

INSTITUTIONAL STRENGTHENING FOR THE DISTRICT OF BOGOTA

(CO-0251)

EXECUTIVE SUMMARY

Borrower:	Capital District of Bogota	
Guarantor:	Republic of Colombia	
Executing agency:	Mayorality Office for the District of Bogota, acting through its General Secretariat	
Amount and source:	IDB: (OC)	US\$16.0 million
	Local:	<u>US\$10.7 million</u>
	Total:	US\$26.7 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	3½ years
	Disbursement period:	3½ years
	Interest rate:	variable
	Inspection and supervision:	1.00%
	Credit fee:	0.75%
	Currency:	U.S. dollars from the Single Currency Facility
Objectives:	<p>The overall objective of the project is to provide institutional strengthening for the District of Bogota, ensuring more transparent and efficient use of resources and substantially improving the delivery of municipal services.</p> <p>The present administration has drawn up and approved the 2001-2004 Development Plan ("Bogota: we're in it together"), one of whose goals is to improve all aspects of public administration through an action plan entitled "Winning respect through good management". The present program will support the three basic strategies adopted under this action plan: (i) reorganization and restructuring of the District's institutions; (ii) redoubling of efforts to download responsibilities to the local level through community action groups; and (iii) improving delivery of public services, including the communication channels available to citizens for effective interaction with the District.</p> <p>In keeping with these objectives, activities under the present program will be concentrated in three areas: (i) support for the reorganization of the District's major institutions through bolstering of strategic management functions, particularly those of planning and budgets,</p>	

property registration systems and land-use planning, and the generation and management of information; (ii) improving management efficiency at the local level, above all among local municipalities and administrative boards, and strengthening community action groups; and (iii) adoption of a model of excellence in serving the public which will ensure efficient, rapid and convenient delivery of quality services.

Description:

The program will consist of the following components:

(i) strengthening of management at the District level, which will provide support for: (a) reorganization of the District's most important institutions; (b) tightening of the planning and budget process; (c) improvement of land-use planning and the beneficiary selection system; (d) updating land registration systems; and (e) strengthening of technology coordination systems; **(ii) strengthening of management at the local level** which will support: (a) reinforcement of local authorities; and (b) promoting citizen participation and community action groups; and, **(iii) modernization of services to the public** which will provide assistance for: (a) the Specialized District Service Centers (CADEs); and (b) virtual service systems.

The Bank's country and sector strategy:

The Bank's current country programming paper for Colombia (GN-2051-1), which was approved in August 1999, deals with five high-priority areas: (i) support for the peace process; (ii) reducing poverty and disparities; (iii) encouraging greater decentralization of powers; (iv) modernizing the State; and (v) bringing about sustainable growth. This operation will directly contribute to the achievement of objectives (iii) and (iv).

The Bank has a wide range of experience with programs dealing with institutional reform and modernization. Of particular note are those aimed at modernizing the municipalities of Managua (NI-0111), the province of Buenos Aires (979/OC-AR) and the municipality of Porto Alegre (1095/OC-BR). The latter two included modernization of the respective government administrations, improving the quality of services, promoting productive activities in the private sector, and restructuring the administration and tax accounts. Among the relevant lessons learned from these projects are the importance of coordination within and between institutions, and the importance of focusing on strategic processes in the public administration through specific activities with clearly defined institutional responsibilities. These lessons have been incorporated in the design of the present operation.

The Bank has two ongoing operations in Colombia which deal with fiscal and financial aspects of municipal administrations: Strengthening of Local Government Administrations (977/OC-CO) and Strengthening of the Subnational Financial Information System (1053/OC-CO). In addition, the Second Municipal Development Program (1066/OC-CO) is assisting municipalities by providing

financing for projects to upgrade their infrastructure. Finally, the MIF has approved a technical cooperation aimed at streamlining procedures in the business sector, which includes participation by Bogota's Chamber of Commerce and Mayoralty Office (AM), plus the Chambers of Commerce and municipal administrations of six other cities, and which will help reinforce efforts to modernize the public service systems included in the present operation.

**Environmental
and social
review:**

The program will incorporate the recommendations made by CESI at its meeting on August 10, 2001, and will therefore have a positive impact on the city's environment given the plans and methods to be developed as part of its property registration component. As well, the capacity of the District Planning Department (DAPD) will be enhanced for closer monitoring of the Land Management Plan (LMP), which includes an ecology policy for the metropolitan region as well as an environmental plan. Moreover, the LMP includes environmental considerations in all of its subcomponents. The present operation will support both a regional environmental strategy and formulation of areal plans that will enable the residents of each area to discuss and assess their own environment, and to take measures to preserve and improve it. Finally, the terms of reference for each of the land management consultants to be hired with resources provided under this operation will include consideration of the environment.

Benefits:

The program's component for reorganizing major municipal institutions will provide the city with a better coordinated and more efficient central administration. Combining planning with budgeting procedures—performance budgeting—will ensure more efficient and transparent decision-making through the generation of clear and accessible information on the results expected, and the resources committed in achieving them. This information will supply valuable feedback on the budget, thereby reducing the cost for political controls and monitoring by the citizenry, as well as increasing the taxpayer's confidence in the administration. Meanwhile, land-use planning will permit more efficient investment through consolidation of the planning process for urban infrastructure and furniture, and public open spaces. Modernizing property registration will allow the city fathers to update the basis for property tax assessments, thereby improving the district's finances. The benefits of improved coordination and interaction between the District's various information systems will permit improvements in the design of public policies, provide a solid basis for decision-making by the authorities, and allow the District to provide public services in a timely and coordinated manner.

The strengthening of management at the local level will enable municipalities to identify skills, tools and methods of ensuring coordination with the central administration, which will in turn improve planning, eliminate duplication of effort and save on

resources. The proposed activities for promoting citizen participation, together with the associated training required for such participation, will result in improved planning and technical content in local development projects and wider support within the community.

In the case of the services provided through the CADEs, these will reach a much wider audience in the population as a whole. The bulk of this increase will be felt in the poorest areas of the city.

Risks:

One risk lies in the short term of office for the district government (three years), which could result in a loss of political support during execution of the final stage of the program. Since its components will have high priority for achieving efficient public management, however, they will tend to transcend the temporary incumbency of a given administration and thus considerably lessen the attendant risk. Specifically, the program aims to strengthen strategic procedures (e.g., planning and budget, and property registration) which are unavoidable for any administration wishing to increase levels of efficiency. Likewise, the strengthening of local municipalities is an essential requirement for execution of the decentralization process which is being carried out in Colombia under that country's constitution. Finally, any new administration may be expected to have a vested interest in maintaining the gains in delivery of public services achieved under the program.

Another risk of the program has to do with the degree of rigidity that the administration encounters when attempting to change its current flat line organizational structure (with all of the District's agencies reporting directly to the Mayor). However, since its inception the project has promoted the formation of Sectoral Committees (which have since been created by decree from the Mayoralty Office and are in full operation) as a means of keeping the focus on coordination of operating procedures to ensure more efficient generation of products, rather than on formal redefinition of relationships between institutions. In addition, the program calls for the formulation and presentation to District Council—at the end of the first year of the execution period—of a formal proposal for the restructuring of its major institutions.

With the variety of agencies in the District (both those of the central administration and those of the local municipalities) having a role in the execution of the program, a complex web of interrelationships and cooperation must be coordinated between them. With this in mind, the program will include technical (as well as administrative) strengthening of the Project Executing Unit, the hiring of experts on mechanisms for coordination between agencies to act as consultants, and reinforcement of the District Systems Committee in the area of computer data systems.

There is the risk of a relative lack of response from the citizenry to calls for active participation in the formulation of local development plans and decision-making with regard to local investment projects. To avoid this, the program will undertake a substantial number of promotional activities including media campaigns, training programs and community gatherings to promote citizen participation.

**Special
contractual
clauses:**

- (i) As a condition precedent to the first disbursement, the district must present to the Bank evidence of: (a) the creation of the Project Executing Unit (PEU) in the General Secretariat; (b) hiring of the PEU coordinator and selection of the minimum number of personnel necessary for its operation; (c) the opening of a special bank account to handle the loan proceeds; and (d) the final annual work plans for the first year of program execution, duly approved by the Bank.
- (ii) Before the first disbursement is made for the components on strengthening of management at the local level and modernization of services to the public, the District is to present evidence to the Bank that it has: (a) defined the main impact indicators for these components and (b) hired the necessary consulting services (or, if applicable, assigned sufficient staff) for determining the definitive base lines and the respective targets to be achieved.

**Poverty-
targeting and
social sector
classification:**

This operation does not qualify as a poverty-reduction project, as set forth in the key objectives for the Bank's activities contained in the Report of the Eighth General Replenishment (document AB-1704). Nor does it qualify as a project promoting gender equity.

**Exceptions to
Bank policy:**

None.

Procurement:

The threshold amounts for international competitive bidding are: US\$350,000 for goods and related services, US\$200,000 for consulting services, and US\$5 million for construction works.

I. FRAME OF REFERENCE

A. Economic climate

1. The country

- 1.1 The deep recession of the Colombian economy in 1999 led to a 4.3% drop in production. Although the economy grew by 2.8% in 2000, the expected recovery failed to materialize in the year 2001. Economic projections were optimistic at the beginning of the present year, with the country's GDP expected to grow by 3.8%. However, the weak performance of the economy in the first half forced the government to lower its goal to 2.4% growth. Recently, even this figure had to be downgraded to 2.2%.
- 1.2 At the macroeconomic level, Colombian authorities met with the IMF the first week in October 2001 in order to review—for the third time this year—its EFF Agreement. As a result of this review, and considering the economic contraction taking place around the world, the goal for the government's consolidated deficit was set at 3.3% of GDP (an increase with respect to its earlier target of 2.8%). This adjustment assumes GDP growth of 2.2% in 2001. The goal in terms of inflation remains to keep the rate under 10%. As a result of the review with the IMF, it appears that the 2002 targets, especially the projected deficit, will also have to be revised in light of a worsening international economy.¹ This loosening of the deficit gives the government greater flexibility to expand its level of expenditure, particularly in the social sectors. The letter of intent with new targets for 2001 and 2002 will be signed in December 2001.
- 1.3 Low growth rates have adversely affected employment levels: in July of this year the unemployment rate in Colombia's 13 largest cities rose to 17.8%, some 0.9% higher than the figure for the same month a year earlier. Clearly this situation makes the problem of poverty even worse: in the year 2000 roughly 50.8% of the population was below the poverty line, i.e. had incomes of less than US\$78 per month. In an attempt to provide an incentive for the creation of new jobs, the authorities are discussing labor reforms that would stimulate hiring in the formal sector of the economy.

2. Socioeconomic status of the Capital District

- 1.4 Bogota is a city of 6.6 million inhabitants and has traditionally enjoyed the largest and most dynamic economy in the country. Its per capita GDP in the year 2000 was US\$2,794, well above the national average of US\$1,857. In 1999, the city's economy underwent strong contraction, resulting in a 5.1% drop in the Capital

¹ The targets for 2002 are currently under review. At present, the target for the consolidated deficit is 1.8% of GDP, assuming GDP growth of 4.5% and an inflation rate of 6.5%.

District's GDP (although the following year it recovered part of the loss when GDP climbed by 3.1%). This trend is expected to continue, with official projections calling for 3% growth this year, followed by 3.3% the next year.

