social control in said processes, and developing instruments to increase transparency and facilitate citizen participation and control in territorial management (PAD, pp. 9-10).

Component 4: Strengthening Control and Monitoring of Territorial Management (Approved US$5.7 million; Actual US$0.6 million). This component aimed to strengthen DNP and MHCP administrative control over budget spending and public management capacity. Activities included reviewing and improving their internal control management systems and processes; developing an information management model for SNG; and issuing recommendations to the Comptroller's Office and the Audit Office to enable the adaptation of their processes to the new TMM. Activities to strengthen DNP's and MHCP's public management capacity included creating risk maps to ensure appropriate use of public resources, and evaluating and improving existing public management indexes and control metrics (PAD, p. 10).

Component 5: Project Management and Administration (Approved US$10.2 million; Actual US$7.4 million). This component aimed to provide support to DNP and the Territorial Development Financing Agency, FINDETER (*Financiera de Desarrollo Territorial S.A.*), on project coordination and management. Activities included administrative, financial management, procurement, monitoring and evaluation, reporting, auditing, and other operational activities required for effective project implementation (PAD, pp. 10-11).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project cost at appraisal was US$70 million. At the time of the fifth restructuring, the total cost was decreased to US$55.2 million. The actual cost was US$51.08 million (ICR, p. i). The total disbursement was US$49.46 million (WB Portal), with the difference between the actual cost and disbursement attributed to exchange rate fluctuations.

Financing: The project was originally financed by an IBRD loan of US$70 million. The actual project financing at closing was US$51.08 million. The final restructuring canceled US$14.7 million.

Borrower Contribution: The Republic of Colombia did not intend and did not provide any counterpart funding.

Dates: The World Bak (WB) approved the project on December 17, 2013, and the project became effective on January 24, 2014, with an original closing date of December 31, 2021. Over its implementation, the project underwent five restructurings to address various challenges and realign activities with changing priorities, and revising the closing date to March 31, 2024. The project's mid-term review (MTR) was finalized on February 8, 2018.

The PDO and components remained the same during the life of the project, but PDO indicators, outcome targets, Intermediate Results Indicators (IRIs), and component costs were revised. Component 2 was substantially reduced.

The **first restructuring** was approved on September 22, 2015, after one year and nine months of implementation and 4 percent (US$2.7 million) of original funding (US$70 million) disbursed. This restructuring modified the implementation arrangements to transfer fiduciary functions from FINDETER to the Development Projects Financing Fund, FONADE (*Fondo Financiero de Proyectos de Desarrollo*), a public entity that had been managing projects financed by the Inter-American Development Bank. The change was necessitated by management weaknesses in FINDETER, which had affected project implementation (RES18787, p. 5, p. 8).

The **second restructuring** (level 2) was approved on June 29, 2016, after two and a half years of implementation and 6 percent (US$4.4 million) of original funding disbursed. It adjusted the scope of components 1, 2, and 4, and revised the results framework to better capture the results that could be achieved following these changes, updating some IRIs and reallocating component costs, but leaving PDO indicators unchanged (RES23093, p. 6-7). The restructuring aligned project activities to the new National Development Plan 2014-2018 approved in July 2015 and the Havana Peace Dialogue, which emphasized the need for promoting equitable development across the regions, which had in turn increased the urgency of improving and updating the available tools for territorial planning.

The following changes were made to project components (RES23093, pp. 6-7):

- **Component 1** was revised to pilot a multi-purpose cadaster in 10 municipalities and implement a modernization program for municipal and departmental territorial land use plans (POTs). Activities such as creating municipal statistical systems, establishing a regional public management observatory, and conducting a normative analysis of investment resources were dropped.
- **Component 2** was significantly reduced. Activities on the definition of performance indicators of SNGs and implementation of an incentive framework to reward SNG management performance

were cancelled. DNP had already developed an index on subnational performance information (*Índice de Desempeño Integral*) and was working on devising mechanisms to reward well-performing SNGs. Activities aimed at supporting the definition of standards and good practice in subnational public management remained unchanged to support component 3.

- **Component 3** remained the same.
- **Component 4** had several activities cancelled, including improving the efficiency and scope of current government internal control management systems, developing an informational management model for SNGs, and improving DNP and MHCP internal control processes. DNP had already made progress in the design of tools and mechanisms for improving SNG control and monitoring, most recently on public investment management. Activities to improve public management indexes and control metrics were also dropped.
- The cost of **Component 5** was reassessed in the light of the new subsidiary agreement between FONADE and DNP and new exchange rate projections.

As a result of these changes, the allocation for Component 1 nearly tripled, increasing from US$10 million to US$28.24 million. Allocations for Component 2 and Component 4 decreased significantly, from US$11.56 million to US$150,000 and from US$5.72 million to US$306,000, respectively. Component 5 saw a slight decrease, from US$10.19 million to US$8.76 million, while the allocation for Component 3 (US$32.53 million) remained unchanged (RES 23093, p. 5). IRIs were also adjusted in light of the changes to project activities.

