



*Municipal Reporting to the Central Government
in Colombia: Diagnosis and Recommendations*¹

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Acronyms and Abbreviations

FCM	Federation of Colombian Municipalities
USAID	United States Agency for International Development
NPD	National Planning Department
EEIS	Efficacy and Evaluation Information System
FUT	<i>Formulario Único Territorial</i> or Single Territorial Form
COP	Colombian peso
ICT	Information and communications technology
CHIP	Financial and Public Information Consolidating System
OECD	Organisation for Economic Cooperation and Development

Municipal Reporting to the Central Government in Colombia: Diagnosis and Recommendations

1. Subnational entities in Colombia have voiced complaints about the overload of reporting requirements coming from central-level institutions (including control institutions); however, concrete and updated information on these requirements has been limited. There have been at least three initiatives attempting to consolidate municipal reporting. The first attempt, led by the Federation of Colombian Municipalities (FCM) and the Transparency for Colombia Corporation in 2007, recommended that municipal governments present 139 reports per year.² In another attempt as part of the Public Policy Program financed by the United States Agency for International Development (USAID), the National Planning Department (NPD) requested support to develop an assessment of the number of reports that municipalities were required to present to both department and central government levels, in addition to simplification recommendations based on the assessment.³ The third initiative was a webpage developed by the Information and Communications Technologies Ministry that included a virtual agenda to aid majors in preparing the reports, including partial information on milestones and deadlines for submitting the reports.⁴ The administration of the webpage was recently transferred to the National Planning Department.

2. **In order to consolidate accurate information with regard to reporting activities of municipalities to central government, the World Bank decided to conduct an assessment study.**⁵ The study sought to support Colombian government efforts to reduce and simplify reporting from subnational governments.⁶ The study carried out a mapping of the reporting requirements from central government institutions as well as a preliminary assessment of the time and costs of compliance for municipalities. The results were compiled in a report inventory of formal audit and internal control reports that in turn provided recommendations to simplify the reporting requirements of municipalities.

I. Assessment

3. The objective of the World Bank-conducted assessment study was to provide insight into the costs (in time and resources) associated with subnational reporting and

² The product of this initiative was a mapping of 139 reports required of subnational governments to central government institutions, including formal control agencies and the Cundinamarca and Cacia Valley departments. The map was systematized on an Excel spreadsheet shared with the World Bank team by FCM. The deadlines for submitting reports were also consolidated by FCM, which publishes a schedule for governors and majors.

³ The purpose of the study was not to consolidate a complete inventory of reports, and focused its analysis on eight reports. See Podlesky and Andrés (2014) “*Lineamientos de Política de Desarrollo Territorial – Componente de Reportes de Información*”. Document prepared for the USAID Public Policy Program.

⁴ Currently, the NPD Territorial Portal (available at www.portalterritorial.gov.co) no longer includes the milestones agenda and schedule.

⁵ This note is based on a study carried out by the World Bank in collaboration with the NPD Directorate for Sustainable Territorial Development and the Fiscal Support Directorate of the Ministry of Finance.

⁶ For additional details, consult the 2014-2018 National Development Plan, Article 188 of Law 1753 enacted in 2015, as well as the government’s Good Governance Strategy (product e under Objective 1) and the document “Basis for the National Development Plan”.

provide input into simplifying management and improving the overall quality, relevance, and timeliness of the information. To this end, a 2014 inventory comprising the number of reports and reporting events was constructed based on a series of field interviews and a survey.