- 1.5 In the area of employment, the Capital District is suffering along with the rest of the country. Over the past decade, its unemployment rate has risen significantly, climbing from 4.9% in 1994, to 13.3% in 1998 and 20.3% in 2000. At the same time, there has been a deterioration in quality of employment and an increase in the number of individuals working in the informal sector, rising from 53% of the work force in 1996 to over 60% in 2000. These figures are paralleled by the worrying rise in the number of people living in poverty: in 1996, 24% of the district's population was below the poverty line,² whereas by 1999 this percentage had risen to 46.3%, and in the year 2000 it reached 49.6%.
- 1.6 The District of Bogota is made up of 20 municipalities with varying population densities, a fact which is also reflected in their socioeconomic characteristics, resulting in a segregated city. The distribution of public space within these municipalities is likewise uneven, with areas occupied by the poorest groups and developed in haphazard fashion without benefit of regulation, much less planning principles and parameters. Approximately 23% of the urban area (6,000 ha) is occupied by squatter settlements which are home to some 26% of the population (over 1.5 million inhabitants). Only middle to higher-income areas have managed to grow and develop under a well-regulated and modern market. As a result, Bogota consists of two or three separate cities, each corresponding to a different social group and therefore with different styles of land use, occupation and management.

B. Institutional framework

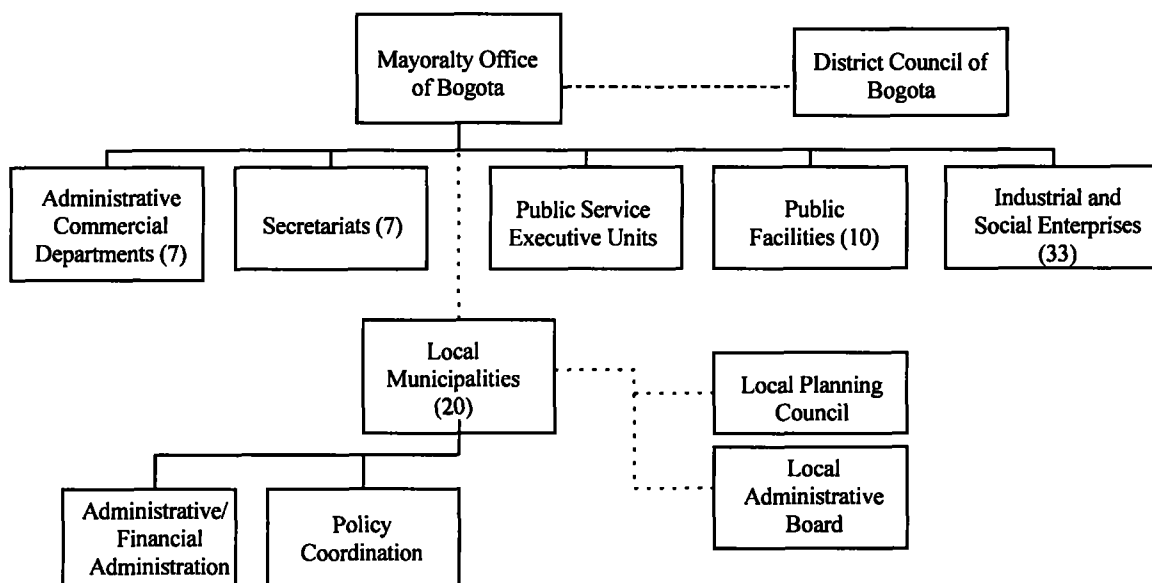
- 1.7 The Mayoralty Office for the District of Bogota is a highly complex organization, both in the number of agencies it comprises and in the diverse interrelationships it must maintain with other levels of government and with civil society. In the political-legislative sphere, its governing body is the Council for the District of Bogota, the councilors of which are elected to three-year terms of office. The Council oversees the work of district officials and is responsible for approving a number of measures that are essential to the operation of the district, such as the organizational structure of its institutions, the mission statements for its agencies, the budget, any changes to the system of taxes and fees, and limits on external indebtedness, among others.³ The highest executive office is that of the Mayor for

² The National Planning Department (DNP) defines the poverty line as the income required to purchase a basket of goods which meet a person's basic needs in the areas of food, clothing, education, health, culture and others. In the year 2000, this income level was estimated to be US\$78.40 per capita per month.

³ Certain difficulties have caused friction in relations between the present district government and the Council. For example, the Development Plan was not approved by the Council and therefore had to be enacted by means of decree issued by the Mayoralty Office under the legislation governing such cases.

the District of Bogota, under which are a number of Secretaries, Administrative Departments, Executive Units, Corporations and local municipalities.⁴ Table 1 below illustrates the administrative structure of the District of Bogota.

**Table 1. Political-Administrative Organization
District of Bogota**



C. District administration (the central level)

- 1.8 Although it has sufficient technical capacity, the district's administration suffers from structural problems traceable to inadequate organizational design and an insufficiency of strategic management agencies, as well as shortcomings with regard to its main procedures and instruments used in planning, budgets, property registration and land-use planning, and information systems.

⁴ The district's executive is divided into three levels: the central, decentralized and local administrations. At the central level there are 7 secretariats, 7 administrative departments and one executive unit; the decentralized level consists of 4 industrial enterprises, 4 utility companies, 2 public and one semi-private corporation, 17 public facilities and 22 hospitals; at the local level are 20 local municipalities comprising a total of 85 agencies which report directly to the Mayor.

1. Organizational structure of major institutions

- 1.9 Historically, the district government has evolved as a growing number of highly fragmented institutions, strung together invertebrate-like in a series of separate “watertight compartments” which are relatively unaware of each other and whose coordination is therefore exceedingly complicated. This disjointed organizational structure impedes efforts to bring about more efficient use of public resources, making the integration and coordination of existing activities and services imperative.
- 1.10 The district’s organization, which consists of a total of 85 entities, does not link or assign one agency to another as is done in the national system of ministries and their decentralized public agencies, so that all entities have more or less equal status. This flat line organizational structure exacerbates the so-called “agency problem” since, with all of these entities reporting directly to the Mayoralty Office, that office cannot keep close tabs on so many at once. Coordination between any two agencies is voluntary, which makes designing and applying sectoral policies difficult. Agencies have been created to handle specific problems or crises arising in the district, rather than as part of a clearly defined organizational policy. The result in many cases is overlapping or outright duplication of responsibilities between different agencies.
- 1.11 To correct this defect, the district government has tried various more efficient methods of organizing public administration. Thanks to this effort, they have been able to group several agencies with similar functions or objectives into “Sectoral Committees”.⁵ Among their other duties, these committees are responsible for setting sectoral policies, coordinating members’ activities, and verifying fulfillment of commitments made by individual agencies. Each committee has a Technical Secretariat which acts as head of that sector and forms working units that ensure a high degree of coordination and commitment, and combine all of the functions necessary to produce a required result or deliver a specified service. In this way, every agency in the district deemed to have an important role in generating the desired product or result is made a member of the unit.
- 1.12 In order to guarantee adequate coordination between sectoral committees and ensure that they are accountable to the Mayor for fulfillment of their commitments, their technical secretariats are required to attend meetings of the Governing

⁵ Decree No. 682 of August 31, 2001, created sectoral committees for the following areas: (i) social solidarity and democratic culture, (coordinated by the Secretariat of Government); (ii) finance and competition (Secretariat of Finance); (iii) culture, recreation and sports (Instituto Distrital de Cultura y Turismo); (iv) social services (Secretariat of Health or Education, or the Department of Social Welfare, depending on the topic to be taken up); (v) transportation and public spaces (Instituto de Desarrollo Urbano); (vi) public utilities (Executive Unit of the Public Utilities); and (vii) urban management and housing (District Planning).

Council⁶ whenever it involves their sector. In practice, the creation of these bodies has enabled the district to make gradual progress—to the extent that current legislation allows—toward the reorganization of the functions and operations of its institutions. Thus, in addition to formulating a proposal for the reorganization of its major institutions for approval by the Council of Bogota, the district's government has put in place new internal process and results-oriented methods of operation which are the defining elements of the district's management operations.

2. Planning and budget

- 1.13 There are two main instruments for shaping government action and laying out its planning and budget procedures: the Development Plan (DP) and the Land Management Plan (LMP). The DP is the plan for government on the basis of which mayors are elected; and after the election, when it has been transformed into a set of concrete goals, it provides the basis for evaluating their administrations. The budget must be drawn up in accordance with those goals, whereas the planning function is responsible for monitoring and measuring progress. The LMP, on the other hand, is a medium-term projection of the city's land management and urban development needs, as well as providing the framework within which the DP must deal with these areas.
- 1.14 However, the current planning and budget model does not incorporate criteria for assessing the impact of expenditures, such as costs, targets and indicators.⁷ The separation between budget and planning systems, and the lack of a long-term vision, have combined to keep prioritizing from being incorporated as a management tool by municipal agencies, so that it only comes into play when resources run out. These problems, added to the district's characteristic weak interinstitutional coordination, make defining priorities and ensuring coordination between the DP and LMP difficult.
- 1.15 To overcome this shortcoming and turn the budget into a tool that will support integrated resource planning for the agencies and supply information on the goods and services that they provide, the first Performance Budget (PB) was drawn up for the Capital District. This document seeks to make government managers more accountable to the citizens, eliciting commitments from them for delivery of certain products (public services and goods) and the social benefits expected to derive from same. The PB combines the processes of planning, budgeting and evaluation,

⁶ The Governing Council is the District's highest political and administrative body, and is made up of the Mayor of the District of Bogota (who acts as chair); the Secretariats of Finance, Education and Government; the General Secretariat and the Director of the DAPD.

⁷ Under the standard budget (required under the current legal framework), government managers must stay within predetermined expenditure limits for procurement of goods and hiring of services. Thus, expenditure is given place of honor as the defining element, and agencies that spend most efficiently receive top marks.

creating a common language in terms of results.⁸ To make this combination work requires a measurement system that supplies information on-line and provides a basis for agencies to revise their policies, development strategies and planning methods. In addition, with this system it should be possible to build a transparent public database which the ordinary citizen could use to—for example—identify what is and is not a good result. To do this will require integrating information systems on standard, compatible platforms. This would also translate into a savings in resources for the agencies, as well as offering broader opportunities for political control and public monitoring.

- 1.16 The District Planning Department (DAPD) and the Finance Secretary (SHD) share a fundamental role in implementing this new system, the DAPD having the task of coordinating the formulation and supervision of the DP, and the SHD being responsible for both traditional and performance budgeting. However, over the years the DAPD has been given too many duties over and above those of its principal mandate. Theoretically responsible for land-use, financial and institutional planning, it has concentrated more on the first of these areas,⁹ while limiting its supervision of the DP to investments only. Meanwhile, expenditure impact assessment is a tool only recently incorporated (in the PB for 2001) and still in need of reinforcement. This will require consolidation of the means for providing coordination and feedback between the DAPD, the SHD and municipal agencies, in order to ensure that the findings of monitoring and accountability programs are taken into account in planning for the next period.

3. Land-use planning and the beneficiary selection system

- 1.17 The development of a Land Management Plan (LMP) represents a significant advance in integrated, long-term planning for the district, based on a land-use model organized around the area's road and transport systems, water supply and sanitation network, urban infrastructure and furniture, and public open spaces in the city. In all of these systems, protecting the environment is of prime importance.¹⁰ The LMP also includes so-called "bedrock operations", which are large-scale projects carried out in a given area of the city by key—private and public sector—members of the community to lay the groundwork for achieving the basic objectives of the LMP. In short, they are projects designed to trigger development in a given area.

⁸ The PB brings together all of the agencies' resources around the products, provides an incentive for agencies to accept the challenge to maximize benefits for the city, and makes public their commitment to ensure efficient delivery of quality goods and services. In other words, the PB reflects the public value created by each of the district's agencies.