The **third restructuring** in May 2020, after six years of implementation and US$34.63 million (49 percent) of the loan amount disbursed, introduced significant revisions to the results framework. Implementation progress had been downgraded to moderately unsatisfactory in 2018 due to the low disbursement rate and limited progress in the results indicators (RES3321, p. 4). Three of the four original PDO-level indicators were replaced, IRIs were dropped or revised to better reflect the contribution of project activities to the PDO, and funds were reallocated from Components 1, 2 and 4 to Component 3 to support the implementation of new activities. New activities included developing and implementing a territorial association framework, differentiated territorial strategies, and action plans for six pilot regions; revamping the technical assistance strategy developed by the DNP; supporting the Decentralization Mission launched by the government; and implementing a revised approach for the TMM. Component 5 remained unchanged (RES3321, p. 5).

The following changes were made to PDO-level indicators (RES3321, Table 1 and Results Framework):

PDO indicator	**Target**	**Reason**
PDO Indicator 1 (dropped): Pilot subnational governments have increased local tax collection by at least 10 percent.	75 percent	Cannot be directly attributable to project activities.
PDO Indicator 1 (new): Beneficiary municipalities with an improved management score in the Municipal Performance Measure (MDM) index (Percentage).	50 percent of beneficiary municipalities improved their score in the management component of the MDM index by at least 10 points	To reflect the impact of the TA provided by the project to beneficiary municipalities in core public management areas.

PDO Indicator 2 (dropped): Fulfillment of municipal development plan outputs goals (Percentage).	75 percent	No mechanism nor methodology in place to monitor the delivery of municipal plan outputs.
PDO Indicator 2 (new): Beneficiary municipalities with updated long-term planning instruments (percentage).	100 percent of beneficiary municipalities have updated long term planning instruments.	To capture the implementation of a new methodology to prepare modern Territorial Land Use Plans that was developed by the project, as well as the development of planning tools by the DNP such as the Territorial Toolkit.
PDO Indicator 3 (dropped): Budget execution (total budget execution as % of revised budget) (Percentage).	75 percent	Multiple factors influence budget execution beyond areas supported by the project.
PDO Indicator 3 (new): Beneficiary subnational entities using instruments developed by the project to strengthen the decentralization framework and public management (Percentage).	At least 80 percent of beneficiary subnational entities have used instruments developed by the project to strengthen the decentralization framework and public management.	To capture the development and implementation of tools and methodologies by the central government to support territorial management.
PDO Indicator 4 (unchanged): Level of automation of administrative and financial processes (Percentage).	75 percent (revised)	The target is revised as described below to reflect the impact of the implementation of the TMM in the automatization of financial and administrative process.
PDO Indicator 4 (unchanged): Level of automation of administrative and financial processes (Percentage).	At least 210 beneficiary SNGs increased their automation level by 10 points based on the Digital Government Index – Integrated Planning and Management (MIPG) Indicator I20 (new).	

The **changes to project components** under the third restructuring were as follows (RES 3321, p. 9-10).

- **Component 1** expanded its scope to finance the development of territorial association frameworks, including the formulation of Regional Strategic Plans (PER), and to support the development of a Regional Land Use Model (MOTR) for selected Administrative Planning Regions and a platform to formulate Territorial Land Use Plans.
- **Component 2** was canceled. The government decided not to implement the characterization of additional municipalities and to allocate remaining resources to support the rollout of the revamped technical assistance strategy.

- **Component 3** was expanded to finance the implementation of DNP's revamped technical assistance strategy, which included providing permanent on-line training to municipalities, and the enhancement of the Territorial Portal, which would provide tools to articulate local government plans with municipal development plans and provide a single access point for virtual training. The component also financed the development of tailored territorial strategies and action plans for six regions (Chocó, Buenaventura, Cauca, Tumaco, La Guajira, and San Andrés) to strengthen coordination of national government interventions. Additionally, it funded analytical studies to identify necessary adjustments to Colombia's decentralization framework.
- Unused resources from **Component 4** were reallocated to support the implementation of the TMM, the development of territorial association frameworks, and the implementation of the Decentralization Mission.
- **Component 5** remained unchanged.

The **fourth restructuring** was approved on June 25, 2021, after seven and a half years of implementation and 53 percent (US$37.03 million) of the original funding disbursed. The restructuring extended the project closing date from December 31, 2021, to September 30, 2023, and reallocated resources across components to support new activities under Component 3. These activities aimed to implement the government's Economic Reactivation Policy (CONPES) in response to COVID-19. To support CONPES, the project provided TA to strengthen territorial capacity in planning, investment, and financial management, fostering economic recovery at the territorial level (RES 47313, p. 3-4). The extension also addressed implementation delays caused by the pandemic and facilitated the completion of the TMM rollout in all 300 target municipalities.

The **fifth and final restructuring** was approved on August 23, 2023, one month before the scheduled closing date, when 70 percent (US$49.06 million) of the original funding disbursed. The restructuring extended the project's closing date to March 31, 2024, and cancelled US$14.7 million of loan proceeds, resulting in an adjustment in the costs of Components 3 and 5.

3. Relevance of Objectives

Rationale

Country context: At the time of appraisal, Colombia's economic performance had been robust due to favorable external conditions and sound policies. The economy quickly rebounded from the 2008-09 global crisis, aided by high commodity prices and limited exposure to global financial markets. A strong macroeconomic framework, a resilient financial sector, and effective regulatory measures helped mitigate external shocks and supported economic growth, which, despite slowing in 2012, remained above regional averages at four percent. Improved fiscal performance resulted in a positive primary balance for the combined public sector in 2012, and social accomplishments resulted in a 17-percentage-point reduction in the poverty rate compared to 2002 (PAD, p. 1).