A. Methodology

4. A definition of what constituted a report was established to clarify the scope of the assessment; in addition, a distinction was made between types of reports and reporting events. A “report” entailed the submission of municipal information to any national-level institution, and was a recurrent request, with a predefined periodicity. The “types of reports” were counted regardless of their periodicity to provide an idea regarding the total number of reports. The number of “reporting events” associated with each type of report was also counted to capture periodicity.⁷

5. **Overall, 42 municipalities participated in the online survey with input from 46 municipal secretariats (29 financier secretariats and 17 planning secretariats).**⁸ Since it is not possible to establish the actual number of municipalities that effectively received and read the survey-participation invitation, the response rate can be misleading. Nevertheless, the response rate was established at 28 percent.⁹ Despite the low-response rate and some anomalies in questions regarding perception, it was determined that the use of an electronic survey was a valuable, efficient, and effective way to obtain information. The use of this instrument is recommended for future similar experiences. Responses could have been improved with experimenting with email invitations to assure initial contact and clarity of instructions with all parties (central government institutions, subnational governments or organizations such as the Colombian Federation of Municipalities). If necessary, it would also be helpful to offer incentives to encourage participation (commendations, sanctions, etc.).

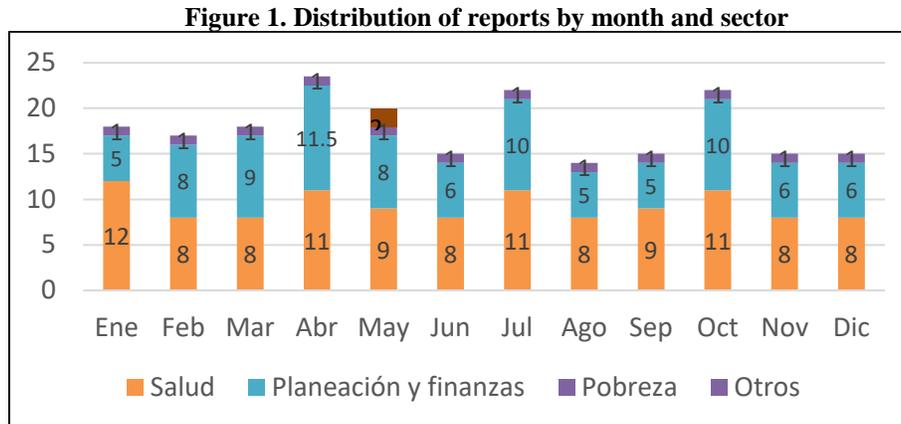
6. **Additional to the survey, field-based interviews identified 47 different types of reports with varying periodicity.** When looking at the periodicity of each report, there were on average 233.5 yearly reporting events per municipality. However, it was not possible to establish the periodicity of 6 types of reports requested by the Ministry of Education (5 reports) and the Ministry of Labor (1 report). Furthermore, based on the information gathered from central-level institutions, there is a peak in reporting deadlines in April (23 reports), and July and October (each with 22 reports). The lowest due dates are in August (14 reports) as well as June, September, November, and December (with an

⁷ For example, the report for the Unified Debt Statistical System had to be presented monthly. This reported counts as one report, but with 12 associated reporting events.

⁸ Four municipalities submitted survey answers from both the planning and finance secretariats.

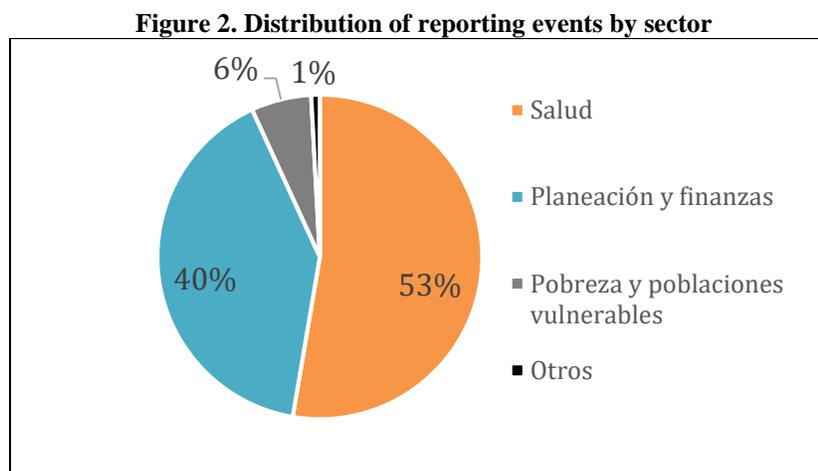
⁹ The low response rate implies that the results must be cautiously interpreted and are not representative for the country. However, there are many possible reasons behind the low response rate. On the one hand, municipal staff do not regularly consult their institutional email for incoming correspondence. Moreover, since survey participation was voluntary, there were no incentives for participation. In addition, the fact that the invitation was not sent by NPD Directorate for Sustainable Territorial Development or other government entity could have affected response rates. Voluntary participation was selected to avoid a potential perception bias of the exercise. Nevertheless, the results provide useful insights to characterize the reporting requirements at the municipal level.