⁹ It is telling that the DAPD's area responsible for economic and financial planning has only 12 or so employees, versus a staff of more than 160 in its land-use division.

¹⁰ The LMP was worked out in agreement with the Department of the Environment (DAMA), and each of its projects must obtain an environmental permit from that Department.

- 1.18 While the existence of the LMP provides an opportunity for orderly development of the city, the weakness of its supervisory tools—information systems, methods of coordination, etc.—as well as that of the agency responsible for developing and implementing these tools (namely, the DAPD with its many divergent and overlapping functions) could undermine the viability of the proposed model. These deficiencies have permitted the formulation of different plans for infrastructure, urban furnishings and open public spaces, which in turn has resulted in differing priorities among the district's agencies responsible for their implementation, along with inefficient expenditures and lack of consistency between works projects. In addition, the LMP requires remains to be fleshed out since it deals only with land management at the level of the district as a whole, leaving specific regional, zonal and municipal plans to be worked out later.¹¹
- 1.19 Another factor that must be taken into account for land-use planning is the fact that the metropolitan region of the District of Bogota in fact extends beyond the formal geographical boundaries of the district under the administration of the Mayoralty Office, and now embraces several neighboring municipalities which form part of the Department of Cundinamarca.¹² Development of each of these municipalities is closely interrelated and therefore must take into account how each project affects neighboring areas. Until now, however, doing so has not been within the political and administrative mandate of each municipality.
- 1.20 Accordingly, it is now time to advance to the regional planning stage. The first step in this direction was the signing of an agreement between the district, the Government of Cundinamarca and federal authorities for creation of the Mesa de Planificación Regional [Regional Planning Board]. The Mesa was created in February 2001 with a mandate to support the “formation of institutional and technical capacity for planning and managing regional development”, and consists of representatives from the central, regional and local government, as well as from the private sector. This is a significant step forward and explicit proof of the political will to endorse the regional concept. However, while the mechanism for arriving at consensus on plans and proposals is at hand, their implementation still requires the development of instruments for ensuring greater commitment in their execution.

¹¹ Under the Zonal Planning project, the LMP defines 117 units as homogeneous geographical areas but does not include the methods, standards and instruments needed to prepare actual plans for each zone.

¹² The Savannah of Bogota, as it is called, is made up of 20 municipalities, of which at least nine are closely linked to the Capital District. Soacha is clearly an extension of Bogota itself; the western (Funza-Mosquera-Madrid) and northern (Cota-Chía-Cajicá) conurbations are closely interrelated and constitute two new urban developments in their own right; while Facatativá y Zipaquirá have a dual role as both regional centers and dormitory cities for Bogota.

4. Property registration

- 1.21 The DACD has a cadastral map containing property data managed by a Geographic Information System (GIS), plus a digital map that handles 41 levels of information on all areas of the city. However, the system has major deficiencies that act as a drain on local budgets and lower the efficiency of public services. At present, its data is not being fully standardized, debugged, validated and updated—and to this extent the physical, economic and legal aspects surrounding the existence and configuration of properties in the Capital District are less than reliable. The District Land Registry Department (DACD) is the agency responsible for maintaining the city's property records.
- 1.22 Cadastral records provide the basis for classifying the physical, financial and legal aspects of the district's urban real estate, with particular emphasis on property valuation and its effect on tax rates. Property information also provides the data needed to classify areas of the city into six different socioeconomic strata based on physical variable.¹³ The social stratum, in turn, defines the cost of services and tax rates applicable in an area, and is therefore essential for projecting the amount of revenues the district can expect. The presence of erroneous data or mistakes in determining socioeconomic strata can lead to mis-application of fiscal policy which is intended to promote social equity. And since over 86% of the city's populace lives in districts classified in strata 1 through 3, such errors can have a major impact.
- 1.23 To avoid this, the applicable law requires that cadastral information be validated and updated every five years. Yet the district lacks the instruments and systems needed to carry out these procedures in a reliable manner, and the present system is not linked to those of the Secretaries for Finance and Planning, which hinders the consolidation of databases and results in serious deficiencies in client services. Hence the need for standardizing and documenting the procedures that support the cadastral system, updating and vetting existing data, and developing client service modules.
- 1.24 The instrument currently used for targeting of subsidies under social programs to ensure that they reach the poorest segments of the population is the System for Selection of Beneficiaries (SISBEN). The SISBEN is a standard of living index which assigns point score to each individual indicating his or her level of poverty. As a targeting instrument, the SISBEN is economic to use, easy to understand and apply. However, its database requires updating and vetting, and there is a need for both publicity to inform the public about the system and its coverage area, and tighter quality control in applying the system.

¹³ The socioeconomic stratification used in Bogota is based on quality of housing within each area, with this feature serving as a proxy for the living standards of individuals residing there.

5. Information systems

- 1.25 The ability to provide the district with adequate public services depends in large part on the availability of accurate and timely information on which to base decisions. However, there is no clear distinction between the district's policy-making bodies responsible for information, and data itself is in any case rarely treated as a strategic resource. As a result, efforts by the district's agencies to improve the quality and quantity of available information have been sporadic at best, with much duplication, the absence of an organized data stream (who receives information, who forwards it, what it is needed for, etc.), haphazard allocation of resources, deficiencies in the data accessible to the public, and substantial gaps in the information in general. All of which reduces the capacity of authorities to make the right decisions, and hinders the public's ability to monitor and evaluate them.
- 1.26 The Mayoralty Office of Bogota therefore deemed it necessary to revitalize the District Systems Committee (CDS)¹⁴ and make it responsible for designing and updating strategies for the development and utilization of information and communications technology in the District.¹⁵ To remove the causes of earlier failures, its mandate this time includes the power to issue directives which are binding upon the District's agencies, allocation of a separate budget for its activities, and appointment of the individuals responsible for the relevant technologies with the District's secretaries and departments to sit on the Committee. The Mayor has named the General Secretariat to represent his office on the CDS.
- 1.27 The general situation of the District with regard to information technology has been surveyed by the Bank and the Agency for International Development (AID) in preparation for the Y2K changeover, who found that the actions taken so far to encourage development in this area have been insufficient in both coverage and impact, and that agencies and enterprises that have modernized their technology have done so on an individual basis, rather than under clear policies promoting integration and standardization. Therefore, most of the information systems developed by these entities operate in isolation from each other as local networks. Access by individuals and groups to personal computers has increased rapidly in the District, whereas the integration of the administration's agencies into digital data networks is painfully slow.

¹⁴ The CDS was created in the early part of the 90s to serve as the policy-making head of information technology for the district administration. The effort failed, however, because its mandate did not provide sufficient powers and an independent budget to support its activities, and its membership failed to include representatives from all of the agencies involved.

¹⁵ Decree No. 680 of August 31, 2001, makes the CDS the governing body responsible for policies and strategies involving information and communications technology. Under this decree, its decisions are to be "binding upon the agencies of the Capital District".

D. The local level

- 1.28 The plan for devolution of powers to local communities established the Local Administrative Board (JAL), the Local Development Fund (FDL),¹⁶ and the position of “Local Mayor”. The problems faced by local communities fall into three major categories: (i) the distribution of areas of responsibility and functions among agencies and departments of the central and local levels; (ii) the management capacity of agencies at the local level; and (iii) public participation.

1. Distribution of areas of responsibility among the central and local levels

- 1.29 Since the majority of district agencies act at the local level, the local municipalities (JALs) are required to interact with a host of different agents in a wide variety of areas. The latter range from defining and ensuring political control of its management with citizens’ oversight groups, the Local Planning Council (CPL) and JAL, to tasks which must be coordinated with governing bodies such as Local Executing Units (UEs).

2. Management capacity of local agencies

- 1.30 Some of the more important problems regarding distribution of areas of responsibility and functions are as follows: (i) the lines of authority, ways and means for ensuring coordination between the local and central administrations have not been spelled out; (ii) the overlapping of responsibilities at the central level make it unclear which agencies the ALs should interact with in carrying out their duties; (iii) the lack of smooth communications between ALs and UELs is made worse by the fact that each UEL has its own procedure for preparing, evaluating and executing projects; (iv) the absence of clear boundaries between duties of ALs and JALs has weakened the controls which the latter should exercise, to the point where JALs become co-executing agencies with their counterpart ALs; and (v) the lack of AL representation vis-à-vis agencies of the national government that act at the municipal level.
- 1.31 Moreover, this failure to delineate areas of responsibility has left local mayors free to interpret their duties as they see fit, making it difficult to put together a uniform agenda for the District and limiting efforts to harmonize the “district policies” of the Mayorality’s Office and specific government actions at the local level. It also

¹⁶ The JALs are responsible for approving the local budget, distributing funds under item, presenting investment projects and drawing up a short-list of candidates in local mayoralty races for appointment by the Mayor of Bogota. JAL members are elected by residents of the municipality to a three-year term of office. The FDLs are responsible for administering resources transferred to local municipalities from the District of Bogota. Under the law, 10% of the District’s current revenues must be transferred to the local level using a weighting factor based on population and unmet basic needs.

makes it harder for the community to understand the areas of responsibility of ALs, limiting a local mayor's ability to relate to his or her constituents.

- 1.32 Some of the more important problems affecting the management capacity of ALs include: (i) lack of administrative authority over the personnel assigned to them (since the latter are recruited and hired by the central administration), as well as suitable means for supervising their work; (ii) lack of technical skills required for ALs to formulate and execute projects, owing to their relative weakness in human resources and insufficient technical support from the UELs; and (iii) various other deficiencies in their administration and management capacity, and in the public services they provide (as identified in interviews and field visits conducted during the preparation of this operation, and presented in the following box).

Deficiencies in administration and services

Administration

- absence of operating manuals and manuals of procedures;
- absence of procedures for managing local expenditures;
- divergent use of instruments for reporting budget execution at the local municipality level;
- lack of coordination between departments generating information and those that consolidate data at the district level;
- lack of a uniform method of handling data on local investment projects, and data is saved in different formats and application programs;
- difficulties accessing and exchanging data between local municipalities and the district administration, and vice versa;
- lack of organization in the way data is saved in files, and corresponding difficulty in tracking records;

Services

- high degree of suppression of administrative enforcement actions in the coordination of juridical-regulatory records; and
- delays in responding to client requests and loss of documents in the system.

3. Public participation

- 1.33 The laws call for citizens to take an active role in formulating the budget for local investments, as well as in monitoring and controlling costs. The public is invited to participate through their Local Planning Councils (CPLs) and at community meetings. These events are attended as well by local authorities, representatives of the business sector and civic organizations. However, lack of technical skills and suitable instruments for carrying out their functions is preventing the CPLs from realizing the full potential of these events as opportunities for citizens to have a voice in public decision-making.

- 1.34 The specific problems hindering public participation in municipal government to achieve the goals of transparency and improving public administration as set forth in the Development Plan are: (i) unfamiliarity of citizens with the duties of a municipal councilor; (ii) lack of familiarity with the functions and proceedings that can take place in the ALs; (iii) lack of methods for directing community meetings, which are one of the main areas of participation at the municipal level; (iv) limited access for citizens to relevant information on ALs; (v) inadequate infrastructure for serving citizens seeking help from ALs; (vi) lack of awareness of local priorities by the community; and (vii) the current contracting system does not promote or facilitate community participation in the execution and maintenance of certain projects.