Sector context: Decentralization reforms had aimed to find the right balance between central authority and local autonomy, equity in resource distribution, and higher efficiency in public spending. In 2011, the 32 SNGs at the regional level and 1,102 municipalities accounted for 8.1 percent of gross domestic product (GDP) in public expenditure but only generated 3 percent of GDP in tax revenues. Additional income for

SNGs came from the General Participation System (SGP), central government transfers, non-tax revenues, and natural resource royalties (PAD, p. 2-3).

Constitutional reforms in 1986 and 1991 transferred responsibilities and resources to municipalities and departments for the delivery of services. However, political pressures led to significantly higher transfers (45 percent of the central government's budget by 1999), higher expenditures and debt, and reduced incentives for SNGs to generate revenue (PAD, p. 2). New reforms between 1997 and 2003 aimed to reduce spending and borrowing in SNGs through a new bankruptcy law (Law 550) for highly indebted SNGs and public enterprises and a new subnational insolvency framework that limited the growth of transfers and imposed budget constraints. A third set of reforms, approved since 2008, introduced performance-based transfers by monitoring the services delivered by SNGs and controlling coverage, quality, and continuity required for services financed by the transfer system. In 2011, Congress approved the royalty reform to introduce results conditions and approved the Territorial Entities Land Management Law (*Ley de Ordenamiento Territorial*) to reduce the risk of investment fragmentation and low-quality projects from SNGs (PAD, p. 3)

Since 2012, the government had taken a new approach to build SNG capacity, strengthen central government monitoring and assistance to SNGs, and increase effective demand for SNG performance at the local level. Therefore, the project's objectives were highly relevant to the sector context and fully aligned with the government's approach to building SNG capacity (PAD, p. 4).

Government strategy. The PDO were well aligned with the government's National Development Plan (NDP) for 2010-2014 "Prosperity for All" which laid out a strategy for regional development and convergence focusing on the need to tailor public policies and programs to the specific characteristics and capacities of the regions. Two of the three strategic areas of the NDP were relevant to the PDO, (1) Sustainable Growth and Competitiveness and (2) Equality of Opportunities for Social Prosperity, as well as two of four cross-cutting themes, (1) Good governance and (2) Regional development and Integration. In addition, the government had approved reforms for fiscal consolidation, including a new fiscal rule, a reform of the royalties system, and reductions of tax exemptions and import tariffs, to consolidate the fiscal position and manage windfalls from commodities production, which affected transfers to SNGs (PAD, pp. 1-2; 5).

Bank strategy: The PDO were aligned with the World Bank's Country Partnership Strategy for Colombia FY2012-2016, in effect at appraisal, which supported "improved public sector management: good governance and decentralization programs", focusing on the national government's management institutions, the decentralization framework, and governance and public management capacities at the subnational level of government. The project was also aligned with the goal of the Country Partnership Framework at closing (FY2024-2027) in addressing Colombia's deep-rooted regional disparities and improving access to quality public services in remote, conflict-affected areas. Its High-Level Objective 1 (HLO 1) focused on promoting equitable territorial development and social inclusion, and HLO 2 (Objective 4) focused on strengthening institutional capacity at the national level and SNGs.

Previous Bank experience: The project built on years of WB engagement in Colombia, delivering knowledge products and investment projects to address key challenges in decentralization and subnational governance. Notable studies included topics such as Citizen's Visible Audits to Improve Public Investment, Transparency, and Accountability (TF096676), Installing Basic Management Capacity in Chocó (TF091688), and "Until Debt do us Part" Study on Insolvency Frameworks – Colombia Case. Additional studies examined coordinated service delivery among all levels of government in Colombia and reviewed the country's budget management and reform opportunities (PAD, Table 1). Previous investment projects focusing on strengthening subnational institutions included the Public Financial Management Projects I and

II (P040109), Consolidation of National Public Management Information Systems (P106628), Strengthening Public Information, Monitoring, Evaluation for Results Management (P099139), and the IDF Grant to strengthen the Legal Claims Management System (TF058311) (PAD, Table 1). Therefore, the project's objectives were appropriately oriented and pitched for the development status and capacity in the country.

The project's objectives were highly relevant to the country and sector context and fully aligned with the Country Partnership Framework and the NDP. The project's activities built on previous WB operations and ASAs and fully addressed the development problem and sought to contribute to its solution.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Improve SNG performance in core public management areas

Rationale

Theory of Change

The original PAD did not include an explicit theory of change, but one was added in the ICR (Annex 7) for the project at appraisal and at closure. The project aimed to improve Colombia's SNG performance in core public management areas. This objective was to be measured by PDO indicators 1) Beneficiary municipalities with an improved management score in the Municipal Performance Measure (MDM) Index; and PDO indicator 2) Beneficiary municipalities with updated long-term planning instruments.

These outcomes were to result from implementing a series of activities. The modern POT methodology and POT plans (POTs) were expected to improve information for territorial planning. A new Multipurpose Cadaster was to be piloted in 10 urban and rural municipalities before its deployment nationwide. The pilot was expected to spearhead the use of regional operators to enable the development of a local ecosystem of service providers to deliver cadaster update products to municipalities. In addition, the implementation of a TMM (design is measured under PDO 2) was expected to modernize municipal management systems through integrated technological tools consisting of three modules: Planning (module 1), Financial and Revenue Management (module 2), and M&E for Development Plans (module 3). TA to SNGs on results measurement, implementation of territorial development plans, financial and budget management, and developing the monitoring system was expected to improve their MDM management scores.