average of 15 reports due each month). However, since it was not possible to establish due dates for 14 reports, these figures could change. Figure 1 depicts distribution of reports by month and sector.



Source: Interviews and support documentation provided by central and subnational governments, as well as control entities.

7. **Most of the reports fell under the health sector with requests from the Ministry of Health, the National Health Institute, and the Health Superintendence.** Overall, 18 reports were requested by these entities, and 8 reports are to be submitted monthly, which implies over 123 yearly reporting events for the sector. In the case of planning and finance, 20 different reports were identified. However, they only entail 94.5 yearly reporting events, including the bi-annual report for the General Royalties System. Figure 2 presents the percentage of reporting events by sector. The education sector is missing due to unavailability of data.



Source: Interviews with central government, subnational governments, and control entities
Note: The figure does not include data for the education sector.

8. **While fieldwork and document review gives a representative inventory for 2014, the number of reports alone is not the best indicator for measuring workload, efficiency, or utility of reporting requirements established by the central government.**

Some reports might be missing in the inventory due to limited centralized information at the local level, and frequent changes of reporting requirements and deadlines. In addition, the inventory does not include new report requirements introduced in 2015 and 2016. The total number of reporting events registered (233.5) includes simple reports that only require quick updates of records and also more complex reports that demand weeks of preparation. For example, the Registry of Persons with Disabilities must be submitted monthly, whereas the report on the Efficacy Evaluation Information System (EEIS) is produced only once a year. However, the one annual EEIS report could require several weeks of staff time compared to the monthly Registry. In this regard, many survey participants identified the EEIS report as the most time consuming among the 9 planning and financial reports mapped. For another reason, small municipalities tend to have less financial and human resources than larger ones. There is also considerable variation in terms of report complexity and time required for each report. Moreover, the total number of reports and periodicity may also vary since not all local governments must submit all the reports as reported across the municipalities.

B. Assessment Findings

9. There is little coordination among central government entities; this shortcoming has led to fragmented and disarticulated reporting requests to municipalities. Except by coordination efforts such as by the Single Territorial Form or *Formulario Único Territorial (FUT)* Administration Committee, most of the entities tend to request information directly from municipalities without first establishing if it is feasible to obtain the data from other sources or if there might be a duplication of reports already requested by other entities. Moreover, there is no assessment of the cost that the report implies for municipal governments nor its usefulness for local management purposes. An exception to this feature is GESPROY, which was conceived as a management tool for subnational governments and supervision by the central government.

10. **The lack of coordination at the central level implies that municipalities must interact with multiple actors and bewildering requests as well as little clarity regarding report obligations.** The lists of reports identified by municipalities during the survey are not consistent among the locales and do not always match those identified by central government entities. The survey showed that there was little clarity as to which institution was requesting a report or what were the deadlines for submitting the information. It was clearly evident that the information available to municipalities in terms of reporting obligations is incomplete and inaccurate despite efforts such as the Territorial Portal, and the agenda delivered by the Federation of Municipalities to each mayor. In addition, municipal staff had difficulty in identifying their counterparts at the government entity or unit requesting the report since the municipal staff must often interact with more than one unit within a single entity. This seems to be the case at the National Planning Department that administers several reports. Finally, the lack of coordination also generates duplication and overlapping of efforts that are costly in terms of the necessary information systems and personnel required to prepare the reports with little utility in the end for municipal governments.