E. Public service centers

- 1.35 Despite the huge volume of public services provided by the district administration, the Mayoralty Office of Bogota does not have a comprehensive policy on delivery of basic services, whether with respect to payment of fees or relating to demand for services. While the District has attempted to deal with this problem by creating 18 Special Service Centers (CADEs), these include only a few services (basically those provided by public utilities such as water, electricity gas and telephone) and are not based on a comprehensive policy for combining service with quality. The practical reality is that over 80% of the operations carried out in CADEs involve payment of utility bills, and the average wait in line is two and one-half hours.
- 1.36 A recent study of the CADEs carried out by the Mayoralty Office identified the following problems: (i) the District has no general system for setting policies and standards for improving service and increasing effectiveness; (ii) too many areas remain outside the catchment zones, and too few people have access to the services provided by the District;¹⁷ (iii) demand has outstripped the supply of financial resources; (iv) there are no benchmarks against which to measure procedural advances by the CADEs, and thereby determine the efficiency of these agencies; (v) there is no consensus among companies on the accompanying documents and other requirements for carrying out a procedure;¹⁸ (vi) the CADEs maintain split

¹⁷ In the case of Bogota, at least 18 district agencies, 6 national agencies and 7 private entities are required to adopt the CADE model.

¹⁸ There have been isolated efforts such as the Red Capital which seeks to develop a unified image of the Capital District, but this network has little significance compared to the large number of procedures carried out in all of the district's agencies.

business hours and are open for a very short time; (vii) some CADEs have premises that are lacking;¹⁹ and (viii) their services are not sufficiently advertised.

- 1.37 Another significant problem has to do with the financing of the CADEs. The current system is based on a sponsorship program in which certain agencies assume all of the operating costs of a given Center, creating inequities since a small number of agencies in effect subsidize the service for all of their fellows.²⁰ Taken together, these problems are wasting time and resources, raising the cost of services, and draining the resources of individuals and companies alike.
- 1.38 At the same time as it provides direct service through the CADEs, the authorities have also launched a digital service (Red Capital) which allows clients to conduct on-line transactions, access information and lodge complaints with various service agencies. The services available by this means are primarily copying of documents (water bills and property assessments), procurement of certificates of valuation, payment of vehicle fees, and so forth. Those without direct access to the Internet have only 7 kiosks and 11 remote stations operated by information officers located in particular CADEs. However, owing to technical difficulties, this service operates only sporadically and some kiosks are no longer connected to the Internet.

F. The program's strategy

- 1.39 The present administration has drawn up and approved the 2001-2004 Development Plan ("Bogota: we're in it together"), one of whose goals is to improve all aspects of public administration through an action plan entitled "Winning respect through good management". The present program will support the three basic strategies adopted under this action plan: (i) reorganization and restructuring of the District's institutions; (ii) redoubling of efforts to download responsibilities to the local level through community action groups; and (iii) improving delivery of public services, including the communication channels available to citizens for effective interaction with the District.
- 1.40 In keeping with these objectives, activities under the present program will be concentrated in three areas: (i) support for the reorganization of the District's major institutions through bolstering of strategic management functions, particularly those of planning and budgets, property registration and land-use planning, and the generation and management of information; (ii) improving management efficiency

¹⁹ The Centers do not have a client orientation area nor even proper signage, and the layout is like that of a bank with cashier's wickets for payment of utility bills. There is no computer network set up between Centers and some agencies, such as the General Secretariat. All electrical services in each Center are on a single circuit, which causes constant problems and damage to equipment. Some multimedia kiosks are no longer operational due to technical problems, etc.

²⁰ The District's General Secretariat is sponsoring four Centers; the water and sanitation utility (Empresa de Acueducto y Alcantarillado) five; and the telecommunications company the remaining nine.

at the local level, above all among local municipalities and administrative boards, and strengthening community action groups; and (iii) adoption of a model of excellence in serving the public which will ensure efficient, rapid and convenient delivery of quality services.

G. The Bank's country and sector strategy and experience

- 1.41 The Bank's current country programming paper for Colombia (GN-2051-1), which was approved in August 1999, and the respective work program, updated to December 2001, identify five high-priority areas: (i) support for the peace process; (ii) reducing poverty and disparities; (iii) encouraging greater decentralization of powers; (iv) modernizing the State; and (v) bringing about sustainable growth. This operation will directly contribute to the achievement of objectives (iii) and (iv).
- 1.42 The Bank has a wide range of experience with programs dealing with institutional reform and modernization. Of particular note are those aimed at modernizing the municipalities of Managua (NI-0111), the province of Buenos Aires (979/OC-AR) and the municipality of Porto Alegre (1095/OC-BR). The latter two included modernization of the respective government administrations, improving the quality of services, promoting productive activities in the private sector, and restructuring the administration and tax accounts. Among the relevant lessons learned from these projects are the importance of coordination within and between institutions, and the importance of focusing on strategic processes in the public administration through specific activities with clearly defined institutional responsibilities. These lessons have been incorporated in the design of the present operation.
- 1.43 The Bank has two ongoing operations in Colombia which deal with fiscal and financial aspects of municipal administrations: Strengthening of Local Government Administrations (977/OC-CO) and Strengthening of the Subnational Financial Information System (1053/OC-CO). In addition, the Second Municipal Development Program (1066/OC-CO) is assisting municipalities by providing financing for projects to upgrade their infrastructure. Finally, the MIF has approved a technical cooperation aimed at streamlining procedures in the business sector, which includes participation by Bogota's Chamber of Commerce and Mayoralty Office (AM), plus the Chambers of Commerce and municipal administrations of six other cities, and which will help reinforce efforts to modernize the public service systems included in the present operation.

II. THE PROGRAM

A. Objectives and description

- 2.1 The overall objective of the project is to provide institutional strengthening for the District of Bogota, ensuring more transparent and efficient use of resources and substantially improving the delivery of municipal services. This will be achieved through improvement of the District's central administration, strengthening of local municipal government, and promoting participation by community action groups in public affairs.

B. Specific objectives

- 2.2 The specific objectives of the program are to:
- a. Provide support for reorganization of the District's major institutions by bolstering strategic management functions, particularly those of planning and budgets, property registration and land-use planning, and the generation and management of information.
 - b. Improve management efficiency at the local level, above all among local municipalities and administrative boards, and strengthen community action groups.
 - c. Adopt a model of excellence in service to the public which will ensure efficient, rapid and convenient delivery of quality services.

C. Structure of the program

- 2.3 The program will consist of the following components: (i) strengthening of management at the district (central) level; (ii) strengthening of management at the local level; and (iii) modernization of services to the public.

1. Strengthening of management at the district/central level (US\$10 million)

- 2.4 This component will support: (i) reorganization of the District's most important institutions; (ii) tightening of the planning and budget process; (iii) improvement of land-use planning; (iv) updating land registration systems; and (v) strengthening of technology coordination systems.

a. Reorganization of the District's most important institutions

- 2.5 By grouping its institutions into major sectors with their respective Sectoral Committees,²¹ the District hopes to: (i) identify principal public goods and services (such as maintenance of the road, traffic signal and highway systems, etc.) in order to ensure efficient organization of their procedures; and (ii) distribute tasks more efficiently, including responsibility for: (a) creation and elimination of functions; (b) development of programs for continuous upgrading of existing public agencies; and (c) strengthen information systems for more efficient decision-making.
- 2.6 The District will receive support for consolidation of the Sectoral Committees and the establishment and operation of systems to monitor the quality of management in its agencies. In addition, the program will provide direct technical assistance enabling each committee to draw up a proposed sectoral strategy and determine the activities it will carry out in order to raise efficiency in the sector. The end result of these efforts will lead to a proposal for reorganization of the District's major institutions, which will be forwarded to the Council for formal adoption.
- 2.7 Individual consultants and consulting firms will be hired to help draw up plans for the proposed reorganization of major institutions and supply methods for formulating sectoral strategies, and to oversee implementation of the changes to ensure that the necessary expertise is transferred to AM personnel. Finally, where they are necessary, training programs and sensitivity workshops will be provided for officials of the agencies involved in order to guarantee correct implementation of the strategy.

b. Tightening of the planning and budget process

- 2.8 Project resources will be used to strengthen coordination of planning and budget procedures in preparation for tracking progress under the DP and drawing up program budgets. Specifically, these resources will be used to: (i) develop the methods and institutional arrangements necessary for formulating results-based budgets and establishing the information systems required to support and link them together; (ii) develop the skills needed for planning, monitoring and assessing the impact of public investments; (iii) provide coordination and supervision of the District's development plan; and (iv) generate geographic, economic, social and environmental data needed for designing policies for public investment, fees, tax rates and transfers to subnational governments.
- 2.9 The following steps will be taken with respect to performance budgeting (PB): (i) PB will continue to be practiced within the central administration and by public

²¹ As noted in Chapter I, the AM has decided to organize the District administration into seven major sectors, each with its own Sectoral Committee which will be responsible for setting policies and monitoring compliance within its sector under the framework of the Development Plan (DP).

establishments, while at the same time being progressively adopted by enterprises and local municipalities as well; (ii) a plan for medium-term revenues and expenditures will be drawn up to provide information for fiscal analysis and to serve as a basis for making the budget a regular system for results-oriented allocation and execution of resources; (iii) an accounting system will be devised for allocating costs on the basis of results, and support will be provided for its implementation in the district administration. To this end, the program will finance the hiring of consultants to: design the statutory and operating framework, the procedures for application of PB, the medium-term plan and the cost accounting system; to draw up plans for designing and installing the software—as well as for purchase of the hardware—required for this application; and providing the training and communications strategy to support implementation of these tools.

- 2.10 As part of an interagency coordination program, the SHD and DAPD recently issued a joint directive on supervision and evaluation of the District Development Plan, in which they take up the formulation of performance budgets. This represents progress in the common effort to integrate planning, budgeting and evaluation procedures to create a common language based on performance. The experience gained in this exercise will serve as a basis for planning the reorganization of major institutions referred to above.

c. Improvement of land-use planning and the beneficiary selection system

- 2.11 The program includes strengthening of land-use planning efforts by developing the necessary methods, 10-year plans, training programs and conceptual designs, and installing the information technology systems required to support and consolidate these efforts. Regional planners, and the institutions that support regional planning, will also be strengthened.
- 2.12 To this end, the program will provide resources for hiring consultants to help carry out the following: (i) updating and consolidation of plans for urban infrastructure, furniture and public spaces, in order to identify high-priority projects and formulate a master plan for the Capital District; (ii) production of integrated local plans at the municipal level, including methods for formulating these plans and consulting with the residents in each municipality; (iii) drawing up the plans for a “bedrock operation” in the southern part of the city (where the poorest segment of the population lives); (iv) formulation of regional strategies for dealing with the issues of productivity, environment, quality of life and institutional development in the greater metropolitan area, to be discussed and voted on at the Regional Planning Board; and (v) designing a basic system of regional statistics. The strategy for development of the District’s institutions will also recommend the adoption of instruments needed to ensure greater commitment to abide by the decisions agreed to at the Planning Board.