The causal links between project activities (inputs), outputs and intermediate outcomes were clear. The links to PDO outcomes were also clear, as capacity strengthening activities, a new modern POT methodology and POTs, a multipurpose cadaster, and the modernization of municipal management systems through the TMM were to provide information for regional planning decisions on land allocation, infrastructure, investments, and taxes, among others, to improve budget execution and lead to a more open government, which would in turn result in better management scores and improved long-term planning instruments.

Outputs (ICR, p. 8-9, p. 26)

The project delivered the following outputs:

- New methodology for POT and Departmental Land Use Plan (Plan de Ordenamiento Departamental, POD) developed.
- 9 PODs, 27 POTs (against a target of 39 POTs), and 1 metropolitan area plan were completed (total of 37) (ICR, footnote 14, p. 10).
- POTs and Multipurpose Cadaster embedded in national policy through CONPES documents, allowing for their ongoing scale-up across the country.
- Multipurpose cadaster piloted in 7 municipalities (Topaipí, Dibulla, San Carlos, Lebrija, Puerto Leguizamon, Puerto Gaitán, and Santa Marta). The pilots did not reach areas affected by conflict.
- TMM designed and implemented in 281 municipal governments (vis-à-vis a target of 280 for IRI 3.2) with modules 1 and 3.
- TMM implemented with all three modules in 40 municipalities.
- 7,335 technical assistance sessions conducted across 365 municipalities (exceeding the target of 300 municipalities for IRI 3.3).

The following **Intermediate Results Indicators** informed the achievement of PDO 1.

1. IRI 1.1: Design and implementation of the territorial land use plans (POT) program. Baseline: 0 (April 2016). Target: 69. Actual: 37 (March 2024). A total of 9 PODs, 27 POTs, and 1 metropolitan area plan were implemented (total of 37). **(IRI 1.1: Partially achieved).**
2. IRI 1.2: Design and implementation of multi-purpose land cadaster pilot. Baseline: No pilots in any municipality (April 2016). Target: Pilots implemented in 7 municipalities (Topaipí, Dibulla, San Carlos, Lebrija, Puerto Leguizamo, Puerto Gaitán, and Santa Marta). Actual: Pilots implemented in 7 municipalities (March 2024). All products from the cadaster have been delivered, and the cartography has been validated by IGAC. **(IRI 1.2: Achieved).**
3. IRI 3.2: Implementation of the Territorial Management Model (TMM). Baseline: TMM not implemented (February 2014). Target: TMM implemented in at least 280 municipalities. Actual: TMM implemented fully (all 3 modules) in 40 municipalities (March 2024). **(IRI 3.2: Partially achieved).**
   - Module 2 (Financial and Revenue Management) was implemented in 40 municipalities. Modules 1 and 3 (Planning and Monitoring and Evaluation modules) were implemented in 281 municipalities (ICR, p. 24). The ICR noted (p. 9) that this indicator lacked a clear definition or methodology, leaving ambiguity about whether full implementation required all three modules. ISRs indicated partial achievement, but the Borrower's ICR from May 2024 considered the end target met, as 281 municipalities implemented at least two of the three modules, exceeding the target of 280. IEG considered this indicator as partially achieved because the Territorial Management Model is a structured framework designed to achieve specific outcomes. When this model is fragmented or divided, it is not a Model anymore, as it fails to deliver the intended results for which it was originally conceived. In addition, Module 2 on Financial and Revenue Management was central to the project's PDO. The task team (interview) considered that the implementation of Modules 1 and 3 was sufficient to qualify as TMM adoption, as the indicator definition did not specify that all three modules needed to be completed, and while

Module 2 contained important components, assigning it greater weight would have introduced subjectivity to the evaluation process. In addition, private sector providers developed alternative Financial and Revenue Management modules and offered them to municipalities at reduced cost or free of charge. While Module 2 was implemented in only 40 municipalities under the project, many municipalities are nevertheless using similar financial management tools from private providers.

4. IRI 3.3: Provision of TA to SNGs on the functionalities of the TMM. Baseline: No TA had been provided (February 2024). Target: 300 municipalities have received TA as part of the TMM. Actual: 365 municipalities received TA as part of the TMM (March 2024). **(IRI 3.3: Exceeded)**

Outcomes (ICR, Annex 1, p. 21, and table 3, p. 9)

The achievement of the PDO was assessed using the indicators listed below.

PDO Indicator 1. Beneficiary municipalities with an improved score in the management component of the Municipal Performance Measure (MDM) Index by at least 10 points (Percentage). Baseline: 6 percent (December 2019). Target: 50 percent. Actual: 53 percent, or 160 out of 300 municipalities, improved their score by at least 10 points (March 2024). The MDM management score is measured as the average in the scores of budget execution and open government **(PDO Indicator 1: Exceeded)**

PDO Indicator 2. Beneficiary municipalities with updated long-term planning instruments (Percentage). Baseline: 5.10 percent (December 2019). Target: 100 percent. Actual: 69 percent, or 27 out of 39 planned POTs, were formulated with the project's support (8 in zone 4 and 19 in zone 2) (March 2024). The end-target was not achieved. No additional POTs will be financed and formulated by the project. **(PDO Indicator 2: Partially achieved)**