11. **The disarticulation of reports requested by the central government, as well as by national and department control entities, was identified in the survey as a source of concern by municipal governments.** Reports are often duplicated particularly regarding financial management information and the implementation of municipal development plans. The national government as well as central and department control entities request similar information in different formats and channels. Financial reporting activities are especially inefficient due to duplication of their content and the processing of information. While interconnectivity and cost-effectiveness of transmission are key advantages of electronic data systems, it is inefficient when data already registered in one system must be re-entered on a different platform. System interconnection should facilitate the flow of information. The survey marked a proliferation of information systems at the municipal level that require the user to re-enter the same information separately on different systems. This practice negates a system that should improve the consistency of data and minimize the cost of monitoring and updating the information.

12. **Based on survey results, the estimated average costs of reporting activities in 2014 for each municipality was COP 22.5 million (US\$9,405).**¹⁰ If the cost to secretariats other than finance and planning is also considered, the total average cost would reach COP 40 million (US\$16,719). In the case of finance secretariats, the estimated average cost reached COP 23.2 million, (US\$9,697) whereas for planning secretariats the average cost was COP 21.5 million (US\$8,987). To calculate the costs of reporting activities, the survey asked for the number of people involved in reporting activities, their monthly salary, and the number of days dedicated to prepare and submit the reports. With this information, the team estimated the costs, leaving aside outliers that were analyzed separately on a case-by-case basis. The results are consistent with the anecdotal evidence provided as part of a study commissioned by the Ministry of Finance Fiscal Support Directorate, which stated that the total cost of hiring contractors to prepare and file the quarterly and yearly FUT reports amounted to COP 16 million (US\$6,688) per year.

13. **Both finance and planning secretariats at the municipal level would require at least one person with full-time dedication to complete the reporting requirements set by the central and the department levels of government.** Nevertheless, the precise calculation of the required staff time across municipalities is difficult since reporting tasks often involve several people with partial- or full-time dedication depending on the complexity and the report due dates. In this regard, the survey results suggest a mismatch between the perception of municipal staff regarding the distribution of the workload within a given year and the fact that March and April are the most-demanding months in terms of reporting workload. This misleading perception could be the result of not managing an effective workload but also inefficiencies and duplications.

¹⁰ The exchange rate used was USD 1 = COP 2,392.46, which was the exchange rate reported by the Bank of the Republic (Colombia's central bank) for December 31 of 2014.

14. **The maintenance and development cost of different technological platforms to support and systematize reports is considerably high for the national government.** While the interviews with central-level entities did not collect information on the associate costs of reporting at the central level, field work produced evidence that many reports were managed through independent ICT platforms. In this regard, most national government entities acquire and administer their own platforms, except for the reports included in the Financial and Public Information Consolidating System (CHIP by its Spanish acronym). Each institution is also responsible for covering the costs of staff in charge of the design and processing of the reports.

15. **Moreover, municipalities perceive that several reports submitted to central government entities are not being utilized.** This perception is reinforced by the fact that municipalities neither receive feedback from the central level regarding the quality of the information nor the conclusions or recommendations derived from its content. The duplication of reports and the lack of feedback and clarity regarding its use have contributed to the perception among municipal governments that reports are excessive and inefficient. This perception was consistent in both the interviews and the surveys and generates a belief of a disproportionate and unnecessary reporting workload.

16. **In conclusion of assessment findings, the available resources and institutional arrangements at the municipal level are not adequate to meet the reporting requirements.** The main limitation is related to human resources and the rotation of municipal staff with every new administration. This has led in many cases to outsourcing reporting tasks to contractors. Furthermore, many municipalities must face the challenge of weak connectivity or, in some extreme cases, lack of electrical power, which makes difficult the utilization of electronic platforms and systems. And finally, besides coordination challenges among municipal institutions to prepare and consolidate information, the institutional priorities often assign reporting a secondary role. Overall, municipalities seldom use reports for management purposes. Per the interviews carried out in municipalities, many of the reports are prepared only to comply with mandatory requirements of the central and departmental levels of government rather than to provide useful information for decision-making purposes, local management improvement, and quality service delivery at the municipal level.