- 2.13 With regard to the beneficiary selection system (SISBEN), the project will focus on strengthening the follow areas: (i) updating and consolidating the existing database for the District of Bogota; (ii) extending its coverage to a larger population; (iii) implementing a quality-control system to minimize errors of filtration and exclusion; (iv) greater use of the system for the selection of beneficiaries in various programs of the social safety net; and (v) a user information campaign on the system's benefits.²²

d. Updating land registration systems

- 2.14 Ensuring continuous updating of land registration data requires policies and procedures that will enable the District's agencies to exchange information—in a standardized format—and join forces in keeping their records up to date. To help reach this goal, the program will propose a model for the exchange of geographic data, including map-based information and textual material, using clearly defined policies, standards and procedures that permit integrated management of the information handled by the DACD.
- 2.15 To accomplish the above, the program will provide funding for the hiring of consultants and the procurement of hardware which will enable the authorities to: (i) create a single database in the DACD in which the District's property registration records, including legal, financial and physical aspects, will be maintained and constantly updated, and which will incorporate all information currently contained in the various databases kept by the DACD; (ii) provide efficient client services by on-site or virtual means; (iii) upgrade the computer platform supporting the present information systems in order to standardize graphics and text environment to eliminate ambiguity, and provide software tools over the Internet which clients can use to streamline transactions; and (iv) develop procedures for exchanging information with other agencies, particularly the SHD, the DAPD, the Urban Development Institute (IDU) and the public service agencies.
- 2.16 To improve coordination of technological advances in the District of Bogota, and ensure that such coordination is backed by policies that guarantee the sustainability of the advances achieved, the program will support: (i) reactivation of the *Comisión Distrital de Sistemas* (CDS), under the coordination and direction of a technology manager whose duties include responsibility for coordination and execution of the integration plan; (ii) recruitment of consultants specializing in intranet connections between agencies and provision of services via the Internet, among other things; and (iii) holding technical and information workshops to promote implementation of decisions made by the CDS.

²² These activities complement the Social Reform Sector Program (CO-0252) in that they will strengthen the SISBEN at the level of other municipalities.

- 2.17 The CDS is a permanent technical body which evaluates the feasibility of information technology and telecommunication projects. The activities of the CDS include: (i) establishing technology standards; (ii) providing advisory and planning services, and supervising information technology and telecommunications projects in the Capital District; (iii) coordinating, prioritizing and overseeing projects with interagency impact; (iv) coordinating the strategy governing public information services; and (v) promoting and informing the public of the existence, availability and means of accessing information provided by the District's agencies.

2. Strengthening of management at the local level (US\$4.8 million)

- 2.18 This component is made up of two subcomponents: (i) strengthening of local authorities; and (ii) broadening public participation and strengthening community action groups. The first of these is intended to define the areas of responsibility, tools and methods of ensuring coordination between the local municipality and the central administration. The second type of activity is designed to consolidate the forms of organization used by community action groups in order to encourage their participation in local government, provide equal access to information, and ensure that local authorities are under public scrutiny.

a. Strengthening of local authorities

- 2.19 The objective under this subcomponent is to improve the management efficiency of subnational administrations, particularly those of local municipalities and local administrative boards. This will be accomplished via activities of two different types: (i) strengthening in the areas of responsibility of the local administration; and (ii) improving local management skills.
- 2.20 Among the activities designed to strengthen local areas of responsibility are the following: (i) redefining local responsibilities based on the division of works, services and functions between the central and local administrations, according to the principles of efficiency and effectiveness; (ii) examining the allocation of resources for dealing with an administration's responsibilities; (iii) assistance in preparing administrative instruments to amend the laws governing areas of responsibility; (iv) adjustments to the organizational structure and operations of local municipalities to accommodate the new areas of responsibility; (v) ensuring that local mayors are given greater autonomy in managing the personnel in their administrations; and (vi) establishment of a local government council to act as an advisory body to the mayor. These local government councils will include among their members representatives from those institutions of the central administration which have a strong presence locally (e.g. health, education, social welfare, culture and tourism, security), in order to harmonize the exercise of their respective functions.

- 2.21 Improving local management skills requires a wide range of activities which includes drafting, implementing and monitoring the Local Development Plan (LDP), coordinating local planning systems with those of the central administration, improving administrative systems (financial, documentary records, controls), and renovation of local administrative facilities. To this end consulting services will be recruited, equipment and information systems will be purchased, and minor improvements will be made to premises.
- 2.22 To facilitate implementation of the LDP: (i) a system-wide mechanism will be developed and implemented to gather information on local municipalities at regular intervals and as often as necessary for updating the LDP and for the formulation of local investment projects; (ii) resources will be provided to fund training programs for municipal councilors and officials from the local mayoralty office, in the preparation of development plans, concepts needed for the formulation and execution of the capital budget;²³ and (iii) training will be provided for members of civil society groups helping to prepare the LDP.
- 2.23 Coordination between the local investment planning system, and the system used for investments by the central administration will include: (i) the operation of databases of local investment programs and projects; (ii) the identification of standardized methods for formulating investment projects; (iii) the definition of mutually complementary local and district investment programs within the framework of the DP; (iv) the implementation of a system for sectoral co-financing of local investments; and (v) the establishment of a system to monitor the physical and financial execution of local investments.
- 2.24 Putting together reliable local financial systems which permit autonomous financial administration by local municipalities will require: (i) adaptation and updating of performance budgeting methods; (ii) preparation of reliable financial statements; and (iii) timely and transparent reporting of financial data to the community.
- 2.25 Improving the source document data system for greater flexibility, security and transparency will require: (i) defining the procedures needed for administration of source document data; (ii) providing an adequate amount of space and suitable equipment; (iii) training in standards and administration of source documents; and (iv) placement in operation of the documental consultation system.
- 2.26 Implementation of the local internal control system will include: (i) preparation and adoption of manuals outlining the processes and procedures that have been

²³ Based on consultations with a sampling of local mayoralty offices, it was determined that there is a need to train municipal councillors in conducting their principal duty: the allocation and appropriation of resources from the Development Fund to finance the LDP. Special emphasis will be placed on provision of training for the JALs in all aspects related to the administration of the fund and concepts needed for defining strategies and priorities for local municipalities.

implemented; (ii) formulation and implementation of annual work plans for local administrations; and (iii) activation of the system for supervision of local administrations.

- 2.27 Renovation of premises to provide more suitable facilities which are better equipped for providing client services and improving the performance of municipal employees will include: (i) installation of client service counters with information on available services; (ii) approved databases and procedures for directing citizens to the correct department of the administration; and (iii) client service offices which project an approved image of the municipal administration.
- 2.28 For purposes of these activities, the program will hire the services of consultants, purchase equipment and let contracts for minor renovations to infrastructure. Resources will also be provided to finance training activities for officials of the local administration and municipal councilors.

b. Broadening public participation and strengthening community action groups

- 2.29 This subcomponent seeks to consolidate the organization of community action groups in order to encourage their participation in local government and reinforce citizen access to information. The program will promote the following types of activities for this purpose: (i) strengthening of the procedures by which citizens can participate in decision-making activities which are binding upon local government; (ii) promoting participation by community action groups in decisions which influence public affairs; (iii) provide equal access to information; and (iv) ensure that local authorities are under public scrutiny. Gender equity will be taken into account in all of these activities to guarantee that both men and women take part in carrying out this component of the project.
- 2.30 In order to further strengthen the procedures which citizens can use to participate in decision-making which is binding upon local government, the project will finance the hiring of consultants to: (i) review the methods and procedures used for community meetings; (ii) develop training and technical assistance programs for the various segments of civil society; and (iii) design mechanisms which citizens can use to monitor and control execution of the Local Development Plan. This will ensure citizen participation in the formulation and monitoring of LDPs, and at the same time consolidate the local planning system.
- 2.31 In order to promote the organization of community action groups and ensure that they are able to influence local government, the project will finance the hiring of consultants and the mounting of media campaigns to: (i) publicize opportunities for citizen participation; (ii) consolidate information on methods of organizing community action groups to take part in district or local planning; (iii) give higher visibility to their links to different areas of public administration; (iv) develop

training processes for community groups; (v) support the strengthening of local social safety nets; and (vi) develop procedures for conducting research on the capacity of citizens to organize and influence public actions. All of these activities are intended to promote participation by social groups in public affairs at the local level.

- 2.32 Efforts to ensure equal access to information will include: (i) an information system for monitoring public administration, based on the classification of local economic, social and administrative variables; (ii) implementation of the components of voice and data networks for local information systems; and (iii) interconnection of offices in the 20 local municipalities, and connections between these and the other district agencies via the Secretary of Government. These activities will provide the tools to enable citizens, local municipal officials, and the central administration to monitor events and make decisions on the basis of timely, current and pertinent data.
- 2.33 Finally, to ensure that the public is well-informed concerning the functions of local authorities and their political leaders (mayors and municipal councilors), the project will finance activities intended to: (i) establish the necessary means and channels of communication between the central administration and local authorities to permit sharing and ensure transparency of information on public administration; (ii) develop a program to provide continuous training, advisory services and technical assistance for local mayors and municipal councilors on topics within their areas of responsibility; (iii) create a system of incentives for monitoring the performance of local authorities; (iv) conduct ongoing opinion polls in specific sectors to assess the management performance of local authorities; and (v) prepare and distribute reports on management performance by local authorities. These activities will result in improved performance by local authorities, mayors and JALs in carrying out their duties, as well as ensuring public recognition of the improvement in their administration.

3. Modernization of service to the public (US\$9.6 million)

- 2.34 This component will design and implement a strategy of excellence in service to the public. To achieve this goal, action will be taken under two subcomponents: (i) public service centers; and (ii) virtual service systems.

a. Public service centers

- 2.35 Existing CADEs will be restructured in order to transform their mandate from serving as a simple payment office to that of a provider of personal services to the public, with broader coverage and professional quality service. The project also calls for the construction and start-up of three new “SuperCADEs” offering a wide range of services aimed primarily at low-income groups in the Capital District, and including participation by federal agencies and the private sector, as well as the District’s own institutions and enterprises.

- 2.36 To improve services, the following activities will be carried out: (i) identification of the various administrative procedures and public services that will be provided by both the reorganized CADEs and the new SuperCADEs, and the signing of agreements between public organizations (national and municipal) and private sector participants; (ii) description of routine procedures for each service, the equipment used and personnel requirements; (iii) redesign of procedures for maximum efficiency and standardization, as well as for identifying benchmarks that can be used to determine costs, timing and quality of services; (iv) study to determine changes in infrastructure required in existing centers; (v) construction or renovation and furnishing of sites chosen for the new centers; and (vi) establishment of a system for equitable sharing of the operating costs of the CADEs.
- 2.37 Actions taken to improve the quality of services will include: (i) preparation of a plan for the selection and training of personnel to staff the CADEs, including inducements to provide clients with kinder and more efficient service; (ii) design of an orientation system to guide clients in the proper direction and help them conduct their transactions more efficiently; (iii) creation of a system for gathering statistics to determine client needs, identify the centers with greatest demand, and reinforce relevant areas and activities; (iv) design and implementation of a mechanism that will permit clients to evaluate the services provided, the agencies or enterprises providing them, and the quality of public service received; and (v) design and carrying out of promotional campaigns to advertise the services and benefits offered by the centers.
- 2.38 The district authorities—with the Bank’s support—have achieved significant progress in formulating plans for the SuperCADEs. In particular, they have identified the district (departments of the central administration and autonomous enterprises) and national agencies, and the private sector entities that will be present in the centers. As well, they have drawn up an initial list of 131 services that are to be offered by the centers. The execution of this subcomponent is divided into four modules: (i) architectural; (ii) technological; (iii) administrative; and (iv) commercial aspects.
- 2.39 The architectural module includes the following activities which are already being carried out by the district government with the Bank’s support: (i) selection of sites for the centers, primarily so that they will best serve the poorest segments of the population, while at the same time meeting the urban building requirements laid down in the LMP; (ii) identification of space requirements, both for service to the public and for staff and administration purposes; (iii) establishment of architectural design criteria; (iv) scheduling construction work; and (v) determination of needs in the area of furnishings, equipment and accessories.
- 2.40 The technological module is based on the “smart building” concept and will use project resources to: (i) install voice and data communication networks to be shared

by all participating agencies; (ii) provide Internet-district Intranet access services; (iii) means for recording and control of transactions and operations (management system for each center); and (iv) install central security system.