The project helped enhance management performance, transparency and accountability, and information reporting to the central government by SNGs through the implementation of the TMM, Cadaster pilots, and POTs. However, many planned activities were cancelled, and there were significant shortcomings in the implementation of module 2 of the TMM on Financial and Revenue Management (IRI 3.2). Only 40 out of 281 municipal governments implemented module 2, along with modules 1 and 3, despite module 2 being a fundamental component of the model and a core area of public management in SNGs. Additionally, one outcome indicator (PDO Indicator 2) and its related IRI (IRI 1.1) which measured the implementation of POTs, were only partially achieved. POTs are critical for reducing disaster risk and directing investments based on land conditions and socioeconomic use. Therefore, the achievement of this objective is rated as Substantial

Rating
Substantial

OBJECTIVE 2
Objective
Strengthen the capacity of the Borrower's central government to manage the decentralization and territorial management framework

Rationale

Theory of Change. The original PAD did not include an explicit theory of change, but one was added in the ICR (Annex 7) for the project at appraisal and at closure. The project aimed to strengthen the capacity of the Borrower's central government to manage the decentralization and territorial management framework. This objective was to be measured by PDO indicator 3) Beneficiary subnational entities using instruments developed by the project to strengthen the decentralization framework and public management (Percentage) and PDO indicator 4) Level of automation of administrative and financial processes (Percentage).

These outcomes were to result from implementing a series of activities that included the development of a platform to formulate POTs; the development of a Territorial Planning Kit (KPT), later upgraded to the Territorial Planning System (SisPT) to help subnational entities formulate and monitor their PDTs; and equipping SNGs with technical manuals on the planning process and formulation of their POTs. After its update to SisPT, the platform was further enhanced with the incorporation of the Public Investment Platform (PIIP-T), integrating information systems across all stages of the project cycle and unifying processes related to territorial public investment in a dynamic, user-friendly virtual space. Additionally, the project introduced a new budget catalogue aligned with Organisation for Economic Cooperation and Development (OECD) recommendations, consolidating financial data from local budgets, and enabling standardized fiscal reporting. Activities also included developing a toolkit for citizen participation in public management, and formulating Regional Land Use Plans (MOTR) and Regional Strategic Plans (PER) expected to guide regional governments in maximizing their functional potential and provide tailored TA from the government to support a cohesive national framework. Activities also included supporting the government's new Decentralization Mission informing and preparing decentralization reform proposals following extensive stakeholder engagement sessions.

The causal links between project activities, outputs, and outcomes were well-defined. The adoption of these critical tools, funded by the project, was expected to significantly enhance the central government's capacity to manage the decentralization process and the territorial management framework.

Outputs (ICR, pp. 10-11, p. 26)

The project delivered the following outputs:

- 1,129 subnational entities developed and published Indicative Plans using the KPT.
- In 2020, 1,044 subnational entities, in 2021, 1,080, in 2022, 1,082, and in 2023, 973 subnational entities used the KPT to monitor their Development Plans.
- 782 subnational entities adopted the SisPT within the first month of being launched to formulate their PDTs. These results were measured under PDO Indicator 3, which exceeded its target by 20 percent.
- POT toolkit developed and embedded in the DNP territorial portal and used by 384 SNGs for formulating their POTs.
- 565 SNGs used the citizens participation toolkit.
- The PIIP-T was incorporated to the SisPT, integrating information systems across all stages of the project cycle and unifying processes related to territorial public investment.
- A new budget catalogue was introduced and aligned with OECD recommendations.
- Five PERs were formulated and approved by the DNP (Pacifico, Eje Cafetero, Central, Amazonia, and del Agua y la Montaña regions).
- 68 participatory sessions were held for stakeholder engagement with over 2,200 participants, including public officials, ethnic communities, academia, and civil society.

- A communication strategy was developed to strengthen territorial development and the production of technical documents that were debated and discussed in virtual forums of the Decentralization Mission.
- Analytical inputs and technical documents were delivered for the Decentralization Mission.
- TMM designed, with a citizen participation module.
- Technical assistance on the TMM was delivered to 365 SNGs.
- A Special Comprehensive Development Plan for Buenaventura was developed through extensive community engagement aimed at addressing the district's historical needs through ten-year investments in social, economic, institutional, and environmental areas.

There were **Intermediate Results Indicators** that informed the achievement of PDO 2.