3. Recommendations

17. Too many reports is one of the most frequent complaints of municipalities. In this regard, the 2014-2018 National Development Plan includes a goal related to reduction of the overall number of reports and established a mandate to consolidate reports on various topics under the FUT umbrella, which encompasses several reports gathering financial, budgetary, and accounting information of subnational governments.¹¹

¹¹ In September 2016, the government issued Decree 1536 to implement provisions of the National Development Plan and introduce some modifications to the administration of FUT. The Decree states that FUT will “*seek to decrease the number of reports, as well as to simplify and improve the quality of basic official reports that compelled institutions must present*” (Article 1). In addition, the Decree barred central government institutions from independently requesting information that is already collected by FUT.

18. **There should be single-unit coordination at the central level to streamline all national government information requests.** The streamlining could make use of existing institutional arrangements. While sector ministries could continue to administer their information systems, they should inform a proposed central unit about requested data, periodicity and deadlines, and purpose of the report to avoid duplication and then be able to construct synergies with already existing reports.

19. **Such a proposed unit could also serve as focal point in the interaction and coordination between municipalities and the central government.** Over the medium term, the functions of this unit could be expanded to centralize and manage coordination with municipalities not only in terms of reports but also with regard to the overall communications between the national government and subnational governments. A similar arrangement has been implemented by Norway through its KOSTRA reporting system, which has been recognized by OECD as a success story and an international best practice (See Box 1).

Box 1. The Norwegian experience: The KOSTRA system

KOSTRA is a communication, registry, and information management system that allows the central government to monitor financial and sector management at the local level, while at the same time provides a management tool for subnational governments to administer several of their own activities.

Representatives from central-level institutions, including the Statistics Department, jointly design the KOSTRA content. The key strength of the system lies at the ease of reporting and rapid systematization of the information. Monitoring reports are constructed based on administrative registries stored on a common database administered by the Statistics Department, which serves as the focal point both for the systematic gathering of data, and the coordination of information requests from central government institutions. In addition, the Statistics Department adds analytical value to the data provided by municipalities by crossing this information with other statistical variables available in the database. This enriched information is shared with local governments for their own management and planning purposes.

On the other hand, KOSTRA also simplified the interaction of the different levels of government. Previously, municipalities had to interact with various organizations at different levels on a separate manner, which generated confusion and inefficiencies. With the introduction of KOSTRA, interaction with the central government takes place only through the Statistics Department. The figures below illustrate the change in the reporting structure from a decentralized approach (Figure A) to a centrally coordinated line of reporting introduced by KOSTRA in Norway (Figure B).

Figure A - Reporting line before KOSTRA

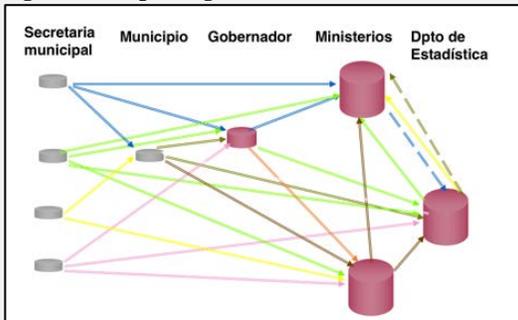
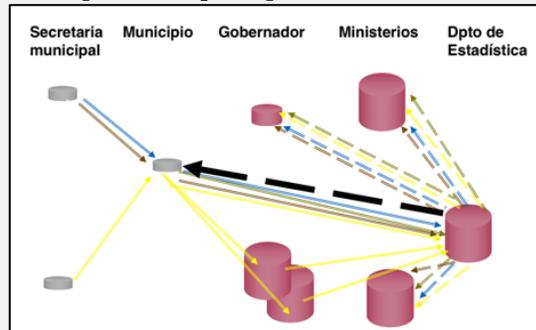