- 2.41 Under the administrative module, resources will be provided for the purchase of equipment and systems that can be used to: (i) manage and supervise the technical, logistical and human resources of the CADEs; (ii) provide continuous supervision and monitoring of the services provided; (iii) generate periodic reports on management and costs for participating agencies; and (iv) ensure continuous and timely delivery of the services offered.
- 2.42 Lastly, the commercial module will include the following activities: (i) compilation of a profile for each national, district and private sector participant; and (ii) signing of agreements between the above entities and CADE management regarding the provision and financing of services.

b. Virtual service systems

- 2.43 The district administration will be equipped with the physical and technological infrastructure required to expand its coverage of public services through interactive channels such as the Internet and call centers, marking a break with traditional office hours and providing personalized service. In addition, a CADEs Web page will be created to provide information on: (i) services offered; (ii) requirements for carrying out administrative procedures; (iii) indication of where centers are located; (iv) statistical data, (v) information on mobile centers; and (vi) the main services which, because of their nature, can be accessed by computer. This will simplify client's interaction with the administration and facilitate the exchange of information between district agencies as a means of optimizing their procedures.
- 2.44 This virtual service system will also include aspects relating to public finance and property registration, and to this end the program will finance procurement of goods and services to: (i) implement a public information system and communications strategy that makes municipal finances more transparent and measures public reaction to local budgets; (ii) build the infrastructure needed for on-line services and direct transactions with the Finance Secretary; (iii) create a Highway Information Center supported by a unified database combining information from the SHD, DAPD and DACD, in order to provide citizens with duly approved, standardized and updated traffic information; and (iv) design and install a computer system which includes data processing hardware and sufficient memory to handle the volume of new information flows.
- 2.45 Finally, a contract management system will be created to guarantee—for the municipal administration and the citizenry alike—that all resources disbursed under contracts issued by the administration or any of its agencies are executed with full transparency. This system will be used to provide information on upcoming

purchases of goods and services by the various departments of the central administration, and this in turn will provide opportunities for more suppliers to participate, promote competition and ensure greater transparency in the procurement process.

- 2.46 In order to provide access to the virtual service system for those segments of the population without personal computers, the project will finance the establishment of 10 multimedia kiosks, with integrated voice and data services, and aids to help those unfamiliar with this type of technology. These kiosks will be located in densely populated areas containing a high proportion of the lowest-income groups.

D. Costs and financing

- 2.47 The total cost of the program will be US\$26.7 million, of which the Bank will finance US\$16 million (60%). Colombia will provide the remaining US\$10.7 million (40%), which will come from the annual capital costs and operating budget of the Mayoralty Office of Bogota. The Bank's financing of the program will be drawn from Ordinary Capital (OC), using the Single Currency Facility in dollars, with a term of 20 (twenty) years at variable interest, a grace period of 3½ (three and one-half years), inspection and supervision fee of 1%, and a credit fee of 0.75%. Interest on the Loan will be paid out of revenues collected by the District of Bogota.

**Table 2.1 Budget with breakdown by component and source of funding
(thousands of U.S. dollars)**

	Bank	Local	Total	%
1. Strengthening of management at the District level	6,177	3,770	9,947	37.3
1.1 Organization of major institutions	900	600	1,500	5.6
1.2 Planning and budget	1,187	944	2,131	8.0
1.3 Land-use planning and SISBEN	2,413	1,504	3,917	14.7
1.4 Property registration	1,527	522	2,049	7.7
1.5 Coordination of information systems	150	200	350	1.3
2. Strengthening of management at the local level	2,990	1,770	4,760	17.8
2.1 Reinforcement of local authorities	2,570	1,450	4,020	15.0
2.2 Promoting citizen participation	420	320	740	2.8
3. Modernization of services to the public	5,536	4,063	9,599	35.9
3.1 Restructuring of public service centers	3,245	2,064	5,309	19.9
3.2 Virtual service systems	2,291	1,999	4,290	16.0
4. Executing unit	486	270	756	2.9
5. Other expenses	162	0	162	0.6
5.1 Midterm evaluation	12	0	12	0.0
5.2 Final evaluation	75	0	75	0.3
5.3 External audit	75	0	75	0.3
Subtotal	15,351	9,873	25,224	94.5
6. Contingencies	489	731	1,220	4.5
7. Financial costs	160	96	256	1.0
7.1 Inspection and supervision (1%)	160	0	160	0.6
7.2 Credit fee (0.75%)	0	96	96	0.4
Total	16,000	10,700	26,700	100.0
Percentage total	60%	40%	100%	

III. EXECUTION OF THE PROGRAM

A. Borrower, guarantor and executing agency

- 3.1 The Capital District of Bogota will be the borrower. The Republic of Colombia will be the joint-and-several guarantor of the loan, equally responsible for repayment including interest and fees, in accordance with the Bank's policy on guarantees for loans to subnational entities (Doc. GP-104-2). The executing agency will be the Mayoralty Office for the District of Bogota, through its General Secretariat, within which the Project Executing Unit (PEU) will be created. For purposes of its operations, consultants will be hired to provide liaison with the program's various subexecuting units. The SHD, the DAPD, the Secretary of Government and the DACD are technical subexecuting units. The PEU will be responsible for financial oversight, accounting and administrative supervision of the program.

B. Overall execution and administration of the project

- 3.2 The PEU will be assisted in its duties by a team of highly qualified consultants who will act as experts or coordinators of major areas under the program, establishing guidelines and criteria which will determine the development of the projects. Together with the general coordinator of the PEU, the consultants will likewise act as spokespersons vis-à-vis the different district agencies and subexecuting units, according to the matter being dealt with.
- 3.3 The main duties of the PEU will be to: (i) help identify and process the administrative needs of subexecuting units; (ii) prepare budget documents and indicators of progress and performance of the activities set out in this document for fulfillment of the management objectives; (iii) provide financial and accounting information in accordance with the Bank's requirements; (iv) submit audited financial statements annually according to the Bank's procedures; (v) monitor physical and budgetary execution; (vi) supervise the provision, use, maintenance and upkeep of goods, equipment and materials; (vii) process requests for disbursements of the loan and submit the respective substantiation of expenditures eligible under the program, in accordance with the Bank's procedures; (viii) prepare semi-annual reports on progress in carrying out the program; and (ix) maintain suitable systems for: (a) administration and payment of contracts; (b) financial accounting and internal controls; and (c) filing of documentation substantiating transactions.
- 3.4 The PEU will also be responsible for: (i) consolidating administrative and financial information prepared by subexecuting units in order to submit a single financial statement; (ii) reviewing and approving the terms of reference and procedures related to procurements of goods and services and hiring of consultants to assist

those units; and (iii) approve requests for reimbursement. All communications and agreements with the Bank must be through the PEU.

- 3.5 The PEU will likewise provide liaison with the subexecuting units for purposes of: (i) preparing terms of reference and other documentation for use in the recruitment and hiring of consulting and other services; (ii) monitoring and assessing the degree to which the objectives and goals established in the AWP are being met; (iii) assisting the subexecuting units in their efforts to achieve the objectives and goals contained in the AWP; (iv) supervising and facilitating the work of specified consultants to be hired under the program; and (v) reaching a consensus with key institutions and actors involved in the program.
- 3.6 In order to reinforce the internal controls mechanisms required to ensure efficient monitoring of the program and transparent accounting practices, the PEU shall be directly responsible for administering the program's resources and preparing the corresponding financial statements, being independent of the District's general administration. To this end, close and continuous coordination shall be maintained between the PEU and the Bank's Country Office from the start of the operation, thereby ensuring that the unit's internal accounting and financial controls are fully consistent with those used by the Bank.
- 3.7 The group of experts assisting the PEU will include at least the following:
- a. One consultant responsible for coordination of activities aimed at reorganizing relationships between major institutions under the district administration, and for activities intended to strengthen coordination between agencies.
 - b. One consultant specializing in information systems and technology who, in addition to coordinating activities in that field, will also act as Technical Secretary of the Comisión Distrital de Sistemas.
 - c. Two consultants responsible for coordination of activities to improve public services in the District, as well as those aimed at simplifying procedures that have been developed within institutions, in order to provide more flexible and efficient service.
 - d. One consultant responsible for coordinating activities intended to strengthen local authorities and promote methods of organizing public participation.
- 3.8 The PEU will also have a number of professional personnel and technical support staff who will be responsible for administrative oversight and managing financial, accounting and budget aspects of the program. This category will include at least the following:

- a. One professional manager responsible for supervising contracts by organizing and monitoring information on each of the contractors involved in the project, as well as for preparing minutes and submitting reports.
- b. One accountant responsible for verifying that all of the financial and budgetary transactions carried out in the execution of this project are in conformity with the accounting standards used by the District and the Bank.
- c. One expert in budget management with responsibility for managing contracts and keeping financial records on the various activities relating to the program.
- d. One specialist in procurement and contracts to be responsible for drafting and reviewing terms of reference, and for preparing the necessary documentation for tenders and contracting for goods and services.
- e. Finally, one secretary or administrative assistant is required to provide all necessary support services in organizing the files, preparing correspondence, etc.

C. Contractual conditions

- 3.9 Annual Work Plans (AWPs). Program execution will be based on annual work plans coordinated by the different subexecuting units and consolidated by the PEU. In the course of the operation, the Borrower must submit six AWPs (one per year as defined in paragraph 3.11 below), and each AWP must receive the Bank's approval before the corresponding resources are committed. The Borrower may agree to submit additional AWPs as well, where this will facilitate supervision and execution of the program.
- 3.10 The AWPs will contain information on the breakdown and scheduling of activities to be carried out during the year, establishing appropriate goals and indicators based on the program's Logical Framework. AWPs must also include details concerning budget execution, indicating sources of financing and degree of conformity with the Budget of the Capital District, as well as preliminary versions of the terms of reference for recruitment of individual consultants and consulting firms, plus specifications for any tenders to be carried out.
- 3.11 The program's activities are divided among six AWPs:
 - a. **Organization of major institutions and coordination of information systems**, which will be the responsibility of the General Secretariat.
 - b. **Performance budgeting**, under the responsibility of the SHD.
 - c. **Land-use planning**, under the responsibility of the DAPD.
 - d. **Property registration**, under the responsibility of the DACD.

- e. **Local administrations and citizen participation**, which will be the responsibility of the Secretary of Government.
 - f. **Modernization of services to the public**, under the responsibility of the General Secretariat (CADEs) and SHD (information systems for on-line service).
- 3.12 **Opening of special account.** The General Secretariat will ask the Finance Secretary to open a “special account” for the funds from the IDB loan account.
- 3.13 **Conditions precedent to the first disbursement.** Prior to the first disbursement the District must present to the Bank evidence of: (i) the creation of the PEU for the program in the General Secretariat; (ii) hiring of the PEU coordinator and selection of the minimum number of personnel necessary for the PEU’s operations (a person to be in charge of financial administration, and one to be in charge of procurements and contracting); (iii) the opening of a special account for handling the Bank’s resources; and (iv) completion of the definitive AWP’s for the first year of the execution period, duly approved by the Bank.²⁴
- 3.14 Before the first disbursement is made for the components on strengthening of management at the local level and modernization of services to the public, the District is to present evidence to the Bank that it has: (a) defined the main impact indicators for these components and (b) hired the necessary consulting services (or, if applicable, assigned sufficient staff) for determining the definitive base lines and the respective targets to be achieved.
- D. Procurement**
- 3.15 The threshold values beyond which procurements under this program must be carried out by means of international competitive bidding are: US\$350,000 for goods and related services, US\$200,000 for consulting services and US\$5 million for construction projects. These threshold values are justified since, in similar projects carried out in Colombia, foreign bidders are allowed to compete only where the value of the contract exceeds these same figures. Procurements which fall below these threshold values will be conducted in accordance with the laws of Colombia.
- 3.16 Where recommended for technical reasons, contracts may be let for integration of software and hardware provided that the Bank has given its non-objection. In such cases, the “turnkey” method may be used in calling tenders, as set out in the Bank’s policies.