- IRI 1.3: Development and implementation of a support platform to formulate Territorial Land Use Plans (POTs). Baseline: Beta version of the platform has been completed but has not yet been officially launched (December 2019). Target: At least 60 SNGs have used the platform to formulate POTs. Actual: The platform to formulate POTs is used by 384 SNGs (March 2014). **(IRI 1.3: Exceeded)**
- IRI 1.4 Formulation of Regional Land Use Plans (MOTR) and Regional Strategic Plans (PER). Baseline: No MOTR and PER have yet been formulated (December 2019). Target: MOTR and PER have been formulated for at least 4 regions (September 2023). Actual: PER have been formulated and approved by the DNP for 5 regions, but no MOTRs were produced because the government scaled back the use of MOTRs (March 2024) (ICR, footnote 15, p. 11). According to the task team (interview), through a 2019 law (*Ley 1962*), the MOTR was effectively replaced by the PER as the designated planning instrument. Territorial entities were instructed to develop PERs instead of MOTRs, meaning that the PERs formulated and approved by the DNP are equivalent to the MOTRs under the revised legal framework **(IRI 1.4: Exceeded)**
- IRI 3.1: Design of the Territorial Management Model (TMM). Baseline: TMM had not been designed (February 2014). Target: Design of the TMM completed. Actual: TMM designed, including the definition of technical specifications and implementation strategy (March 2024). **(IRI 3.1: Achieved)**
- IRI 3.4: Technical assistance to strengthen citizen participation along the public management cycle. Baseline: No tools or methodologies exist to support citizen participation (February 2014). Target: A citizen participation toolkit has been designed and implemented by at least 50 municipalities. Actual: The territorial platform (KPT) provides a toolkit for citizen participation in the planning process of public investment projects. The tool kit has been used by 565 subnational governments for the planning of public investment projects financed through General Royalties System transfers (March 2024). **(IRI 3.4: Achieved)**
- IRI 4.2: Design of instruments for territorial management control. Baseline: No instruments exist (February 2014). Target: Control model integrated in TMM. Actual: Control model integrated in TMM (March 2024). **(IRI 4.2: Achieved)**

Outcomes (ICR, Annex 1 and Table 4, p. 11)

The achievement of the PDO was assessed using the indicators listed below.

PDO Indicator 3. Beneficiary subnational entities using instruments developed by the project to strengthen the decentralization framework and public management (Percentage). Baseline: 0 percent (December 2019). Target: At least 80 percent. Actual: 100 percent (March 2024). **(PDO Indicator 3: Exceeded)**

PDO Indicator 4. Level of automation of administrative and financial processes. Baseline: 0 (Feb 2014). Target: At least 210 beneficiary SNGs increased their automation level by 10 points based on the Digital Government Index – MIPG Indicator I20. Actual: 263 SNGs (March 2024). **(PDO Indicator 4: Exceeded)**

The project helped strengthen the capacity of the Borrower's central government to manage the Decentralization and Territorial Management Framework by successfully supporting subnational entities using instruments developed by the project to strengthen the decentralization framework and increasing their automation level based on the MIPG. Missing the target on the formulation of Regional Land Use Plans (MOTR) was due to a government decision to scale back the use of these instruments.

Rating
High

OVERALL EFFICACY

Rationale
The project substantially met its objectives of improving SNG performance in core public management areas and strengthening government capacity to manage the decentralization and territorial framework. It missed one of its four PDO indicators (PDO Indicator 2) but achieved 69 percent of its targeted change on that indicator and exceeded targets for the other three PDO Indicators. The operation achieved seven IRIs, missing only two, and exceeded the target on several of them, with partial progress on others. Despite Colombia being affected by armed conflict, the project succeeded in implementing the pilot Multipurpose Cadaster in seven out of 10 target municipalities.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency: A comprehensive ex-ante cost-benefit analysis (CBA) was unavailable, but an initial appraisal suggested benefits exceeding costs, including savings on expenditures (current and capital) and increased tax revenues from improved PFM in SNGs. The project aimed to enhance revenue administration, financial management, information systems, budget planning, monitoring and evaluation (M&E), and citizen participation.

A standard CBA at project completion evaluated the efficiency of the investments. The ex-post CBA indicated an estimated net present value (NPV) of approximately US$52.8 million and an internal rate of return (IRR) of 34 percent. Expected benefits included cost reductions for 27 SNGs from improved investment and procurement management, and savings for 40 SNGs from digitized public financial administrative processes. Additionally, seven municipalities involved in the land cadaster pilot were expected to see increased tax revenue through improved property tax administration and enhanced taxpayer compliance.

A sensitivity analysis showed the project's economic viability was primarily driven by savings from improved SNGs' investment and procurement management. The project remained economically viable even when expenditure savings and tax revenue increase assumptions were reduced, with an estimated low-case NPV of US$0.2 million and an IRR of 10 percent.

Operational Efficiency: The armed conflict in Colombia, the COVID-19 pandemic, and the change in the political landscape due to three elections during the project's lifetime affected the project's operational efficiency. Ongoing violence and conflict did not allow project teams to reach municipalities in some areas. The onset of the pandemic and mobility restrictions also halted some project activities. Finally, changes in government authorities delayed implementation, as new counterparts had to familiarize themselves with the project and its objectives (ICR, p. 16).

In addition, other factors internal to the project affected implementation and operational efficiency. The decision to use a third-party fiduciary agent ultimately proved to be counterproductive. It added excessive bureaucracy, duplication of efforts, and delays, leading to reprocessing and redundant reviews that exacerbated inefficiencies and ultimately complicated the management of project funds. Frequent changes in DNP leadership and staff also led to disruptions and delays in project execution. New leadership teams usually meant a change in priorities and a revisit and reassessment of the project's approach (ICR, p. 16). Moreover, weaknesses in the design of the results framework reduced operational efficiency. Methodologies for tracking progress were often unclear. Frequent restructuring also complicated consistent reporting because of changes to the results framework (ICR, p. 18).

Furthermore, project management costs, which constituted 17 percent of the total project cost, may not have been reasonable when compared to country and regional averages. The ICR does not comment on these costs, but the task team (interview) explained that the project's management costs were driven by its client-facing and field-based focus, which was central to achieving the objectives. Unlike typical operations that rely primarily on centralized management, this project involved intensive on-site engagement, capacity-building activities, and the implementation of a new Territorial Management Model and PFM digital solutions across multiple SNGs. Additionally, the project required hiring experts across diverse topics to support the design and implementation of innovative solutions, adding complexity to the operation. A sample of firm consulting and non-consulting service contracts under component 5 (project management) showed that 62.9 percent of the expenditures were for administrative support services, while 37.1 percent were allocated to expert technical advisory for the local counterpart (DNP).

