COLOMBIA: INCLUSIVE ECONOMIC DEVELOPMENT

United Nations Development Programme
United Nations Capital Development Fund

POVERTY REDUCTION AND MDG ACHIEVEMENT

Photo by Christina Hoag

Background

Colombia has a population of 44.9 million living in an area of 1,141,748 square kilometers. Although Colombia is ranked as a medium-high human development country (77th of 182 countries in the 2009 Human Development Index (HDI)) and has a GDP per capita of US$ 8,587 (PPP), 45.5% of the population lives in poverty and 16.4% (ranging from 4.1% in Bogotá to 42% in Chocó) in extreme poverty, It has an unemployment rate of 12%, the highest in Latin America. The export-led economic growth of the last decade has not lowered informal employment, which stands at 60%. High inequality (Gini coefficient at 0.578) across regions and the exclusion of some groups are historically rooted in economic and social structures.

Those living in poverty are twice as likely to be unemployed. Afro-descendents have higher rates of poverty (53.7%), lack of access to basic services (41.8%), food insecurity (58.9%) and illiteracy (10.9%) than the rest of the population. The consequences of the historic armed conflict, the impact of natural disasters, climate change, and the economic crisis threaten the achievement of the MDGs and could significantly stymie human development across the country, particularly in the poorest and most vulnerable regions. Sustained growth during the last decade, led by oil, mining and other traditional exports, has not led to increased formal employment or reduced poverty levels. Although the country is generally well on track to achieve most of the MDGs, particular regions (e.g., Chocó and Nariño) and groups (e.g., women, Afro-Colombian, indigenous and internally displaced populations) are lagging.

Combating income poverty remains a crucial challenge, one that has particular implications at the local level. Poverty traps are both reflected and reinforced by chronic mismatches in the labor market, which partially accounts for the fact that economic growth has not produced greater access to jobs or a better quality of life for the poorest.

MDG Localization and Local Development Programmes

The MDG Acceleration Framework (MAF) supported by UNDP was rolled out in six territories. Priority areas included income poverty (Cartagena), food security (Cauca), gender empowerment (Nariño), and health (Santander). Besides showing the potential of MAF to address specific local needs, the roll out helped analyze the effectiveness of the ongoing work supported by UNDP for tackling inequalities at the local level.

The MAF pilot in Cartagena, where the population totals 892,000, identified Inclusive Economic Development (IED), especially the CEMPRENDE centres, as a proven existing solution for addressing income poverty. Through training, technical assistance and access to credit, it is possible to overcome the lack of physical and human capital that the poorest communities face. However, MAF identified the following as the main impediments that prevent CEMPRENDE from reaching its full potential: uncertain budget allocations; the absence of a seed capital fund to support initiatives; low institutional capacity; lack of coordination between the different levels of government; insufficient resource mobilization to meet local demand; a lack of timely and accurate information; and excessive requirements and documentation for the poorest to access the services.

CEMPRENDE has begun establishing ties with the National Learning Service SENA and the Red Juntos (National Programme for Combating Poverty) as well as a Public-Private Partnership with Cartagena's Chamber of Commerce. These alliances have ensured that the skills provided through CEMPRENDE are relevant to meet the private sector's demand for labor and basic inputs.

UNDP has worked extensively at the local level and has prioritized the alternatives for combating income poverty. IED also offers an example of how to mainstream the MDGs as part of the political processes at the local level. After working through the mayoral campaign, UNDP and the Emergency Development Plan (entitled "Pedro Romero") articulated the local development policy Por una sola Cartagena, which was designed and approved under a clear MDG platform. Finally, the inputs for political reform have already reached the national level. For example, current microfinance initiatives at the national level could target CEMPRENDE beneficiaries as potential clients, thus complementing efforts to develop human capital by facilitating access to financial capital for entrepreneurship.

Opportunities for Scaling Up

Scaling up support for the MDGs at the local level is a suitable way to implement the local-level actionable agendas. In Cartagena, it will strengthen the impact of the current initiatives by enabling better operational links with other national initiatives and by fully implementing the action plan developed through MAF, which in itself will scale up the potential. By tackling the budget and financing, service delivery, policy and planning, and service demand bottlenecks, MAF allowed CEMPRENDE to operate more quickly, more equitably and more sustainably, thus helping to overcome barriers to formal employment that confront the poor.

In addition to the increased impact to be reached in Cartagena, the IED model can be applied in different locations (local-to-local scale up). An ongoing plan has already identified subsequent phases in one department (Guajira, population 681,000), three cities (Pasto, Sincelejo and Santa Maria, populations 382,000, 237,000, and 415,000, respectively) and one locality in Bogotá (Bosa, population 495,000). All the selected locations are home to vulnerable populations, including ethnic minorities and internally displaced populations. Further scaling up of IED is very likely especially in border areas, which are particularly prone to high levels of unemployment and informal jobs.

There is also political momentum for deepening the MDG agenda. As the next elections for governors and majors will be held in October 2011, campaigns may include the IED model for mainstreaming pro-poor growth and the MDGs as elements of their political platforms, as happened in Cartagena three years ago. This period is crucial for influencing and building MDG-based local development plans.

THE ROLE OF LOCAL GOVERNMENTS IN ACHIEVING THE MDGS:

Colombia is organized as a unitary republic with political centralization and administrative decentralization. According to the 1991 Constitution, there are 32 departments headed by democratically elected governors, and 1,100 municipalities headed by democratically elected majors. Sub-national governments are responsible for basic service delivery including health, education, energy, and water and sanitation. National ministries are responsible for overall policy guidelines. Departments (second-tier government) have specialized divisions in charge of coordinating actions, and municipalities are responsible for the ultimate frontline of service delivery.

Specific revenues in the form of ceded taxes to departments (liquor, beer, and cigarettes) and municipalities (property, industry, and commerce) as well as user fees are subnational sources of revenue. However, the most important resources come from intergovernmental transfers from the central government, called Sistema General de Participaciones. The law strictly earmarks transfers and own revenues. Over 80% of expenditures at the subnational level goes to health and education. The remaining 20% may be spent according to specific local priorities, such as environment, local economic development, and water and sanitation. In spite of the relatively great political and administrative autonomy that second- and third-tier governments are granted, the financial importance of the national government, as well as the rules for revenue sharing, impose restrictions for exercising and executing the prerogatives that decentralization is meant to bring.


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