²⁴ Aided by the Bank, the Mayoralty Office for the District of Bogota has prepared drafts of these AWP’s which are currently being reviewed before issuing the final versions.

E. Revolving fund

- 3.17 In order to facilitate disbursements under the program, a revolving fund will be established in accordance with the Bank's procedures and in an amount equivalent to up to 5% of the total amount of the loan.

F. Recognition of prior expenditures

- 3.18 The District has requested that the Bank recognize as part of counterpart funding expenditures of up to US\$350,000 incurred during the 12-month period prior to approval of the loan, for the hiring of consultants to work on components of this program. Insofar as it can be demonstrated that these expenditures were incurred under procedures that are substantially similar to those of the Bank, it is recommended that they be recognized and charged against local counterpart funding.

G. Maintenance of works and equipment

- 3.19 When the renovation or new construction of infrastructure has been completed under the program, ownership of the resulting works will pass to the participating institutions which will be responsible for operating and maintaining them in due form. Accordingly, all works built or refurbished with program resources will be added to the assets of the relevant institution.
- 3.20 To ensure appropriate operation and maintenance of the works financed under this program, the District undertakes to provide for suitable operation and adequate maintenance of same. For monitoring compliance with this obligation, the District is required to submit annual operation and maintenance reports for a period of five years beginning on the date of completion of the first such work on any of the public service centers referred to in the project.

H. External audit

- 3.21 Financial statements for each subprogram will be submitted to the Bank by the executing agency during the execution period, duly audited by a firm of accredited public accountants acceptable to the Bank and in accordance with the terms of reference previously agreed to with the Bank. All financial statements must be submitted within 120 days following the close of the fiscal year. The cost of hiring the firm of auditors is included in the program costs and will be financed with resources from the Bank's loan.

I. Execution period and disbursement schedule

- 3.22 The commitment period for the loan proceeds shall be three years, and the disbursement period will be three and one-half years, reckoned from the date that the contract comes into force. This period is deemed sufficient for carrying out the

proposed technical assistance activities, and for tendering, letting contracts and executing the construction works.

- 3.23 Disbursements under the program will be carried out according to the following table:

**Table 3.1 Program disbursements
(in thousands of U.S. dollars)**

Year	IDB	Local Counterpart	Total	%
1	6,412	3,292	9,704	36.3
2	6,953	4,787	11,740	44.0
3	2,635	2,627	5,262	19.7
Total	16,000	10,700	26,700	100
%	60	40	100	

J. Monitoring, evaluations and progress reports

1. Midterm evaluation

- 3.24 A midterm evaluation will be carried out with program resources. One of the primary objectives of this evaluation will be to measure the degree to which the proposed changes in the District's institutions have been achieved. Specifically, it will assess progress in implementing the new organizational structure for major institutions, with particular emphasis on: (i) progress toward formal adoption of the proposal; and (ii) evaluation of the operations of the Sectoral Committees. This evaluation will also verify the attainment of set targets and will compare the savings achieved by the use of virtual service systems in order to promote their expansion. The findings of this evaluation could affect the continuity of disbursements.
- 3.25 Since the Mayor's term of office is three years, and in order to allow sufficient time within the present administration to carry out any corrective measures that may be necessary under the program, the midterm evaluation will not take place until the proposed reorganization of major institutions has been completed, the performance budget for 2002 is finalized, and at least one new public service center has been placed in operation; in any event, the midterm evaluation will be conducted at the very latest 14 months after signature of the contract. It is expected that this review will be carried out at the end of the first year of the program. A consulting firm will be hired to conduct this evaluation based on terms of reference to be agreed between the district administration and the Bank.

2. Final evaluation

- 3.26 When at least 90% of the loan resources have been disbursed, an independent firm will be hired to conduct a final evaluation of the program, using the funds earmarked for this purpose. This evaluation will have as its object to analyze the results obtained in executing the program and the attainment of the set targets, emphasizing the degree of client satisfaction with services introduced by the program, in addition to repeating the review carried out in the midterm evaluation.

3. Progress reports

- 3.27 During the execution period, the PEU will submit semi-annual progress reports to the Bank, citing in appropriate detail the actions carried out and the procedures applied with regard to utilization of the loan resources.

4. Ex post evaluation of the program

- 3.28 After consulting with the district administration concerning the possibility of conducting an ex post evaluation, the loan beneficiary felt that it would be more appropriate to carry out a final evaluation as described in paragraph 3.26 above. Therefore, the information gathered during the follow-up meetings, as well as in the midterm and final evaluations, will include indicators and parameters designed to allow the Bank and the Borrower to examine in detail the achievements of the program.

IV. FEASIBILITY AND RISKS

A. Institutional feasibility

- 4.1 The institutional arrangements creating the Sectoral Committees and their corresponding Technical Secretariats (“sector heads”), and reactivating the *Comisión Distrital de Sistemas*, were formally adopted via decrees issued during preparation of this program. This has enabled the government to implement new internal operating procedures based on interagency and intersectoral coordination and the concept of processes and products, which is the defining feature in the operations of the district administration. Moreover, institutional arrangements for implementation of the land-use planning component, as well as for the creation and operation of the Regional Planning Board, have also been adopted.
- 4.2 The District has adequate technical capacity to carry out the program, and the PEU will be created prior to the start of its execution. As the agency responsible for coordination, the General Secretariat will be strengthened through creation within the PEU of a unit responsible for providing technical support for each of the Sectoral Committees, along with its corresponding administrative section. The subexecuting agencies (SHD, the Secretary of Government, DAPD and DACD) have set up working groups to provide support for the execution of their respective components, which will be further strengthened through provision of consulting services and technical assistance. Based on these factors, the program is judged to be feasible from an institutional standpoint, and to have sufficient technical capacity for successful execution.

B. Financial feasibility

- 4.3 Despite its administrative complexities, the District is recognized for its soundness, prudence and good fiscal practices. The amount of debt service it carries is well below the limit set by Law 358/97, which stipulates that debt servicing must not exceed 40% of operational savings.²⁵ In the case of the District of Bogota, this indicator is at 21.6% in 2001. Similarly, its debt-to-current revenues balance is 67.4%, versus the legal limit of 80%.²⁶

²⁵ Article 2 of Law 358/97 defines operational savings as the difference between (1) the sum of tax revenues, non-tax revenues, royalties and monetary compensation in hand, domestic transfer payments, federal revenue share-outs, exchange resources and financial yields; and (2) the sum of wages, honorariums, employee benefits and contributions to social security.

²⁶ Document CONPES 3112 approved by the Ministry of Finance and Public Credit and the National Planning Department on May 3, 2001, granting a sovereign guarantee to the District of Bogota for engaging in foreign credit operations with multilateral banking organizations.

- 4.4 Annual growth in current revenues has averaged 12.6% in the period 1990-2001. Within this category, tax revenues has been the fastest growing category thanks to the tax reforms and fiscal strengthening policies adopted by the district's government. Among the more important of these reforms are the reorganization and updating of the land registry, changes in applicable periods for certain taxes, establishment of a system of differential and progressive fees, and an increase in the gasoline surcharge from 14% to 20% (Decision 23 of 1997), a strategy since copied at the national level.
- 4.5 By contrast, current expenditures which had been showing modest rises since 1996, have gradually fallen since that year as a result of a deliberate policy of lowering costs, particularly in 2001 when the austerity measures established in the Law on Consolidation of Public Finances (Law 617/2000) took effect, requiring subnational agencies to reduce their operating costs.²⁷
- 4.6 As a result of these policies, the share of operating costs in total outlays (current expenditure, debt servicing and investment) has dropped. Whereas in 1990 it represented 45% of total outlays, by 2001 this figure had fallen to only 27%. This decline, together with the rise in revenues, has enabled investment²⁸ to increase its share of total outlays from 40% in 1990, to 63% in 2001.
- 4.7 The combination of rising current revenues and tightening of control over current expenditures has made for substantial growth in current savings, enabling the District to finance a rising tide of investments while at the same time maintaining a prudent level of indebtedness. Nominal growth in indebtedness has in fact moderated considerable, recording an average rate of 11% for the last 10 years (versus 20% growth in real terms for the other municipalities of Colombia). This figure, when combined with conservative estimates of growth in revenues and constraint in expenditures, provides assurances of sustainable levels of debt in the near and medium term.²⁹
- 4.8 With respect to availability of counterpart funding, the District has included the resources necessary to cover the local contributions in its 2002 Budget. In the same way, the budget also includes the fiscal latitude necessary for disbursement of the loan resources.

²⁷ Operating costs as a percentage of current revenues (which was above 80% in 1993) is projected at 55.3% in 2001, and is expected to drop to 39.2% in 2004. Law 617/2000 requires this indicator to be no higher than 58% in 2001, after which it must decline annually and not exceed 50% by 2004.

²⁸ Investment includes expenditures in the education and health sectors, both of which are classed as social investments under the law.

²⁹ The above-cited document CONPES 3112 authorizes debt levels of up to US\$218 million for the period 2001-2004 (the District Council of Bogota ratified that decision in October 2001).

Table 4.1
2001-2004 Projections
(millions of US\$)

	PROJECTION			
	2001	2002	2003	2004
1. TOTAL REVENUES (A+B+C)	1,100	1,254	1,141	1,184
A. Current revenues	575	616	698	760
Tax revenues	552	573	645	697
Non-tax revenues	23	43	53	63
B. Transfers	361	352	361	365
C. Capital inflows	164	286	82	59
D. Current expenditures	350	331	298	309
Operating costs	318	283	286	298
Other expenditures	32	48	12	11
E. Debt servicing	79	92	103	108
F. Investment	744	825	776	764
G. Deficit or surplus (1-D-E-F)	-72	6	-36	3
H. Financing	72	-6	36	-3

Source: SHD. Dirección Distrital de Presupuesto.

C. Environmental impact

- 4.9 The project will have a positive impact on the city's environment thanks to the series of plans and methods to be developed under the land-use component. In addition, strengthening of the DAPD's capacity for monitoring implementation of the LMP will have beneficial effects since the latter document includes a policy on the use of ecological areas in the region and an environmental management plan. In fact, the environmental aspect of the LMP is an overriding factor which affects all of its components. Regional planning will develop an environmental plan for the region as a whole, whereas zonal plans will allow residents of each area to discuss and assess their environment and incorporate measures to preserve it. Moreover, all of the actions taken in this program include an environmental component and require that this element be coordinated with the other agencies in the District. The terms of reference for each consultant in the land-use planning component require that consideration be given to the environmental aspect.

D. Benefits

- 4.10 The program is intended to improve the delivery of public services to individuals and groups in the District, and therefore tends to impact the quality of life of the residents of Bogota, either directly or indirectly. Many of its activities introduce greater transparency in the use of public resources by making it easier to identify the duties of public officials, thus improving local monitoring of government.