With operational/implementation efficiency below expectations for the sector, project efficiency is rated Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate	✓	34.00	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project's PDO was of high relevance, but there were shortcomings in the project's achievement of its objectives, as one of the two objectives was only partially achieved (low Substantial). In addition, there were shortcomings in the project's operational efficiency, which led to a Modest rating for project efficiency. The overall outcome rating of the project is therefore Moderately Satisfactory, in alignment with the ICR's rating, reflecting moderate shortcomings in the project's preparation, implementation, and achievement.

a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

The risk to development outcome is low. Territorial development continues to be high on the government's agenda, and the project's results helped shape the strategy forward. The project objectives continue to be highly pertinent to the Bank's country strategy, and key project activities, such as the Multipurpose Cadaster pilot, have been expanded through other initiatives such as the Multipurpose Cadaster Project (P162594) and the Program for Results to Scale up the Multipurpose Cadaster in Colombia (P181163). In addition, the cadaster pilot's outcomes influenced the creation of a new multipurpose cadaster policy, paving the way for broader applications of this instrument and enhancing decentralization processes and government capacity at both central and local levels in Colombia. The institutional strengthening that was at the core of the project is likely to be sustained (ICR, p. 14) and also helped minimize risks to the achieved outcomes as it focused on key public management areas, including planning and budgeting, to prepare for the roll-out of the TMM. The ICR (p. 19) does not evaluate the risk to development outcomes arising from conflict, violence, and political instability.

8. Assessment of Bank Performance

a. Quality-at-Entry

The original project design benefitted from a long-standing WB engagement in Colombia on delivering knowledge products and financial services to address key challenges in decentralization and subnational governance. It also benefitted from the government's commitment to decentralization reform, but with shortcomings emerging in that area, as the electoral cycle led to delays in implementation due to lack of engagement from new authorities or shifts in policy orientation.

The original project design had several shortcomings in the results framework. It did not identify appropriate PDO-level indicators to measure the project's contributions to intended outcomes, and original links to some of the IRIs were weak, which did not provide the guidance needed for effective monitoring and evaluation.

PDO Indicator 1 (dropped): Pilot subnational governments have increased local tax collection by at least 10 percent, could not be attributed to project activities; PDO Indicator 2 (dropped): Fulfillment of municipal development plan outputs/goals, could not be measured, and PDO Indicator 3 (dropped): Budget execution (total budget execution as percentage of revised budget), was influenced by many factors beyond the project's control.

The ICR noted that project design lacked criteria to select beneficiary municipalities, which compromised implementation (ICR, p. 19) as conflict dynamics were overlooked and regional operators were unable to access conflict-affected areas to deliver TA and implement project activities.

Some implementation challenges could have been foreseen and better accounted for in the design, such as the requirement for extensive coordination between the DNP and SNGs, the absence of early criteria to prioritize and select beneficiary municipalities, and the limited capacity of some municipal governments to review and approve technical products. These factors, along with geographic and security challenges in some regions, negatively impacted the project's readiness for implementation and compromised project efficiency.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Supervision was weak during the early stages of project implementation due to shortcomings in design, monitoring, and measurement as well as inefficiencies by the first fiduciary agent. Initial project restructurings would have benefitted from better analysis and early flagging of needed changes in the results framework. It took six years, until the third restructuring, to revise three out of four PDO indicators and to add additional IRIs following a downgrade in implementation progress to Moderately Unsatisfactory. In addition, proper supervision at the start of the project could have flagged the inefficiencies with the first fiduciary agent, FINDETER. Shortcomings in the implementation arrangement with FINDETER hindered progress towards the achievement of the project development objectives before the first restructuring (RES 18787, p. 5). This ultimately led to FINDETER requesting an end of its contract with DNP. According to the

ICR, the decision to use a fiduciary agent proved to be counterproductive and complicated project management (ICR, p. 16).

On the positive side, following the third restructuring, the project began to thrive thanks to a consistent Bank supervision team with minimal turnover, ensuring ongoing support and continuity. The technical and new fiduciary teams on the ground were vital for managing complex contracts. Urban and land management specialists addressed technical challenges like POTs and the Multipurpose Cadaster. Regular support visits, including virtual missions during COVID-19, ensured consistent progress tracking. The team also adapted well to changing government priorities among three different national administrations and shifts in local level governments.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design had substantial shortcomings, mainly due to weaknesses in the results framework. A theory of change was not formulated at appraisal because it was not required. Nevertheless, while most of the links between project activities, outputs, and outcomes were clear in their contribution to achievement of the PDO, the PDO indicators had shortcomings. They had limited attribution to the project, and the methodologies for tracking their progress were often unclear. Consequently, as mentioned above, nearly all indicators were modified during implementation, except for PDO indicator 4 and IRI 3.1: Territorial Management Model (TMM) design, for which the definition was kept the same, but targets were adjusted.