Figure B – Reporting line with KOSTRA



Source: Norwegian Association of Local and Regional Governments: http://norway.projects-namrb.org/images/archiv/oslo_7_9/4_Local_Government_State_Reporting.pdf

20. **Over the medium and long term, the proposed central coordination unit could administer a single reporting platform that would provide line ministries with the necessary data.** As an alternative, the proposed unit could coordinate the operation of the various platforms that are currently under the responsibility of different entities. This would allow consolidation of available information and reduce the duplication of requests to municipalities. The consolidation of information or greater interaction among existing platforms has potential to rationalize and simplify reporting processes and reduce related costs.

21. **The management of information should be consolidated and simplified.** The centralized administration of information and the technological support platforms would generate substantial improvements in terms of coordination as well as efficiency gains in reporting activities. It would be important to explore the possibility of offering a budget and treasury management information tool to those interested municipalities that were unable to acquire a quality ICT support tool for these areas in the software market. On the other hand, a monitoring framework based on administrative registries can greatly reduce the volume of reports for municipalities. Nevertheless, it is crucial that municipalities receive feedback from the central government regarding the data provided and that the central government shares this data with local governments with added analytical value. To this end, it would be important to strengthen and enhance initiatives such as the Territorial Portal in the short run and homogenize the budget and accounting information required by national and departmental comptroller offices.

22. **The design and use of tools to assess reporting requests from central government institutions to municipalities would help to identify duplications as well as simplification opportunities.** The following suggestions of potential criteria and general conditions would help assess information requests from the national government. These criteria can also be used to evaluate current reports and eliminate or simplify them in case they do not pass the assessment.

- a) ***Inexistence of duplicity.*** The requested data should not be included as part of any other existing report.
- b) ***No reprocessing of data.*** The requested data should not be obtained directly by the requesting entity based on the municipal administrative records.
- c) ***Evidence of utility.*** The requesting entity should clearly explain the intended use of the data and how the new report and data would be useful for the management of municipal governments.
- d) ***Cost-benefit analysis.*** The requesting entity should estimate the costs of compliance with the new information requirement, both for itself and the municipalities, considering the existing capacity and coverage of current information systems and human resources, among others. In addition, it should quantify the expected benefits that obtaining the data would entail.

23. **Coordination processes should be improved within municipalities to facilitate reporting.** In this regard, it is necessary to design a framework that places the major at the

center of both development planning and the monitoring of progress in the implementation of the local development goals. This requires strengthening the planning functions of municipalities, which would also contribute to improve quality and ownership in the formulation of local development plans in the medium term.

4. Priority Actions

24. The following list summarizes the priority actions derived from the recommendations. The proposed actions would allow increasing the usefulness and efficiency of reporting activities at the municipal level in the short run.

- a) Establish a single unit to centrally coordinate and assess information requests from the central level to municipalities and new reports.
- b) Establish that line ministries and central government entities coordinate with the single unit (the National Planning Department, for example) when requesting information and reports from municipalities, including submission deadlines that would enable to construct a complete calendar to share with municipal governments.
- c) Consider a reduction in the periodicity of reports, particularly of those that must be prepared and presented monthly, with the purpose of monitoring goals from the National Development Plan.
- d) Carry out a study of the 47 types of existing reports to identify overlapping and duplicate information, and implement actions to simplify them.
- e) Explore the possibility of using administrative records and the available ICT tools at the local level to directly obtain budget and accounting data.
- f) Over the long and medium term, seek ICT solutions that would enable the use of administrative records for the monitoring and local management purposes.
- g) Assess how useful the existing reports are for both the national government and municipalities, particularly those related to the level of implementation of local development plans.