- 4.11 Reorganization of major institutions and grouping them into primary sectors headed by a Sectoral Committee will: provide the city with a better coordinated and more efficient central administration; facilitate the design, monitoring and evaluation of public policies for each sector; permit more appropriate division of areas of responsibility; and strengthening of the information systems required for decision-making.
- 4.12 Combining planning with budgeting procedures—performance budgeting—will ensure more efficient and transparent decision-making through the generation of clear and accessible information on the results expected, and the resources committed in achieving them. This information will supply valuable feedback on the budget, thereby reducing the cost for political controls and monitoring by the citizenry, as well as increasing the taxpayer's confidence in the administration.
- 4.13 Land-use planning will permit more efficient investment through updating and consolidation of the planning process for urban infrastructure and furniture, and public open spaces. And the production of land-use plans at the zonal level will allow investments to be targeted at the highest-priority needs of a neighborhood, ensuring coordination of investment planning with other subnational levels of government. Finally, the formulation of regional strategies for the greater metropolitan area will permit authorities to think outside the geographic box of the Capital District and coordinate their actions with those of neighboring municipalities, generating external economies and collective benefits.
- 4.14 Modernizing property registration will allow the city fathers to update the basis for property tax assessments, thereby improving the District's finances and delivering more efficient public services through personalized service modules.
- 4.15 It is hoped that the program's activities aimed at improving the District's information systems will contribute to better decision-making regarding the services that the District provides for its citizens, ensuring that these services are presented in a coordinated manner with streamlined procedures that reduce the amount of duplication of information. In addition, the introduction of computerized procedures and the increase in the quality of information will combine to produce savings for the agencies involved, improvements in the provision of goods and services to residents, and more opportunities for political control and monitoring by individual citizens.
- 4.16 The strengthening of management at the local level will make it possible to determine areas of responsibility, tools and mechanisms for ensuring coordination between the local and central administration, which will result in strengthened planning procedures, elimination of the duplication of efforts, and a savings in resources. In addition, the proposed activities for promoting citizen participation, together with the associated training required for such participation, will result in

improved planning and technical content in local development projects and wider support within the community.

- 4.17 In the case of the services provided through the CADEs, these will reach a much wider audience in the population as a whole, and the bulk of this increase will be felt in the poorest areas of the city. At the same time, the implementation of communication systems and the integration of the duties of the District's various agencies will make it possible—in the medium term—to free up resources that can be allocated to other services provided by the district administration.

E. Risks

- 4.18 One risk lies in the short term of office for the district government (three years), which could result in a loss of political support during execution of the final stage of the program. Since its components will have high priority for achieving efficient public management, however, they will tend to transcend the temporary incumbency of a given administration and thus considerably lessen the attendant risk. Specifically, the program aims to strengthen strategic procedures (e.g., planning and budget, and property registration) which are unavoidable for any administration wishing to increase levels of efficiency. Likewise, the strengthening of local municipalities is an essential requirement for execution of the decentralization process which is being carried out in Colombia under that country's constitution. And finally, any new administration may be expected to have a vested interest in maintaining the gains in delivery of public services achieved under the program.
- 4.19 Another risk of the program has to do with the degree of rigidity that the administration encounters when attempting to change its current flat line organizational structure (with all of the District's agencies reporting directly to the Mayor). However, since its inception the project has promoted the formation of Sectoral Committees (which have since been created by decree from the Mayoralty Office and are in full operation) as a means of keeping the focus on coordination of operating procedures to ensure more efficient generation of products, rather than on formal redefinition of relationships between institutions. In addition, the program calls for the formulation and presentation to District Council—at the end of the first year of the execution period—of a formal proposal for the restructuring of its major institutions.
- 4.20 With the variety of agencies in the District (both those of the central administration and those of the local municipalities) having a role in the execution of the program, a complex web of interrelationships and cooperation must be coordinated between them. With this in mind, the program will include technical (as well as administrative) strengthening of the Project Executing Unit (PEU), the hiring of experts on mechanisms for coordination between agencies to act as consultants, and

reinforcement of the *Comisión Distrital de Sistemas* in the area of computer data systems.

- 4.21 There is the risk of a relative lack of response from the citizenry to calls for active participation in the formulation of local development plans and decision making with regard to local investment projects. To avoid this, the program will undertake a substantial number of promotional activities including media campaigns, training programs and community gatherings to promote citizen participation.

LOGICAL FRAMEWORK
INSTITUTIONAL STRENGTHENING FOR THE DISTRICT OF BOGOTA
(CO-0251)

OBJECTIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	RELEVANT ASSUMPTIONS
<p>institutional strengthening and the District of Bogotá make more efficient use of its resources and substantially improve the quality of municipal services. This will be achieved through improvement of management at the district (central) and local levels, and promotion of community participation in public affairs.</p>			
<p>Support reorganization of the District's most important institutions, introducing strategic management procedures with special emphasis on planning and budgets, property management and land-use planning, and the generation and administration of information. Increase the efficiency of local government, with special emphasis on local municipalities and local administrative boards, at the same time encouraging community participation.</p>	<p>By the completion of the program the following will be verified:</p> <ul style="list-style-type: none"> a. The district administration is operating efficiently, using the strategic procedures defined under the program. b. Local municipal offices and administrative boards are promoting economic and social development within their spheres of influence. 	<ul style="list-style-type: none"> ▪ Decrees issued by the Mayorality Office of Bogotá. ▪ Reports from civil society organizations. ▪ Surveys on quality of service. 	<ul style="list-style-type: none"> ▪ Maintenance of the institutional organization through the Sectoral Committees.

OBJECTIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	RELEVANT ASSUMPTIONS
<p>Implement a model of excellence in the delivery of public services to ensure efficient, rapid and convenient delivery of quality services.</p>	<p>c. Model of excellence in the delivery of public is fully operational.</p>		
<p>INTERMEDIATE PRODUCTS:</p> <p>Strengthening of management at the district level.</p>	<p>The following will be produced by the end of the program:</p> <ul style="list-style-type: none"> ▪ Proposed reorganization plan for major institutions formulated and mega-products identified. ▪ Performance budgets implemented throughout 100% of the district administration. ▪ Master plan for urban infrastructure and furniture, and public spaces. ▪ Five zonal plans approved by local communities and in publication. ▪ Plan of action for development of “bedrock operations”. ▪ Plan of action for strengthening of regional planning. ▪ Means of coordination with neighboring municipalities of Cundinamarca presented at Regional Planning Board, duly designed and implemented. ▪ Geographic Information System used in support of critical processes for management of updated property registration data. 	<ul style="list-style-type: none"> ▪ Strategic sectoral plans published. ▪ Minutes of Sectoral Committees. ▪ Proposal for reorganization of major institutions sent to the District Council of Bogotá. ▪ Performance budget published. ▪ Plans for urban infrastructure, furniture and public spaces; and five zonal plans agreed to and approved. ▪ Plan of action for one “bedrock operation”, and regional plan agreed to and approved. ▪ Minutes of the Regional Planning Board. ▪ Procedures for updating and preservation of property registries duly documented and supported by the Geographic Information System. ▪ Unified database for management of property registration data. ▪ Model for exchange of cartography data between agencies made available. 	<ul style="list-style-type: none"> ▪ Adequate budget allocation ▪ Coordination of planning and procedures. ▪ Political decision to provide coordination between agencies central and local administration

OBJECTIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	RELEVANT ASSUMPTIONS
<p>Strengthening of local authorities and participation of community.</p>	<ul style="list-style-type: none"> ▪ Exchange of information between the SHA, DAPD and DACD in order to update property registration data and create a unified database for managing geographical data. ▪ Information and data systems policy adopted for all information technology structures in the administration. ▪ 20 LDPs processed and agreed to at meetings of the Local Planning Council and in community meetings. ▪ Strengthening of local planning provided in 20 local municipal administrations. ▪ Web page containing information on the current stage of execution of LDP projects and inventory of projects in local municipalities. ▪ 20 accounting modules revised and operating in local municipalities. ▪ All mayoralty offices equipped with an adequate system for correspondence and filing. ▪ Connection between LEUs, the Secretary of Government, and full local mayoralty offices. ▪ Means of coordination with other agencies that act at the local level (LEUs, JALs, national departments, etc.) designed and implemented. 	<ul style="list-style-type: none"> ▪ Minutes of meetings of the CDS. ▪ Technical reports for procurement and implementation of information systems. ▪ LDPs published. ▪ Minutes of meetings of the JALs. ▪ Minutes of meetings of the CPLs and community meetings. ▪ Mid-term and final evaluations of the program. ▪ Consultants' reports. 	<ul style="list-style-type: none"> ▪ Citizenry committed to public and motivated to participate in decision-making process.

OBJECTIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	RELEVANT ASSUMPT
<p>Strengthening of public services.</p>	<ul style="list-style-type: none"> ▪ Increase in participation by the community in local meetings and in local planning committees. ▪ On-line information system implemented in local municipal offices and coordinated with the SHD, General Secretariat, DAPD and DACD. ▪ Policy on integrated public services defined and adopted by district agencies. ▪ 18 CADEs restructured and interconnected, providing services in an efficient and satisfactory manner. ▪ Creation of three new SuperCADEs. ▪ The District's Web page implemented and call centers in operation. ▪ Ten multimedia information kiosks in operation. On-line services for transactions with the Finance Secretary in operation. ▪ At least 600 officials have received training in model of excellence public services. ▪ The average of services provided by CADEs has improved. ▪ The number of users served has increased. ▪ The average waiting time at CADEs has been reduced. ▪ The amount collected for service payments at CADEs has increased. 	<ul style="list-style-type: none"> ▪ Mid-term and final evaluations of the program. ▪ Consultants' reports. ▪ Surveys on quality of services. ▪ For all services provided by CADEs quarterly, the baseline will be the third quarter of 2001: 2.3 million. ▪ For the number of users served per month, the baseline will be the average for 2001: 440,000 citizens/per month. ▪ For the average waiting time, the baseline will be that for 2001: 2.5 hours. 	<ul style="list-style-type: none"> ▪ Adequate budget allocation.

COLOMBIA
INSTITUTIONAL STRENGTHENING FOR THE DISTRICT OF BOGOTA
PROCUREMENT PLAN

Components/Subcomponents/ activities	Cost (in US\$000)	Method			Procurement method	Date of call for proposals year and semester
		Consulting firms	Goods and services	Civil works		
1. Strengthening at the district level	4,840					
Consultants (various)	3,700	x			ICB	2002 - I
Computer hardware	140		x		LCB	2002 - I
Servers	750		x		ICB	2002 - I
Software licenses	250		x		ICB	2002 - I
2. Strengthening at the local level	3,680					
Consultants (various)	1,200	x			ICB, LCB	2002 - I
Computer hardware	450		x		ICB	2002 - II
Networks	250		x		ICB	2002 - II
Servers	450		x		ICB	2003 - I
Software licenses	200		x		LCB	2003 - I
Communications equipment	150		x		LCB	2003 - I
Electric power	180		x		LCB	2003 - I
Infrastructure	800			x	ICB	2003 - I
3. Modernization of services to the public	6,750					
Consultants (various)	1,500	x			ICB, LCB	2002 - I
Computer hardware	850		x		ICB	2002 - II
Networks	350		x		ICB	2002 - II
Servers	700		x		ICB	2003 - I
Software licenses	250		x		ICB	2003 - I
Communications equipment	400		x		ICB	2003 - I
Electric power	200		x		ICB	2003 - I
Infrastructure	2,500			x	LCB	2003 - I
TOTAL	15,270					

- * Only includes procurements that must be carried out by ICB or LCB; individual consulting services are not included.
ICB: International competitive bidding
LCB: Local competitive bidding

PROPOSED RESOLUTION

COLOMBIA. LOAN ____/OC-CO TO THE DISTRITO CAPITAL DE BOGOTA

(Institutional Strengthening of the Distrito Capital de Bogota)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Distrito Capital de Bogotá, as Borrower, and the Republica de Colombia, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of Institutional Strengthening of the Distrito Capital de Bogota. Such financing will be for the amount of up to US\$16,000,000, from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Terms and Financial Conditions" and the "Special Contractual Conditions" indicated in the Executive Summary of the Loan Proposal contained in Document PR-____.