Attributing project outcomes to the original PDO indicators proved challenging. While these indicators largely derived from existing composite indexes developed by the DNP, they were not well suited to the project. These indexes encompassed multiple factors beyond the project's direct influence. Similarly, some IRIs extended beyond the project's scope and were dropped during the first restructuring. Examples include IRI 1.1 (Creation of a territorial observatory), IRI 1.2 (Strategic projects for high-impact regional investment structured), and IRI 4.1 (Definition of the integrated SNGs financial control model).

In addition, there were delays in selecting the beneficiary municipalities, and criteria for their selection were not appropriate. Data collection methodologies were also not clearly identified, which further complicated M&E implementation.

b. M&E Implementation

M&E implementation was affected by poor indicator design, unclear data collection methodologies, and frequent changes in the results framework that made consistent reporting difficult, despite having a strong

M&E team in the DNP. Moreover, the project's operations manual was not updated to reflect changes, resulting in a lack of formal methodologies for the revised indicators, which complicated accurate assessment of progress. One example was the lack of definition for IRI 3.2 (Implementation of the TMM) on whether or not implementation included all three modules, which led to challenges in rating efficacy for that indicator's achievement.

Although the PIU consistently provided the Bank with timely and informative progress reports and data for semi-annual ISRs; reporting lacked candor and was not accurate. The ICR (p. 17) indicates that the project's many restructurings created challenges for maintaining consistent and accurate data on project process and achievement, resulting in shortcomings of both accuracy and candor in ISRs.

Overall, in spite of team continuity and team members being field-based, the Bank lacked proactivity in addressing the project's sub-optimal M&E design and took over six years to replace inappropriate PDO indicators. The ICR (p. 16) argues that this lack of proactivity was due to excess flexibility in accommodating shifts in government priorities, as well as changes in DNP management.

c. M&E Utilization

Project M&E data informed project restructurings, but misalignment between the results framework and project activities, along with vague methodologies for reporting on indicators in ISRs, limited effective utilization of data. The project's MTR mission in February 2018 and subsequent follow-up discussions with the DNP concluded that the results indicators did not capture the project's outputs or their contribution to achievement of the PDO (RES3321, p.5), but noted that there were delays in addressing known issues and that ISRs did not always present candid assessments of challenges. M&E was rated satisfactory for most of the project's duration, but the ICR noted that this rating may have masked these underlying issues (ICR, p. 17).

Overall, M&E quality is rated as Modest, in view of the significant shortcomings in the M&E system's design, implementation, and utilization.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as Category C at appraisal, as it did not include any activities that involved environmental or social risks. The indigenous people's safeguard was activated, but no direct contact, meetings, or consultations with Indigenous communities were planned or required, rendering the supervision of social safeguards unnecessary. Project implementation proceeded without the need for additional oversight related to environmental or social safeguard policies.

b. Fiduciary Compliance

A financial management assessment was conducted at appraisal. This assessment determined that the executing agency (DNP) had adequate capacity to manage the financial management aspects of the project (PAD, p. 41). FINDETER, via a subsidiary agreement with DNP, was to carry out all major fiduciary functions. However, the project's overall financial management risk was assessed as Substantial due to the complexity of dealing with multiple levels of government. Lack of experience of FINDETER in implementing Bank procurement procedures was listed as a challenge (PAD, p. 45). Mitigation measures for this and other challenges were well specified.

During the first restructuring, financial management and fiduciary functions were transferred from FINDETER to FONADE. FONADE's financial management and procurement capacities were assessed and considered sufficient by the bank's fiduciary team (RES 18787, p. 9).

The ICR does not state whether financial reports and statements were submitted in a timely manner and were of acceptable quality. It also does not note whether procurement issues delayed planned external audits and whether audits were completed as scheduled, but these issues were clarified by the task team (interview). Financial reports were submitted on time and were of acceptable quality. However, the justification of expenses was frequently delayed. Regarding external audits, the last audit report remains overdue and was expected to be submitted by December 2024. Previous audits were issued with a clean opinion, indicating no major concerns. Procurement issues did not directly contribute to delays in planned external audits.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

N/A

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

Strategic prioritization and early assessment of local capacities are important for effective project implementation. Integrating foundational elements, such as updated cartography, into the project design from the outset is essential to prevent delays in project implementation and cost overruns. Establishing clear selection criteria for beneficiary municipalities is vital to shield the process from political interference and ensure that interventions are tailored to local needs. To accommodate the diverse capacities and challenges of municipalities across the country, particularly those affected by armed conflict and natural hazards, it is crucial to simplify planning instruments and adopt flexible, fit-for-purpose schemes. Building local capacity should remain a priority, with ongoing support from the central government through training, virtual tools, and targeted assistance.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR presents a clear, coherent, and well-organized overview of the project. The analysis discussed in the text provides sufficient evidence for assessing project performance. The ICR is concise, follows most of the guidelines, and is focused on results. The evidence provided is aligned with the messages outlined in the ICR, although there were minor shortcomings in the completeness of information that for the most part were resolved during the interview with the task team. The ICR's lessons are useful and logically flow from the data and analysis provided in the ICR.

However, the ICR could have more effectively captured and described the direct impact of government transitions and changes in policy priorities on which the restructurings were based. The discussion of design shortcomings should also have included an assessment of the original PDO indicators, highlighting their unrealistic ambition as well as lack of measurability and attributability. The ICR could have assessed the risk to development outcomes arising from conflict, violence, and political instability.

a. Quality of ICR Rating
Substantial