

Business Productivity And Efficiency Programmatic



Enhancing Business Efficiency and Productivity in Colombia to Boost Growth and Reduce Poverty

Overview

With support from the International Bank for Reconstruction and Development (IBRD), Colombia has implemented reforms to improve the business environment, develop the financial sector, and foster innovation. During 2006-2011, Colombia has consistently appeared as one of the top ten reformers in the Doing Business Report. Economic growth, measured as per capita gross domestic product (GDP), grew at an average 3.1 percent compared to 2.0 percent in the previous five years, and the population living below the domestic poverty line declined by almost 8 percentage points.

Challenge

Colombia experienced economic stagnation during the late 1990s and the early 2000s, and the financial crisis during that period curtailed firms' access to funding. The new government that took over in 2002 laid down a National Development Plan and asked for Bank support to implement it. This plan aimed to support sustainable growth-generating activities that would increase employment, among other goals. To this end, it developed a competitiveness strategy that addressed five key policy areas to stimulate business productivity and efficiency. These included: (i) the overall business environment, (ii) foreign trade and competitiveness, (iii) the financial system and capital markets, (iv) quality standards and technological innovation, and (v) infrastructure and logistics.

Approach

The World Bank's efforts supported several reforms, identified in a series of sector studies backed by IBRD. The studies, produced during 2004 and the first half of 2005, included (i) *Recent Economic Developments in Infrastructure (REDI)*, (ii) *Quality and Logistics Infrastructure for Competitiveness in Colombia*, (iii) *Financial Sector Assessment Program Update*, (iii) *Labor Market Adjustment, Reform and Productivity in Colombia: What are the Factors that Matter?* and (iv) *Colombia Financial Sector Stocktaking*. The government undertook key pro-business reforms including the creation of a one-stop-shop for trade processing, the enactment of the Legal Stability for Investors Law and the Securities Law, regulations for the

More Results



50%

increased on the non-traditional exports

126%

increased the Foreign Direct Investment

11%

percentage points of GDP increased on the total credit to the private sector

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establishment of private equity funds, as well as decrees to simplify inspections and regulations in the area of logistics and transport. The operation also provided flexibility through the use of innovative financial products such as a deferred draw-down option for disbursement.

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Results

These reforms improved the business environment and fostered capital market development, considered key to sustaining growth and alleviating poverty, which benefited the whole Colombian population. Improvements in several key outcome indicators from 2004-2010 reflect the progress achieved by the program:

- Foreign Direct Investment increased by 126 percent.
- Non-traditional exports increased by over 50 percent.
- Total credit to the private sector increased 11 percentage points of GDP.
- Issuance of fixed income securities and equities doubled in number and 11 private equity funds were created.
- Population living below the domestic poverty line declined by almost 8 percentage points.

Bank Contribution

To support the Colombian reforms, IBRD provided US\$1.1 billion during 2005-2008. It also delivered several analytical pieces in 2004 and early 2005 ahead of the preparation of the operation in the second half of 2005. Those included, among others, the 2005 Country Economic Memorandum, a report on the Quality and Logistics Infrastructure for Competitiveness in Colombia and a Financial Sector Stocktaking.

Partners

As part of a closely-coordinated effort within the donor community, the Inter-American Development Bank supported institutional capacity building to implement competitiveness policies in a programmatic policy-based lending series. IBRD also coordinated its actions with the Corporación Andina de Fomento (CAF) and the U.S. Agency for International Development (USAID). CAF supported a number of initiatives to strengthen production chains and clusters in various economic sectors, while USAID backed the design and implementation of strategic capacity building.

Moving Forward

IBRD continued providing support to Colombia through a Financial Sector Development Policy Loan. This loan supported the issuance of the last block of regulations to implement the Securities Market Law. As the global financial crisis deepened in October 2008, the Financial Sector Loan also backed several measures to strengthen the sector's resilience. The Bank approved the loan of US\$300 million on July 8, 2009.

Beneficiaries

The reforms supported by this operation improved the business environment, and fostered capital market development, considered key to sustaining growth and alleviating poverty, which benefited the whole Colombian population.

