



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

COLOMBIA

Public Investment Management Assessment (PIMA) and Climate-PIMA

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Prepared By

Laura Gores, Jean-Baptiste Gros, Ha Vu, Fernando González González, Juana Aristizábal, Rui Monteiro, Emmanuel Rousselot, Ana Cristina Calderón, Carlos Ortiz

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Fiscal Affairs Department

Public Investment Management Assessment (PIMA) & Climate-PIMA - Colombia

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: An IMF team, accompanied by the IDB, conducted a Public Investment Management Assessment (PIMA) and Climate PIMA (C-PIMA) in Colombia. The analysis identified advanced practices for an effective management of public investment, but also identified weaknesses throughout the public investment cycle that affect efficiency and effectiveness of infrastructure delivery including in the face of climate change related challenges. The mission team identified six high priority recommendations to improve public investment management, including from a climate change perspective.

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International Monetary Fund, IMF Publications
P.O. Box 92780, Washington, DC 20090, U.S.A.
T. +(1) 202.623.7430 • F. +(1) 202.623.7201
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Background

At the request of the Minister of Finance and Public Credit (MHCP), a team from the IMF's Fiscal Affairs Department (FAD), accompanied by IDB staff, conducted a Public Investment Management Assessment including its climate module (PIMA/C-PIMA) in Bogota in January - February 2025. The evaluation identifies opportunities to improve the public investment management system which, if implemented, can increase spending efficiency and therefore economic growth. The mission helped the authorities identify the main institutional strengths and the weaknesses that impede better efficiency of Colombia's public investment, including from a climate change perspective.

Summary of Findings

Over the past two decades, Colombia's public investment spending - averaging 3 percent of GDP - though close to OECD levels, has lagged regional and income group peers (with averages above 5 percent in Latin America and the Caribbean (LAC) and in emerging market economies). Consistent with its limited capital stock, Colombia has a comparatively low level of access to educational, health, and electricity infrastructure services. Aware of the country's considerable needs, the authorities are seeking to increase public investment, notably in climate-related infrastructure projects.

There is scope to strengthen the efficiency of public investment in Colombia through better public investment management and thus significantly increase the benefits generated with a given level of capital spending. Colombia lags peers in terms of the perceived quality of public infrastructure (as measured through surveys) and physical access to infrastructure services. Comparing indicators of quality and physical access with the public capital stock, Colombia has an efficiency gap of around 50 percent. This means that the same capital expenditure could generate almost double the benefits it currently provides. This PIMA assessment identifies weaknesses in the public investment management system, both in terms of institutional design and effectiveness, which, if improved, could reduce this gap.

Colombia compares better than other LAC countries and emerging market economies regarding the institutional strength of its public investment management system. It has a stable and effective MTFF, advanced project evaluation and selection techniques, multi-year budgeting processes that tend to protect investment, and rigorous systems for public-private partnerships (PPPs). The introduction of program budgeting in 2025 provides a foundation to further focus public investment on results.

However, challenges were identified that hamper the effectiveness of public investment. They include the complex coordination of capital spending between central and subnational levels, channeled via fragmented sources of financing, the use of extra-budgetary executing entities (funds, trusts, patrimonies) that affect public finance transparency and cash management, spending execution rules that can hide effective debt levels, a public procurement framework that does not guarantee effective competition, and difficulties in producing consolidated monitoring data on the physical and financial progress of projects across a heterogeneous landscape.

The C-PIMA assessment highlights strengths in the institutional design of public investment management with a climate change focus. Planning is the most advanced area: the national and sectoral strategies are consistent with the 2020 Nationally Determined Contribution, and urban planning and building regulations

take climate risks into account. These risks are also effectively incorporated into PPP contracts. Financial mechanisms are also in place to cover rehabilitation needs in the event of natural disasters. There is however room to adopt more climate-sensitive practices. There is a methodology for disaster risk analysis for project preparation, whose use is not mandatory. Prioritization of large public investment projects does not follow climate criteria. There is a lack of coordination of climate investment decisions between central government entities. Public capital investment expenditure is not monitored, and there are no guidelines to track climate results of projects.

Summary of Recommendations

Public investment management in Colombia needs to be strengthened to provide more and better public infrastructure, and to address climate change challenges. The mission team prepared a medium-term action plan, structured around six high-priority recommendations:

- *Better coordinate public investment projects between national and subnational governments*, including with a climate focus, and strengthen the capacity for public investment management at the subnational level to enhance implementation rates.
- *Revise the classification of projects to clearly distinguish between capital and social investment*, and between small and large projects, which will allow for more analytical reporting and better calibrated management processes. Based on this, adjust the evaluation and selection processes of infrastructure projects to the size of projects, and incorporate a climate focus.
- *Refine the program budget structure and multi-year presentation of capital expenditure in the budget*, report capital together with its recurrent expenditure and multi-year expenditure. Identify public climate spending, particularly capital spending, through a climate marker in the financial management information system (SIIF).
- *Better oversee extrabudgetary entities in terms of budgetary transparency and cash management*, starting with an inventory of the entities and their accounts before exploring options to harmonize rules.
- *Strengthen the procurement agency Colombia Compra Eficiente to ensure competitive public procurement*, as well as exhaustive, transparent and analytical information on public procurement.
- *Ensure reliable and exhaustive monitoring of the physical and financial execution of projects*, to provide reliable financial data and analytical reports, including on climate aspects, for a broad array of projects.